# 2010

## Länsförsäkringar Alliance
## Annual review

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

# Contents


2 2010 in brief
4 Comments
6 This is Länsförsäkringar
8 Non-life insurance
18 Life-assurance and pension insurance
26 Bank
34 Real-estate brokerage
36 Social responsibility
38 Environment
40 Employees
43 Länsförsäkringar Alliance in figures
54 Länsförsäkringar AB
56 Owner control
58 Terms and expressions
60 Financial calendar 2011
61 Addresses

## Local decision-making authority

Länsförsäkringar's definition of local focus is about more than a broad network of branches throughout Sweden. The regional insurance companies have a total of 140 branches, from Ystad in the south of Sweden to Luleå in the north. This is one definition of being close to customers. But the major difference between Länsförsäkringar and other companies is that the decisions that are important to customers are made locally. Länsförsäkringar's local branches are not run from a head office with responsibility for all of Sweden. Everything is based on the experience of local decision-making authority combined with joint strength, creating added value for customers.

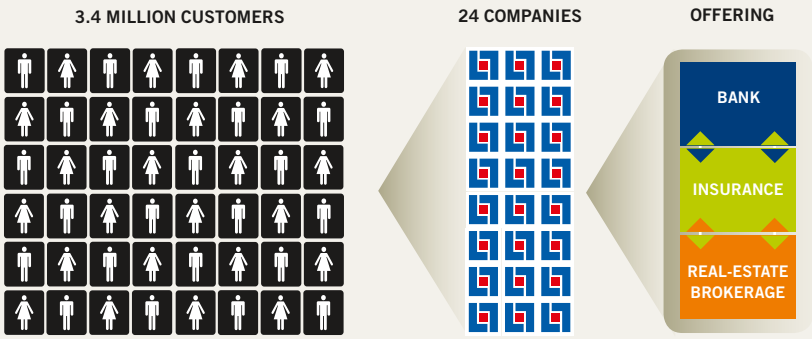
# Länsförsäkringar in brief

## Customers – the only employers

Long-term respect for customers' money is fundamental to Länsförsäkringar. The approach is always characterised by the view that Länsförsäkringar is handling its customers' money, not its own, regardless of whether we are dealing with insurance, pension savings or banking services. There are no external shareholders and no financial interests besides what is best for customers. The only task is to respect their money and ensure a sense of security.

## Banking, insurance and real-estate brokerage – they go together.

Under a single brand, customers are provided with a complete offering of banking, insurance and real-estate brokerage services by their respective regional insurance company. A comprehensive approach to customer meetings characterises the entire operation. Regardless of whether they occur in person or via the Internet, customer meetings shall be based on the customer's needs and the breadth of Länsförsäkringar's offering. This holistic approach is taken into consideration in the development and offering of non-life insurance, life assurance, pension insurance and banking services.



**Satisfied customers** Länsförsäkringar has long held a top ranking in the customer satisfaction survey performed by the Swedish Quality Index (SQI), which measures how satisfied customers are with their banks and insurance companies. The results of the 2010 survey showed that Länsförsäkringar had Sweden's most satisfied retail bank and mortgage customers. A first-place ranking was achieved for non-life insurance, and a second place in commercial insurance number. For life assurance, Länsförsäkringar was ranked first in commercial insurance and second in private insurance.

## Life assurance – High bonuses for pension savers

Länsförsäkringar has stood by its non-life insurance customers for 200 years although only barely 25 years supporting its life-assurance customers and pension savers. Länsförsäkringar's life-assurance operations continue to display a stable performance, based on the same recipe for success as the non-life insurance operations.

The extreme market fluctuations in recent years have clearly demonstrated the value of a long-term approach – Länsförsäkringar's traditional life-assurance customers have received a bonus rate that is among the best in the industry in both the long and short-term.

## Bank – Sweden's most satisfied bank customers

The banking operations continue to report strong growth and increasing market shares. Länsförsäkringar offers a full range of banking services primarily to the retail and agricultural market. Länsförsäkringar has Sweden's most satisfied retail bank customers and most satisfied retail mortgage customers – and is increasing its lead over other players.

## Non-life insurance – Largest player in non-life insurance

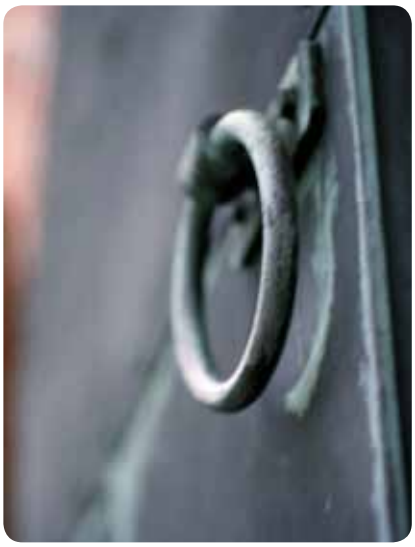
Länsförsäkringar has insured Swedes for more than 200 years, and today, almost three million people are private customers of the local regional insurance companies, corresponding to every third Swede. Confidence is equally high among companies in Sweden – the market share is slightly more than 35%. Moreover, more than 70% of farmers have selected Länsförsäkringar.

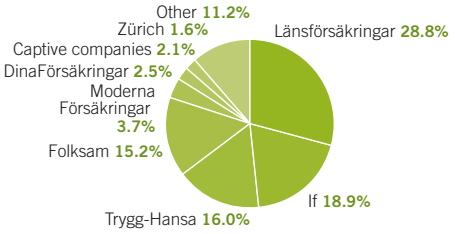
**Long-term security** Each regional insurance company is owned by its customers and is governed by respect for customers' money and a sense of security. There are no other interests to bear in mind except for customers' interests, and long-term financial interests are always given priority over short-term interests.

**Comprehensive real-estate brokerage** In addition to assistance from experienced and knowledgeable brokers, Länsförsäkringar Fastighetsförmedling also provides individuals who are selling or purchasing a home with access to a broad range of banking and insurance services, financial advisory services, extensive claims prevention expertise and the company's offering associated with this area. Länsförsäkringar Fastighetsförmedling always has a local base in the offerings of the regional insurance companies, thereby distinguishing itself from nationwide real-estate brokerage chains, which are controlled and managed centrally.

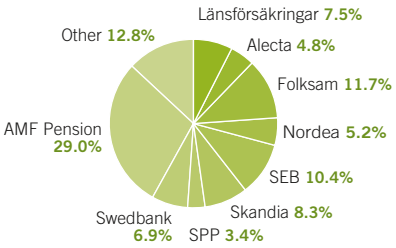
# 2010 in brief

- 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 (SQI).
- The leading position in the non-life insurance market was retained with a share of 28.8%. The technical result amounted to SEK 529 M (1,688) and operating profit to SEK 2,552 M (5,449).
- The Länsförsäkringar Alliance's solvency level in non-life insurance was uniquely strong both in a national and international context. Solvency capital rose to SEK 34,668 M (31,747) and the solvency margin increased 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%. Despite a return that did not meet expectations, customers' insurance capital displayed a positive trend during the year since the bonus rate was at an average of 6.2%.
- Operating profit in the banking operations rose to SEK 345 M (258). Net interest income rose to SEK 1,363 M (1,148). Growth remained high with business volumes rising to SEK 232 billion (204). According to the Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers.
- Growth in the real-estate brokerage is very strong and Länsförsäkringar is now Sweden's third largest brokerage. Some 31 branches were opened in 2010 bringing the total to about 130. Residential properties were sold for SEK 16 billion in 2010.
- The number of customers in the Länsförsäkringar Alliance at year-end was about 3.4 million.

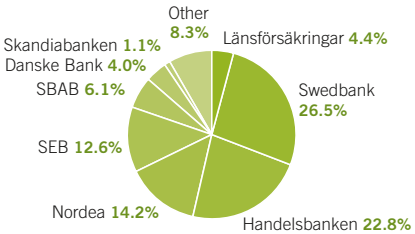





**MARKET SHARES OF NON-LIFE INSURANCE (SHARE OF PREMIUMS PAID)**
Länsförsäkringar maintained its position as a leader in the non-life insurance market, with a market share of 28.8%.




**MARKET SHARES OF TRADITIONAL LIFE ASSURANCE (NEW SALES)**
The market shares of companies who were managing the funds for those not making an active choice of pension agreement increased significantly in 2010, which resulted in lower market shares for such companies as Länsförsäkringar.




Source: Moneymate

**MARKET SHARES OF HOUSEHOLD AND RETAIL MORTGAGE LENDING**
With a share of market growth of almost 9%, Länsförsäkringar increased its market share from 4.0% in 2009 to 4.4% in 2010.

## FIVE-YEAR SUMMARY

**Länsförsäkringar Alliance, non-life insurance**

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Solvency capital, SEK M | 34,668 | 31,747 | 25,916 | 34,140 | 32,093 |
| Solvency margin, % | 190 | 174 | 146 | 198 | 195 |
| Premiums earned after ceded reinsurance, SEK M | 18,188 | 17,828 | 17,406 | 16,671 | 16,362 |
| Technical result, SEK M | 529 | 1,688 | 2,453 | 2,322 | 2,114 |
| Operating profit/loss, SEK M | 2,552 | 5,449 | –7,511 | 3,606 | 4,545 |
| Combined ratio | 102 | 96 | 93 | 93 | 93 |
| Return on equity, % | 7 | 18 | –25 | 11 | 16 |

**Länsförsäkringar AB, Group[1)]**

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Solvency capital, SEK M | 10,613 | 8,710 | 7,907 | 11,652 | 10,713 |
| Total assets, SEK M | 173,850 | 157,005 | 130,554 | 116,241 | 91,184 |
| Return on equity, % | 6 | 7 | –29 | 10 | 8 |

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

**Länsförsäkringar Bank, Group**

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

**Länsförsäkringar Liv, Group**

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

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

## CREDIT RATING

| Company | Agency | Short-term rating | Long-term rating |
|---|---|---|---|
| Länsförsäkringar Bank | Standard & Poor's | A/Stable | A–1(K–1) |
| Länsförsäkringar Bank | Moody's | A2/Stable | P–1 |
| Länsförsäkringar Hypotek[1)] | Standard & Poor's | AAA | – |
| Länsförsäkringar Hypotek[1)] | Moody's | Aaa | – |
| Länsförsäkringar AB | Standard & Poor's | A–/Stable | – |
| Länsförsäkringar AB | Moody's | A3/Stable | – |
| Länsförsäkringar Sak | Standard & Poor's | A/Stable | – |
| Länsförsäkringar Sak | Moody's | A2/Stable | – |
| Agria Djurförsäkring | Standard & Poor's | A–/pi[2)] | – |

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

## PROFIT/LOSS OF THE REGIONAL INSURANCE COMPANIES

| | Technical result[1)] | | Operating profit[1)] | |
|---|---|---|---|---|
| SEK M | 2010 | 2009 | 2010 | 2009 |
| Länsförsäkringar Norrbotten | –28 | 20 | –30 | 162 |
| Länsförsäkringar Västerbotten | 80 | 87 | 237 | 389 |
| Länsförsäkringar Jämtland | 12 | 58 | 86 | 159 |
| Länsförsäkringar Västernorrland | –72 | –37 | –41 | 30 |
| Länsförsäkringar Gävleborg | 31 | 22 | 34 | 49 |
| Dalarnas Försäkringsbolag | 92 | 213 | 310 | 733 |
| Länsförsäkringar Värmland | 12 | 49 | 52 | 109 |
| Länsförsäkringar Uppsala | –52 | 37 | 34 | 184 |
| Länsförsäkringar Bergslagen | –4 | 82 | 294 | 418 |
| Länsförsäkringar Stockholm | 89 | –115 | 172 | 103 |
| Länsförsäkringar Södermanland | –26 | 27 | 155 | 217 |
| Länsförsäkringar Göteborg och Bohuslän | 25 | 94 | 278 | 568 |
| Länsförsäkringar Skaraborg | 7 | 35 | 27 | 101 |
| Östgöta Brandstodsbolag | 4 | 71 | 258 | 463 |
| Länsförsäkringar Älvsborg | –61 | 47 | 101 | 463 |
| Länsförsäkringar Gotland | 10 | 14 | 26 | 65 |
| Länsförsäkringar Jönköping | –43 | 78 | 158 | 315 |
| Länsförsäkringar Halland | 19 | 72 | 124 | 180 |
| Länsförsäkring Kronoberg | 9 | 36 | 62 | 123 |
| Länsförsäkringar Kalmar län | 54 | 77 | 220 | 275 |
| Länsförsäkringar Blekinge | 30 | 41 | 62 | 120 |
| Länsförsäkringar Göinge | –10 | 23 | 35 | 104 |
| Länsförsäkringar Kristianstad | 7 | 17 | 55 | 91 |
| Länsförsäkringar Skåne | 172 | 180 | 647 | 653 |

1) Before bonuses and discounts.

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

COMMENTS

# We are broadening our offering and provide a unique full-service solution

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

### Clear customer advantages

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

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

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

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

### Stable earnings and healthy growth

2010 was a successful year for the Länsförsäkringar Alliance. In general, earnings and key figures were favourable and stable, although we must improve returns in 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. The bank had almost 70,000 new customers during the year and the life-assurance operations experienced major market success with business volumes reaching historically high levels. Premiums earned for non-life insurance rose a couple of percent, the number of insurance policies increased and we maintained our position as the clear market leader. The amazing progress of the real-estate brokerage continued – 31 new branches opened and Länsförsäkringar Fastighetsförmedling is now Sweden's third largest brokerage.

There were also a few grey clouds. I already mentioned the weak returns for traditional life assurance. It snowed heavily at the beginning and end of the year and all of the resulting claims, involving buildings and road traffic, had major effects on a group of companies that has as large market shares as we have. The total costs of the winter's claims was almost SEK 1 billion.

### They go together

Banking, insurance and real-estate brokerage go together for us. Everyone needs sound private finances with private savings, for example, to buy a home or save money and increase capital. What you buy – be it a car or a home – needs to be protected. At Länsförsäkringar, customers can do everything under one roof. You walk through the door and receive assistance in all areas that essentially go together: banking, insurance and real-estate brokerage services.

### New regulations positive for customers

Legislators focus more on the best interests of customers and society when new regulations are initiated. As a customer-owned

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

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

### More bank in the brand

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

### Widespread debate on savings

Länsförsäkringar's sole task is to provide and create a sense of security and one of the most important areas today is to help people have their own, and sufficient, buffer of savings. Our own surveys have shown that slightly more than 10% do not have any buffer at all for unforeseen events. Almost every fourth Swede has a buffer of less than SEK 20,000. Consequently, it means that private finances are highly vulnerable, especially now that housing costs are rising due to higher interest expenses. We want to bring about for our customers, and everyone else in Sweden, the sense of freedom given by a buffer – everything from the security of being able to afford an unexpected expense to the freedom to have a deposit on a home, to be able to go on a spontaneous trip somewhere or simply enjoy a little luxury in everyday life. A buffer not only stabilises private finances, it also creates a more stable national economy.

The first step in achieving this goal is to have a broader debate on the need for increasing savings. Progress should not stall at the proposal stage and merely involve different forms of securities, as the idea of investment accounts has signalled to date. The aim is not to get more people interested in securities but to create heightened security by having a personal savings buffer. Länsförsäkringar will intensify its work on helping more organisations realise the need for incentives to stimulate private savings. We view this issue as an important matter for society for everyone to have access to secure private finances.

### Three priorities

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

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

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

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

Stockholm, March 2011
On behalf of the 24 regional insurance companies

Sten Dunér
President of Länsförsäkringar AB

*The Länsförsäkringar Alliance is unique in the Swedish financial service market. The 24 customer-owned regional insurance companies cooperate, thereby combining the ability of a small company to understand customers with the advantages of economies of scale. All of the companies have a strong local base in their individual home markets and have no ownership interests other than those of their own customers. The task is to offer full-services based on different combinations of banking services, non-life insurance, accident and medical insurance, life assurance, pension and fund savings and a comprehensive real-estate brokerage through Länsförsäkringar Fastighetsförmedling.*

# This is Länsförsäkringar

Under a single brand and through each of the 24 regional insurance companies, customers are provided with a complete offering of banking, insurance and real-estate brokerage services. Over two centuries, simplicity, proximity and local decision-making authority have built up the success of the non-life insurance operations and been translated into the financial and real-estate brokerage services. Länsförsäkringar's leading position in the non-life insurance market has been strengthened and the life-assurance operations' focus on growth and enhanced efficiency has yielded favourable results. The banking operations are growing in both volumes and profitability and the foundation has been laid for becoming a first choice in banking, particularly for existing customers. Real-estate brokerage has gone from zero to the third largest brokerage in Sweden in only a few years. This is an example of the strength of the brand and the customer advantages in combining all elements of a reliable mortgage transaction in one company. The healthcare area is another strong growth market for the Länsförsäkringar Alliance.

However, more than attractive products are required in order to measure up to the customer-oriented concept that forms the foundation of Länsförsäkringar's operations. Customers must consider combining their banking and insurance commitments with their local regional insurance company to be a natural and beneficial step. This approach characterises the entire business. Regardless of whether they occur in person or via the telephone or Internet, all customer meetings are based on the customer's needs and the comprehensive nature of Länsförsäkringar's offering. The clear benefits of combining solutions for personal finances are encapsulated in the communications concept of "Länsförsäkringar Bank, Insurance and Real-estate brokerage – they go together."

### Growing together with customers

The operations were founded more than 200 years ago and the basic model is the same as the one applied in 1801 – local, customer-owned companies that work closely with customers. Focus has always been concentrated in growing close to customers, alongside them. Länsförsäkringar Alliance has enjoyed an even and cyclic rate of development for many years, always based on changes in society and demand from customers. New business has been initiated, been shaped, grown, become profitable and a natural and important part of the regional insurance companies' local offering. The market for each regional insurance company is their respective county and growth takes place by persuading more existing customers to see the advantages of combining a broad range of commitments with their regional insurance company. The growth potential of the existing customer base is immense with the uniquely strong base of non-life insurance customers - and satisfied non-life insurance customers at that.

The single greatest challenge faced today is to incorporate more banking services into the brand. Customer want a bank that represents Länsförsäkringar's values, yet many know their regional insurance company as an insurance company that offers a few simple banking services. Much work remains to be done to clearly and consistently show that Länsförsäkringar is also a proper bank. But a platform has been created for seriously challenging the large banks. The core of the task is to persuade the majority of existing customers to choose Länsförsäkringar as their bank.

### Being both small and large scale

Together, the Länsförsäkringar Alliance has learnt to strike a balance between the small and large scale. Cooperation within the Alliance has emerged from a bottom-up perspective, not the other way round. The local companies decided to cooperate together to achieve economies of scale to concentrate on the most important issue: meetings with customers and the development of customer relations.

Certain elements in the Länsförsäkringar Alliance are conducted on a large-scale to generate economies of scale, for example, the development of products and IT systems. Other areas are better suited to being conducted on a smaller scale, such as customer meetings. Success is found in striking a balance. The basis for cooperation in the Länsförsäkringar Alliance is that as much of the operations as possible are conducted by the local companies and essentially all customer contact occurs with them. For Länsförsäkringar, the core concept is to meet and know customers, and this is best achieved on a small scale. Having national call centres, where customers do not feel like they are communicating with another person or close to decisions would not move Länsförsäkringar forward. On the contrary, it would be against the core values that have made the positions of the regional insurance companies so uniquely strong in their local communities. Local presence is an area that Länsförsäkringar does not compromise on. But this does not mean that there are not any other areas where a large-scale format can be developed further. The ultimate goal of the large-scale approach is to strengthen customer value.

Economies of scale arise in the cooperation between the regional insurance companies. Cooperation takes place through the jointly owned Länsförsäkringar AB and its subsidiaries. Länsförsäkringar AB's task is to create the necessary prerequisites for the regional insurance companies to be successful in their respective markets by conducting business, service and development operations, and to assume responsibility for the regional insurance companies' joint strategies.

### Strong brand and satisfied customers

The regional insurance companies meet their customers under a single brand, regardless of whether they are providing insurance, pension savings or banking services. No matter where customers live in Sweden or the company that they are a customer of, they view their regional insurance company in the same way. That is the strength of the brand. It is the result of consistent and long-term work on brand and values. The brand is a way of living and acting when in contact with customers and with the local community. As a result, wherever customers live in Sweden, they will always meet the same Länsförsäkringar. Nordic Brand's 2010 Reputation Barometer revealed that Länsförsäkringar is the player of all banks and insurance companies in Sweden that has the strongest reputation. Some 50 of Sweden's largest, high-profile companies were surveyed in the Barometer.

Länsförsäkringar has long held a top ranking in the Swedish Quality Index's survey, which measures how satisfied customers are with their banks and insurance companies. The results of the 2010 survey showed that Länsförsäkringar had Sweden's most satisfied retail bank and mortgage customers. In non-life insurance, Länsförsäkringar was ranked first in private and second in commercial insurance, while in life assurance it was ranked first in commercial and second in private insurance. The Swedish Quality Index also revealed that customers who choose to be represented by an insurance broker are equally satisfied as other customers.

### Long-term respect for customers' money and a sense of security

Länsförsäkringar does not have any external shareholders, which in turn guarantees a long-term approach to customers. Each regional insurance company is owned by its non-life insurance customers, which in practice means that each company's capital belongs to its customers and that no profit is distributed to shareholders in the same way as in a limited liability company. The profit of the regional insurance companies accrues in its entirety to the customers through bonuses or growth in value. The only financial interest guiding the operations is a respect for what is best for the customer, and long-term financial interests are always prioritised over short-term interests.

*Most of the non-life insurance operations in the Länsförsäkringar Alliance are conducted directly by the respective regional insurance company. However, some non-life insurance businesses, for example, animal and medical insurance, are administered by the jointly owned Länsförsäkringar AB. Of the Länsförsäkringar Alliance's total premiums earned of SEK 18.2 billion in non-life insurance, SEK 14.4 billion is in the 24 regional insurance companies and the remainder in Länsförsäkringar AB.*

NON-LIFE INSURANCE

# Healthy growth and stable position – but high claims costs due to snowy winter

**The non-life insurance market**

The non-life insurance market in 2010 continued to feature fierce competition and price pressure. The market is expanding and, measured in premiums paid, rose 4% during the year. Growth was primarily seen in motor-vehicle, household and homeowner, medical and accident insurance. The claims frequency started to rise again as a result of the economic recovery, although the year was mainly dominated by the cold and snowy winter in the first and fourth quarters which impacted earnings with high claims costs. The winter primarily caused damage from the snowy and freezing weather, but also increased costs for motor-vehicle insurance claims. The agricultural sector across Sweden suffered the most damage, although single-family homes and properties were also affected. Länsförsäkringar's high market share in agricultural and homeowner insurance was the reason for the substantial increase in costs. In motor-vehicle insurance, the snow and cold weather caused more accidents resulting in higher costs.

Cooperation between banks and other organisations, as well as white label solutions, are becoming increasingly common in the Swedish non-life insurance market and the broker market is gaining in importance. Efficiency enhancements to reduce operating expenses are becoming increasingly important for market players to retain competitiveness in a climate of intensifying competition. Environmental issues remained relevant during the year and became more prominent in the industry and an angle for company profiling. Fierce competition and price pressure prompted companies to seek out other forms of value than lowest price to offer their customers.

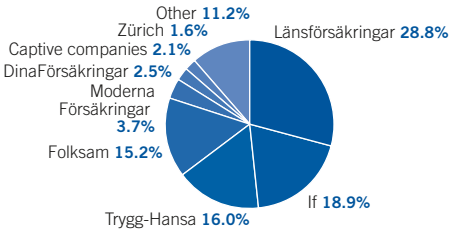
**Market position**

Länsförsäkringar is the clear market leader in a growing non-life insurance market with a share of 28.8% (30.2) measured in premiums paid. Both premiums earned and the number of policies rose during the year. The decline in market share for premiums was largely attributable to market premiums rising by SEK 2.4 billion and approximately SEK 700 M of the increase was in the "other insurance" category in which Länsförsäkringar does not have any business.

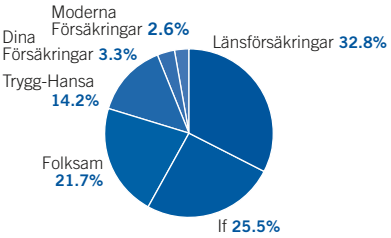
The commercial-insurance market remained dominated by the economic slowdown with pressed prices and premium levels, which in many cases are governed by companies' sales, remained at relatively low levels.

In private insurance, competition is fierce in motor-vehicle and home insurance. More and more companies are working with total offerings with home insurance as the base. Länsförsäkringar remains a market leader in homeowner and passenger-car insurance, measured in the number of insurance policies. The inflow of passenger-car insurance rose and the market share increased to 32.8%. The market share for homeowner insurance declined slightly to 39.9%.

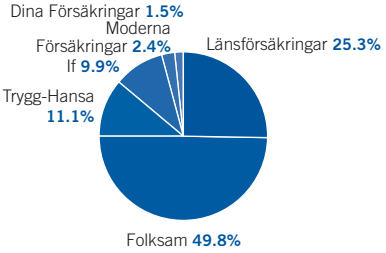
Competition intensified in animal insurance and many companies have promoted animal insurance as part of their total offering. The market is continuing to grow and through Agria Djurförsäkring, Länsförsäkringar held its leading position in the market with a share of 57.8%.



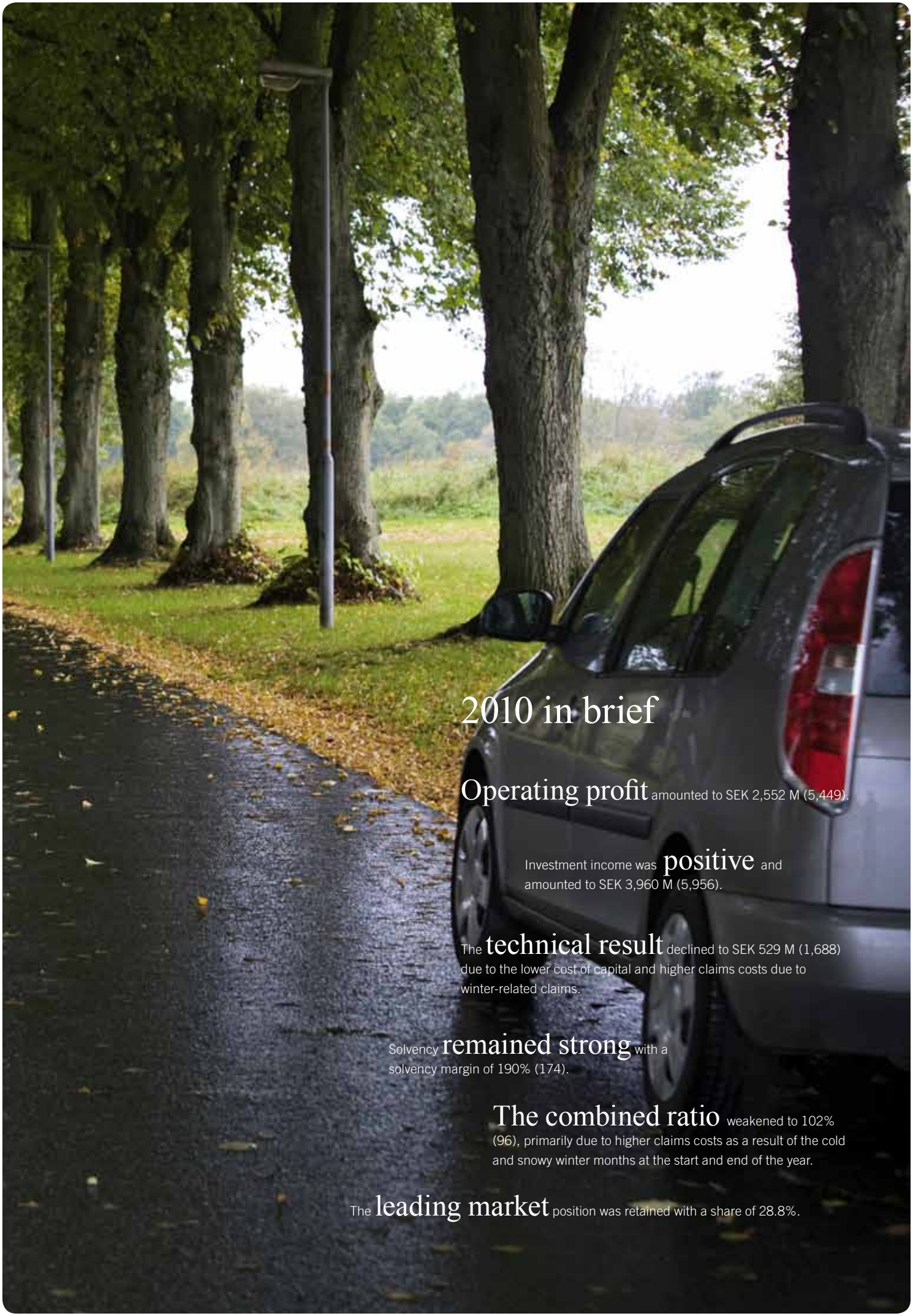

**MARKET SHARE OF NON-LIFE INSURANCE (SHARE OF PREMIUMS PAID)**
Länsförsäkringar maintained its position as a leader in the non-life insurance market, with a market share of 28.8%.




**MARKET SHARE OF PASSENGER-CAR INSURANCE (SHARE OF PREMIUMS PAID)**
The market share of passenger-car insurance rose slightly to 32.8%. Both Länsförsäkringar's premium portfolio and the number of policies increased.




**MARKET SHARE OF HOUSEHOLD INSURANCE (NUMBER OF POLICIES)**
The market share of household insurance was stable at slightly more than 25%. The number of household insurance policies rose during the year.



# 2010 in brief

Operating profit amounted to SEK 2,552 M (5,449).

Investment income was positive and amounted to SEK 3,960 M (5,956).

The technical result declined to SEK 529 M (1,688) due to the lower cost of capital and higher claims costs due to winter-related claims.

Solvency remained strong with a solvency margin of 190% (174).

The combined ratio weakened to 102% (96), primarily due to higher claims costs as a result of the cold and snowy winter months at the start and end of the year.

The leading market position was retained with a share of 28.8%.

Growing dissatisfaction with national insurance in Sweden has led to more people taking out private insurance in all areas that provide compensation in the event of illness, unemployment, accidents, death and retirement. Consequently, the medical and accident insurance are growing, and rose 5% during the year. The medical-insurance market, in particular, is expanding. Competition is intensifying with more and more companies entering the market, but Länsförsäkringar remains the leader in the medical-insurance market with a share of 31%.

## Earnings and profitability

The technical result amounted to SEK 529 M (1,688) and the combined ratio weakened to 102% (96), mainly due to the unusually cold and snowy winter months at the start and end of the year. Solvency remained strong with the solvency margin rising to 190% (174) based on solvency capital of SEK 34,668 M (31,747). Operating profit totalled SEK 2,552 M (5,449), a decline compared with 2009 as a result of higher claims costs and investment income that, although strong, was weaker than in 2009.

### Capital allocation

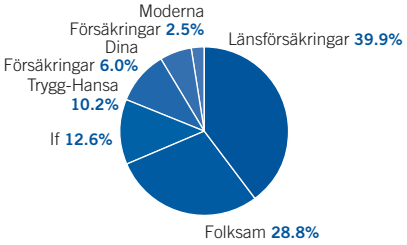
Investment income amounted to SEK 3,960 M, leading to a total return of 6.3%. However, this return was lower than in the preceding year, primarily attributable to the regional insurance companies having a relatively large exposure to Swedish equities and the trends in the Swedish stock market being exceptionally positive in 2009. 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. Under Länsförsäkringar's cautious investment strategy, a percentage of assets is invested in low-risk interest-bearing securities to ensure the commitments of 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.

### Claims trend

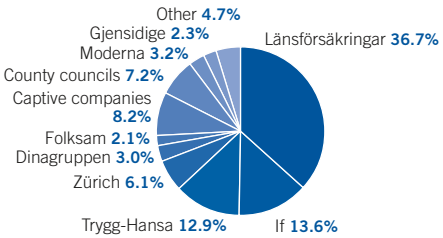
In terms of claims incidence, 2010 was heavily affected by the cold, snowy winter both at the beginning and at the end of the year. Claims costs rose 10% compared with 2009, meaning a weakening of the claims ratio to 80% (74). Claims costs for the fourth quarter amounted to SEK 3,448 M. Costs for damage 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 increased 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. The expense ratio was unchanged at 22% (22).

## Business volumes

Premiums earned rose 2% during the year and the number of insurance policies also displayed a positive trend. Growth was mainly noted in the areas of motor-vehicle insurance, animal and crop insurance and medical and accident insurance. Most of the growth in the animal insurance business derived from the international operations. 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, passenger-car insurance combined with accident and animal insurance fuelled a positive trend in both the premium portfolio and number of policies.




**MARKET SHARE OF HOMEOWNER INSURANCE (NUMBER OF POLICIES)**
The market share in homeowner insurance fell slightly to 39.9%.




**MARKET SHARE OF COMMERCIAL AND PROPERTY INSURANCE (SHARE OF PREMIUMS PAID)**
Länsförsäkringar is a market leader in commercial and property insurance, with a market share of 36.7%.

# Insurance classes

## Motor vehicle

The motor-vehicle insurance market is expanding given the rise in sales of new cars. A total of 289,700 new passenger cars were registered in 2010, up 36% compared with 2009. The percentage of environmentally friendly cars rose to 40% compared with 38% in 2009, with primarily environmentally friendly diesel cars increasing. In general, the motor-vehicle market features stiff competition partially driven by such price-comparison sites as Compricer and Insplanet.

Länsförsäkringar held a market of 32.8% in passenger-car insurance, up 0.7 percentage points. Both the premium portfolio and number of passenger-car insurance policies rose during the year. Claims costs for motor vehicles displayed a downward trend for a period of time, but the severe winter conditions during the first and final months of the year led to a rise in claims, particularly for damage to vehicles. Alongside winter-related claims, there was a tendency toward higher costs due to the increase in the claims frequency now that the vehicle sector has picked up with the economic recovery.

## Home

The home insurance market saw intensified competition with pressed premium levels. More and more companies are working with total offerings with home insurance as the base, leading to fiercer competition for customers. Partnerships with banks are a key channel for sales of primarily home insurance, most commonly in conjunction with taking out mortgages. Premiums earned rose slightly, although a greater focus on the home-insurance market contributed to an increase in the number of policies, mainly in household but also in homeowner insurance. Länsförsäkringar remains a market leader in homeowner insurance, with a market share of 39.9%. The market share for household insurance is 25.3%.

Claims costs for home insurance rose significantly compared with the preceding year, largely due to the damage caused by snow and freezing and flooding claims. The number of customers in the Länsförsäkringar Alliance with both mortgages and home insurance continued to increase by 12%.

## Boat

The Swedish portfolio of leisure boats fell for the first time, resulting in fewer boats being insured. The economic slowdown had a severely negative impact on the boat industry, although demand for boats was higher than supply. Bankrupt suppliers and engine manufacturers with no stocks meant that deliveries could not be made and boat manufacturers had to look for new suppliers. Brand insurance and insurance included in boat purchases pressed premium levels and more insurance companies have total offerings that include boat insurance. Länsförsäkringar increased its market share from 27.2% to 27.5% amidst stiff competition with companies offering only boat insurance. Länsförsäkringar increased both its premiums earned and number of boat insurance policies in 2010. Claims costs rose during the year, mainly due to snow damage. Although there were few boathouse fires, the long-term trend remains a source of concern, while incidences of theft of outboard engines declined slightly.

| Motor vehicle | 2010 | 2009 |
|---|---|---|
| Premiums earned, gross, SEK M | 6,449 | 6,308 |
| Passenger cars, number of policies | 1,614,000 | 1,554,800 |
| Motorcycles, number of policies | 137,800 | 137,300 |
| Market share, percentage of insured vehicles, % | 32.8 | 32.1 |

| Home | 2010 | 2009 |
|---|---|---|
| Premiums earned, gross, SEK M | 3,292 | 3,253 |
| Households, number of policies | 745,300 | 738,600 |
| Homeowners and home content, number of policies | 665,300 | 665,100 |
| Leisure homes, number of policies | 243,200 | 245,700 |

| Boat | 2010 | 2009 |
|---|---|---|
| Premiums earned, gross, SEK M | 135 | 134 |
| Leisure boats, number of policies | 80,500 | 79,500 |
| Market share, number of policies, % | 27.5 | 27.2 |

# Commercial

Länsförsäkringar retained its leading position in the commercial market. The market share for commercial and property insurance was 36.7% (36.3). Competition has intensified considerably in recent years as a number of new players have established themselves in the market. Premium levels are pressed and the premiums of many products are governed by companies' sales, which remain relatively low, thus contributing to lower premium volumes. As a result, Länsförsäkringar's premiums earned declined slightly, while the number of insurance policies increased. During the year, Länsförsäkringar produced a new model for pricing commercial insurance, which will further enhance competitiveness. The full-service offering to corporate customers has been developed and now also includes banking products, while adaptations have been made to new business trends, for example, employment agencies and the consulting sector. Claims costs increased compared with 2009 despite lower costs for fire claims. The increases were mostly seen in damage caused by water, hurricanes and natural causes, as well as liability insurance. Many of the water-damage claims were freezing-damage claims due to the harsh winter.

Swedish wind power is expanding and investments started to pick up again as the financial crisis waned, although the process has been at a slower pace than previously. Price pressure on insurance policies remained strong. Länsförsäkringar's recycling insurance for wind-power turbines evoked widespread interest, yet remains an insurance solution that has not been approved as an alternative for guaranteeing the future phase-out of wind-power turbines, which is hampering developments.

Competition in the area of liability insurance intensified during the year, thereby exposing the market to price pressure. However, a positive trend in this business area was noted. Sales of seller liability insurance increased as Länsförsäkringar Fastighetsförmedling expanded its operations. The cargo-insurance market was relatively stable, with requests for quotes rising in pace with the economy improving. Price pressure remained high with a tendency toward a higher number of players in the market.

Swedish companies are increasingly establishing business activities abroad, which heightens the need for cross-border insurance solutions. Insurance policies for operations conducted outside Sweden are often subject to other rules than those that apply in Sweden, and package solutions that are customary in Sweden may be different abroad. Länsförsäkringar also increased its presence in the area of major commercial risks requiring international solutions. 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, competitive insurance solutions are offered 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.

# Agriculture

The restructuring of the agricultural sector is continuing with fewer but larger production companies. Länsförsäkringar's products are continuing to be adjusted based on changes in the agricultural market. An expanded legal-expenses insurance policy was produced during the year, which improves opportunities for having certain types of cases considered by a Swedish environmental court, Swedish administrative court or the government. Competition is continuing to intensify in the agricultural market but Länsförsäkringar has maintained its dominant position. Premium volume rose during the year despite a decrease in the number of insurance policies.

In terms of claims incidence, the year was dominated by the winter's snow damage to which the agricultural sector was particularly exposed. The snow damage claims of 2010 comprise the largest claim incident that has affected Länsförsäkringar after Hurricane Gudrun. Agriculture accounted for 42% of the number of claims but 65% of claims costs.

Länsförsäkringar is working to promote recycling and reduce the environmental impact of Sweden's agricultural sector. Partnerships enable customers who are covered by Länsförsäkringar's recycling insurance to have the scrap and environmentally harmful waste generated by their agricultural operations collected for recycling or destruction. In 2010, 6,500 tonnes of agricultural scrap and 1,800 tonnes of environmentally harmful waste were collected. This work has attracted considerable national and international interest and is highly appreciated by customers. Recycling insurance is an example of a product developed based on customer needs. Recycling insurance reduces the risk of accidents and the impact on the environment, while at the same time enabling customers to dispose of their waste in a safe and environmentally sound manner.

| Commercial | 2010 | 2009 |
|---|---|---|
| Premiums earned, gross, SEK M | 3,857 | 3,883 |
| Number of policies | 232,200 | 229,700 |
| Market share, commercial and property, % | 36.7 | 36.3 |

| Agriculture | 2010 | 2009 |
|---|---|---|
| Premiums earned, gross, SEK M | 1,276 | 1,273 |
| Number of policies | 191,700 | 192,600 |
| Market share, commercial and property, % | 263,000 | 264,400 |

# Agria Djurförsäkring

Agria is the Länsförsäkringar Alliance's specialist company for animal and crop insurance and Länsförsäkringar's subsidiary brand. This specialisation involves a streamlined focus on and involvement with animals and their owners. The roots can be traced back 120 years and today the brand is Sweden's strongest in its specific field.

In addition to the complete range offered, the brand is built on the strength of the key concepts of *skills* and *commitment*. Agria is a streamlined specialist company and dedicates all of its time and attention to animals and their owners. Agria also works very closely together with several animal-owner organisations. The operations are gaining in strength in markets outside Sweden, currently the UK, Norway and Denmark. The same brand, following the same guidelines, governs all encounters with Agria, wherever they may be in the global environment.

### Higher level of insurance

Premiums earned for own account amounted to SEK 1,795 M (1,549) in 2010, with operating profit before tax of SEK 10 M (150). The deviation in profit compared with the preceding year was attributable to the higher reserves in the UK insurance operation.

The level of insurance in Sweden is rising and an increasing number of animal owners are choosing Agria. Since premiums generally remained at the same level, the higher premium income can be directly linked to the higher number of customers and animals. The business area for dogs, cats and other small animals, which has grown markedly in recent decades, also continued to expand this year. The average costs for veterinary care reduced slightly, while at the same time the frequency of veterinary visits rose, particularly for cats. The uninsured market remains large in size. The market for horses was affected by the prevailing economic slowdown. Sales of horses have stagnated and horses have been insured at lower values. Claims costs for horses have also declined and the Horse business area posted a profit. The agriculture business area posted solid results since the level of health was favourable and there were few incidents of hailstorm damage. However, the number of cattle continued to decline, partly due to the decrease in the number of milk production units in Sweden.

Of the five players in the Swedish animal-insurance market, Agria commands a market share of 57.8%. The uninsured market remains large in size.

### Digital progress

Major focus was directed to enhancing customer satisfaction and work on claims prevention during the year. Several digital tools were developed and used to this end, for example a live chat function with the Customer Centre, a text messaging service for claims adjustment and a mobile animal guide that won a prize at the Swedish e-learning awards.

Agria's quality certifications ISO 9001:2008 and ISO 14001:2004 were renewed during the year, benefiting customers in the form of assured processes and high level of quality.

### Agria International

Agria International's task is to establish and conduct the unique Agria concept in foreign markets close to Sweden. In addition to Sweden, Agria has operations established in the UK, Norway and Denmark. Business activities in Finland, conducted through Tapiola, were discontinued during the year. Sales in Denmark commenced in January 2011 following extensive launch work in 2010.

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 strengthened and stable profitability in the future. International business is expanding and premium income rose 23% to SEK 588 M. Agria Dyreforsikring in Norway, which is now in its fifth year of operations, has already become the leading animal-insurance company in Norway. The Norwegian operations have posted positive earnings since 2008, as was also the case in 2010.

| Agria Group | 2010 | 2009 |
|---|---|---|
| Premiums earned after ceded reinsurance, SEK M | 1,795 | 1,549 |
| Profit before appropriations and tax, SEK M | 10 | 150 |
| Technical result for the insurance operations, SEK M | –10 | 119 |
| Solvency margin, % | 36 | 49 |
| Expense ratio | 27 | 23 |
| Claims ratio | 81 | 71 |
| Combined ratio | 107 | 94 |
| Premium income, SEK M | 1,902 | 1,749 |

# Medical insurance

The personal-risk insurance market is continuing to develop and Länsförsäkringar is increasing both its premium volumes and number of policies in this area. Growth was noted in accident and medical insurance for children and adults, as well as in medical insurance, group life assurance and group medical insurance. The market share for medical and accident insurance remained unchanged at 19.6%.

Product consolidation in the healthcare business continued during the year. Four different life-assurance policies and six different medical-insurance policies were consolidated to a single life-assurance policy and a single medical policy, enabling Länsförsäkringar to be clear in its customer communication and enhance the efficiency of its internal claims adjustment administration and customer service. Accident and medical insurance policies were modernised in 2009 and children's insurance and other specialist insurance will be consolidated in 2011.

### Medical insurance

The medical-insurance market is continuing to grow, albeit with growth slowing, and was at 6% according to the most recent study. About 390,000 people currently have medical insurance and the predominant proportion of these policies are paid by employers. Many small businesses view waiting lists and long-term sick leave as strong motivators for taking out medical insurance for their employees. Competition in the market is intensifying since an increasing number of companies are realising the growth potential that exists and are establishing operations. Price pressure has been severe but a trend of rising premiums and stricter conditions can now be discerned. Growth is mainly taking place among the target groups, small and medium-sized businesses, and the Voluntary Medical Plan and Medical Commercial Insurance package solutions. Länsförsäkringar is a market leader in medical insurance with a share of 31% and 120,000 insured parties. Far-reaching changes were made to medical insurance at the beginning of 2010 to offer customers reasonably priced insurance in the long term that has stable pricing over time and is simple to use. The changes implemented include improved care guarantees, the abolition of compulsory referrals and the introduction of deductibles, and have increased customer availability and reduced claims costs. Despite these changes, the most recent customer survey revealed that customer satisfaction improved compared with the preceding year in terms of service in receiving care and in claims processing. With a balanced healthcare business and the market's most satisfied customers, Länsförsäkringar has a solid basis to meet intensifying competition. With these measures in place, Länsförsäkringar has set a new standard in the medical insurance market. Also, a new automatic claims processing system for all medical claims was put into production at the end of 2010. A written claims report is no longer normally needed from the customer, and no traditional claims processing is required. The efficiency of claims processing is vital to competitiveness since the scope of claims administration previously required major resources. Länsförsäkringar is now focusing on efficient and active claims adjustment instead of resource-intensive manual data input work.

### Group insurance

With its new group insurance policies, Länsförsäkringar is taking the first step toward modernising the group life assurance and group medical insurance market. The aim is to create insurance policies that are better tailored to current society, for example, Swedish households are borrowing more money than previously and having children and creating a family later in life. These changes warrant the need for better survivor cover if someone supporting the household were to die. In addition, more people are earning higher salaries and the gap between income and benefits from the Swedish Social Insurance Agency in the event of illness is increasing. The Agency's rules no longer allow for such a long period of sick leave as in the past. The new regulations also limit the level of compensation received in the event of long-term occupational disability. Accordingly, the new group insurance policies have higher amounts of insurance and the terms are adapted to the new conditions of modern society. All customers will be offered the new group insurance policies from January 1, 2011.

| Medical insurance | 2010 | 2009 |
|---|---|---|
| Premiums earned, gross, SEK M | 1,476 | 1,421 |
| Market share, medical and accident insurance, premiums paid, % | 19.6 | 19.6 |
| Medical insurance, number of insured parties | 120,000 | 117,000 |
| Market share, medical insurance, % | 31.0 | 32.0 |

# Reinsurance

Premiums earned for own account amounted to SEK 388 M and profit for the reinsurance operations totalled SEK 43 M. Internationally assumed transactions yielded a positive result, despite several major market claims during the year. The largest claims arose as a result of the European winter Storm Xynthia, earthquakes in Chile and New Zealand, storms in Finland and flooding in Eastern Europe. As a result of these claims, market premiums stabilised. Volumes and earnings were negatively impacted by the strong SEK since all income is in foreign currencies.

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

The Länsförsäkringar Alliance incurred SEK 710 M in damage caused by snow and freezing from the severe winter, of which approximately SEK 180 M was reinsured. The largest fire-damage claim was in a commercial property and amounted to SEK 90 M.

### Brokered non-life insurance transactions

Länsförsäkringar Mäklarservice enables Länsförsäkringar to reach customers who choose to be represented by insurance brokers when purchasing insurance. On behalf of the regional insurance companies, Mäklarservice brokered non-life insurance premiums amounting to SEK 1,008 M (1,060) at year-end 2010. Portfolio procurement in non-life insurance was seriously established as an important concept for many of the regional insurance companies in 2010. A large number of risks are handled in a combined procurement process for portfolio procurement. Successes for the Länsförsäkringar Alliance in the brokered non-life insurance market in 2010 included a number of major corporate transactions and a larger portfolio of municipal transactions. The Swedish Quality Index's annual and independent surveys again revealed that the Länsförsäkringar Alliance's brokered customers are as highly satisfied as other non-life insurance and life-assurance customers.

# Claims adjustment

### Claims service focusing on customers

Each individual regional insurance company offers a wide range of non-life insurance products for private, agricultural and corporate customers and has its own claims specialists who provide claims services in close proximity to customers. The combination of the companies' local strength and ability to utilise resources and expertise results in high-quality customer service for all types of claim incidents. The local concept ensures swift processing by skilled employees located close to customers. Approximately 1,100 people in Länsförsäkringar Alliance work in the area of claims adjustment and the international network of partners also guarantees service outside Sweden. Claims adjustment is an important means of delivering the product purchased by the customer and should be characterised by active customer service. Claims are adjusted in cooperation with the customer as soon as possible after the claims have arisen. A guiding rule is that the adjustment of claims must be consistent, uniform and fair. For example, language difficulties or disabilities may affect the customer's comprehension or ability to take action, which is why it is important that Länsförsäkringar provides individually adapted service. The goal is for Länsförsäkringar's claims service to be perceived as flexible and adapted to customers' individual needs. Länsförsäkringar always strives to take measures and decisions to ensure that customers are well-informed of their rights and obligations.

In 2010, 770,000 claims were adjusted, of which half pertained to damage to motor vehicles. Home insurance was another major claims area, with 240,000 claims at a cost of SEK 2.5 billion, of which water damage accounted for nearly 33%. In total, water damage accounted for costs totalling SEK 1.4 billion.

### Insurance fraud a growing problem

Insurance fraud is a major and steadily growing problem in the insurance industry and Länsförsäkringar is also affected by

attempts at fraud. For customers, insurance fraud ultimately results in an increase in insurance prices since policies are charged with claims that should not actually be compensated. To counteract insurance fraud, a team of 38 investigators in the Länsförsäkringar Alliance has been assigned the task of investigating suspicious claims. In 2010, their efforts resulted in the non-payment of insurance claims worth SEK 80 M. About 8% of these pertained to payments for personal injury claims and false information was discovered in 62% of the cases that were subject to special investigation. Unfortunately, since many cases of insurance fraud remain undetected, the development and quality assurance of the investigations operations remains an area of focus.

### Claims-prevention activities

Claims-prevention activities remain a key focus area. Fire and water damage claims and third-party liability claims were key focus areas for which concepts have been produced to support claims-prevention measures throughout the Länsförsäkringar Alliance by providing advice and materials. Advice and guidelines are provided to customers both as a preventive measure and after claims have occurred. This type of information is provided in a manner that is as easily understandable and unbureaucratic as possible to ensure that customers are able to utilise it, thereby limiting the scope of the claim.

Environmental impact is a key component of all focus areas.

In addition to a reduction in claims, successful claims-prevention work also results in a reduction in environmental impact. For example, a decrease in the number of fires contributes to a reduction in carbon emissions. Calculations indicate that a fire in a private home can generate carbon emissions of slightly more than 25 tonnes, as well as other gases, dust and waste products. Länsförsäkringar also imposes demands on the quality and environmental work of its claims contractors. It is important that claims are dealt with in a high-quality manner to avoid new claims occurring.

From an environmental perspective, carbon emissions from water damage derive from materials.

Contractors are offered further training to maintain a high quality level and feedback is given on new information. The company's claims-prevention work has a broad focus, including constructive and positive dialogues with government authorities and industry organisations regarding such matters as construction and industry rules, in which Länsförsäkringar's expertise in the area of building damage claims is highly sought after. In cooperation with various municipalities, county administrative boards, the Swedish Civil Contingencies Agency (MSB) and assorted research institutes, Länsförsäkringar focuses on identifying risks to enable the prevention of claims pertaining to natural disasters.

### Major claims require special resources

Länsförsäkringar has prepared an emergency plan for managing major claims, and the regional insurance companies also continuously monitor the risks in their local areas. As part of this work, the company's competencies in specific subject areas and the requirements arising in connection with mass-claims handling are catalogued. The primary purpose of the emergency plan is to establish a state of preparedness within the regional insurance companies, and also to coordinate existing resources. Local cataloguing makes it easier to organise assistance from other regional insurance companies. The results are documented and the emergency plans that are drawn up contain checklists, descriptions of procedures and a division of responsibility for the work related to major claims. As a result of all of these preparations, the Länsförsäkringar Alliance is well-equipped and prepared for any major claim that may occur. The emergency plans have been extremely helpful to the regional insurance companies in their claims work following the tsunami that occurred in Southeast Asia, hurricanes that have hit Sweden and other cases of extensive damage in Sweden. The plans are continuously developed and improved by adding experiences.

| Claims | Number | Claims cost, SEK M |
|---|---|---|
| Commercial | 37,000 | 2,024 |
| Agriculture | 29,500 | 1,197 |
| Home | 239,600 | 2,536 |
| Medical and accident | 68,700 | 459 |
| Boat | 2,750 | 72 |
| Private automotive | 306,200 | 2,660 |
| Commercial automotive | 90,350 | 1,421 |
| **Total** | 774,100 | 10,369 |

## Service outside Sweden

### Meeting customer needs across borders

Increased travel requires that claims-adjustment services be expanded to provide rapid assistance abroad. For emergency claims, special resources are required. Accordingly, the Länsförsäkringar Alliance has been a major shareholder in SOS International since 2003, with a 12% interest.

# Comments on the financial results, non-life insurance

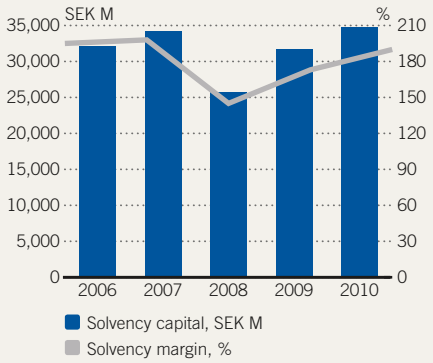
The Länsförsäkringar Alliance's earnings and key figures for non-life insurance comprise the sum of the earnings of the 24 independent regional insurance companies and the Länsförsäkringar AB Group. The Länsförsäkringar Alliance's earnings remained stable, with a technical result of SEK 529 M (1,688). The decline is primarily attributable to higher claims costs resulting from the cold and snowy winter months at the start and end of the year. The combined ratio improved during the fourth quarter but was weaker compared with the preceding year at 102% (96). The claims ratio totalled 80% (74). The expense ratio remained at 22%.

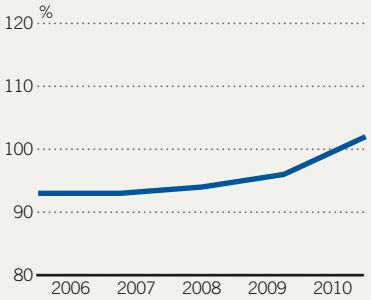
The Länsförsäkringar Alliance's solvency remained strong, with solvency capital of SEK 34,668 M (31,747) and a solvency margin of 190% (174).

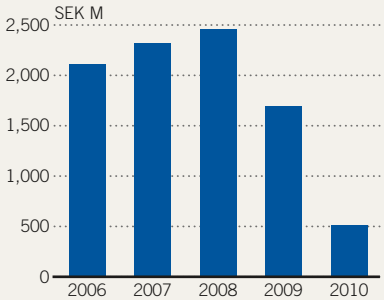
Premiums earned rose 2% to SEK 18,188 M (17,828), largely due to the growth in motor-vehicle, animal and crop, medical and accident insurance. Most of the growth in animal insurance was attributable to the international operations.

Investment income was strong at SEK 4.0 billion, entailing total investment income of 6.3%. However, returns were lower than in the preceding year. One of the reasons is that the regional insurance companies have a relatively large exposure to Swedish equities. Returns in 2009 were exceptionally high since trends in the Swedish stock market were very positive in that year. Operating profit amounted to SEK 2,552 M (5,449).

| NON-LIFE INSURANCE | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Premiums earned after ceded reinsurance, SEK M | 18,188 | 17,828 | 17,406 | 16,671 | 16,362 |
| Technical result before bonuses, SEK M | 529 | 1,688 | 2,453 | 2,322 | 2,114 |
| Operating profit/loss, SEK M | 2,552 | 5,449 | –7,511 | 3,606 | 4,545 |
| Expense ratio | 22 | 22 | 21 | 21 | 20 |
| Claims ratio | 80 | 74 | 72 | 72 | 73 |
| Combined ratio | 102 | 96 | 93 | 93 | 93 |
| Technical result as a percentage of premiums earned after ceded reinsurance | 3 | 9 | 14 | 14 | 13 |
| Solvency capital, SEK M | 34,668 | 31,747 | 25,916 | 34,140 | 32,093 |
| Solvency margin, % | 190 | 174 | 146 | 198 | 195 |
| Return on equity, % | 7 | 18 | –25 | 11 | 16 |
| Total return on investment assets, % | 6 | 10 | –14 | 6 | 7 |




**SOLVENCY**
The Länsförsäkringar Alliance's solvency level was uniquely strong both in a national and international context. The solvency margin increased from 174% to 190% during the year.

**COMBINED RATIO**
The combined ratio improved during the fourth quarter of the year but was weaker compared with the preceding year at 102% for the full-year 2010.

**TECHNICAL RESULT**
The lower technical result for 2010 is primarily attributable to higher claims costs resulting from the cold and snowy winter months at the start and end of the year.

*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%, a result that did not meet expectations.*

LIFE ASSURANCE AND PENSION INSURANCE

# Business volumes peak at historically high levels – strongest growth in unit-linked insurance

Premium income in the Swedish life-assurance market rose to SEK 196 billion (179) in 2010. The increase was mainly seen in the savings market which totalled SEK 84 billion (74), up 14%. The occupational pension market, which is important to Länsförsäkringar, grew 6% to SEK 98 billion (92). The private pension savings market fell slightly and amounted to SEK 10 billion (10).

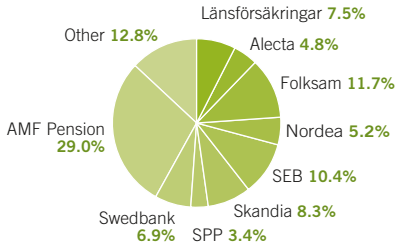
In 2010, parts of the market remained characterised by price pressure, driven by large-scale procurement in the occupational pension market and niche players in the private market. An example of the intensifying competition was the procurement of unit-linked insurance under the ITP pension system, where already low margins were squeezed further and a number of suppliers were replaced for pricing reasons, including Länsförsäkringar'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, Länsförsäkringar also launched a new product entitled Reflex Fund Capital, which strengthens the offering in fund-managed endowment insurance.

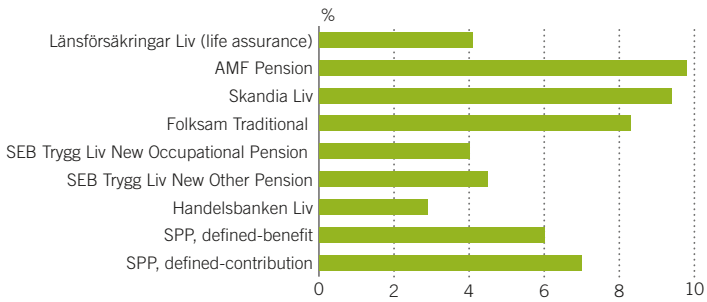
The importance of independent insurance brokers to the distribution of life-assurance products continued to rise, particularly in the non-collective-agreement-based occupational pension market where brokers were the dominant sales channel. Länsförsäkringar was named Best Life Assurance Broker Desk by 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. About half of the sales in 2010 took place through brokers.

The heightened interest from both legislators and employers to reduce sickness absence in the Swedish labour market persisted in 2010. In addition to this level of interest in products that prevent and provide financial compensation in the event of illness, the positive aspect of this trend is that the risk premiums for these products may be lowered, and Länsförsäkringar was one of the players that made such a premium reduction in 2010.

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.




**MARKET SHARE, NEW SALES**
The market shares of companies who were managing the funds for those not making an active choice of pension agreement increased significantly in 2010, which resulted in lower market shares for such companies as Länsförsäkringar.




**TOTAL RETURN ON INVESTMENT ASSETS 2010**
The total return of 4.1% 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.

# 2010 in brief

## Länsförsäkringar manages SEK 172 billion

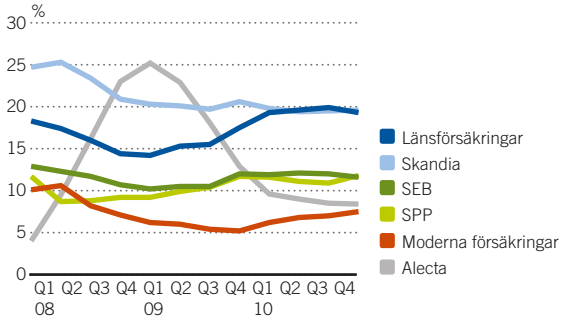
on behalf of its life-assurance and pension insurance customers: SEK 118 billion for traditional-management customers and SEK 54 billion for unit-linked insurance customers. The majority of new savings is in unit-linked insurance. The managed assets of the unit-linked life assurance company rose 18% 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.

Customers' **insurance capital** displayed a positive trend in 2010 since the bonus rate was at an average of 6.2%.

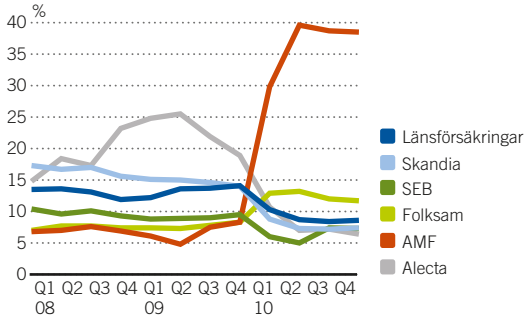
**The total return** in traditional management amounted to 4.1% during the year, a result which did not meet expectations. A lower percentage of equities, particularly Swedish equities, and costs for interest-rate hedging were the reasons behind the low return.

**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).




**OCCUPATIONAL PENSION MARKET, EXCLUDING AGREEMENTS, MARKET SHARE OF NEW SALES**

Länsförsäkringar continues to have a stable market position in the occupational pension market with a market share of 19.3% (17.9).



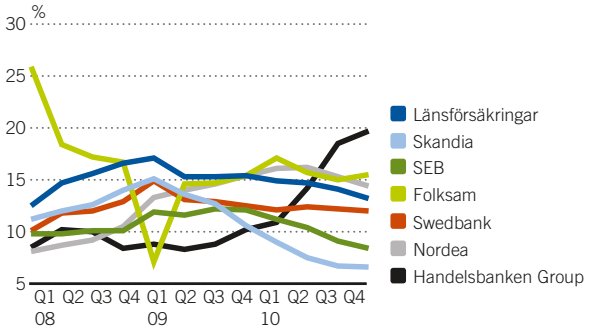

**TOTAL OCCUPATIONAL PENSION MARKET, MARKET SHARE OF NEW SALES**

In recent years, the companies who were managing the funds for those not making an active choice of collective-agreement occupational pension dominated the occupational-pension market.

For the occupational pension sub-market, dominance is particularly clear for the companies who were managing the funds for those not making an active choice of pension agreement when the ITP and SAF-LO collective agreement pension areas were re-selected. However, Länsförsäkringar did increase its news sales in the non-collective-agreement occupational pension market from 17.9% to 19.3%. The increase mainly took place in unit-linked insurance and through independent insurance brokers.

### Greater customer satisfaction

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




**PRIVATE PENSION MARKET, MARKET SHARE OF NEW SALES**
Länsförsäkringar is Sweden's fourth largest life-assurance company in private pension sub-market with a market share of 13.2% (15.4).

# The financial markets

### Market trends in 2010

2010 was a year of unpredictable fluctuations in the equities, fixed-income and currency markets. Nevertheless, most stock markets generally displayed a positive trend with the Stockholm Stock Exchange as one of the stock markets that improved the most. Long-term interest rates fell in the first six months of the year due to low inflationary pressure and uncertain economic outlook, only to rise again during the latter half of the year. In Sweden, the Riksbank started to raise the repo rate from a historically low level, resulting in short-term rates slowly rising. The SEK strengthened against the USD and EUR, which consequently had an adverse effect on foreign markets.

### Concern became greater risk willingness

The year was dominated by the uncertainty surrounding the recovery of the global economies. Expectations were at a high at the start of the year but hope were never realised, which resulted in concern in the stock markets and depressed interest rates. Focus was on the government finances of problem countries in Europe and the disappointment of the recovery in the US. Gradual adjustments were made to the situation after the summer and the willingness to take risks increased. Some of the positive elements that fuelled such willingness and that led to the stock markets rallying were signals regarding stimulus packages from the Federal Reserve, subdued fears of a serious economic crisis in Europe and positive surprises in company reports.

### Strong SEK

The SEK has been strong since the peak of the financial crisis and stronger growth in Sweden compared with the US and Europe boosted the SEK during the year. Significantly improved government finances in many other countries also had a positive impact on the SEK trend, as did the Riksbank's interest-rate hikes, while other countries tended to announce further monetary policy stimulus packages.

# 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. Positive investment income and risk and administration gains also contributed positively to earnings.

### Administration result

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

### Risk results

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

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

### Earnings for traditional life assurance

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

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

Savings in traditional life assurance are normally invested in listed shares and interest-bearing securities, as well as properties and alternative investments. On December 31, 2010, asset allocation in Länsförsäkringar's traditional life-assurance's portfolio was as follows: 33% invested in equities, 47% in interest-bearing securities, 6% in properties 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.

### Key figures – traditional life assurance

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

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

The debt coverage ratio for private pensions amounted to 122% (117) and for occupational pensions to 122% (114).

### Earnings for unit-linked insurance

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. A positive net flow and increased fund values contributed to a substantial rise in insurance capital during the year, from SEK 46 billion to SEK 54 billion. The 18% rise in insurance capital heavily contributed to rising income. In terms of expenses, long-term measures to optimise the organisation and enhance the efficiency of processes resulted in lower costs. A number of efficiency-enhancement projects were concluded in 2010, which generated lower costs in both the short and long term.

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

# Business volumes

### New sales

In 2010, Länsförsäkringar was highly successful in the market and new sales rose to SEK 20.2 billion (16.8). Occupational pensions accounted for most of the sales volumes in Länsförsäkringar's product offering and more than 75% of sales were occupational pensions in 2010. The distribution between management forms has been relatively stable in recent years with an excess of unit-linked insurance. More than 55% of sales in 2010 were attributable to unit-linked insurance. A new product, Reflex Fund Capital, was launched during the year, which strengthens Länsförsäkringar's offering in endowment insurance and unit-linked insurance. Reflex Fund Capital is an endowment insurance with a repayment cover entailing that the value of the insurance is paid to the beneficiary in the event of death. The reception in the market was highly positive with a sales value of almost SEK 200 M since the launch in the autumn of 2010.

### Premium income

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 increasingly shifted toward 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.

### Managed assets

Länsförsäkringar Liv's managed assets rose from SEK 161 billion to SEK 172 billion during the year. The largest increase in managed assets was seen in unit-linked insurance where rising fund prices combined with net inflows underpinned the increase for the year. Managed assets in unit-linked insurance amounted SEK 54 billion (46) on December 31, 2010.

# Management forms

Länsförsäkringar offers its customers four different management forms for pension and endowment insurance. The Länsförsäkringar Liv Group offers traditional management, New World management and Insured Pension. Länsförsäkringar Fondliv offers unit-linked insurance.

### Traditional management

For traditional management, investments are normally made in interest-bearing securities, equities, properties and alternative investments. 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.

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

Länsförsäkringar has chosen a long-term strategy, with index management in mature markets and active management in emerging markets. Derivatives are used to hedge declines in equities and interest rates wherever appropriate. Equities are believed to yield the best returns over time and Private Equity makes a positive contribution to returns. This strategy was successful in 2007 and 2008 and generally good during the financial crisis. However, 2010 was something of an "off year" with lower return levels. Länsförsäkringar stands firm in its belief that this strategy provides customers with long-term secure, high and even returns that will compare favourably with other traditional life-assurance companies.

### New World management

The New World management form is unique to Länsförsäkringar and is suitable for customers wishing to combine security with opportunities for high returns in the equities market. One portion of returns are guaranteed and another portion depend on the

**TOTAL RETURN 2010, LÄNSFÖRSÄKRINGAR LIV, TRADITIONAL MANAGEMENT**

| Investment assets, SEK M | Market value, Jan. 1, 2010 | Percentage of portfolio, % | Market value, Dec. 31, 2010 | 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 hedging [1] | –2,385 | –2.3 | –2,101 | –2.0 | –2.6 |
| **Total** | **102,988** | **100** | **104,756** | **100** | **4.1** |

[1] Contribution to total return.

trends in the equities and fixed-income market. After five years, or death, there is always the guarantee that the saver will recover the money they invested, with a deduction for calculated expenses and tax. New World is usually structured as follows: 70% equities and 30% interest-bearing securities. The relatively large share of equities increases opportunities for high returns in the long term. New World shareholdings are spread throughout the world to have as little dependence on individual markets as possible. In addition to 30% in interest-bearing investments, 20% of the portfolio was invested in North America, 15% in Europe, 10% each in Asia, Sweden and Emerging Markets and 5% in Japan. The total return for New World amounted to 8.9% (24.3).

### Insured Pension

Insured Pension is Länsförsäkringar's product for private pension savings. It enables customers to take advantage of upturns in the stock market without risking invested funds due to stock market declines. Results are achieved by savings comprising a bond that extends until the year in which the saver plans to retire and a fund for which the return level depends on the trends of global stock exchanges. As a result, the savings perform differently depending on the saver's age.

For the average saver, the insured value was 3.8% higher at December 31, 2010 than at the beginning of 2010.

### Fund management

Länsförsäkringar's fund offering comprises 30 funds under Länsförsäkringar's own brand and about 40 external funds, totalling approximately 70 funds. Funds under the own brand are found in Länsförsäkringar's own investment fund company and are administered by carefully selected external managers. The external funds provide additional breadth and variety in the offering and were chosen because they posted favourable results compared with other similar funds in the market.

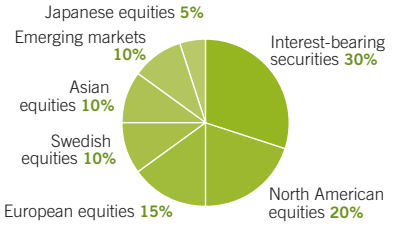
Since no one can predict which funds will yield the best returns over time, systematic reviews are continuously performed to ensure that the funds and managers continue to come up to standard. Those that fail to meet requirements, for whatever reason, are replaced.

Life-assurance savings in fund management are the management form that is growing the most. The managed assets 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%.

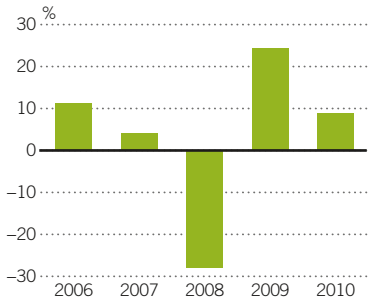
Results for Länsförsäkringar's own mixed funds - Security Fund, Funds-of-funds and Pension 2000 funds – that have many savers were disappointing and focus is now concentrated on improving earnings by taking various measures. Länsförsäkringar's investment fund companies now assume the entire responsibility for the follow-up and management of its own funds, which involves clearer responsibilities and focus.

The value trend in Sweden funds and funds investing in emerging markets was highly favourable. 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, in which 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.

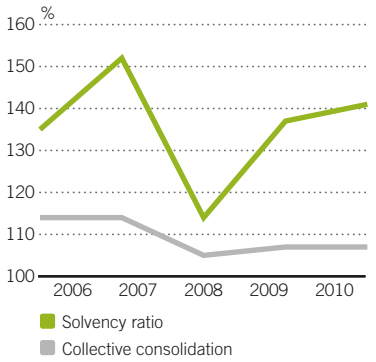
**NEW WORLD LOAN PORTFOLIO BY PRODUCT, DECEMBER 31, 2010**
New World shareholdings are spread over several market to reduce risk and dependence on individual markets.



**TOTAL RETURN AND BONUSES**
The total return in traditional management varies over the years. A high average return allows for a high bonus rate. The average bonus rate has been 8.8% since 1985.




**RETURN, NEW WORLD**
The total return for New World amounted to 8.9%. The relatively large share of equities increases opportunities for high returns in the long term.




**SOLVENCY RATIO AND COLLECTIVE CONSOLIDATION IN TRADITIONAL LIFE ASSURANCE**
The solvency ratio declined in 2008 due to a sharp fall in market interest rates. Collective consolidation was not impacted by interest-rate changes. Maintaining collective consolidation requires a balance between investment income and the bonus rate.

# Asset management

**Modern management model to succeed in difficult times**

The aim of asset management is to create a stable and high return on policyholders' money in the long term. This is achieved through a modern and competitive management model. Accordingly, Länsförsäkringar works continuously on developing its model to ensure that management is always at the forefront. This applies to the choice of investment assets and the methodology and approach applied. In brief, the management model is based on ensuring that various risks are implemented as efficiently, flexibly and inexpensively as possible.

Länsförsäkringar's portfolio structure for market exposure focuses on selecting the asset allocation desired in the portfolios. Great importance is attached to identifying the best method of achieving the desired market exposure. Länsförsäkringar also endeavours to identify other efficient solutions to obtain passive market exposure than via traditional management mandates.

The strategy involves reducing active management mandates in markets that are broad, transparent and efficient and instead implementing simple and inexpensive passive solutions for capturing market exposure. This approach is supplemented with actively taking risk in areas in which it is deemed that managers can generate added value. This applies to both less efficient listed and non-listed markets.

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

**Long-term managers**

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

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

**Optimised organisation**

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

# Risk management

An increasingly sophisticated and changeable financial market, and more detailed public regulations, impose increasingly more rigorous demands on financial companies and their risk management, in particular. Accordingly, activities to govern, manage and control the business operations' risks are of immediate importance to customers. One of the key targets is the ability to meet guaranteed commitments by a healthy margin. At the same time, it is important to deliver high returns to customers. For this reason, risk-taking is controlled in such a manner that the conditions for returns and the level of risk are suitably balanced. 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 were 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.

# Comments on the financial results

Total premium income amounted to SEK 12,893 M (11,879), up 9%. Premium income after ceded reinsurance according to the income statement amounted to SEK 6,700 M (6,072). The increase is mainly due to higher premium payments in the occupational pension market. Premium income according to the income statement does not include paid premiums for financial instruments in unit-linked insurance. Claims payments paid amounted to SEK 4,354 M (4,300). Net investment income totalled SEK 7,654 M (14,465). Net profit for the year in the Länsförsäkringar Liv Group amounted to SEK 3,716 M (18,106). The major difference compared with earnings for the preceding year was that earnings in 2009 were boosted by a rising discount rate, which reduced the technical liabilities of traditional management. Interest-rate changes also had a substantial impact on earnings in 2010. The low market rates during the first six months of the year fell, which increased liabilities and weakened earnings. The situation was the reverse in the autumn with falling interest rates and improved earnings. Overall, interest rates had a positive effect on earnings for the year.

Investment assets declined to SEK 105,872 M (106,781) during the year. Investment assets for which policyholders bear the risk rose sharply during the year to SEK 54,206 M (46,070). This item comprises unit-linked insurance. The increase is due to upswings in several equities markets and in many funds. Technical reserves rose to SEK 84,109 M (83,820) as a result of higher business volumes. Discounting the technical reserves in traditional management with the market rate meant that the increase was marginal. Reserves for unit-linked insurance followed the trend of investment assets for which policyholders bear the risk.

On December 31, 2010, the solvency level for Länsförsäkringar's traditional life-assurance was 141% (137) and collective consolidation 107% (107). The debt coverage ratio for private pensions amounted to 122% (117) and for occupational pensions to 122% (114).

**LÄNSFÖRSÄKRINGAR LIV, GROUP**

**KEY FIGURES**

| | 2010 | 2009 |
|---|---|---|
| Premium income, SEK M[1)] | 12,893 | 11,879 |
| Total assets, SEK M | 174,429 | 163,184 |
| Return, New World, % | 8.9 | 24.3 |
| Total return, traditional life assurance, % | 4.1 | 2.3 |

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

**INCOME STATEMENT**

| SEK M | 2010 | 2009 |
|---|---|---|
| Premium income after ceded reinsurance | 6,700 | 6,072 |
| Investment income, net | 7,654 | 14,465 |
| Claims payments | –4,354 | –4,300 |
| Other underwriting income | 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** |

*Länsförsäkringar Bank is the fifth largest retail bank in Sweden with 826,000 customers and a business volume of SEK 232 billion. A strong local presence and a complete and reasonably priced offering to households and farmers have afforded the bank a strong position and the most highly satisfied retail bank customers.*

BANK

# The bank with Sweden's most satisfied customers

Sweden reported very strong growth in 2010, the strongest since the 1970s, with GDP growth of 5.5%. The net wealth and debt of Swedish households rose, as did their disposable incomes. Households have healthy repayment capacity and solid savings in relation to their incomes. The trend in housing prices was positive and retail mortgage lending rose, although not as sharply as in the preceding year. Residential investments increased, but it will take many years before investments can meet the high demand for housing that distinguishes Sweden from many other countries.

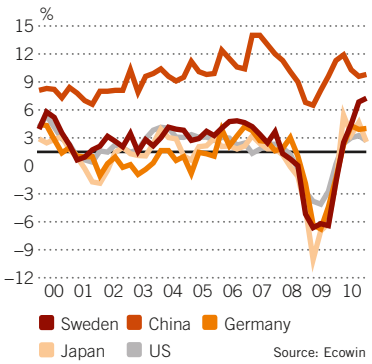
Sweden's financial policy remains focused on benefiting household finances and as a result elevated households' disposable incomes which in turn increased private consumption. The labour market recovered and continued to improve at a healthy rate.

The Riksbank, Sweden's central bank, started to raise its low key interest rate during the year, which had a slight impact on lending volume. The Swedish Financial Supervisory Authority introduced a mortgage cap on new loans of a maximum of 85% of the market value of the property used as collateral to ensure continued favourable economic growth.

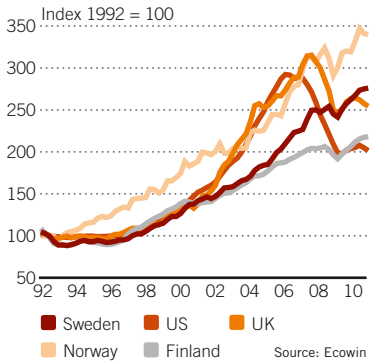
Business in Länsförsäkringar Bank continued to grow in 2010 and market shares were captured in all key areas: deposits, loans and retail mortgage lending. The basis of the banking operations is the Länsförsäkringar Alliance's large customer base, strong brand and local presence. Customer contact is handled by 125 of the 24 local regional insurance companies' branches across Sweden.

The banking operations, which are conducted solely in Sweden, enjoy profitable growth. Operating profit for 2010 amounted to SEK 345 M, corresponding to a return on equity of 4.9%. Mortgages to private individuals with single-family homes as collateral accounted for 81% of total loans of SEK 118 billion at year-end 2010. Deposits amounted to SEK 42 billion and the volume of managed funds was SEK 72 billion. During the year, several new bank branches were opened and the number of bank and mortgage advisors continued to increase.

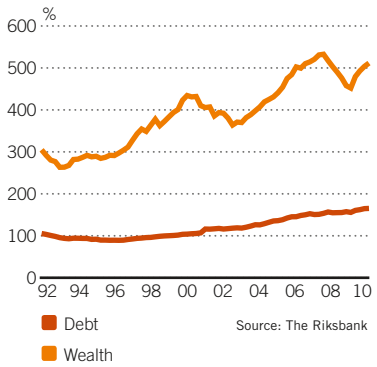
According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years and Sweden's most satisfied retail mortgage customers for the sixth consecutive year. These awards, which Länsförsäkringar has won for many years in a row now, strongly demonstrate that Länsförsäkringar has extremely satisfied bank and mortgage customers.




**GDP GROWTH**
The trend in the Swedish economy was very strong in 2010 with growth of 5.5%. GDP growth for the fourth quarter was 7.3%.




**HOUSING-PRICE TRENDS**
The trend in Swedish housing prices remained strong in 2010, primarily due to strong domestic demand for housing.




**HOUSEHOLD WEALTH AND DEBT (% OF DISPOSABLE INCOME)**
Swedish household wealth was significantly higher than household debt. The Riksbank's stress tests indicated that households with the largest debts also have the best repayment capacity.

# 2010 in brief

According to the 2010 Swedish Quality Index, Länsförsäkringar had
**Sweden's most satisfied retail bank customers**
and Sweden's most satisfied retail mortgage customers.

**Loan losses remained low**
and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05).

**Operating profit rose** 34%
to SEK 345 M (258) and net interest income 19% to SEK 1,363 M (1,148).

**Business volumes rose** 14%
to SEK 232 billion (204).

The number of **customers rose 9%** to 826,000 (759,000).
The number of customers with Länsförsäkringar as their primary bank increased 15% and the number of products per customer is increasing.

# Offering and market position

Länsförsäkringar Bank had business volumes of SEK 232 billion in 2010 that have risen an average of 14% on an annual basis since 2006. Profitability was stable with a return on equity of 4.9% in 2010 and an average of 4.7% over the past five years.

The number of customers who have Länsförsäkringar as their primary bank rose 15% to 223,000 in 2010. Of these customers, 92% also have insurance and/or a pension saving with Länsförsäkringar.

### Straight-forward, clear and reasonably priced banking services

Länsförsäkringar's offers a full range of banking services to private individuals and farmers. An offering to small businesses has been offered since 2010. This offering is being developed. These services are straight-forward, clear and reasonably priced for customers and have generated widespread and high growth in all areas.

### Savings

Länsförsäkringar has a full-service in savings and is growing in the deposits market. During the year, the offering was enhanced with more products and services to provide customers with a greater range of short- and long-term savings and investment products.

### Deposits

Deposits rose 11% to SEK 42 billion (37) in 2010. This increase is primarily attributable to the rising number of customers with Länsförsäkringar as their primary bank and who also move their deposits to the bank. The market share of deposits from households rose to 3.5% (3.4) during the year, according to data from Statistics Sweden.

### Fund market and IPS

Länsförsäkringar is Sweden's fifth largest fund company with a market share in 2010 of 3.9% (4.0) according to statistics from the Swedish Investment Fund Association. Fund volumes increased 9% to SEK 72 billion (67). A total of 32 (30) investment funds with different investment orientations are managed. The fund offering comprises investment funds under Länsförsäkringar's own brand, supplemented with external funds which are continuously evaluated in relation to return targets. The number of new fund savers rose by 20,000 during the year, demonstrating that Länsförsäkringar has an attractive fund offering.

The IPS services (individual pension savings), was highly successful during the year and the number of customers rose 15,000.

### Equities and other securities

The trend in volumes of equities and other securities is steadily growing. The number of deposits rose 11,000 and the volume of capital-protected investments doubled during the year.

### Lending

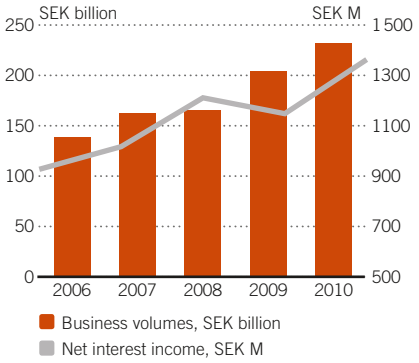
Länsförsäkringar has a highly competitive mortgage offering in the market and is growth steadily. First-lien mortgages for agricultural properties experienced significant growth and Wasa Kredit's leasing and hire-purchase products are continuously increasing.

### Household and retail mortgages

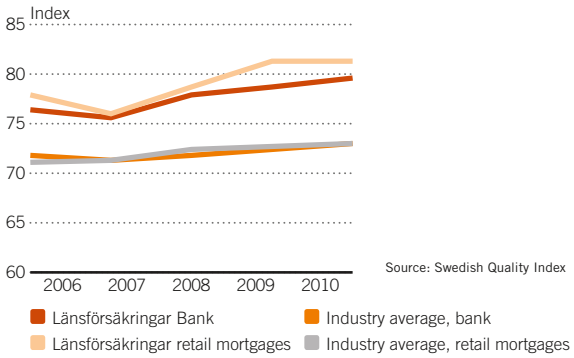
The banking operations' loans rose 18% to SEK 118 billion (100) in 2010, of which retail mortgages in Länsförsäkringar Hypotek increased 18% to SEK 80 billion (68). The market share for household and retail mortgage lending in 2010 increased to 4.4% (4.0) and Länsförsäkringar's share of market growth in 2010 was nearly 9%, according to data from Statistics Sweden.

### Agricultural loans

Länsförsäkringar offers loans to agricultural properties and had a market share in Swedish agricultural loans of almost 8% (7) in




**BUSINESS VOLUMES AND NET INTEREST INCOME**
Business volumes increased a total of 14% to SEK 232 billion. Business volumes have risen an average of 14% per year since 2006.Net interest income in 2010 rose to SEK 1,363 M (1,148).




**CUSTOMER SATISFACTION**
Länsförsäkringar received the highest marks of all Swedish banks in the Swedish Quality Index's 2010 customer satisfaction survey. Länsförsäkringar also received the highest marks of all Swedish mortgage providers and the highest results in the survey's history.

2010, meaning that Länsförsäkringar is Sweden's fifth largest agricultural bank. Agricultural loans increased 27% to SEK 13.8 billion (10.8) and the number of agricultural customers rose to 56,000 (54,000). The percentage of agricultural customers with combined banking, insurance and pension commitments with Länsförsäkringar rose 10%.

### Other loans

Wasa Kredit's lending volumes increased 18% to SEK 10.7 billion (9.1). All leasing, hire purchase and unsecured loan products increased in 2010 and the largest volume increase was in leasing.

### Payments

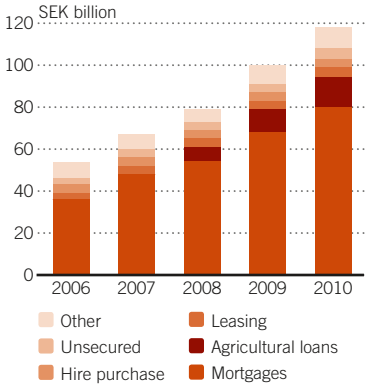
Income from payment mediation continued to increase in 2010 and bank card transactions accounted for the largest transaction volumes.

The number of bank cards rose 19% to 266,000 (223,000) and the number of Länsförsäkringar ATMs increased to 88 (82). In-store bank card transactions rose 29% and payment transactions increased to a total of 108 millions (90), up 21%.

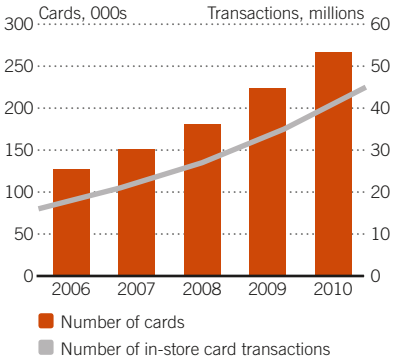
The security of payment services is being continuously developed. Länsförsäkringar was the first Swedish bank to launch a unique payment service with a regional blocking system for specific countries in 2010.

### Regional insurance companies' own bank

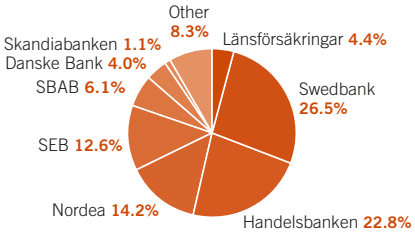
The banking operations also offer savings and payment services to the 24 regional insurance companies and the Länsförsäkringar AB Group as required. Business is expanding and during the year, the Länsförsäkringar Alliance's transaction income rose 71%. The regional insurance companies' savings, particularly in funds and capital-protected investments, also increased.




**LENDING VOLUMES**
All products increased in volume. Retail mortgages rose to SEK 80 billion (68) and agricultural volumes to SEK 14 billion (11), making Länsförsäkringar Sweden's fifth largest agricultural bank.

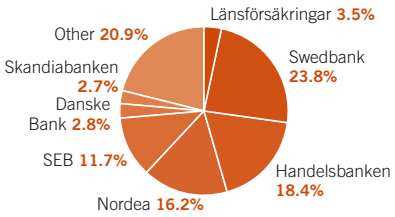



**BANK CARDS AND IN-STORE TRANSACTIONS**
The number of bank cards rose to 266,000 (223,000), up 19% for 2010. In-store bank card transaction increased 29% to 45 million transactions.



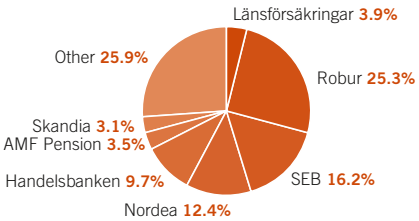

Source: Statistics Sweden

**MARKET SHARE OF HOUSEHOLD AND RETAIL MORTGAGES**
With a share of market growth of almost 9%, Länsförsäkringar increased its market share from 4.0% in 2009 to 4.4% in 2010.




Source: Statistics Sweden

**MARKET SHARE OF DEPOSITS IN RETAIL MARKET**
With a market share of 3.5%, Länsförsäkringar retained its position as the fifth largest player in the deposits market.




Source: Moneymate

**MARKET SHARE OF INVESTMENT FUND VOLUMES**
Länsförsäkringar is Sweden's fifth largest fund company with a market share of 3.9% in 2010. Fund volumes totalled SEK 72 billion. The range of funds was expanded during the year to include two new investment funds.

# Credit quality

### Loan portfolio

Total retail mortgages in the Bank Group rose 18% to SEK 118 billion (100) during the year. A total of 81% (84) of the loan portfolio comprises household credits according to the IRB Approach. The geographic distribution of the loan portfolio encompasses all of Sweden, and no loans were granted outside Sweden. Mortgages account for 74% (75) of the loan portfolio and agricultural loans for 12% (11). Together with mortgages, this segment accounts for approximately 86% (86) of the Bank Group's total loan portfolio. The percentage of impaired loans declined to 0.17% (0.21) and the loan loss was unchanged at 0.05% (0.05).

### Mortgages

A total of 81% (81) of the collateral for retail mortgages comprises single-family homes and 19% (19) tenant-owned apartments. The average commitment amounted to SEK 0.9 billion (0.9). Some 34% (37) of retail mortgage customers have a commitment of less than SEK 1 M and only 8% (7) of borrowers have a commitment of more than SEK 3 M. The mortgage portfolio has a favourable geographic spread throughout Sweden.

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223). The collateral in the cover pool comprises only private homes to maintain a homogenous risk profile.

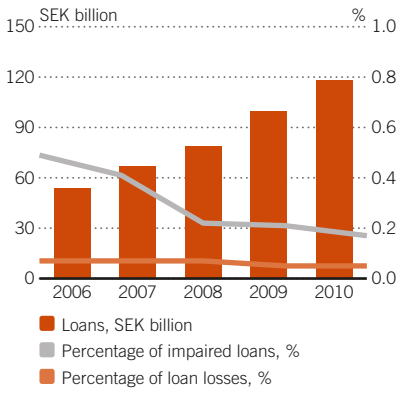
Market-value analyses of the mortgage portfolio are continuously performed and market values are updated every year for all single-family homes, tenant-owned apartments and leisure homes.

### Agricultural loans

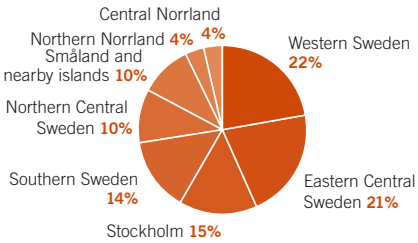
Small-scale family-owned agricultural operations accounted for 93% (93) of agricultural loans. Some 78% (72) of agricultural loans are first-lien mortgages and other loans pertain to second-lien mortgages and operating credits. The average commitment amounted to SEK 1.5 M (1.3). The mortgage portfolio has a favourable geographic spread throughout Sweden.

### Impaired loans and reserves

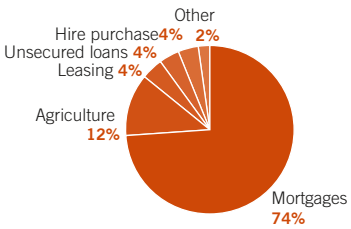
Impaired loans fell to SEK 209 M (213), which corresponded to 0.17% (0.21) of the loan portfolio before reserves. Reserves declined to SEK 286 M (308) and the reserve ratio in relation to loans was 0.24% (0.30). Loan losses remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05). Most of these loan losses are attributable to Wasa Kredit, which conducts operations with higher margins. The lower level of impaired loans and reserves is mainly due to the improved credit quality of Wasa Kredit's loan portfolio. Impaired loans and loan losses continued to account for a minor percentage of total loans.




**LOANS, PERCENTAGE OF IMPAIRED LOANS AND PERCENTAGE OF LOAN LOSSES**
Total loans rose 18% to SEK 118 billion, while impaired loans fell to SEK 209 M. The loan loss remained unchanged at 0.05%.




**LOAN PORTFOLIO BY GEOGRAPHIC REGION**
All loans exist in Sweden and are evenly distributed throughout the country in relation to the population.




**LOAN PORTFOLIO BY PRODUCT**
Retail mortgages accounted for 74% of the loan portfolio. Loans to the agricultural segment accounted for 12% and other loans pertain to leasing, hire purchase and unsecured loans.

# Borrowing and liquidity

### Financing with covered bonds

Most of the loans in the banking operations are granted using Länsförsäkringar Hypotek's covered bonds, which have the highest credit rating from Moody´s (Aaa) and from Standard & Poor´s (AA), and are pledgeable with the Riksbank (Sweden's central bank). At year-end, bonds accounted for 59% of the banking operations' financing sources, deposits for 29%, due to credit institutions for 4%, equity for 4% and the remainder commercial papers and subordinated debt. Deposits in the Bank Group amounted to 71% of financing, excluding Länsförsäkringar Hypotek.

### Targets and strategies

The aim of the borrowing operations is to cover short- and long-term capital requirements at a price in line with relevant competitors' prices. The primary source of financing is long-term borrowing in bonds in Sweden, with benchmark loans for the institutional market. Refinancing maintains a high level of diversification in terms of a variety of markets and investors. The maturity terms of long-term borrowing are adjusted through swap agreements to achieve a fixed-interest period that matches the fixed-interest period of the loans. All currency risk is hedged by using derivatives. Short-term borrowing takes place through Länsförsäkringar Bank's commercial papers.

### Borrowing instruments

Borrowing primarily takes place using benchmark loans for the institutional market, with issues concentrated to large volumes in a number of bond loans that provide the conditions for high liquidity. Benchmark bonds with maturity periods of one to five years are issued through on-tap issues in the Swedish market. Borrowing also takes place with a Medium Term Covered Note programme (MTCN) in the Swedish market and a Euro Medium Term Covered Note programme (EMTCN) in the European market. Furthermore, FRN loans are also issued regularly, normally in large volumes to generate increased liquidity.

Länsförsäkringar Bank has a domestic commercial paper programme for short-term borrowing in the Swedish market, a Medium Term Note programme (MTN) in the Swedish market and a Euro Medium Term Note programme (EMTN) in the European market. There is also a Euro Commercial Paper programme (ECP) for short-term lending in the European market.

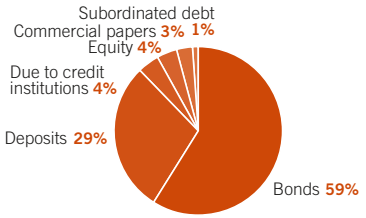
There are five market-makers for selling and trading with covered bonds. In addition, the Parent Company, Länsförsäkringar Bank, is a dealer for Länsförsäkringar Hypotek's MTCN programme.

### Borrowing operations during the year

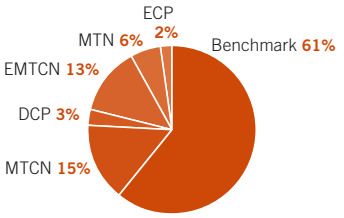
The banking operations had favourable access to borrowing and financing throughout the year. Borrowing was diversified during the year by initiating borrowing in the European monetary and capital markets. Borrowing increased 44% to SEK 89 billion (62), of which covered bonds amounted to SEK 80 billion (55). A corresponding nominal SEK 13.3 billion (0) of total borrowing was issued in the international market. All borrowing using covered bonds is long term and the remaining borrowing takes place using commercial papers and is short term. The average remaining maturity period was 2.5 years on December 31, 2010.

Länsförsäkringar Bank issued SEK 12.1 billion (13.9) in the domestic commercial paper programme during the year. A nominal SEK 5.2 billion (0) was issued in the MTN programme and a nominal SEK 2.8 billion (0) in the ECP programme.

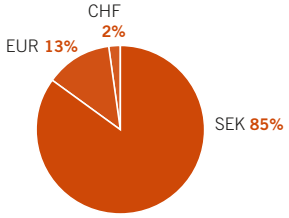
Covered bonds in a nominal amount of SEK 44.0 billion (32.9) were issued during the year in Länsförsäkringar Hypotek. Repur-




**FINANCING SOURCES**
Bonds represent the largest percentage of the Group's financing, 59%. Deposits accounted for 29% of the Group's financing.




**BORROWING BY PROGRAMME**
Borrowing was more highly diversified during the year due to a EUR 1 billion issue of covered bonds in Länsförsäkringar Hypotek in the European monetary and capital market.




**BORROWING BY CURRENCY**
All currency risk is hedged by using derivatives.

chases amounting to a nominal SEK 8.0 billion (17.2) were carried out in conjunction with duration extensions, and matured securities totalled SEK 10.5 billion (3.4). On December 31, 2010, Länsförsäkringar Hypotek had five outstanding benchmark loans, which will fall due between 2011 and 2016. A five-year benchmark bond LFHY508 was successfully issued in June and benchmark bonds of SEK 25.8 billion (21.5) were issued during the year. The outstanding volume of benchmark bonds at year-end totalled SEK 53.7 billion (35.5). Bonds issued under the MTCN programme amounted to a nominal SEK 7.6 billion (11.4) and outstanding volumes to SEK 13.8 billion (13.6) on December 31, 2010. Bonds issued under the EMTCN programme amounted to a nominal SEK 10.6 billion (0) and outstanding volumes to a nominal SEK 11.5 billion (4.6) on December 31, 2010.

In March, a EUR 1 billion five-year bond was successfully issued to increase diversification in accordance with the borrowing strategy. A public issue of CHF 125 M was also implemented during the year.

## Liquidity

The liquidity portfolio totalled SEK 25.7 billion (26.7) on December 31, 2010. All liquidity is invested in Swedish securities with high credit quality. A total of 80% of the liquidity portfolio comprises covered bonds with the highest credit rating, 15% securities with the government as the counterparty, and 5% day-to-day loans. The liquidity of the investments is high.

## Strong rating

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

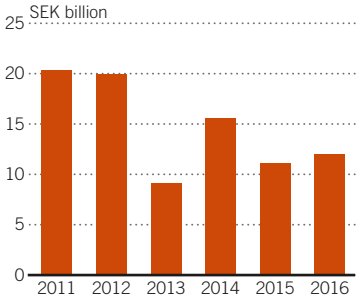
On October 6, 2010, Standard & Poor's confirmed that Länsförsäkringar Hypotek's covered bonds have an AA rating with stable outlook. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

## Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced 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%.

## Risks and risk control

The banking operations are exposed to a number of risks, primarily comprising credit risks and financial risks. The operations are characterised by a low risk profile, which has been valuable to the company during the financial crisis and recession. Loan losses remain low and the banking operations were able to refinance their business activities throughout the turbulent period in the capital market. 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).




**BORROWING BY MATURITY**
In addition, SEK 0.3 billion is due for payment in 2018 and SEK 0.1 billion in 2020. All volumes are at nominal value. The average remaining maturity period was 2.5 years on December 31, 2010.

**BORROWING PROGRAMMES**

| Programme | Limit, Nominal, SEK billion | Issued in 2010, Nominal, SEK billion | Issued in 2009, Nominal, SEK billion | Outstanding, Dec. 31, 2010, Nominal, SEK billion | Outstanding, Dec. 31, 2009, Nominal, SEK billion | Remaining average maturity, years Dec. 31, 2010 | Remaining average maturity, years Dec. 31, 2009 |
|---|---|---|---|---|---|---|---|
| **Länsförsäkringar Hypotek** | | | | | | | |
| Benchmark | Unlimited | 25.8 | 21.5 | 53.7 | 35.5 | 2.8 | 2.8 |
| MTCN | SEK 30 billion | 7.6 | 11.4 | 13.8 | 13.6 | 1.1 | 1.1 |
| EMTCN | EUR 4 billion | 10.6 | – | 11.5 | 4.6 | 4.2 | 1.1 |
| **Total** | | **44.0** | **32.9** | **79.0** | **53.7** | **2.7** | **2.2** |
| **Länsförsäkringar Bank** | | | | | | | |
| MTN | SEK 20 billion | 5.2 | – | 5.2 | 0 | 1.6 | 0.5 |
| DCP | SEK 15 billion | 12.1 | 13.9 | 2.5 | 5.9 | 0.2 | 0.3 |
| ECP | EUR 1.5 billion | 2.8 | – | 1.7 | – | 0.2 | – |
| EMTN | EUR 1.5 billion | - | – | - | 1.1 | - | 0.2 |
| **Total** | | **20.1** | **13.9** | **9.4** | **7.0** | **1.0** | **0.3** |
| **Group total** | | **64.1** | **46.8** | **88.4** | **60.7** | **2.5** | **2.0** |

# Comments on the financial results, bank

## Earnings and profitability

Operating profit rose 34% to SEK 345 M (258). The return on equity was 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. Net interest income rose 19% to SEK 1,363 M (1,148). The increase in net interest income is due to higher business volumes and improved margins. The investment margin 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.

## Expenses

Operating expenses declined 1%, or SEK 10 M, to SEK 982 M (992) due to lower IT and administration 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

Loan losses, which primarily pertain to Wasa Kredit, remained low and amounted to SEK 60 M (50). Impaired loans fell to SEK 209 M (213), corresponding to a percentage of impaired loans of 0.17% (0.21).

**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** |
| **Loss before loan losses** | **405** | **308** |
| Loan losses, net | –60 | –50 |
| **OPERATING PROFIT** | **345** | **258** |
| Tax | –100 | –80 |
| **NET PROFIT FOR THE YEAR** | **245** | **178** |

**BALANCE SHEET**

| SEK M | Dec. 31, 2010 | Dec. 31, 2010 |
|---|---|---|
| **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 | 5,990 |
| Equity | 5,529 | 4,694 |
| **TOTAL EQUITY AND LIABILITIES** | **148,534** | **131,297** |

*Through the regional insurance companies, Länsförsäkringar Fastighetsförmedling offers a full-service for reliable mortgage transactions: real-estate brokerage, banking and insurance services all in one place.*

REAL-ESTATE BROKERAGE

# Comprehensive real-estate brokerage

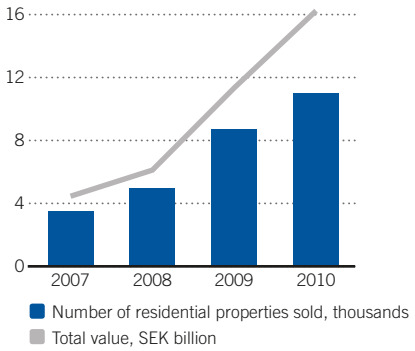
Länsförsäkringar Fastighetsförmedling has slightly more than 130 branches throughout Sweden, of which 30 were established in 2010. Strong growth has advanced Länsförsäkringar Fastighetsförmedling to the position of third largest brokerage in Sweden. The operations are conducted in franchise form, whereby the regional insurance company 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.

The real-estate brokerage is an integrated part of the local regional insurance company's full-service and developments and communication should always strengthen the entire operations of the companies. The aim is to contribute to more than just the brokerage and sale of residential properties.

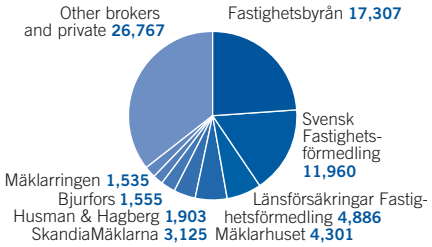
The real-estate brokerage's position is "comprehensive real-estate brokerage." This concept means that Länsförsäkringar Fastighetsförmedling not only brokers residential properties but also offers banking and insurance services directly related to mortgage transactions. A very solid and distinct offering is provided to potential buyers: they do not need to first establish a relationship with a real-estate broker, then speak to a bank and finally contact an insurance company. All of these services are offered by Länsförsäkringar Fastighetsförmedling in one place.

A similarly solid and distinct offering is available to those selling their properties. Sellers do not need to wait for an interested buyer to call around to various banks and insurance companies to find out if it is possible to make a deal. Länsförsäkringar Fastighetsförmedling not only assists in finding interested buyers, but it also makes sure that all contact with the bank and other necessary elements are arranged so that buyers are well-prepared for their purchase.

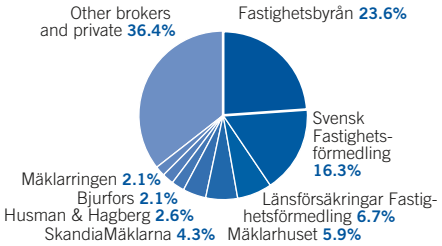
A total of 4,340 private residences, 5,474 tenant-owned apartments and 546 leisure homes were sold in 2010. The value of the sales totalled SEK 16 billion. The market share is 6.7%.



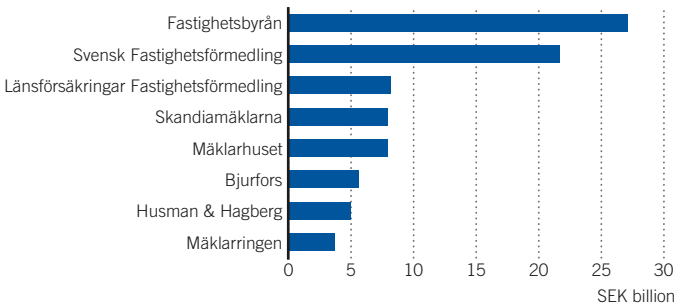

**RESIDENTIAL PROPERTIES SOLD, LÄNSFÖRSÄKRINGAR FASTIGHETSFÖRMEDLING**
The rate of growth in the past four years has been substantial – from 4,000 units sold in 2007 to 11,000 in 2010.




**NUMBER OF RESIDENTIAL PROPERTIES SOLD, 2010**
The diagram shows the number of single-family homes and leisure homes that each brokerage has sold according to statistics from the registration authority, meaning land registration certificates.




**MARKET SHARES, 2010**
Länsförsäkringar Fastighetsförmedling is the third largest brokerage group in Sweden, measured in number of single-family homes and leisure homes sold. Tenant-owned apartments are not included in industry statistics.




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

The sales value of single-family homes and leisure homes for Länsförsäkringar Fastighetsförmedling amounted to SEK 8.2 billion. Tenant-owned apartments are not included in the diagram and the total value of sales was SEK 16 billion.

*Social responsibility and a strong commitment to the local society are a natural consequence of the regional insurance companies' task to create individual security for customers, who are also the companies' owners, and the entire local community.*

SOCIAL RESPONSIBILITY

# Commitment to local community is a natural part of the regional insurance companies' operations

Länsförsäkringar's social responsibility work has been a natural part of the operations for many years. The regional insurance companies have a strong commitment to the development and growth of the local community. All regional insurance companies support and actively work together with organisations, clubs, associations and sports clubs, as well as the business sector.

Security is the very foundation of Länsförsäkringar's operations. We have long held the aim of creating individual security by offering insurance. However, in parallel with this, an important part of the work has involved minimising risks and creating security in the environments in which people live and work. These are efforts that not only benefit Länsförsäkringar's own customers, but also society as a whole. Specific examples of this work are traffic-safety activities, health promotion measures and active environmental and climate activities in local areas and across Sweden. Länsförsäkringar has a highly credible reputation in environmental issues and held climate seminars for several years.

Länsförsäkringar conducts active claims-prevention work, which helps to reduce both claims compensation costs and carbon emissions. Lower claims compensation costs are beneficial for customers since they ensure continued competitive premiums, while a reduction in emissions will also benefit future generations. Alongside purely claims-prevention-based measures directly targeted to Länsförsäkringar's customers, active prevention work is conducted in the community with other organisations to create the best possible living conditions for people in the county. Respect for the local community can also been discerned in, for example, the long-term respect for pension savers' money and in the local nature of the banking services offering. Long-term activities are also underway to contribute to research in areas that aim to increase individual security and reduce risks in society.

**Good examples**

Within the Länsförsäkringar Alliance, there are several examples of activities intended to benefit local society and the people who live in the local community. While their form and content may vary, what all of these activities have in common is that they benefit society as a whole, not only Länsförsäkringar's customers. Here are some examples:

## CPR for companies

Länsförsäkringar Skåne teamed up with akutinsats.se to offer its corporate customers training in CPR (cardiopulmonary resuscitation) techniques. Customers were also offered a discount on the price of heart defibrillators.

## Grants in Älvsborg

Länsförsäkringar Älvsborg awards grants as part of its involvement with the local community. Grants are given to children and young people under the age of 18 to combat drugs, exclusion and negative behaviour, and also students conducting research at universities, particularly in the areas of health and the environment.

## Summer jobs in Södermanland

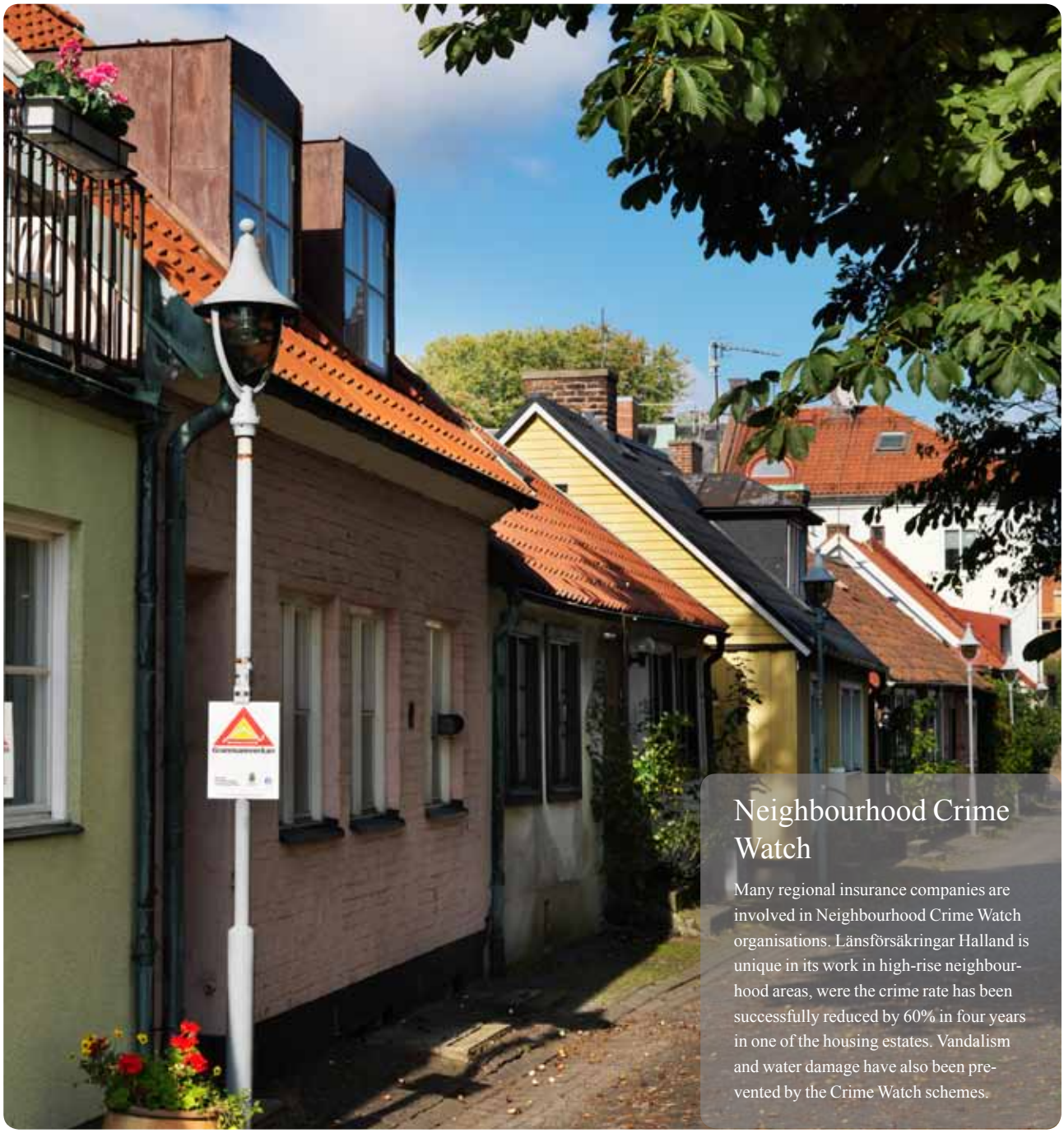
Länsförsäkringar Södermanland provided school pupils the chance to have a summer job on the "Fire Alarm project" which involved visiting older customers and inspecting their fire alarms.

## Emergency care for children

Länsförsäkringar Halland organised training courses in emergency care to improve the local population's knowledge about what to do while waiting for an ambulance after someone falls ill or there is an accident. These courses were primarily aimed at parents and address common accidents that may affect children in various ages.

## Helmets that help

In 2010, Länsförsäkringar Skåne offered its customers the opportunity to buy bicycle helmets for at least SEK 50 with all proceeds going directly to the BRIS charity (Children's Rights in Society). A total of 800 helmets were sold on one Saturday, raising SEK 72,000 for BRIS. This means there are more people cycling safely in Skåne. A similar event will be held at 15 locations in May 2011 with money being donated to the Swedish Childhood Cancer Foundation. The aim is to raise SEK 100,000.



## Neighbourhood Crime Watch

Many regional insurance companies are involved in Neighbourhood Crime Watch organisations. Länsförsäkringar Halland is unique in its work in high-rise neighbourhood areas, were the crime rate has been successfully reduced by 60% in four years in one of the housing estates. Vandalism and water damage have also been prevented by the Crime Watch schemes.

## We will save the world. We'll start in Blekinge

Länsförsäkringar Blekinge is planning to publish a short book on children's thoughts about the environment and sustainable developments, presented in words and pictures. All primary schools have been invited to participate by sending in their entries and taking part in a raffle to win money for the class.

## Women's health

All regional insurance companies have entered into partnership agreements with 1.6 and 2.6 Million Club, which is an association for women's health. The association contributes to research and development in the area of physical and mental health and through its cooperation with Länsförsäkringar also financial health.

## We in Skaraborg care

Länsförsäkringar Skaraborg has the theme of "We care" in everything it does and the company works closely with Ung Företagsamhet ("Young Business Group") aimed at encouraging young entrepreneurs to develop their own businesses.

*The environment is taken into consideration in all areas of the operations: business development, sales, customer claims and office work. Extensive activities have been initiated to reduce paper dispatches to customers by 80% over two years – while simultaneously improving information quality.*

ENVIRONMENT

# Systematic environmental work contributes to sustainable development

One of the most important areas of environmental work is to reduce customer claims. Every claim impacts the environment in the form of energy consumption, decontamination, transports, material use and waste. According to Länsförsäkringar's calculations, water damage results in 300 kg of carbon emissions. Approximately 80 kg come from transports, 10 kg from dehumidification and 210 kg from the manufacturing and handling of materials. Accordingly, helping customers to avoid damages is an important environmental measure. A wide variety of activities are conducted to prevent fires, for example hydrostatic tests and chimney inspections.

### Environmentally approved contractors

Should a customer nonetheless be affected by damages, Länsförsäkringar attempts to reduce the environmental impact, particularly the impact caused by damages to buildings. Every year, the Länsförsäkringar Alliance hires a large number of contractors, corresponding to an operation of 1,000 carpenters. These contractors are quality and environmentally approved by Länsförsäkringar and are kept up to date on new results and improved methods through continuous training and current information. Customers looking to carry out maintenance and repair work can receive advice on what they need to think about.

### Removing 80% of paper dispatches and video conferences reduce travel

To reduce the company's direct impact on the environment, train travel is increasingly used for business trips. The use of environmentally friendly cars increased and company bicycles are available for use in many cases. 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. Additional investments were made in video conferencing during the year. An increasing number of regional insurance companies and Länsförsäkringar AB possess the technology to arrange video conferences which saves both travel time and impact on the environment. A large portion of the electricity purchased is renewable or eco-labelled, district heating is used as a source of heat and many energy-saving measures have been taken in the Länsförsäkringar Alliance's properties.

One of the targets of the developments carried out in the Länsförsäkringar Alliance is to reduce the flow of paper both within the Alliance and sent to customers. Paper dispatched not only involves the paper itself, but also the printing process, envelopes and transportation, all of which have individual impacts on the environment. To reduce environmental impact, digital solutions and efficient printing and copying solutions are being developed. Länsförsäkringar has set the target of reducing volumes of paper dispatches by 80%, to be achieved over a number of years, by changing communication with customers. Far-reaching efforts were conducted in 2010 to analyse all dispatches and ascertain how they can be changed, which resulted in activities that will be implemented in forthcoming years. Digital solutions are being developed to reduce paper consumption and

the development of the Internet channel provides many opportunities to reduce paper dispatches while simultaneously improving information quality.

### Environmentally adapted properties

Länsförsäkringar owns properties throughout Sweden. Many of these properties are undergoing or have already undergone various environmental classification systems, such as the Environmental Certification of Building Project, Leed and Green Building. Each classification system has a range of environmental criteria to be met. Part of the overall commitment to the environment is to constantly reduce environmental impact from, for example, energy consumption, which is an assessment criterion.

Länsförsäkringar has previously been involved in the development of the Environmental Certification of Building Project under the leadership of the National Housing Board. Led by the Ministry of the Environment, the Swedish Government has gathered a number of players in the construction and real-estate sector to undertake a variety of measures and actively work toward achieving sustainable development through the Building/Living Dialogue Project. Environmental certification of properties encompasses many areas, such as energy use, hazardous substances, environmental impact and indoor environment.

### Unique recycling insurance

The Länsförsäkringar Alliance is the only insurance group that offers recycling for farmers throughout most of Sweden. Recycling insurance entitles farmers and residents of agricultural properties to have their environmentally harmful waste and agricultural scrap removed from their farms and dealt with appropriately once a year, free of charge. Länsförsäkringar continued to collect scrap and harmful waste in 2010. A total of 6,500 tonnes of scrap and 1,800 tonnes of environmentally harmful waste was collected.

### Wind power

In 2010, Länsförsäkringar continued to underwrite insurance for wind farms under a recently developed wind-power concept. This concept includes the unique recycling insurance which ensures environmentally sound demolition and recycling of the wind farms when it becomes necessary in the future.

### Supporting research

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

### Local involvement

Länsförsäkringar is heavily involved in many different environmental areas throughout Sweden. Some regional insurance companies participate in local nature conservation projects. One project involves safeguarding valuable green areas in a bid to create a prosperous environment for people and contribute to a sustainable society. Other companies work closely with universities and colleges in activities regarding the link between climate change and insurance claims. Seminars are arranged by the companies themselves or in cooperation with other operations under relevant themes, for example, "The environment, society and the individual" and "Adjustments to a green society."

### Systematic environmental work

All companies in the Länsförsäkringar Alliance are environmentally certified in accordance with ISO 14001. This means that the environment is taken into consideration in the decisions and actions of the companies in an effort to constantly reduce their environmental impact and contribute to sustainable social development. Each company has its own certificate. The companies in the Länsförsäkringar Alliance jointly develop their environmental work, offer further training and learn from one another. Certification is achieved through internal audits and external review by an accredited certification body

*Human Resources issues are handled individually by each regional insurance company in the Länsförsäkringar Alliance, but development and coordination in certain issues take place jointly between the regional insurance companies and the jointly owned Länsförsäkringar AB.*

EMPLOYEES

# Attractive employer for insurance and banking

The organisation of the Länsförsäkringar Alliance provides a large internal labour market and development possibilities for employees. The intranet gives employees with a good overview of all vacant positions. A career section of the external website also presents job seekers with a continuously updated list of vacant positions at the Länsförsäkringar Alliance and there are always jobs available.

### 10,000 days of training

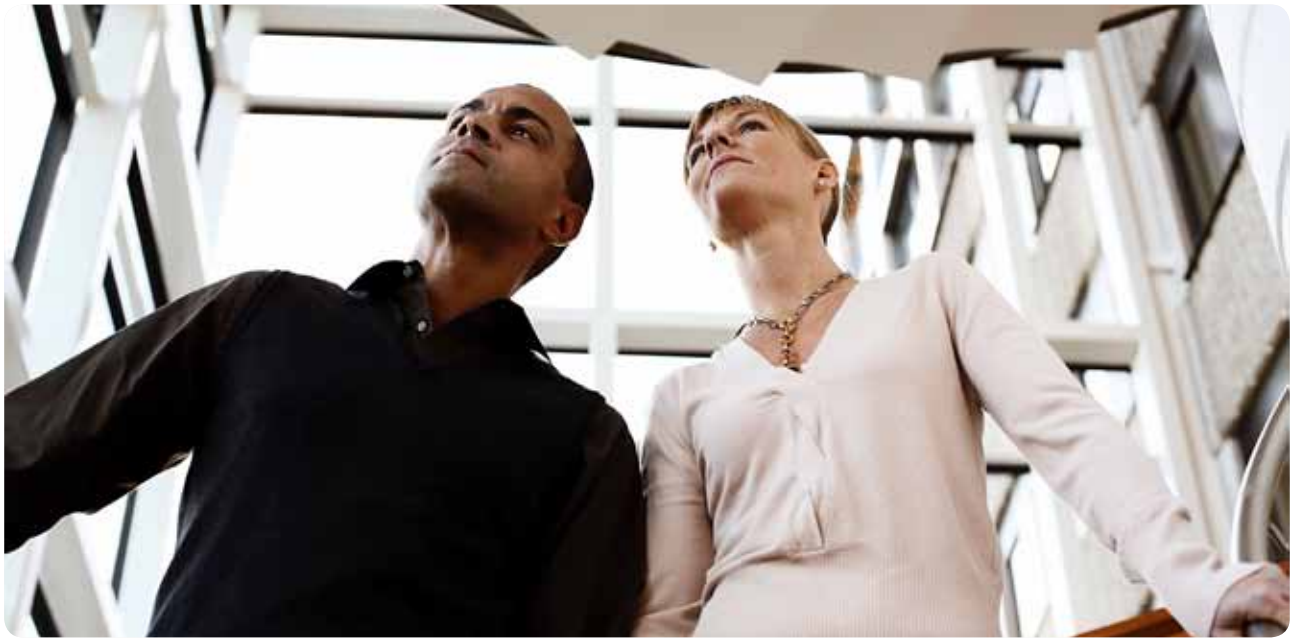
Länsförsäkringar AB is an internal supplier of commercial training programmes for the entire Länsförsäkringar Alliance, for example it arranges diploma courses.

These diploma courses focus on giving employees the skills needed in a business context to offer customers products and solutions that meet their requirements.

Some 177 training courses were commenced in 2010. More than 10,000 days of training were arranged, of which 3,500 were e-learning courses, 5,000 taught days of training and 1,800 testing.

### An attractive employer

The efforts to further advance Länsförsäkringar's positions in the struggle for business-critical competencies yielded results during the past year. For the eighth consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's Företagsbarometer survey. Overall, Länsförsäkringar's position improved from 36th to 31st in this year's ranking of the most attractive employer in all categories. Universum's Karriärbarometer survey measures the career expectations and employer preferences of the Young Professionals category – university graduates with 1-8 years of professional experience up to the age of 40. Länsförsäkringar's ranking in this survey also improved, from 48th to 42nd. In both of these surveys, Länsförsäkringar was the most attractive employer in the banking sector after the four major banks.



## Employee statistics

| | Permanent employees on December 31 | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Women | Men | Women | Men |
| 24 regional insurance companies | 2,291 | 1,997 | 2,303 | 1,994 |
| Länsförsäkringar AB | 826 | 683 | 815 | 665 |
| Mäklarservice | 75 | 47 | 72 | 53 |
| **Total number of permanent employees** | **5,919** | | **5,902** | |

| | Permanent employees recruited during the year | | Permanent employees who transferred to another company in the Länsförsäkringar Alliance | | Permanent employees who left during the year | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 24 regional insurance companies, including Mäklarservice | 266 | 318 | 44 | 50 | 239 | 159 |
| Länsförsäkringar AB | 136 | 43 | 10 | 8 | 139 | 55 |

| | 24 regional insurance companies, including Mäklarservice | | Länsförsäkringar AB | |
|---|---|---|---|---|
| **Age range, all employees** | 2010 | 2009 | 2010 | 2009 |
| 0–30 years | 446 | 499 | 105 | 100 |
| 31–40 years | 1,148 | 1,172 | 426 | 439 |
| 41–50 years | 1,374 | 1,346 | 515 | 483 |
| 51–60 years | 1,133 | 1,117 | 370 | 379 |
| 61– | 310 | 292 | 93 | 79 |
| Average age, women | 44 | 44 | 45 | 45 |
| Average age, men | 45 | 45 | 45 | 45 |

| | 24 regional insurance companies, including Mäklarservice | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| **Age range, managers** | Female managers | Male managers | Female managers | Male managers |
| 0–30 years | 3 | 5 | 3 | 8 |
| 31–40 years | 38 | 43 | 40 | 44 |
| 41–50 years | 90 | 116 | 93 | 123 |
| 51–60 years | 39 | 111 | 34 | 108 |
| 61– | 3 | 25 | 1 | 11 |
| **Total** | **173** | **300** | **171** | **294** |
| **Total** | **473** | | **465** | |

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

| Bank employees in the regional insurance companies | 2010 | 2009 |
|---|---|---|
| Full-time employees | 738 | 630 |

| | 24 regional insurance companies, including Mäklarservice | | Länsförsäkringar AB | |
|---|---|---|---|---|
| **Average age, managers** | 2010 | 2009 | 2010 | 2009 |
| Women | 46 | 45 | 45 | 44 |
| Men | 47 | 48 | 46 | 45 |

| | 24 regional insurance companies, including Mäklarservice | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| **Gender distribution among management and Board** | Women | Men | Women | Men |
| President | 4 | 22 | 3 | 22 |
| Management teams [1] | 70 | 133 | 76 | 143 |
| Board members [2] | 91 | 152 | 94 | 136 |
| Assembly of representatives [3] | 392 | 905 | 352 | 927 |

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

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

| | 24 regional insurance companies, including Mäklarservice | | Länsförsäkringar AB | |
|---|---|---|---|---|
| **Sickness absence, %** | 2010 | 2009 | 2010 | 2009 |
| Total sickness absence as a percentage of ordinary working hours | 2.8 | 3.0 | 2.5 | 2.5 |
| Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more | 33.9 | 38.9 | 34.8 | 36.5 |
| **Sickness absence by gender, %** | | | | |
| Men | 1.8 | 2.0 | 1.5 | 1.6 |
| Women | 3.7 | 3.6 | 3.4 | 3.3 |
| **Sickness absence by age category, %** | | | | |
| Up to age 29 years of age | 2.8 | 2.9 | 3.4 | 3.1 |
| 30–49 years | 2.4 | 2.5 | 2.1 | 2.3 |
| 50 years of age or older | 3.3 | 3.4 | 3.1 | 2.9 |

# Länsförsäkringar Alliance in figures

The combined earnings of the Länsförsäkringar's non-life insurance operations are presented on the following pages, followed by key figures from each of the 24 regional insurance companies.

**Contents**


Länsförsäkringar Alliance 2010, non-life insurance ..... 44
Länsförsäkringar Norrbotten ..... 46
Länsförsäkringar Västerbotten ..... 46
Länsförsäkringar Jämtland ..... 46
Länsförsäkringar Västernorrland ..... 47
Länsförsäkringar Gävleborg ..... 47
Dalarnas Försäkringsbolag ..... 47
Länsförsäkringar Värmland ..... 48
Länsförsäkringar Uppsala ..... 48
Länsförsäkringar Bergslagen ..... 48
Länsförsäkringar Stockholm ..... 49
Länsförsäkringar Södermanland ..... 49
Länsförsäkringar Göteborg och Bohuslän ..... 49
Länsförsäkringar Skaraborg ..... 50
Östgöta Brandstodsbolag ..... 50
Länsförsäkringar Älvsborg ..... 50
Länsförsäkringar Gotland ..... 51
Länsförsäkringar Jönköping ..... 51
Länsförsäkringar Halland ..... 51
Länsförsäkring Kronoberg ..... 52
Länsförsäkringar Kalmar län ..... 52
Länsförsäkringar Blekinge ..... 52
Länsförsäkringar Göinge ..... 53
Länsförsäkringar Kristianstad ..... 53
Länsförsäkringar Skåne ..... 53

# Länsförsäkringar Alliance 2010

| NON-LIFE INSURANCE, SEK M<br>Profit after ceded reinsurance, 2010 | Norrbotten | Västerbotten | Jämtland | Västernorrland | Gävleborg | Dalarna | Värmland | Uppsala | Bergslagen | Stockholm | Södermanland |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Premiums earned | 272 | 519 | 371 | 356 | 404 | 969 | 401 | 564 | 749 | 1,484 | 442 |
| Investment income transferred from financial operations | 32 | 16 | 26 | 15 | 14 | 28 | 8 | 23 | 17 | 68 | 9 |
| Claims payments | –242 | –356 | –304 | –346 | –280 | –728 | –329 | –503 | –622 | –1,083 | –391 |
| Operating expenses | –90 | –99 | –80 | –97 | –106 | –177 | –75 | –136 | –149 | –380 | –86 |
| Other income/expenses | | | | | | | 7 | | | | |
| **Technical result from non-life insurance operations before bonuses and discounts** | **–28** | **80** | **12** | **–72** | **31** | **92** | **12** | **–52** | **–4** | **89** | **–26** |
| Bonuses and discounts | | –41 | | | | –178 | | 3 | | | |
| **Technical result, non-life insurance operations** | **–28** | **38** | **12** | **–72** | **31** | **–86** | **12** | **–50** | **–4** | **89** | **–26** |
| Total investment income | 41 | 186 | 101 | 61 | 31 | 256 | 63 | 127 | 342 | 250 | 199 |
| Investment income transferred to insurance operations | –32 | –16 | –26 | –15 | –14 | –28 | –11 | –23 | –17 | –68 | –9 |
| Other income/expenses | –11 | –13 | –1 | –15 | –14 | –9 | –12 | –18 | –27 | –99 | –10 |
| **Operating profit** | **–30** | **195** | **86** | **–41** | **34** | **132** | **52** | **36** | **294** | **172** | **155** |
| **Balance sheet, Dec. 31, 2010** | | | | | | | | | | | |
| **ASSETS** | | | | | | | | | | | |
| **Investment assets** | | | | | | | | | | | |
| Shares in Länsförsäkringar AB | 145 | 354 | 243 | 309 | 346 | 647 | 221 | 471 | 546 | 908 | 361 |
| Other shares and participations | 47 | 1,175 | 629 | 308 | 1 | 2,117 | 239 | 645 | 1,521 | 1,329 | 1,030 |
| Bonds and other interest-bearing securities | 485 | 736 | 455 | 468 | 822 | 1,267 | 517 | 700 | 569 | 1,638 | 480 |
| Other investment assets | 127 | 192 | 165 | 33 | 5 | 128 | 227 | 38 | 600 | 11 | 32 |
| **Total investment assets** | **804** | **2,456** | **1,493** | **1,118** | **1,174** | **4,160** | **1,204** | **1,855** | **3,235** | **3,886** | **1,904** |
| Reinsurers' portion of technical reserves | 134 | 180 | 168 | 247 | 73 | 310 | 147 | 218 | 125 | 255 | 178 |
| Receivables and other assets | 125 | 207 | 154 | 139 | 182 | 424 | 134 | 303 | 242 | 444 | 151 |
| Cash and bank balances | 48 | 156 | 48 | 57 | 77 | 197 | 340 | 81 | 83 | 71 | 36 |
| Prepaid expenses and accrued income | 14 | 36 | 31 | 14 | 13 | 18 | 17 | 22 | 26 | 37 | 12 |
| **Total assets** | **1,125** | **3,035** | **1,894** | **1,575** | **1,520** | **5,109** | **1,842** | **2,479** | **3,711** | **4,692** | **2,281** |
| **EQUITY, PROVISIONS AND LIABILITIES** | | | | | | | | | | | |
| Equity | 385 | 1,159 | 866 | 518 | 329 | 2,346 | 696 | 898 | 1,653 | 397 | 976 |
| Untaxed reserves | | 584 | | | 358 | | | | | 1,196 | |
| Technical reserves (before ceded reinsurance) | 563 | 998 | 741 | 837 | 674 | 1,997 | 784 | 1,170 | 1,275 | 2,541 | 952 |
| Other provisions and liabilities | 133 | 222 | 242 | 197 | 146 | 647 | 298 | 334 | 458 | 373 | 340 |
| Accrued expenses and deferred income | 44 | 72 | 45 | 23 | 12 | 119 | 65 | 76 | 325 | 186 | 13 |
| **Total equity, provisions and liabilities** | **1,125** | **3035** | **1,894** | **1,575** | **1,520** | **5,109** | **1,842** | **2,479** | **3,711** | **4,692** | **2,281** |
| **Solvency capital** | **484** | **1,848** | **1,048** | **621** | **739** | **2,851** | **885** | **1,125** | **2,100** | **1,811** | **1,223** |
| **Solvency margin, %** | **178** | **355** | **287** | **174** | **182** | **295** | **220** | **196** | **279** | **124** | **279** |

The Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB. The Länsförsäkringar Alliance's 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. To achieve the correct total values for Länsförsäkringar, the balance between the Länsförsäkringar AB Group and the regional insurance companies has been eliminated. The value and changes in the value of the Länsförsäkringar AB share, as well as subordinated loans and the Länsförsäkringar AB Group's liabilities to and receivables from the regional insurance companies have been eliminated.

| Göteborg och Bohuslän | Skaraborg | Östgöta | Älvsborg | Gotland | Jönköping | Halland | Kronoberg | Kalmar | Blekinge | Göinge | Kristianstad | Skåne | Länsförsäkringar AB Group excluding Bank Group | Länsförsäkringar Alliance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1,069 | 512 | 1,009 | 818 | 165 | 750 | 481 | 344 | 552 | 236 | 188 | 193 | 1,571 | 3,769 | 18,188 |
| | | | | | | | | | | | | | | |
| 41 | 20 | 36 | 46 | 5 | 4 | 46 | 10 | 21 | 6 | 4 | 5 | 77 | 309 | 888 |
| –816 | –414 | –811 | –747 | –129 | –670 | –411 | –277 | –418 | –161 | –161 | –150 | –1,203 | –3,057 | –14,613 |
| –269 | –111 | –230 | –178 | –31 | –126 | –97 | –68 | –101 | –54 | –41 | –41 | –273 | **–958** | **–4,054** |
| | | | | | | | | | 3 | | | | 110 | 120 |
| | | | | | | | | | | | | | | |
| **25** | **7** | **4** | **–61** | **10** | **–43** | **19** | **9** | **54** | **30** | **–10** | **7** | **172** | **173** | **529** |
| 11 | | | –44 | | –9 | –18 | | –60 | | 2 | | –160 | | **–495** |
| **35** | **7** | **4** | **–104** | **10** | **–51** | **1** | **9** | **–6** | **30** | **–8** | **7** | **12** | **173** | **34** |
| 323 | 51 | 289 | 265 | 17 | 236 | 169 | 71 | 185 | 48 | 57 | 58 | 571 | 462 | 3,960 |
| –41 | –20 | –36 | –46 | –5 | –4 | –46 | –10 | –21 | –6 | –4 | –5 | –77 | **–309** | **–888** |
| –29 | –11 | 2 | –58 | 4 | –32 | –18 | –7 | 1 | –10 | –8 | –5 | –20 | **–135** | **–554** |
| **289** | **27** | **258** | **57** | **26** | **149** | **106** | **62** | **159** | **62** | **37** | **55** | **487** | **190** | **2,552** |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| 624 | 365 | 674 | 645 | 85 | 527 | 354 | 227 | 334 | 134 | 170 | 182 | 946 | | |
| 2,037 | 264 | 1,845 | 2,057 | 331 | 924 | 930 | 399 | 991 | 220 | 266 | 293 | 2,522 | 803 | 22,925 |
| 1,057 | 487 | 1,002 | 764 | 186 | 300 | 544 | 411 | 396 | 495 | 310 | 290 | 1,566 | 10,366 | 26,188 |
| 336 | 190 | 751 | 103 | 10 | 425 | 336 | 195 | 366 | 134 | 157 | 33 | 263 | 9,785 | 14,155 |
| **4,054** | **1,307** | **4,272** | **3,569** | **612** | **2,176** | **2,164** | **1,232** | **2,087** | **983** | **903** | **798** | **5,297** | **20,954** | **63,268** |
| 188 | 165 | 293 | 247 | 69 | 256 | 192 | 102 | 195 | 78 | 84 | 109 | 437 | 6,346 | 6,346 |
| 340 | 193 | 398 | 415 | 108 | 214 | 153 | 132 | 294 | 82 | 72 | 146 | 483 | 3,319 | 8,603 |
| 84 | 75 | 64 | 176 | 160 | 880 | 28 | 48 | 222 | 14 | 54 | 43 | 397 | 1,335 | 4,774 |
| 42 | 14 | 35 | 8 | 17 | 11 | 34 | 9 | 18 | 4 | 13 | 9 | 57 | 238 | 750 |
| **4,708** | **1,754** | **5,061** | **4,414** | **966** | **3,536** | **2,572** | **1,524** | **2,816** | **1,162** | **1,126** | **1,104** | **6,671** | **32,192** | **83,742** |
| | | | | | | | | | | | | | | |
| 1,931 | 472 | 2,367 | 2,113 | 475 | 1,461 | 1,123 | 626 | 1,265 | 538 | 517 | 504 | 2,403 | 9,517 | 27,293 |
| | | | | | | | | | | | | | | |
| 1,977 | 1,010 | 1,850 | 1,689 | 354 | 1,481 | 1,025 | 648 | 1,070 | 448 | 410 | 424 | 3,074 | 19,936 | 43,470 |
| 743 | 189 | 806 | 489 | 133 | 531 | 330 | 244 | 464 | 150 | 190 | 169 | 1,115 | 2,110 | 10,765 |
| 56 | 83 | 38 | 123 | 5 | 62 | 93 | 6 | 17 | 26 | 9 | 7 | 80 | 629 | 2,214 |
| **4,708** | **1,754** | **5,061** | **4,414** | **966** | **3,536** | **2,572** | **1,524** | **2,816** | **1,162** | **1,126** | **1,104** | **6,671** | **32,192** | **83,742** |
| | | | | | | | | | | | | | | |
| **2,429** | **606** | **2,941** | **2,494** | **561** | **1,761** | **1,393** | **791** | **1,581** | **659** | **647** | **633** | **3,138** | **10,229** | **34,668** |
| **227** | **118** | **289** | **304** | **345** | **234** | **284** | **228** | **276** | **277** | **348** | **326** | **199** | **267** | **190** |

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

## Länsförsäkringar
# Norrbotten

**President** Kjell Lindfors
**Board Chairman** Mats Fabricius

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | –30 | 162 |
| Total assets, SEK M | 1,125 | 1,086 |
| Solvency margin, % | 178 | 187 |
| Number of employees | 81 | 74 |
| **Bank** | | |
| Deposits, SEK M | 375 | 330 |
| Lending, SEK M | 229 | 183 |
| Retail mortgage lending, SEK M | 951 | 780 |
| Fund volumes managed, SEK M | 45 | 38 |
| Number of customers | 6,700 | 6,100 |
| **Life assurance** | | |
| Premium income, SEK M | 142 | 127 |
| Total insurance capital, SEK M | 1,947 | 1,842 |
| Number of customers | 19,400 | 18,800 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 272 | 263 |
| Technical result for insurance operations, SEK M | –28 | 20 |
| Combined ratio after ceded reinsurance, % | 122 | 104 |
| Total return on asset management, % | 5 | 31 |
| Number of customers | 57,100 | 53,700 |

## Länsförsäkringar
# Västerbotten

**President** Göran Spetz
**Board Chairman** Conny Sandström

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 237 | 389 |
| Total assets, SEK M | 3,035 | 2,857 |
| Solvency margin, % | 355 | 322 |
| Number of employees | 160 | 156 |
| **Bank** | | |
| Deposits, SEK M | 1,658 | 1,447 |
| Lending, SEK M | 881 | 709 |
| Retail mortgage lending, SEK M | 2,507 | 2,211 |
| Fund volumes managed, SEK M | 180 | 169 |
| Number of customers | 19,900 | 18,700 |
| **Life assurance** | | |
| Premium income, SEK M | 276 | 263 |
| Total insurance capital, SEK M | 3,766 | 3,540 |
| Number of customers | 35,300 | 34,200 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 519 | 517 |
| Technical result for insurance operations, SEK M | 80 | 87 |
| Bonuses and discounts, SEK M | –41 | –47 |
| Combined ratio after ceded reinsurance, % | 88 | 86 |
| Total return on asset management, % | 10 | 16 |
| Number of customers | 104,100 | 100,300 |

## Länsförsäkringar
# Jämtland

**President** Pia Sandvik Wiklund
**Board Chairman** Jan Holmberg

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 86 | 159 |
| Total assets, SEK M | 1,894 | 1,772 |
| Solvency margin, % | 287 | 254 |
| Number of employees | 112 | 111 |
| **Bank** | | |
| Deposits, SEK M | 857 | 758 |
| Lending, SEK M | 795 | 640 |
| Retail mortgage lending, SEK M | 1,631 | 1,384 |
| Fund volumes managed, SEK M | 57 | 46 |
| Number of customers | 11,800 | 11,000 |
| **Life assurance** | | |
| Premium income, SEK M | 141 | 139 |
| Total insurance capital, SEK M | 1,984 | 1,857 |
| Number of customers | 19,800 | 19,000 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 371 | 379 |
| Technical result for insurance operations, SEK M | 12 | 58 |
| Combined ratio after ceded reinsurance, % | 104 | 90 |
| Total return on asset management, % | 8 | 10 |
| Number of customers | 54,300 | 53,100 |

## Länsförsäkringar
# Västernorrland

**President** Leif Johanson
**Board Chairman** Stig Högberg

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | –41 | 30 |
| Total assets, SEK M | 1,575 | 1,460 |
| Solvency margin, % | 174 | 184 |
| Number of employees | 117 | 113 |
| **Bank** | | |
| Deposits, SEK M | 747 | 712 |
| Lending, SEK M | 382 | 341 |
| Retail mortgage lending, SEK M | 1,173 | 1,078 |
| Fund volumes managed, SEK M | 171 | 70 |
| Number of customers | 20,800 | 18,300 |
| **Life assurance** | | |
| Premium income, SEK M | 193 | 197 |
| Total insurance capital, SEK M | 3,357 | 3,216 |
| Number of customers | 28,000 | 27,400 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 356 | 364 |
| Technical result for insurance operations, SEK M | –72 | –37 |
| Combined ratio after ceded reinsurance, % | 124 | 114 |
| Total return on asset management, % | 5 | 9 |
| Number of customers | 70,600 | 68,700 |

## Länsförsäkringar
# Gävleborg

**Acting President** Maria Bast
**Board Chairman** Kjell Stafström

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 34 | 49 |
| Total assets, SEK M | 1,520 | 1,445 |
| Solvency margin, % | 182 | 177 |
| Number of employees | 175 | 168 |
| **Bank** | | |
| Deposits, SEK M | 1,165 | 1,057 |
| Lending, SEK M | 849 | 738 |
| Retail mortgage lending, SEK M | 2,933 | 2,385 |
| Fund volumes managed, SEK M | 103 | 75 |
| Number of customers | 17,500 | 16,000 |
| **Life assurance** | | |
| Premium income, SEK M | 216 | 219 |
| Total insurance capital, SEK M | 3,131 | 2,968 |
| Number of customers | 32,600 | 31,400 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 404 | 398 |
| Technical result for insurance operations, SEK M | 31 | 22 |
| Combined ratio after ceded reinsurance, % | 95 | 97 |
| Total return on asset management, % | 3 | 5 |
| Number of customers | 84,000 | 80,900 |

# Dalarnas
## Försäkringsbolag

**President** Anders Stigers
**Board Chairman** Maria Engholm

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 310 | 733 |
| Total assets, SEK M | 5,109 | 4,983 |
| Solvency margin, % | 295 | 283 |
| Number of employees | 247 | 233 |
| **Bank** | | |
| Deposits, SEK M | 2,078 | 1,754 |
| Lending, SEK M | 1,226 | 1,023 |
| Retail mortgage lending, SEK M | 4,087 | 3,447 |
| Fund volumes managed, SEK M | 249 | 182 |
| Number of customers | 31,000 | 27,800 |
| **Life assurance** | | |
| Premium income, SEK M | 426 | 419 |
| Total insurance capital, SEK M | 5,696 | 5,286 |
| Number of customers | 50,800 | 48,700 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 969 | 965 |
| Technical result for insurance operations, SEK M | 92 | 213 |
| Bonuses and discounts, SEK M | –178 | –228 |
| Combined ratio after ceded reinsurance, % | 93 | 84 |
| Total return on asset management, % | 6 | 14 |
| Number of customers | 140,700 | 139,200 |

## Länsförsäkringar
# Värmland

**President** Ulf W Eriksson
**Board Chairman** Patrik Sandin

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 52 | 109 |
| Total assets, SEK M | 1,842 | 1,771 |
| Solvency margin, % | 220 | 208 |
| Number of employees | 106 | 104 |
| **Bank** | | |
| Deposits, SEK M | 648 | 573 |
| Lending, SEK M | 348 | 374 |
| Retail mortgage lending, SEK M | 1,150 | 853 |
| Fund volumes managed, SEK M | 56 | 47 |
| Number of customers | 8,700 | 8,200 |
| **Life assurance** | | |
| Premium income, SEK M | 168 | 162 |
| Total insurance capital, SEK M | 2,675 | 2,626 |
| Number of customers | 26,700 | 26,700 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 401 | 405 |
| Technical result for insurance operations, SEK M | 12 | 49 |
| Combined ratio after ceded reinsurance, % | 101 | 90 |
| Total return on asset management, % | 4 | 9 |
| Number of customers | 82,200 | 78,400 |

## Länsförsäkringar
# Uppsala

**President** Ann-Christin Norrström
**Board Chairman** Björn Sundell

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 34 | 184 |
| Total assets, SEK M | 2,479 | 2,324 |
| Solvency margin, % | 196 | 190 |
| Number of employees | 198 | 186 |
| **Bank** | | |
| Deposits, SEK M | 1,789 | 1,556 |
| Lending, SEK M | 1,194 | 1,003 |
| Retail mortgage lending, SEK M | 4,217 | 3,616 |
| Fund volumes managed, SEK M | 202 | 167 |
| Number of customers | 24,000 | 22,200 |
| **Life assurance** | | |
| Premium income, SEK M | 402 | 389 |
| Total insurance capital, SEK M | 5,922 | 5,543 |
| Number of customers | 50,300 | 48,400 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 564 | 572 |
| Technical result for insurance operations, SEK M | –52 | 37 |
| Bonuses and discounts, SEK M | – | –11 |
| Combined ratio after ceded reinsurance, % | 113 | 97 |
| Total return on asset management, % | 7 | 11 |
| Number of customers | 108,400 | 104,100 |

## Länsförsäkringar
# Bergslagen

**President** Mikael Sundquist
**Board Chairman** Tommy Persson

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 294 | 418 |
| Total assets, SEK M | 3,711 | 3,413 |
| Solvency margin, % | 279 | 240 |
| Number of employees | 226 | 213 |
| **Bank** | | |
| Deposits, SEK M | 2,185 | 1,793 |
| Lending, SEK M | 2,624 | 1,929 |
| Retail mortgage lending, SEK M | 4,920 | 3,823 |
| Fund volumes managed, SEK M | 227 | 194 |
| Number of customers | 29,100 | 25,200 |
| **Life assurance** | | |
| Premium income, SEK M | 541 | 496 |
| Total insurance capital, SEK M | 7,294 | 6,850 |
| Number of customers | 60,500 | 57,800 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 749 | 748 |
| Technical result for insurance operations, SEK M | –4 | 82 |
| Bonuses and discounts, SEK M | – | –100 |
| Combined ratio after ceded reinsurance, % | 103 | 90 |
| Total return on asset management, % | 12 | 15 |
| Number of customers | 159,000 | 150,900 |

## Länsförsäkringar
# Stockholm

**President** Hans Benndorf
**Board Chairman** Christer Villard

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 172 | 103 |
| Total assets, SEK M | 4,692 | 4,601 |
| Solvency margin, % | 124 | 111 |
| Number of employees | 440 | 552 |
| **Bank** | | |
| Deposits, SEK M | 4,896 | 4,632 |
| Lending, SEK M | 1,670 | 1,494 |
| Retail mortgage lending, SEK M | 12,842 | 11,168 |
| Fund volumes managed, SEK M | 641 | 626 |
| Number of customers | 73,400 | 71,000 |
| **Life assurance** | | |
| Premium income, SEK M | 3,156 | 3,029 |
| Total insurance capital, SEK M | 43,056 | 40,027 |
| Number of customers | 232,000 | 225,000 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 1,484 | 1,484 |
| Technical result for insurance operations, SEK M | 89 | –115 |
| Combined ratio after ceded reinsurance, % | 99 | 112 |
| Total return on asset management, % | 7 | 13 |
| Number of customers | 315,700 | 311,600 |

## Länsförsäkringar
# Södermanland

**President** Anna-Greta Lundh
**Board Chairman** Axel von Stockenström

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 155 | 217 |
| Total assets, SEK M | 2,281 | 2,061 |
| Solvency margin, % | 279 | 243 |
| Number of employees | 121 | 121 |
| **Bank** | | |
| Deposits, SEK M | 1,026 | 878 |
| Lending, SEK M | 568 | 460 |
| Retail mortgage lending, SEK M | 2,591 | 2,233 |
| Fund volumes managed, SEK M | 95 | 89 |
| Number of customers | 15,000 | 13,900 |
| **Life assurance** | | |
| Premium income, SEK M | 258 | 217 |
| Total insurance capital, SEK M | 3,458 | 3,217 |
| Number of customers | 32,100 | 31,100 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 442 | 427 |
| Technical result for insurance operations, SEK M | –26 | 27 |
| Bonuses and discounts, SEK M | – | –15 |
| Combined ratio after ceded reinsurance, % | 108 | 95 |
| Total return on asset management, % | 11 | 13 |
| Number of customers | 85,300 | 82,900 |

## Länsförsäkringar
# Göteborg och Bohuslän

**President** Ingemar Larsson
**Board Chairman** Sune Nilsson

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 278 | 568 |
| Total assets, SEK M | 4,708 | 4,337 |
| Solvency margin, % | 227 | 198 |
| Number of employees | 289 | 279 |
| **Bank** | | |
| Deposits, SEK M | 2,242 | 1,910 |
| Lending, SEK M | 1,045 | 877 |
| Retail mortgage lending, SEK M | 5,259 | 4,250 |
| Fund volumes managed, SEK M | 222 | 192 |
| Number of customers | 36,200 | 33,400 |
| **Life assurance** | | |
| Premium income, SEK M | 1,265 | 1,118 |
| Total insurance capital, SEK M | 15,386 | 14,364 |
| Number of customers | 93,900 | 90,500 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 1,069 | 1,078 |
| Technical result for insurance operations, SEK M | 25 | 94 |
| Combined ratio after ceded reinsurance, % | 102 | 95 |
| Total return on asset management, % | 9 | 18 |
| Number of customers | 210,300 | 205,500 |

## Länsförsäkringar Skaraborg

**President** Carl Henrik Ohlsson
**Board Chairman** Jonas Rosman

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 27 | 101 |
| Total assets, SEK M | 1,754 | 1,847 |
| Solvency margin, % | 118 | 113 |
| Number of employees | 140 | 145 |
| **Bank** | | |
| Deposits, SEK M | 1,585 | 1,307 |
| Lending, SEK M | 1,072 | 892 |
| Retail mortgage lending, SEK M | 2,218 | 1,792 |
| Fund volumes managed, SEK M | 231 | 165 |
| Number of customers | 26,700 | 25,500 |
| **Life assurance** | | |
| Premium income, SEK M | 225 | 235 |
| Total insurance capital, SEK M | 4,052 | 3,874 |
| Number of customers | 34,300 | 33,200 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 512 | 507 |
| Technical result for insurance operations, SEK M | 7 | 35 |
| Combined ratio after ceded reinsurance, % | 103 | 96 |
| Total return on asset management, % | 4 | 8 |
| Number of customers | 93,700 | 87,700 |

## Östgöta Brandstodsbolag

**President** Anders Östryd
**Board Chairman** Lars-Eric Åström

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 258 | 463 |
| Total assets, SEK M | 5,061 | 4,721 |
| Solvency margin, % | 289 | 280 |
| Number of employees | 299 | 297 |
| **Bank** | | |
| Deposits, SEK M | 3,805 | 3,508 |
| Lending, SEK M | 2,646 | 2,280 |
| Retail mortgage lending, SEK M | 4,955 | 4,242 |
| Fund volumes managed, SEK M | 262 | 192 |
| Number of customers | 44,100 | 41,800 |
| **Life assurance** | | |
| Premium income, SEK M | 928 | 792 |
| Total insurance capital, SEK M | 8,346 | 7,307 |
| Number of customers | 70,800 | 67,400 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 1,009 | 968 |
| Technical result for insurance operations, SEK M | 4 | 71 |
| Combined ratio after ceded reinsurance, % | 103 | 95 |
| Total return on asset management, % | 8 | 12 |
| Number of customers | 178,300 | 175,000 |

## Länsförsäkringar Älvsborg

**President** Sten Lundqvist
**Board Chairman** Lars Hallkvist

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 101 | 463 |
| Total assets, SEK M | 4,414 | 4,249 |
| Solvency margin, % | 304 | 293 |
| Number of employees | 307 | 276 |
| **Bank** | | |
| Deposits, SEK M | 2,292 | 2,026 |
| Lending, SEK M | 1,272 | 1,010 |
| Retail mortgage lending, SEK M | 5,150 | 4,170 |
| Fund volumes managed, SEK M | 258 | 234 |
| Number of customers | 57,200 | 55,700 |
| **Life assurance** | | |
| Premium income, SEK M | 454 | 447 |
| Total insurance capital, SEK M | 6,703 | 6,283 |
| Number of customers | 62,600 | 60,500 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 818 | 822 |
| Technical result for insurance operations, SEK M | –61 | 47 |
| Bonuses and discounts, SEK M | –44 | –49 |
| Combined ratio after ceded reinsurance, % | 113 | 100 |
| Total return on asset management, % | 8 | 15 |
| Number of customers | 159,600 | 152,800 |

## Länsförsäkringar
# Gotland

**President** Peter Lindvall
**Board Chairman** Gösta af Petersens

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 26 | 65 |
| Total assets, SEK M | 966 | 944 |
| Solvency margin, % | 345 | 324 |
| Number of employees | 57 | 53 |
| **Bank** | | |
| Deposits, SEK M | 723 | 619 |
| Lending, SEK M | 1,145 | 851 |
| Retail mortgage lending, SEK M | 1,644 | 1,395 |
| Fund volumes managed, SEK M | 46 | 41 |
| Number of customers | 9,500 | 8,500 |
| **Life assurance** | | |
| Premium income, SEK M | 107 | 75 |
| Total insurance capital, SEK M | 851 | 727 |
| Number of customers | 11,200 | 10,300 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 165 | 160 |
| Technical result for insurance operations, SEK M | 10 | 14 |
| Bonuses and discounts, SEK M | – | –5 |
| Combined ratio after ceded reinsurance, % | 97 | 94 |
| Total return on asset management, % | 3 | 10 |
| Number of customers | 28,500 | 26,900 |

## Länsförsäkringar
# Jönköping

**President** Örian Söderberg
**Board Chairman** Göran Lindell

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 158 | 315 |
| Total assets, SEK M | 3,536 | 3,257 |
| Solvency margin, % | 234 | 213 |
| Number of employees | 186 | 182 |
| **Bank** | | |
| Deposits, SEK M | 1,949 | 1,708 |
| Lending, SEK M | 1,180 | 1,074 |
| Retail mortgage lending, SEK M | 2,724 | 2,321 |
| Fund volumes managed, SEK M | 158 | 130 |
| Number of customers | 22,300 | 20,900 |
| **Life assurance** | | |
| Premium income, SEK M | 413 | 372 |
| Total insurance capital, SEK M | 5,957 | 5,499 |
| Number of customers | 44,800 | 43,500 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 750 | 758 |
| Technical result for insurance operations, SEK M | –43 | 78 |
| Bonuses and discounts, SEK M | –9 | –32 |
| Combined ratio after ceded reinsurance, % | 106 | 90 |
| Total return on asset management, % | 8 | 11 |
| Number of customers | 120,800 | 117,300 |

## Länsförsäkringar
# Halland

**President** Christian Bille
**Board Chairman** Karin Starrin

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 124 | 180 |
| Total assets, SEK M | 2,572 | 2,466 |
| Solvency margin, % | 284 | 267 |
| Number of employees | 147 | 152 |
| **Bank** | | |
| Deposits, SEK M | 2,203 | 2,019 |
| Lending, SEK M | 2,962 | 2,601 |
| Retail mortgage lending, SEK M | 4,765 | 4,192 |
| Fund volumes managed, SEK M | 159 | 136 |
| Number of customers | 31,900 | 31,200 |
| **Life assurance** | | |
| Premium income, SEK M | 329 | 330 |
| Total insurance capital, SEK M | 5,061 | 4,785 |
| Number of customers | 44,000 | 42,500 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 481 | 489 |
| Technical result for insurance operations, SEK M | 19 | 72 |
| Bonuses and discounts, SEK M | –18 | –15 |
| Combined ratio after ceded reinsurance, % | 106 | 95 |
| Total return on asset management, % | 8 | 10 |
| Number of customers | 92,600 | 86,900 |

## Länsförsäkring
# Kronoberg

**President** Fredrik Daveby
**Board Chairman** Per-Åke Holgersson

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 62 | 123 |
| Total assets, SEK M | 1,524 | 1,426 |
| Solvency margin, % | 228 | 224 |
| Number of employees | 86 | 89 |
| **Bank** | | |
| Deposits, SEK M | 1,106 | 1,012 |
| Lending, SEK M | 676 | 595 |
| Retail mortgage lending, SEK M | 1,356 | 1,167 |
| Fund volumes managed, SEK M | 80 | 65 |
| Number of customers | 26,800 | 25,000 |
| **Life assurance** | | |
| Premium income, SEK M | 209 | 180 |
| Total insurance capital, SEK M | 3,377 | 3,150 |
| Number of customers | 23,500 | 22,600 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 344 | 330 |
| Technical result for insurance operations, SEK M | 9 | 36 |
| Bonuses and discounts, SEK M | – | –38 |
| Combined ratio after ceded reinsurance, % | 100 | 93 |
| Total return on asset management, % | 6 | 11 |
| Number of customers | 63,100 | 59,300 |

## Länsförsäkringar
# Kalmar län

**President** Lars B Danielsson
**Board Chairman** Christer Olander

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 220 | 275 |
| Total assets, SEK M | 2,816 | 2,547 |
| Solvency margin, % | 276 | 250 |
| Number of employees | 153 | 149 |
| **Bank** | | |
| Deposits, SEK M | 1,267 | 1,088 |
| Lending, SEK M | 605 | 472 |
| Retail mortgage lending, SEK M | 1,479 | 1,204 |
| Fund volumes managed, SEK M | 100 | 84 |
| Number of customers | 14,000 | 12,900 |
| **Life assurance** | | |
| Premium income, SEK M | 207 | 216 |
| Total insurance capital, SEK M | 3,876 | 3,697 |
| Number of customers | 31,100 | 30,300 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 552 | 559 |
| Technical result for insurance operations, SEK M | 54 | 77 |
| Bonuses and discounts, SEK M | –60 | –58 |
| Combined ratio after ceded reinsurance, % | 94 | 90 |
| Total return on asset management, % | 9 | 12 |
| Number of customers | 102,000 | 97,600 |

## Länsförsäkringar
# Blekinge

**President** Leif Naurin
**Board Chairman** Anders Åkesson

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 62 | 120 |
| Total assets, SEK M | 1,162 | 1,086 |
| Solvency margin, % | 277 | 255 |
| Number of employees | 78 | 74 |
| **Bank** | | |
| Deposits, SEK M | 768 | 712 |
| Lending, SEK M | 674 | 595 |
| Retail mortgage lending, SEK M | 1,453 | 1,241 |
| Fund volumes managed, SEK M | 61 | 53 |
| Number of customers | 10,000 | 9,400 |
| **Life assurance** | | |
| Premium income, SEK M | 197 | 168 |
| Total insurance capital, SEK M | 2,267 | 2,059 |
| Number of customers | 18,400 | 17,600 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 236 | 241 |
| Technical result for insurance operations, SEK M | 30 | 41 |
| Combined ratio after ceded reinsurance, % | 91 | 85 |
| Total return on asset management, % | 6 | 12 |
| Number of customers | 51,300 | 49,400 |

## Länsförsäkringar
# Göinge

**President** Klas von Celsing
**Board Chairman** Ingmar Kristiansson

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 35 | 104 |
| Total assets, SEK M | 1,126 | 1,057 |
| Solvency margin, % | 348 | 323 |
| Number of employees | 56 | 56 |
| **Bank** | | |
| Deposits, SEK M | 477 | 446 |
| Lending, SEK M | 398 | 232 |
| Retail mortgage lending, SEK M | 517 | 444 |
| Fund volumes managed, SEK M | 50 | 41 |
| Number of customers | 6,300 | 5,900 |
| **Life assurance** | | |
| Premium income, SEK M | 105 | 102 |
| Total insurance capital, SEK M | 1,689 | 1,615 |
| Number of customers | 13,400 | 12,900 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 188 | 188 |
| Technical result for insurance operations, SEK M | –10 | 23 |
| Combined ratio after ceded reinsurance, % | 108 | 90 |
| Total return on asset management, % | 7 | 12 |
| Number of customers | 34,200 | 33,100 |

## Länsförsäkringar
# Kristianstad

**President** Henrietta Hansson
**Board Chairman** Göran Trobro

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 55 | 91 |
| Total assets, SEK M | 1,104 | 1,036 |
| Solvency margin, % | 326 | 302 |
| Number of employees | 55 | 56 |
| **Bank** | | |
| Deposits, SEK M | 673 | 597 |
| Lending, SEK M | 398 | 367 |
| Retail mortgage lending, SEK M | 993 | 879 |
| Fund volumes managed, SEK M | 52 | 44 |
| Number of customers | 7,400 | 7,000 |
| **Life assurance** | | |
| Premium income, SEK M | 87 | 83 |
| Total insurance capital, SEK M | 1,453 | 1,362 |
| Number of customers | 13,300 | 12,900 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 193 | 193 |
| Technical result for insurance operations, SEK M | 7 | 17 |
| Combined ratio after ceded reinsurance, % | 99 | 94 |
| Total return on asset management, % | 7 | 14 |
| Number of customers | 37,100 | 36,200 |

## Länsförsäkringar
# Skåne

**President** Jan Fock
**Board Chairman** Otto Ramel

| Key figures | 2010 | 2009 |
|---|---|---|
| Operating profit/loss before bonuses and discounts, SEK M | 647 | 653 |
| Total assets, SEK M | 6,671 | 5,866 |
| Solvency margin, % | 199 | 170 |
| Number of employees | 406 | 404 |
| **Bank** | | |
| Deposits, SEK M | 2,394 | 2,114 |
| Lending, SEK M | 2,544 | 2,214 |
| Retail mortgage lending, SEK M | 8,126 | 7,315 |
| Fund volumes managed, SEK M | 352 | 295 |
| Number of customers | 45,400 | 41,700 |
| **Life assurance** | | |
| Premium income, SEK M | 1,171 | 1,055 |
| Total insurance capital, SEK M | 16,970 | 15,938 |
| Number of customers | 123,800 | 119,400 |
| **Non-life insurance** | | |
| Premiums earned, SEK M | 1,571 | 1,564 |
| Technical result for insurance operations, SEK M | 172 | 180 |
| Bonuses and discounts, SEK M | –160 | – |
| Combined ratio after ceded reinsurance, % | 94 | 94 |
| Total return on asset management, % | 12 | 14 |
| Number of customers | 314,200 | 301,300 |

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

LÄNSFÖRSÄKRINGAR AB

# Joint resources that create local strength

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

### Streamlined tasks

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

### Clarity in the value chain

The operations of Länsförsäkringar AB are extremely important to all of the 24 regional insurance companies. Instead of developing resources at the local level, the regional insurance companies can share expenses in such areas as IT, product development, brand communication and methods for developing and strengthening customer relations. Cooperation between the three core operations also creates economies of scale since the costs for such activities as payment handling and 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. That is why certain non-life insurance operations are considered best suited to a joint concession. This interface does not affect customer relations, which are managed by the respective regional insurance company in the same manner as a local bank or life-assurance company. This interface is the foundation of the Länsförsäkringar concept.

## Earnings

Operating profit for the Länsförsäkringar AB Group amounted to SEK 536 M (693) during 2010. Länsförsäkringar Sak accounted for SEK 313 M (635) of the operating profit. The decline was primarily due to higher costs in connection with the unusually cold and snowy winter months at the beginning and end of the year. The higher reserves in Agria's international operations also had a negative impact on earnings. Premiums earned in Länsförsäkringar Sak increased to SEK 3,524 M (3,024).

Operating profit for Länsförsäkringar Bank amounted to SEK 345 M (258). The increase in profit was primarily attributable to the improvement in the net interest income to SEK 1,363 M (1,148). The business volumes in banking increased during the year and deposits rose to SEK 114 billion (104) and loans to SEK 118 billion (100). Loan losses in Länsförsäkringar Bank remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05).

Total assets in the Länsförsäkringar AB Group amounted to SEK 173,850 M (157,005). The increase during 2010 was largely due to higher business volumes in Länsförsäkringar Bank. Länsförsäkringar AB's total solvency capital amounted to SEK 10,613 M (8,709); in addition to positive earnings, the increase was also due to the new share issue of SEK 1,284 M. The net worth of the Länsförsäkringar AB share amounted to SEK 1,356 (1,279).

## Dividend policy

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

**SHAREHOLDERS**

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

**LÄNSFÖRSÄKRINGAR AB GROUP**[1)]

| | 2010 | 2009 |
|---|---|---|
| Profit before tax, SEK M | 536 | 693 |
| Solvency capital, SEK M | 10,613 | 8,710 |
| Total assets, SEK M | 173,850 | 157,005 |
| Return on equity, % | 6 | 7 |

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

**SHARE TREND, LÄNSFÖRSÄKRINGAR AB**

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

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

**CREDIT RATING**

| Company | Agency | Short-term rating | Long-term rating |
|---|---|---|---|
| Länsförsäkringar Bank | Standard & Poor's | A/Stable | A–1(K–1) |
| Länsförsäkringar Bank | Moody's | A2/Stable | P–1 |
| Länsförsäkringar Hypotek[1)] | Standard & Poor's | AAA | – |
| Länsförsäkringar Hypotek[1)] | Moody's | Aaa | – |
| Länsförsäkringar AB | Standard & Poor's | A–/Stable | – |
| Länsförsäkringar AB | Moody's | A3/Stable | – |
| Länsförsäkringar Sak | Standard & Poor's | A/Stable | – |
| Länsförsäkringar Sak | Moody's | A2/Stable | – |
| Agria Djurförsäkring | Standard & Poor's | A–/pi[2)] | – |

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

# Owner control

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

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

### Foundations of owner control

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

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

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

### Owner-control logic

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

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

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

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

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

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

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

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

# 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 equity and interest-bearing investments.

**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 of claims incurred, including costs for claims that have not yet been reported to the insurance company. The costs also include run-off result.

**Claims ratio, non-life insurance**
The ratio between claims payments and premiums earned.

**Collective consolidation, life assurance**
The ratio between the market value of the total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for insurance policies that carry bonus rights, expressed as a percentage.

**Expense ratio, non-life insurance**
Operating expenses as a percentage of premiums earned after ceded reinsurance.

**Expense ratio, non-life insurance**
The total of operating expenses and claims payments 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 assets**
Investment assets are current or long-term assets that take the form of an investment, including real estate and securities in the case of an insurance company.

**Investment income, non-life insurance**
The net of the following income and expense: interest income, interest expense, dividends on shares and participations, surplus (deficit) on company-owned property, change in the fair value of properties, shares, interest-bearing securities and derivatives, gains (losses) on the sale of investment assets, currency exchange gains (losses), less operating expenses in asset management.

**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.

**Loan loss, Bank**
Loan losses in relation to the carrying amount of loans to the public and to credit institutions.

**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

**Net interest income, Bank**
Interest income/expense from loans to the public and credit institutions and income from interest-bearing securities minus expenses for deposits and borrowing from the public, credit institutions and expenses for interest-bearing securities.

**Operating expenses, insurance**
Costs of marketing, sales and administration.

**Operating profit**
Profit/loss before appropriations and 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 equity**
Profit before tax less standard tax at a rate of 26.3% in relation to average equity adjusted for dividends.

**Run-off result**
Profit or loss arising at accounting year-end in the provision for claims outstanding made in the preceding year-end accounts. The 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.

**Solvency capital**
The total of equity, deferred tax liabilities/assets, subordinated debt, untaxed reserves and surplus/deficit values of assets.

**Solvency, life assurance**
The market value of the company's total net assets in relation to guaranteed commitments to policyholders (technical reserves according to the balance sheet), expressed as a percentage.

**Solvency margin, non-life insurance**
Solvency capital as a percentage of premium income after ceded reinsurance.

**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 for insurance operations**
Premiums earned less claims payments and operating expenses plus income from ceded reinsurance and investment income transferred from financial operations.

**Total return ratio, non-life insurance**
The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average fair value of managed assets.

# Financial calendar 2011

**First quarter**

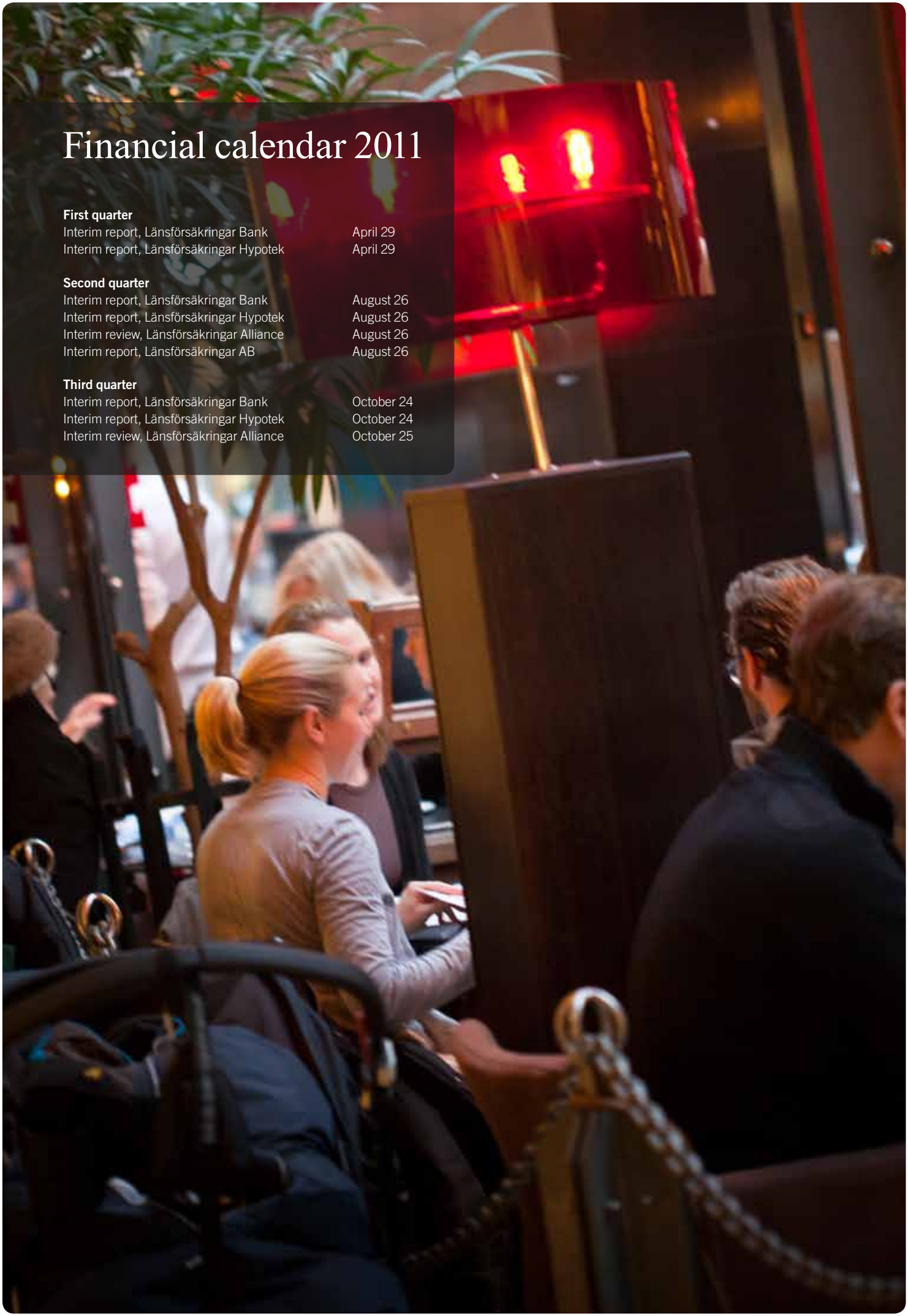
| | |
|---|---|
| Interim report, Länsförsäkringar Bank | April 29 |
| Interim report, Länsförsäkringar Hypotek | April 29 |

**Second quarter**

| | |
|---|---|
| Interim report, Länsförsäkringar Bank | August 26 |
| Interim report, Länsförsäkringar Hypotek | August 26 |
| Interim review, Länsförsäkringar Alliance | August 26 |
| Interim report, Länsförsäkringar AB | August 26 |

**Third quarter**

| | |
|---|---|
| Interim report, Länsförsäkringar Bank | October 24 |
| Interim report, Länsförsäkringar Hypotek | October 24 |
| Interim review, Länsförsäkringar Alliance | October 25 |



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