

Länsförsäkringar Alliance

January–June 2009

INTERIM REPORT

The period in brief

- The stable earnings trend in all core business segments is continuing based on a low risk profile and strong key figures.
- Operating profit from non-life insurance operations improved to SEK 2,552 M (loss: 3,404). The technical result amounted to SEK 966 M (1,200).
- Solvency for non-life insurance remained strong. Solvency capital totalled SEK 28,291 M (30,210) and the solvency margin amounted to 155% (174).
- The solvency ratio for life-assurance was 143% (152) and the collective consolidation level was 104% (102). New sales rose 2% to SEK 17,552 M (17,173).
- The return on investment assets in Länsförsäkringar Liv (life assurance) was negative 2.1% (neg: 5.8).
- The strong growth in the banking operations continued. Operating profit rose to SEK 133 M (123). Lending to the public rose 23% to SEK 90 billion (73) and deposits from the public increased by 15% to SEK 37 billion (32). Retail

Håkan Danielsson, President Länsförsäkringar AB, the Alliance's jointly owned company:

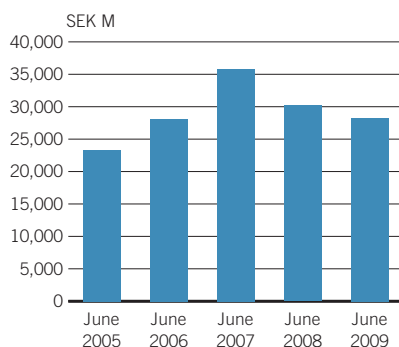
Länsförsäkringar is stable. Our earnings reflect the long-term approach we apply to the operations and our respect for customers' money. Daily, proactive risk activities ensure excellent credit quality and high solvency in non-life insurance and high collective consolidation in life assurance. Throughout the financial crisis our savers have benefited from this cautious and long-term approach. Our key figures remained strong in all core business segments, particularly in life assurance.

Business volumes are increasing, especially in the banking operations. The number of customers choosing Länsförsäkringar for non-life insurance, life assurance and banking services is continuing to rise substantially. Our long-term strategy is gradually being realised.

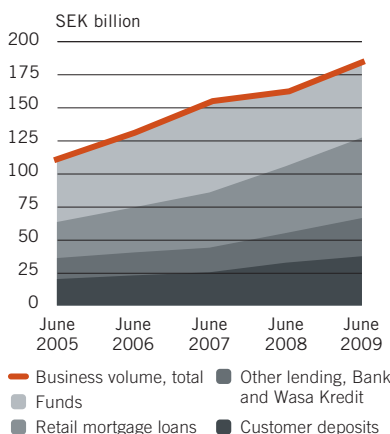
mortgage lending rose 20% to SEK 61 billion (51). The risk profile is low and credit quality remained favourable.

- The number of customers in the regional insurance companies at mid-year totalled 3 270 000, an increase of 15 000 during the period. The number of full-service customers increased by 8%.

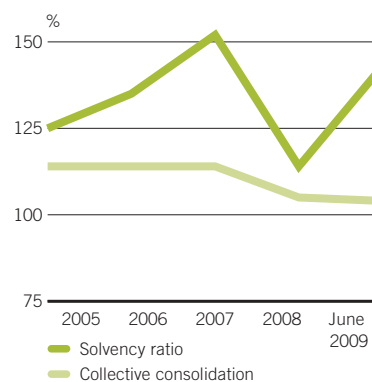
SOLVENCY CAPITAL, NON-LIFE INSURANCE



BUSINESS VOLUMES, BANK



SOLVENCY/COLLECTIVE CONSOLIDATION, LIFE ASSURANCE

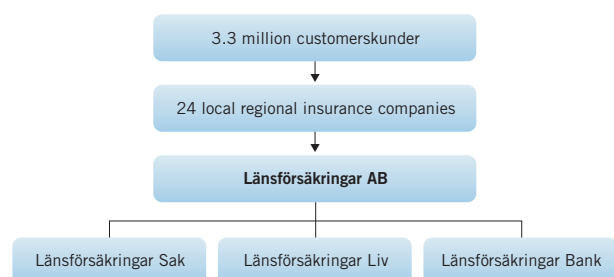


The Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB. Länsförsäkringar's earnings from non-life insurance consist of the total of the earnings of the 24 regional insurance companies and of the jointly-owned Länsförsäkringar AB, excluding life assurance and banking. Figures in parentheses pertain to the same period in 2008.



Länsförsäkringar in brief

Länsförsäkringar comprises 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Under a single brand, customers are provided with a complete offering of banking and insurance services through the regional insurance companies. The basis is local presence and decision-making – experience has proven that local decision-making authority combined with joint strength create substantial added value for customers. Long-term respect for customers' money is also fundamental to Länsförsäkringar. There are no external shareholders and it is not Länsförsäkringar's money that is being managed but its customers. This approach characterises the entire business. Länsförsäkringar has a total of almost 3.3 million customers and approximately 5,800 employees.



Cooperation through Länsförsäkringar AB

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

LÄNSFÖRSÄKRINGAR ALLIANCE, NON-LIFE INSURANCE

	Jan.–Jun. 2005	Jan.–Jun. 2006	Jan.–Jun. 2007	Jan.–Jun. 2008	Jan.–Jun. 2009
Solvency capital, SEK M	23,343	28,079	35,807	30,210	28,291
Solvency margin, %	141	169	218	174	155
Premiums earned after ceded reinsurance, SEK M	8,042	8,092	8,251	8,641	8,858
Technical result, SEK M	1,297	1,326	1,162	1,200	966
Operating profit/loss, SEK M	3,529	944	4,664	–3,404	2,552
Combined ratio	89	89	92	94	95

LÄNSFÖRSÄKRINGAR AB, GROUP¹⁾

	Jan.–Jun. 2005	Jan.–Jun. 2006	Jan.–Jun. 2007	Jan.–Jun. 2008	Jan.–Jun. 2009
Operating profit/loss, SEK M	699	–261	814	–1,159	66
Solvency capital, SEK M	8,473	9,354	11,713	9,845	8,068
Solvency margin, %	436	449	568	315	218
Total assets, SEK M	76,241	84,772	101,377	122,212	156,968
Return on shareholders' equity, %	19	–6	16	–24	2

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

LÄNSFÖRSÄKRINGAR BANK, GROUP

	Jan.–Jun. 2005	Jan.–Jun. 2006	Jan.–Jun. 2007	Jan.–Jun. 2008	Jan.–Jun. 2009
Deposits from the public, SEK M	19,856	22,611	27,023	32,249	37,135
Lending to the public, SEK M	43,086	50,741	60,699	72,901	89,632
Operating profit, SEK M	69	82	112	123	133

LÄNSFÖRSÄKRINGAR LIV, GROUP

	Jan.–Jun. 2005	Jan.–Jun. 2006	Jan.–Jun. 2007	Jan.–Jun. 2008	Jan.–Jun. 2009
Premium income, SEK M ²⁾	4,686	5,048	10,583	10,683	11,219
Net profit/loss, SEK M	4,763	6,108	13,470	–7,833	19,052
Collective consolidation, %	108	109	119	102	104
Solvency ratio, %	129	135	155	152	143

²⁾ In accordance with the Swedish Insurance Federation's definition measured as rolling 12-month figures.

LÄNSFÖRSÄKRINGAR SAK FÖRSÄKRINGS AB

	Jan.–Jun. 2005	Jan.–Jun. 2006	Jan.–Jun. 2007	Jan.–Jun. 2008	Jan.–Jun. 2009
Premiums earned after ceded reinsurance, SEK M	508	576	590	741	798
Profit/loss before appropriations and tax, SEK M	775	–352	876	–1,426	0
Solvency margin, %	315	244	421	207	126

CREDIT RATING

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A–1(K–1)
Länsförsäkringar Bank	Moody's	A2/Stable	P–1
Länsförsäkringar Hypotek ⁴⁾	Standard & Poor's	AAA	
Länsförsäkringar Hypotek ⁴⁾	Moody's	Aaa	

⁴⁾ Pertains to the company's covered bonds.

⁵⁾ Pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar AB	Standard & Poor's	A–/Stable	
Länsförsäkringar AB	Moody's	A3/Stable	
Länsförsäkringar Sak	Standard & Poor's	A/Stable	
Länsförsäkringar Sak	Moody's	A2/Stable	
Agria Djurförsäkring	Standard & Poor's	A–/pi ⁵⁾	

Non-life insurance¹⁾

- Total operating result increased and amounted to SEK 2,552 M (neg: 3,404).
- Investment income was positive and amounted to SEK 2,405 M (neg: 3,716).
- The technical result amounted to SEK 966 M (1,200).
- Solvency remained strong with solvency capital at SEK 28.3 billion (30.2) and a solvency margin of 155% (174).
- The combined ratio amounted to 95% (94) and the claims ratio was 73% (72).
- Länsförsäkringar continues to hold a leading position in the market with a preliminary share of approximately 30%.

Non-life insurance, Länsförsäkringar Alliance

KEY FIGURES , SEK M	Jan. 1, 2009 –Jun. 30, 2009	Jan. 1, 2008 –Jun. 30, 2008	Full-year 2008
Premiums earned after ceded reinsurance	8,858	8,641	17,403
Technical result	966	1,200	2,437
Operating profit/loss	2,552	–3,404	–7,614
Return on shareholders' equity, %	17.2	–11.1	–26.5
Solvency capital	28,291	30,210	25,787
Solvency margin, %	155	174	145
Claims ratio	73	72	72
Expense ratio	22	22	21
Combined ratio	95	94	93

The Länsförsäkringar Alliance remains a market leader in non-life insurance measured in premiums paid with a market share of approximately 30%, according to the Swedish Insurance Federation's preliminary statistics. For commercial and property insurance, the market share was 34.4%. Measured in the number of insurance policies, the market share for household insurance rose, while the market share for motor-vehicle insurance remained unchanged and declined for homeowner insurance. The market share for medical insurance was approximately 30%.

The Swedish non-life insurance market measured in premiums paid declined

slightly during the first six months of 2009 compared with the year-earlier period. The main decrease was in third-party liability insurance, which is largely due to pressure on premium levels in a market characterised by a decline in sales of new cars.

Despite lower premium payments in the total market, the Länsförsäkringar Alliance is increasing its premiums earned and portfolios in many areas. (*Read more under Business volumes on page 4.*)

Earnings and profitability

Profitability in the Länsförsäkringar Alliance's non-life insurance operations remained stable despite the decline in the

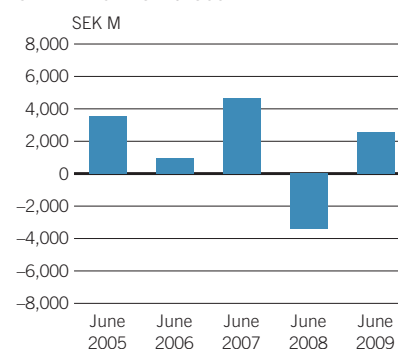
technical result to SEK 966 M (1,200). Uncertainty in the global economy and in the capital markets at the beginning of the year led to more cautious investment portfolios. The risk level of the portfolios was raised in the spring as uncertainty abated, for example, through investments in commercial papers and equities. Investment income was positive and amounted to SEK 2,405 M (neg: 3,716).

Total operating result improved due to the positive investment income and amounted to SEK 2,552 M (neg: 3,404). The Länsförsäkringar Alliance retained its strong solvency with a solvency capital of SEK 28,291 M (30,210) and a solvency margin of 155% (174).

The combined ratio rose to 95% (94). One of the reasons for this are higher claims costs primarily in agricultural and homeowner insurance. The claims ratio rose to 73% (72), while the expense ratio remained unchanged at 22% (22).

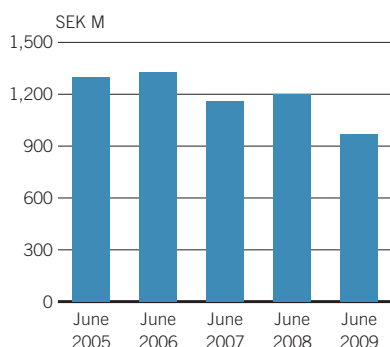
Agria, the Länsförsäkringar Alliance's specialist company for animal and crop insurance, posted a technical result of SEK 66 M (50). Premiums earned rose to SEK 741 M (600), corresponding to an increased of 24%.

OPERATING PROFIT/LOSS

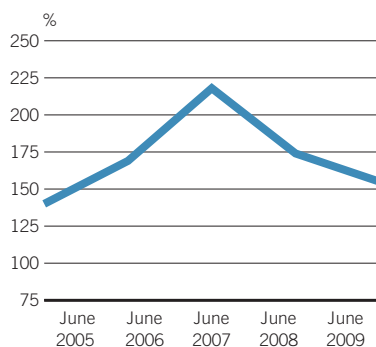


¹⁾ Earnings from non-life insurance consist of the total of the earnings of the 24 regional insurance companies and of the jointly owned Länsförsäkringar AB Group, excluding the Life Assurance Group and the Banking Group. The value and changes in the value of the regional insurance companies' holding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

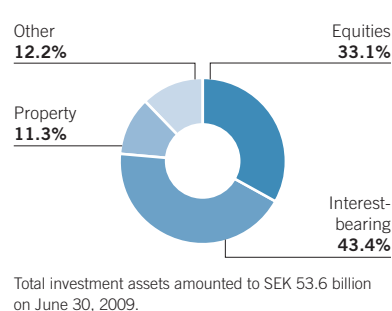
TECHNICAL RESULT



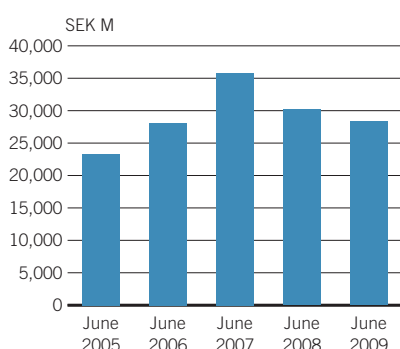
SOLVENCY MARGIN



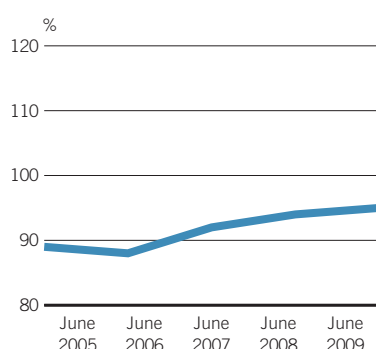
ALLOCATION OF INVESTMENT ASSETS



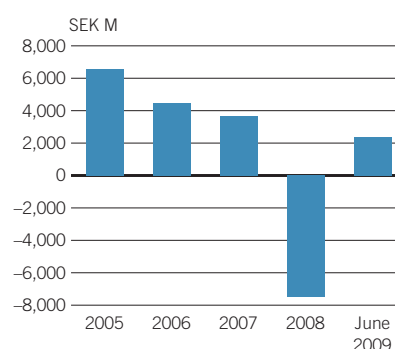
SOLVENCY CAPITAL



COMBINED RATIO



TOTAL INVESTMENT INCOME



Business volumes

Länsförsäkringar Alliance increased in both its premiums earned and portfolios during the period. Total premiums earned for own account rose 3% to SEK 8,858 M (8,641). The main contribution to the growth in premiums was Agria, combined with accident insurance transactions. Growth in premiums is also continuing in medical insurance but now at a slower pace. Motor-vehicle insurance transactions measured in the number of policies are increasing, while the trend in household insurance is negative. New policies in commercial insurance are declining and growth in premiums is falling as a result of more intense competition. Requests for quotes from brokers are continuing to increase and Länsförsäkringar further consolidated its position with insurance brokers with new business and positive feedback on its insurance solutions.

Claims cost trend

Claims costs rose during the first six months of 2009 compared with 2008. The reason is primarily higher costs for water damage, and also fire-damage claims increased in the agriculture sector, for example, where the number of fires in private residences has risen. The trend in motor-vehicle insurance is positive and claims in third-party liability insurance are declining. The decline in road-traffic accidents is partially attributable to the financial crisis that generally results in a decrease in traffic.

Operations abroad

In June, an agreement was signed with Gjensidige Forsikring BA regarding the sale of Länsförsäkringar International that conducts non-life insurance operations in Latvia and Lithuania. This was the result of changed market conditions. The deal is expected to take effect in October following approval by the relevant authorities.

Risk management

The local regional insurance companies and their Boards, as well as the jointly owned non-life insurance companies in Länsförsäkringar AB, have chosen to maintain a strong solvency margin to guarantee the long-term future of the operations. Länsförsäkringar applies a cautious approach to its investments and endeavours to strike a balance between risk and available surplus capital. Safeguarding key figures is a high priority.

Life assurance and pension insurance

- Profit for Länsförsäkringar Liv for the first six months of the year 2009 amounted to SEK 19,052 M (loss: 7,833). The improvement is largely attributable to the positive changes in technical reserves.
- The total return on investment assets amounted to negative 2.1% (neg: 5.8). The aim of the allocation is to generate a surplus to be distributed to customers when the company is demutualised.
- Länsförsäkringar Liv has a strong balance sheet and the solvency ratio amounted to 143% (152) on June 30, 2009. Collective consolidation amounted to 104% (102).
- Länsförsäkringar continued to be successful with increased new sales during the first six months of 2009. Total new sales measured as rolling 12-month figures rose 2% to SEK 17,552 M (17,173) (as defined by the Swedish Insurance Federation).
- In 2008, the Board of Directors of Länsförsäkringar Liv proposed that the company be restructured from a non-profit-distributing limited liability company to a profit-distributing limited liability company. Demutualisation requires a permit from the Swedish Financial Supervisory Authority and is expected to take place on January 1, 2010.

Länsförsäkringar Liv, Group

KEY FIGURES, SEK M	Jan. 1, 2009 –Jun. 30, 2009	Jan. 1, 2008 –Jun. 30, 2008	Full-year 2008
Premium income*	11,219	10,683	10,719
Total assets	152,269	149,358	150,216
Return, New World, %	8.0	–10.0	–28.1
Total return, traditional life assurance, %	–2.1	–5.8	–0.6

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

The life-assurance market was adversely affected by the prevailing economic downturn. Companies are recruiting fewer employees or even reducing personnel. Salary increases are diminishing or not being made at all. This trend has had a subsequent impact on the size of premiums paid to occupational pensions and the scope that individuals have for their private savings.

Despite the weaker conditions in the market, Länsförsäkringar increased its

premium income for occupational pensions. This increase is attributable to Länsförsäkringar's strong position among

Total return, Länsförsäkringar Liv

On Jun. 30, 2009	Market value, SEK M	Percentage of portfolio, %	Return to date this year, %
Interest-bearing	71,338	75.5	2.8
Equities	8,406	8.9	–5.6
Alternative investments	5,909	6.3	–3.7
Property	8,907	9.4	–0.7
Total	94,550	100	–2.1

independent insurance brokers and that a rising number of customers are choosing us as managers of their collective agreement pensions. In addition, the net flows in the agreement areas in which customers are entitled to transfer their insurance capital was positive.

Earnings and profitability

Profit for Länsförsäkringar Liv for the first six months of the year 2009 amounted to SEK 19,052 M. The improvement is largely attributable to the positive changes in technical reserves. Long-term interest rates have risen, meaning that the valuations of our liabilities have declined. At the same time as liabilities have decreased, assets did not incur any corresponding effect.

The total return in traditional management for the first six months of 2009 amounted to negative 2.1%. The allocation strategy was deliberately adjusted to a low risk strategy during the period. The aim of this change was to ensure that a surplus was available to be distributed among customers when the company becomes profit-distributing on January 1, 2010 according to schedule.

The administration result for the first six months of 2009 amounted to negative SEK 161 M (neg: 92). The administration result is the result of the fees charged to customers and costs for operating and administering the operations. The negative administration result is primarily explained by negative returns and the trend in managed assets, which led to lower income.

Solvency and collective consolidation

Länsförsäkringar Liv has a strong balance sheet and the solvency ratio amounted to 143% (152) on June 30, 2009. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers.

Collective consolidation amounted to 104% (102) on June 30, 2009. Collective consolidation describes the market value of the company's assets in relation to the guaranteed commitments and the preliminary bonus allocation.

SOLVENCY RATIO AND COLLECTIVE CONSOLIDATION IN TRADITIONAL LIFE ASSURANCE



Business volumes

Länsförsäkringar's new sales increased during the first six months of 2009. Total new sales measured as rolling 12-month figures rose 2% to SEK 17,552 M (17,173).

The market share of the total life-assurance sales market, measured in new sales, preliminarily amounted to 10.4% (9.9). The increase in market share is particularly positive since large amounts of funds are being added to the life-assurance market in the collective-agreement pension area due to the various pension choices. This situation benefits Alecta which increased its market share since it is an alternative for those not making active choices in collective-agreement pensions. Länsförsäkringar increased its share in the private pension sub-market from 14.8 to 15.3% and remains a private-market leader.

Brokered sales are continuing to increase and exceeding year-on-year figures by 8%. Länsförsäkringar was named Best Broker Desk of the Year for the third consecutive year by the industry organisation Swedish Insurance Intermediaries Association.

Premium income as defined by the Swedish Insurance Federation amounted to SEK 11,219 M (10,683). The increase in premium income is mostly attributable to higher premiums paid in the product groups Occupational pension and Collective agreement pension. Previous successes in agreement procurements for the Collective agreement pension product area led to higher premium income. Länsförsäkringar Liv is one of the eligible managers in the collective pension areas of SAF-LO for private-sector workers, ITP for private-sector salaried employees, FTP for employees of insurance companies and PA-KFS for employees of municipal companies.

Managed assets rose during the first six months from SEK 133 billion to SEK 139.3 billion (140.6). This increase during the first half of the year largely derives from unit-linked insurance whereby rising share prices contributed to the increase.

Demutualisation

In 2008, the Board of Directors of Länsförsäkringar Liv proposed that the company be restructured from a non-profit-distributing limited liability company to a profit-distributing limited liability company. The aim of demutualisation is to create greater security and enhanced clarity for customers, while strengthening the competitiveness of the life-assurance company. The demutualisation proposal was approved by customers who voted in the autumn of 2008 and internal preparations are progressing according to plan. Final approval from the Swedish Financial Supervisory Authority is expected in October 2009, after which demutualisation will take place on January 1, 2010. In conjunction with demutualisation, the owner, Länsförsäkringar AB, will contribute approximately SEK 8 billion.

Traditional life assurance

SEK M	Jan. 1, 2009 –Jun. 30, 2009	Jan. 1, 2008 –Jun. 30, 2008	Full-year 2008
Premium income, net	2,899	2,844	5,486
Investment income, net	–1,474	–7,657	–4,766
Profit/loss after tax	19,275	–7,586	–29,490
Investment assets	99,381	109,402	106,797
Total assets	116,034	114,310	120,694
Collective consolidation, %	104	102	105
Solvency ratio, %	143	152	114

Return

Länsförsäkringar offers various management forms for customers who save in pension and capital-endowment insurance. The large forms are traditional management and unit-linked insurance.

The total return for traditional management amounted to negative 2.1% (neg: 5.8). The bonus rate for the first six months was 0%. The average bonus rate since Länsförsäkringar's life-assurance operations were started in 1985 is 9.0% per year.

The portion of equities in the traditional management portfolio was low during the first six months of 2009. Interest-bearing investments were made in loans, which had a positive impact on returns. On June 30, the portfolio contained 9% equities, 75% interest-bearing securities, 9% properties and 6% alternative investments. The return in the portfolio for equities during the first six months of the year was negative 5.6%, for interest-bearing securities was positive 2.8%, for properties was negative 0.7% and for alternative investments was negative 3.7%.

TOTAL RETURN AND BONUS RATE IN TRADITIONAL LIFE ASSURANCE



Rising share prices had a positive effect on many of Länsförsäkringar's unit-linked insurance funds. Equity funds

with an emerging markets orientation were among the winners during the year, for example, funds in Russia, India and Latin America. Managed assets for unit-linked insurance rose to SEK 38,326 M (36,367) at the end of the half-year period, having been at SEK 31,634 M at year-end.

Risks and risk management

During the first six months of the year, Länsförsäkringar Liv continued to take

minor risks in its management of policyholders' money. A low percentage of equities and proactive measures, for example, interest-rate hedging, were elements of a deliberate strategy to safeguard risks in the investment portfolio and thereby protect savers' capital.

Länsförsäkringar Liv's risk-cover capacity that provides suitable protection for customers is ensured by the company's own retention and an exten-

sive 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.

Unit linked insurance

SEK M	Jan. 1, 2009 –Jun. 30, 2009	Jan. 1, 2008 –Jun. 30, 2008	Full-year 2008
Premium income, net	161	177	334
Investment income, net	4,545	–5,981	–12,488
Loss after tax	–14	–21	–77
Total assets	39,925	38,001	33,072

Bank

- Operating profit increased 9% to SEK 133 M (123).
- Net interest income rose 5% to SEK 583 M (553).
- Loan losses remained low and amounted to SEK 28 M (29).
- Lending to the public rose 23% to SEK 90 billion (73) and deposits from the public increased 15% to SEK 37 billion (32). Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek increased 20% to SEK 61 billion (51).
- The number of customers rose 8% to 730,000 (676,000) and the number of cards increased 22% to 202,000 (165,000).
- The banking operation has a low risk profile which did not change to any significant extent despite the declining real economic conditions.

Länsförsäkringar Bank, Group

KEY FIGURES, SEK M	Jan. 1, 2009 –Jun. 30, 2009	Jan. 1, 2008 –Jun. 30, 2008	Full-year 2008
Deposits from the public	37,135	32,249	35,090
Lending to the public	89,632	72,901	78,564
Operating profit	133	123	245
Return on shareholders' equity, %	4.4	4.6	4.4
Cost/income ratio before loan losses	0.74	0.74	0.75

Low interest rates contributed to off-setting the downward trend in housing prices. A number of regions continued to be affected by lay-off notices and levelling-out price trends. Länsförsäkringar remains well positioned and the lending portfolio has an excellent geographic spread.

The capital market was characterised by sharply rising stock markets and lower interest spreads between government bonds and other bonds. In May, Länsförsäkringar Hypotek issued a new five-year covered benchmark bond that was well received by the market.

Earnings and profitability

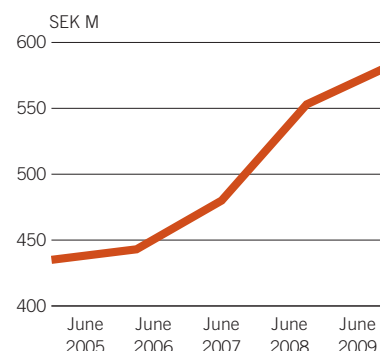
Profit before loan losses rose to SEK 162 M (151) and operating profit to SEK 133 M (123), corresponding to an average return on shareholders' equity of 4.4% (4.6).

Income

Net interest income rose 5% to SEK 583 M (553) and was due to higher lending and deposit volumes to the public and improved borrowing costs. Lending margins have stabilised and strengthened while falling market rates resulted in a lower deposit margin. A total of SEK 8 M (6) was charged against net interest income for mandatory government deposit insurance. The investment margin was 1.04% (1.22). The lower investment margin is primarily attributable to lower deposit margins and the larger liquidity portfolio. Net commission income declined to negative SEK 84 M (neg: 51). This decline was attributable to lower fund management volumes and higher compensation to the regional insurance companies due to increased total business volumes. Compensation to the regional insurance companies amounted to SEK 226 M

(211). Net profit of financial transactions amounted to SEK 60 M (4), which was primarily attributable to such factors as interest compensation in conjunction with loan conversions from fixed interest to loans with variable interest rates. Income rose by a total of 9% to SEK 633 M (582).

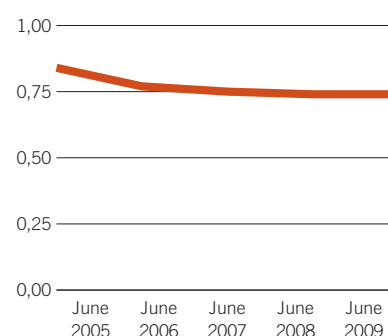
NET INTEREST INCOME



Expenses

Operating expenses increased 9% or SEK 40 M to SEK 471 M (431). This increase was primarily due to higher IT costs attributable to the change in production system in the subsidiary Wasa Kredit, which is expected to entail higher efficiency. The cost/income ratio amounted to 0.74 (0.74) before loan losses and 0.79 (0.79) after loan losses.

COST/INCOME RATIO



Loan losses

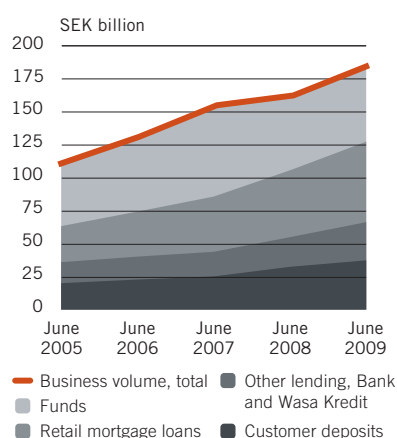
Loan losses remain low and the credit portfolio is of good quality. Loan losses amounted to SEK 28 M (29), where the majority pertains to the subsidiary Wasa Kredit. Doubtful receivables amounted

to SEK 332 M (268), corresponding to a share of doubtful receivables of 0.3% (0.3). The small increase in doubtful receivables is attributable to Wasa Kredit.

Business volumes

Business volumes continued to increase and amounted to SEK 184 billion (161). Lending to the public rose 23%, or SEK 17 billion, to SEK 90 billion (73) and from year-end the change was 14% or SEK 11 billion. Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek rose 20% or SEK 10 billion to SEK 61 billion (51), and from year-end the increase was 13% or SEK 7 billion. All lending exposure occurred in Sweden and was in Swedish kronor. Deposits from the public rose 15%, or SEK 5 billion, to SEK 37 billion (32) and from year-end the increase was 6% or SEK 2 billion. The managed fund volume rose 1% or SEK 1 billion to SEK 57 billion (56) and from year-end the increase was 11% or SEK 6 billion.

BUSINESS VOLUMES



Lending

Lending to the public rose 23% or SEK 17 billion to SEK 90 billion (73). Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek increased 20% or SEK 10 billion to SEK 61 billion (51). First-lien mortgages for agricultural and forestry properties increased to SEK 6,0 M (1,7). On June 30, 2009, the market share for household and retail mortgage lending amounted to 3.7% (3.3) according to Statistics Sweden.

Credit quality

The credit portfolio, totalling SEK 90 billion (73), has maintained a high level of quality and has not been impacted by the slowdown of the real economy. A total of 84% (87) of the credit portfolio comprises household loans, according to product-defined portfolio. Of the total portfolio, 76% (77) pertains to mortgage lending. Retail mortgage lending secured by collateral in private residences comprised 82% (84) and tenant-owned apartments 18% (16). In geographic terms, the credit portfolio has a good spread across Sweden. The lending in the agricultural segment comprises approximately 10% (7) of the credit portfolio, half of which is first-lien mortgages mainly to family owned agricultural properties.

Deposits

Deposits from the public rose 15%, or SEK 5 billion, to SEK 37 billion (32), and this increase is primarily attributable to private and savings accounts. On June 30, 2009 the market share for deposits amounted to 3.4% (3.0) according to Statistics Sweden.

Borrowing

Debt securities in issue amounted to SEK 58 billion (50), of which covered bonds amounted to SEK 52 billion (39). The primary financing in the capital market takes place through the subsidiary Länsförsäkringar Hypotek. Borrowing issued under Länsförsäkringar Bank's various programmes amounted to SEK 6 billion (11).

Liquidity

Liquidity remained favourable and the credit quality of the liquidity portfolio is high. All liquidity is invested in Swedish securities. The majority of the liquidity portfolio is invested in Swedish securities guaranteed by the government in covered bonds.

Rating

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

¹⁾ Pertains to the company's covered bonds.

Länsförsäkringar Bank has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The rating for short-term borrowing is A-1 from Standard & Poor's. Moody's short-term rating is P-1 and Länsförsäkringar Bank's Financial Strength Rating is C. The subsidiary Länsförsäkringar Hypotek's covered bonds have the highest rating, Aaa, from Moody's and AAA from Standard & Poor's. Länsförsäkringar Hypotek is one of four players that have covered bonds with the highest rating from both agencies.

Capital adequacy

Länsförsäkringar applies the Internal Ratings-based Approach (IRB Approach). The aim is to achieve enhanced transparency and valuation of risks to determine appropriate capital. The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The Standardised Approach is currently applied to agricultural and other exposures to calculate the capital requirement for credit risk. Changes in the capital requirement will emerge gradually since the transition rules involve a three-year adaptation period.

In accordance with the transition rules, the capital requirement is reduced to 80% of the Basel I rules in 2009. The Group's capital adequacy ratio amounted to 15.0% (16.3) and the Tier 1 ratio was 12.4% (13.6) according to Basel II. The target level for the Tier 1 ratio is 12 percentage points when Basel II is fully implemented. A deviation of +/- 0.5 percentage points is permitted for the capital target. The capital requirement according to Pillar I, excluding the supplement for transition rules, amounted to SEK 2,779 M on June 30, 2009, a decrease of

47% compared with SEK 5,233 M according to Basel I regulations.

Interest-rate risk

On June 30, 2009, an increase in market interest rates of 1 percentage point would have resulted in a decrease in the value of interest-bearing assets and liabilities, including derivatives, of SEK 66 M (pos: 19).

Risks and uncertainties

The Group and the Parent company are exposed to a number of risks, primarily comprising credit risks and financial risks. The operations are characterised by a low risk profile that has not changed significantly despite weaker conditions in the real economy following the financial crisis. A detailed description of risks is available in the 2008 Annual Report. No significant changes in the allocation of risk have taken place compared with the details provided in the Annual Report.

Parent company

Deposits and some lending are conducted by the Parent company. Lending to the public rose 46% to SEK 20 billion (14), and from year-end the change was 23%. Deposits from the public increased 15% to SEK 37 billion (32), and from year-end the change was 6%. Debt securities in issue amounted to SEK 6 billion (11). Most of the lending operations are conducted through the subsidiary Länsförsäkringar Hypotek. Operating loss amounted to SEK 31 M (profit: 8). Operating income amounted to SEK 220 M (228). Net interest income amounting to SEK 185 M (229) was negatively impacted by lower deposit margins. Expenses, excluding loan losses, increased to SEK 250 M (222) and is mainly attributable to changes in settlement methods between the parent company and the bank, as well as volumerelated expenses. Loan losses amounted to SEK 2 M (pos: 2).

Subsidiaries

Länsförsäkringar Hypotek

Retail mortgage lending in the bank's mortgage institution increased 20%, or SEK 10 billion, to SEK 61 billion (51). Up to 75% of the market value of retail mortgage loans are granted by Länsförsäkringar Hypotek and the remainder by the parent company. Operating profit amounted to SEK 86 M (43) and was attributable to increased lending volumes and improved funding costs. Loan losses amounted to positive SEK 5 M (0), which gives a loan loss level of 0% (0). The number of retail mortgage customers rose to 125,000 (109,500).

SEK M	Jun. 30, 2009	Jun. 30, 2008
Total assets	82,618	52,865
Lending volume	60,787	50,509
Net interest income	171	148
Operating profit	86	43

Wasa Kredit

Finance company Wasa Kredit focuses its operations on car financing, computer financing, financing for heavy machinery as well as such leisure segments as campers and boats. Wasa Kredit's operating profit amounted to SEK 57 M (49). The lending volume totalled SEK 9 billion (9). Leasing assets rose while the unsecured loan stock declined slightly.

SEK M	Jun. 30, 2009	Jun. 30, 2008
Total assets	9,104	8,936
Lending volume	8,743	8,597
Net interest income	226	172
Operating profit	57	49

Länsförsäkringar Fondförvaltning

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 4.0% (3.9). Länsförsäkringar's managed fund volume increased to SEK 57 billion (56). The company manages 30 (28) investment funds with different investment orientations. The mutual funds are available as direct fund savings, via various unit-linked products and through the PPM system.

Länsförsäkringar's net flow was positive during the period and amounted to SEK 431 M. The largest positive net flow was reported by the Small Company Fund and Emerging Market Fund. Operating profit amounted to SEK 22 M (23).

SEK M	Jun. 30, 2009	Jun. 30, 2008
Total assets	156	186
Assets under management	56,846	56,170
Net commission	100	117
Net inflow	431	-11
Operating profit	22	23

Income statements and balance sheets

NON-LIFE INSURANCE¹⁾

Income statement, SEK M	Jan. 1, 2009 – Jun. 30, 2009	Jan. 1, 2008 – Jun. 30, 2008	Full-year 2008
Premiums earned after ceded reinsurance	8,858	8,641	17,406
Investment income transferred from financial operations	474	624	1,315
Claims payments after ceded reinsurance	–6,448	–6,202	–12,472
Operating expenses	–1,962	–1,887	–3,794
Other technical revenue/expenses	45	24	–2
Technical result from non-life insurance operations before partner discounts	966	1,200	2,453
Bonuses and discounts	–86	–101	–290
Technical result from non-life insurance operations after partner discounts	880	1,099	2,163
Total investment income	2,405	–3,716	–7,410
Investment income transferred to insurance operations	–474	–624	–1,315
Other non-technical expenses	–259	–163	–948
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAX	2,552	–3,404	–7,511

Balance sheet, SEK M

	Jun. 30, 2009	Jun. 30, 2008	Dec. 31, 2008
ASSETS			
Shares and participations	17,743	20,811	14,855
Bonds and other interest-bearing securities	23,205	26,093	24,484
Other investment assets	12,673	11,848	12,378
Total investment assets	53,621	58,752	51,717
Reinsurers' portion of technical reserves	216	881	512
Receivables and other assets	15,415	10,857	16,880
Prepaid expenses and accrued income	788	790	845
TOTAL ASSETS	71,255	71,279	69,954

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	22,954	23,464	20,956
Technical reserves (before ceded reinsurance)	36,395	36,153	35,954
Other provisions and liabilities	9,918	9,948	10,964
Accrued expenses and prepaid income	1,987	1,713	2,080
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	71,255	71,279	69,954

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

The 24 regional insurance companies and the Länsförsäkringar AB Group apply the approved international reporting standard (IFRS). The regional insurance companies apply these standards with certain limitations due to the Swedish Annual Accounts in Insurance Companies Act, and the relationship between reporting and taxation, known as legally restricted IFRS. In Länsförsäkringar's earnings from non-life insurance, the Länsförsäkringar AB Group's income statement and balance sheet have been adapted to legally restricted IFRS.

LÄNSFÖRSÄKRINGAR AB, GROUP

Income statement, SEK M	Jan. 1, 2009 – Jun. 30, 2009	Jan. 1, 2008 – Jun. 30, 2008	Full-year 2008
Premiums earned after ceded reinsurance	1,756	1,458	3,024
Net interest income	611	595	1,340
Investment income, net	167	–1,513	–3,161
Other operating income	1,501	1,650	3,382
Total operating income	4,035	2,190	4,585
Claims payments after ceded reinsurance	–1,210	–1,038	–1,953
Other expenses	–2,721	–2,753	–6,026
Total expenses	–3,930	–3,791	–7,979
Operating profit/loss	104	–1,601	–3,395
Tax	–38	441	915
Profit/loss for the period	66	–1,159	–2,480

Balance sheet, SEK M

	Jun. 30, 2009	Jun. 30, 2008	Dec. 31, 2008
ASSETS			
Goodwill	372	180	351
Other intangible assets	955	712	1,006
Property and equipment	95	102	101
Owner-occupied property	2,212	2,406	2,205
Shares in Länsförsäkringar Liv Försäkrings AB	514	491	514
Shares and participations in associated companies	23	18	21
Reinsurers' portion of technical reserves	5,795	5,852	5,889
Lending	89,632	72,879	78,564
Financial assets	43,170	30,924	26,280
Other assets	14,200	8,647	15,623
TOTAL ASSETS	156,968	122,212	130,554

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	7,590	8,960	7,466
Subordinated liabilities	114	114	114
Technical reserves	19,982	19,913	20,104
Debt securities in issue	57,709	51,984	48,478
Deposits from the public	36,843	31,949	34,624
Financial liabilities	28,015	3,942	12,139
Other liabilities	6,716	5,352	7,636
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	156,968	122,212	130,554

LÄNSFÖRSÄKRINGAR BANK, GROUP

Income statement, SEK M	Jan. 1, 2009 – Jun. 30, 2009	Jan. 1, 2008 – Jun. 30, 2008	Full-year 2008
Net interest income	583	553	1,211
Net commission	–84	–51	–138
Other operating income	134	80	152
Total operating income	633	582	1,225
Staff costs	–151	–158	–331
General administration expenses	–287	–249	–531
Other operating expenses	–33	–25	–52
Total expenses before loan losses	–471	–431	–915
Profit before loan losses	162	151	310
Loan losses, net	–28	–29	–65
TOTAL OPERATING PROFIT	133	123	245
Tax	–35	–34	–68
PROFIT FOR THE PERIOD	98	88	177

Balance sheet, SEK M	Jun. 30, 2009	Jun. 30, 2008	Dec. 31, 2008
ASSETS			
Eligible treasury bills	15,499	4,731	–
Loans to credit institutions	6,771	3,753	9,831
Lending to the public	89,632	72,901	78,564
Bonds and other interest-bearing securities	14,522	9,677	10,446
Intangible fixed assets	324	293	327
Property and equipment	20	24	21
Other assets	3,602	1,272	4,947
TOTAL ASSETS	130,370	92,651	104,136

**SHAREHOLDERS' EQUITY,
PROVISIONS AND LIABILITIES**

Liabilities to credit institutions	25,544	3,367	9,113
Deposits and borrowing from the public	37,135	32,249	35,090
Debt securities in issue	57,709	49,643	48,985
Other liabilities	5,592	3,479	6,657
Shareholders' equity	4,390	3,913	4,291
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	130,370	92,651	104,136

LÄNSFÖRSÄKRINGAR LIV, GROUP

Income statement, SEK M	Jan. 1, 2009 – Jun. 30, 2009	Jan. 1, 2008 – Jun. 30, 2008	Full-year 2008
Premium income before ceded reinsurance	3,266	3,227	6,237
Premium income after ceded reinsurance	3,060	3,021	5,820
Investment income, net	2,953	–13,785	–17,596
Claims payments	–1,833	–1,699	–4,245
Other technical revenue and expenses	303	138	252
Change in technical reserves	16,152	6,131	–11,495
Operating expenses	–863	–843	–1,641
Technical result for insurance operations	19,772	–7,037	–28,905
Non-technical expenses	–98	–98	–196
Profit/loss before tax	19,674	–7,135	–29,101
Tax	–622	–698	–1,025
PROFIT/LOSS FOR THE PERIOD	19,052	–7,833	–30,126

Balance sheet, SEK M	Jun. 30, 2009	Jun. 30, 2008	Dec. 31, 2008
ASSETS			
Intangible fixed assets	1,106	1,378	1,197
Investment assets	95,022	105,207	102,388
Investment assets for which policyholders bear the investment risk	38,437	36,472	31,708
Reinsurers' portion of technical reserves	793	797	792
Receivables	10,028	968	3,088
Other assets	4,444	1,746	8,117
Prepaid expenses and accrued income	2,439	2,790	2,926
TOTAL ASSETS	152,269	149,358	150,216

**SHAREHOLDERS' EQUITY,
PROVISIONS AND LIABILITIES**

Share capital	8	8	8
Funds plus net profit for the period	29,293	34,238	11,043
Technical reserves	76,958	73,706	97,992
Provisions for life assurance for which policyholders bear the investment risk	38,500	36,474	31,709
Provisions for other risks and expenses	304	518	233
Deposits from reinsurers	887	899	853
Liabilities	5,938	3,110	7,723
Accrued expenses and prepaid income	381	405	655
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	152,269	149,358	150,216

Financial calendar

Third quarter:

Interim report, Länsförsäkringar Bank **October 23**

Interim report, Länsförsäkringar Hypotek..... **October 23**

Interim report, Länsförsäkringar Alliance..... **October 28**

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