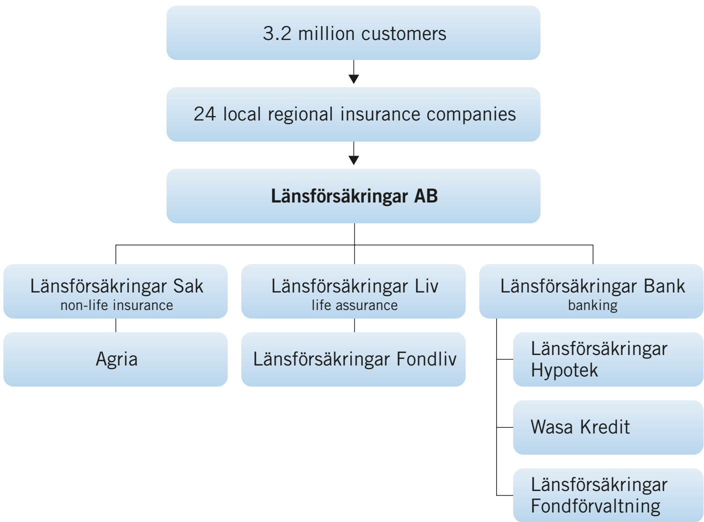
2008

Länsförsäkringar AB
Annual Report

Länsförsäkringar AB in brief

Hub of the Länsförsäkringar Alliance

Länsförsäkringar AB's tasks are to conduct joint banking and insurance operations, pursue development activities and provide service in areas that generate economies of scale and efficiency for the owners – the 24 regional insurance companies. Through a clear role in the value chain of the Länsförsäkringar Alliance, Länsförsäkringar AB contributes to increasing competitiveness and reducing costs, thereby creating possibilities for the regional insurance companies to be successful in their respective markets. Customer contact always occurs at the local regional insurance companies. The Länsförsäkringar Alliance offers a wide range of insurance, pension solutions, banking services and other financial solutions for corporate customers and private individuals.



Contents

Key figures 2008

- A net loss before tax of SEK 3,395 M (1,270) was recognised for the year and net profit for the year after tax amounted to SEK 2,480 M (922)[1]. Return on shareholders' equity amounted to negative 29% (pos: 10).
- The technical result for the non-life insurance operations improved to SEK 327 M (293). Operating profit declined to a loss of SEK 3,003 M (profit: 1,169) due to negative investment income.
- The total return for life-assurance customers with traditional management amounted to negative 0.6% (pos: 6.7). This resulted in an average bonus rate of 3.5%, which was the highest in the industry.
- A net loss for the year of SEK 30,126 M (profit: 11,361) was recognised in the Life Assurance Group. Investment income, net was negative SEK 17,596 M (pos: 8,068).
- The bank's operating profit, excluding restructuring costs, improved to SEK 272 M (238). Net interest income rose to SEK 1,211 M (1,017) and loan losses remained low, amounting to SEK 65 M (51).
- Solvency capital in the Länsförsäkringar AB Group amounted to SEK 7,907 M (11,652). The solvency margin was 252% (429).
- The net worth of the Länsförsäkringar AB share amounted to SEK 1,186 (1,648) at year-end.

[1] Excluding Länsförsäkringar Liv, which is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.

Länsförsäkringar AB's three tasks – Business, Service and Development

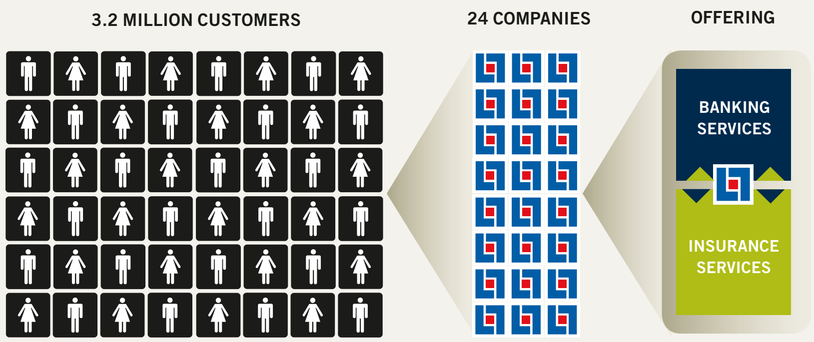
Business
Non-life insurance, life assurance, banking. Conduct business encompassed by a joint concession. Assume responsibility for directly related product support for the regional insurance companies.

Service
Assume responsibility for services that the regional insurance companies purchase from Länsförsäkringar AB. Assume responsibility for all shared internal service resources within Länsförsäkringar AB.

Development
Assume responsibility for all development, in the broad sense of the word, regarding the customer offering, which comprises products, concepts, process and tools regardless of business area.

Everything under one roof

Under a single brand, customers are provided with a complete offering of banking and insurance services through the regional insurance companies. 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 comprehensive approach is taken into consideration in the development and offering of non-life insurance, life assurance, pension insurance and banking services.



FIVE-YEAR SUMMARY

Länsförsäkringar AB Group[1]	2004	2005	2006	2007	2008
Profit before tax, SEK M	781	2,100	821	1,270	–3,395
Solvency capital, SEK M	7,603	9,703	10,713	11,652	7,907
Solvency margin, %	389	497	498	429	252
Total assets, SEK M	69,414	80,478	91,184	116,241	130,554
Return on shareholders' equity, %	9	19	8	10	–29

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

Länsförsäkringar Sak	2004	2005	2006	2007	2008
Premiums earned after ceded reinsurance, SEK M	2,260	1,045	1,158	1,340	1,473
Technical result for insurance operations, SEK M	244	271	277	231	309
Profit/loss before appropriations and tax, SEK M	641	1,856	591	1,045	–2,807
Solvency margin, %	273	401	339	364	129

Länsförsäkringar Bank	2004	2005	2006	2007	2008
Deposits from the public, SEK M	20,048	21,535	24,379	29,735	35,090
Lending to the public, SEK M	39,426	47,094	53,884	67,040	78,564
Operating profit, SEK M	127	154	198	238	245

Länsförsäkringar Liv	2004	2005	2006	2007	2008
Premium income, SEK M[1]	8,676	9,472	10,141	10,794	11,247
Net profit/loss for the year, SEK M	2,348	4,584	7,646	11,361	–30,126
Collective consolidation, %	103	114	114	114	105
Solvency ratio, %	123	126	136	152	114

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

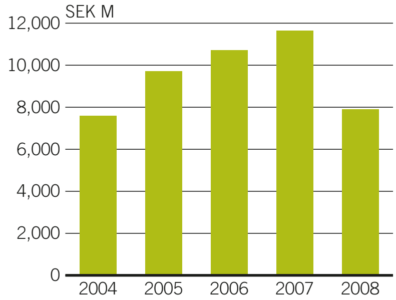
Agria Djurförsäkring	2004	2005	2006	2007	2008
Premiums earned after ceded reinsurance, SEK M	787	844	948	1 089	1 223
Technical result for insurance operations, SEK M	81	61	45	99	69

CREDIT RATING

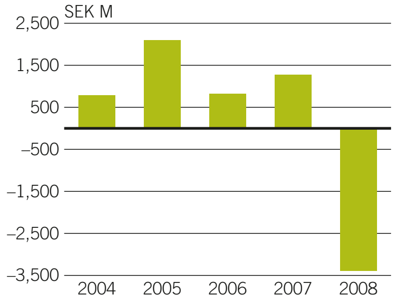
Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A–1(K–1)
Länsförsäkringar Bank	Moody's	A2/Stable	P–1
Länsförsäkringar Hypotek[1]	Standard & Poor's	AAA	–
Länsförsäkringar Hypotek[1]	Moody's	Aaa	–
Länsförsäkringar AB	Standard & Poor's	A–/Stable	–
Länsförsäkringar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

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

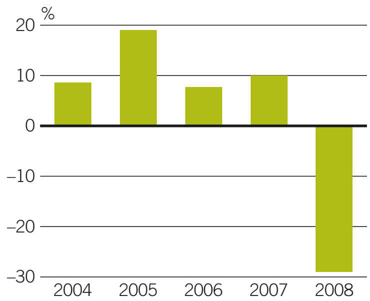
SOLVENCY CAPITAL, GROUP



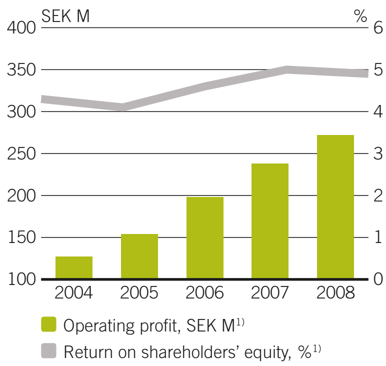
PROFIT/LOSS BEFORE TAX, GROUP



RETURN ON SHAREHOLDERS' EQUITY, GROUP

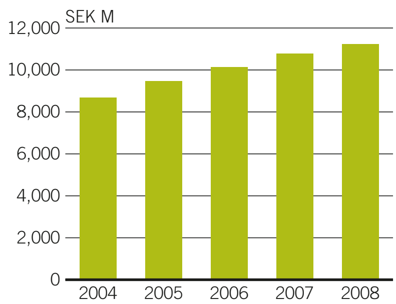


OPERATING PROFIT AND RETURN ON SHAREHOLDERS' EQUITY, BANK



[1] Excluding restructuring costs.

PREMIUM INCOME, LIFE ASSURANCE



President's comments: Increased competitiveness at a lower cost

As we single out 2008 as a difficult year, it is important that we distinguish between the effects of the financial crisis on asset management and the impact on the underlying core operations. Länsförsäkringar AB has a stable foundation. We enjoy favourable profitability in our operations – not counting investment income, our profit improved by 20% and all consolidated units, with the exception of Agria Djurförsäkring and Run-Off, reported stronger results than in the preceding year. Nonetheless, after a historically weak fiscal year, during which net financial items contributed negative SEK 3.6 billion, our operating loss amounted to SEK 3.3 billion.

Streamlined tasks

Länsförsäkringar AB is owned by the 24 local regional insurance companies. The task of conducting business, pursuing development activities and providing service on behalf of the companies was clarified during the year. Duplicate functions have been eliminated and costs have been cut by 20%. The business operations deemed by the Länsförsäkringar Alliance to be the most suitable for joint concession are now conducted in the business units for non-life insurance, life assurance and banking services. The basic concept is that as much business as possible should be conducted locally – Länsförsäkringar AB's task is to serve as a "greenhouse" for the business operations, which are transferred to local concessions once they are suitably mature. The most recent example was when third-party liability insurance was transferred to local concession in 2004. Some businesses are best suited to a joint concession and remain within Länsförsäkringar AB. The business operations within Länsförsäkringar AB are conducted in an efficient and focused manner to generate a return on shareholders' investments.

Development is the second main task and an area in which we now have clear priorities between the development needs of the various core operations. Among other changes, all product development is now coordinated under a single function, regardless of the area of operation. The overall goal of the development work conducted within Länsförsäkringar AB is to provide the regional insurance companies with the right tools to attract more full-service customers at the local level. The third main task is to provide efficient service to the regional insurance companies. Naturally, these efficiency gains not only affect Länsförsäkringar AB – several regional insurance companies have been able to reduce their premiums or improve their customer service partly as a result of lower costs in the joint operations. The costs of the regional insurance companies that are directly related to Länsförsäkringar AB have declined by an average of 10%. The value chain within the Länsförsäkringar Alliance is now characterised by clarity, which makes it possible to adopt an integrated approach in the work of the local companies and the joint operations.

Strong owners

While the Länsförsäkringar Alliance, like all companies, has been impacted by the financial crisis, the financial strength of Länsförsäkringar AB's owners, the 24 regional insurance companies, remains highly favourable. The solvency of the Alliance's joint non-life insurance operations has declined somewhat, but from a uniquely high level. At year-end 2008, the solvency margin was 146% and solvency capital amounted to nearly SEK 26 billion.

In addition to the strong financial capital of the owners, the joint brand of the group of companies also provides invaluable capital. Customers are seeking security and reliability and no company in our industry is more closely associated with these characteristics than we are. The security we offer is not only appreciated by our customers but also by our creditors. Quite simply, the Länsförsäkringar Alliance represents stability, from which we and our customers stand to benefit more than ever before.

Profitable non-life insurance business

The majority of Länsförsäkringar's non-life insurance business is now underwritten in the regional insurance companies with local concessions. On behalf of the regional insurance companies, Länsförsäkringar AB conducts business in such areas as medical insurance and other pension-insurance products, animal insurance through Agria and special insurance.

The non-life insurance business conducted within Länsförsäkringar AB is profitable. In 2008, the company's technical result increased to SEK 327 M (293). Premiums earned also increased by 15% to slightly more than SEK 3 billion, with the company's sales success in the healthcare area playing a significant role. The market for insurance in the healthcare area is growing steadily and Länsförsäkringar is the leader in the market for medical insurance, with a market share of approximately 32%. We are also the market leader within animal and crop insurance through Agria, which continues to develop its business both in Sweden and abroad.

During the year, we completed the acquisition of insurance operations from the Federation of Swedish Farmers (LRF) and are now jointly developing an even stronger offering to the agricultural sector.

Curves pointed in the right direction in the banking operations

Volume growth continued within the banking operations and profit targets were achieved. All curves, with the exception of the fund operations, are pointed in the right direction. We strengthened our position as the bank with Sweden's most satisfied bank and retail mortgage customers and increased our lead over other Swedish banks, particularly in terms of customer loyalty. Total assets in the banking operations increased by 22% to SEK 104 billion and we are now Sweden's fifth largest retail bank in terms of deposits. The financing and liquidity situation is favourable, as is the quality of the credit portfolio.

Since February 2008, when its partnership agreement with Landshypotek expired, Länsförsäkringar Bank has offered its own first-lien mortgages for agricultural and forestry properties. The idea behind providing first-lien mortgages to the agricultural sector is to offer improved total solutions in banking and insurance products specially adapted to farmers. After ten months, measured from the launch in February 2008, we now have the largest proportion of new sales, which certainly says something about the strength of the brand.

The banking operations play a major role in our efforts to expand customers' commitments with Länsförsäkringar. Customer meetings often begin with a banking transaction and from there grow into a long-term and frequent relationship.

Confirmation of strength to our pension savers

Länsförsäkringar has perhaps the strongest life-assurance company in Sweden. Since it was founded in 1985, it took slightly more than 20 years to establish the company that is now one of the financially strongest players in the country and one of the life-assurance companies that provide the best short and long-term returns for its savers. During a year in which global stock markets fell by between 30 and 50%, pension savers with traditional management received an average bonus rate of 3.5% before tax and fees. For the past 20 years, the average return has been one of the very best and, compared with the most recent five years, the return was higher than in any other comparable company. The basis of this favourable return was the company's management model, which is based on our brand and, more significantly, on our values: management should be secure and stable, without sudden fluctuations in results. This is not a guarantee of future returns, but rather confirmation that the company's conditions are favourable. With a solvency margin of 105% at year-end, we have a sufficient buffer to cope with continued fluctuations in the market.

Our approach is always characterised by our view that we are dealing with our customers' money, not our own. We have no external shareholders and no financial interests besides what is best for our customers. With this as our focus, we now intend to further strengthen our life-assurance company. In the autumn, customers voted in favour of the demutualisation of the company to a profit-distributing company and an application was submitted to the Swedish Financial Supervisory Authority before Christmas. Operating as profit-distributing company will be beneficial for our customers since it will provide increased reliability and opportunities for higher returns. Our goal is to build a life-assurance company with even better conditions for future growth while maintaining our focus on reducing costs. The restructuring of the life-assurance company will be one of our most significant issues in the future. Upon demutualisation, Länsförsäkringar AB will contribute approximately SEK 6 to 8 billion in new risk capital, which will naturally entail that our balance sheet will be changed entirely moving forward.

Correctly positioned for the future

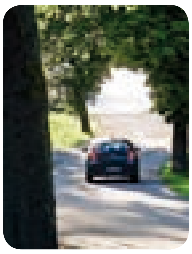
Länsförsäkringar AB will maintain a clear focus on profitability in the coming years in order to regain the money we have lost in the financial crisis, remaining well aware that we are dealing with our customers' money, not our own. Länsförsäkringar AB is currently prioritising profitability and risk awareness over volumes and aims to improve its growth based on the existing operations. Respect for customers' money results in active risk work concentrated on high collective consolidation in life assurance and a high solvency margin in non-life insurance, a strong cost/income ratio and low risk profile, as well as favourable credit quality in the banking operations and low internal expenses.

We have high expectations of the ongoing work to increase our competitiveness while cutting costs and we are correctly positioned moving forward – for either a continued crisis or an upswing. We remain financially strong and are expanding our operations based on a brand characterised by values that are currently in high demand. The roles in the Länsförsäkringar Alliance's value chain have been clarified and we now have a number of challenges to face. We will further improve our asset management model to enable our savers to continue enjoying first-rate returns. The healthcare area will continue to grow. The restructuring of the life-assurance company will create an even stronger alternative for our customers. We will further develop our IT systems so that the regional insurance companies can provide customers with even better service and present a stronger argument in favour of gathering their commitments with their local regional insurance company. And last, but certainly not least, we will maintain and strengthen our performance in the banking area. The world may be in the middle of a financial crisis, but when Länsförsäkringar AB takes its next step, we will do so from a position of strength.

Stockholm, March 2009

Håkan Danielsson
President of Länsförsäkringar AB

Länsförsäkringar AB: Financial hub



In 2008, Länsförsäkringar AB and its subsidiaries streamlined the three tasks to their owners, the 24 regional insurance companies, aimed at further enhancing competitiveness while lowering costs. These tasks are 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. Customer contact always occurs at the local regional insurance companies.

Länsförsäkringar AB is wholly owned by the 24 regional insurance companies, together with 14 local insurance companies. The shareholding is included in the solvency capital of the regional insurance companies and the companies impose the same market-level return requirements on these shares as on listed shares and other investment assets. The net worth of the share has increased by 6% since 2004. In addition, dividends in 2006 and 2007 were paid corresponding to a 7% increase in value. During 2008, the value of the share fell by 28%, including a 3% dividend.

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 with subsidiaries is not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders. In 2008, the ownership of Försäkringsaktiebolaget Agria with subsidiaries was transferred from Länsförsäkringar AB to the subsidiary Länsförsäkringar Sak. On July 1, Länsförsäkringar Sak acquired the companies Länsförsäkringar EFEL Skadeförsäkring AB and Länsförsäkringar EFEL Livförsäkring AB from the Federation of Swedish Farmers.

Streamlined task

To further strengthen competitiveness and reduce costs, Länsförsäkringar AB's operational organisation was streamlined based on the company's three business units – Non-life insurance, Life assurance and Banking – and 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 product development is now coordinated under a single function, regardless of the area of operation. The development work conducted within Länsförsäkringar AB has an overall goal – to provide the regional insurance companies with the right tools to attract more full-service customers at the local level. The service unit has two main tasks: responsibility for all services required by the regional insurance companies and responsibility for the shared internal service resources within Länsförsäkringar AB. By streamlining its operations and distributing service and administrative resources among the various subsidiaries and operations within Länsförsäkringar AB as of January 1, 2009, the company has reduced its operating expenses by approximately 20%.

Clarity in the value chain

The operations within Länsförsäkringar AB are extremely important to all of the 24 regional insurance companies. Instead of developing resources at the local level, the regional insurance companies can share expenses in such areas as IT, product development, brand communication and methods for developing and strengthening customer relations. Cooperation between the three core operations also creates economies of scale since the costs for such activities as payment handling and output-data platforms can be borne jointly. This division of duties among the 24 regional insurance companies and Länsförsäkringar AB creates a clear focus for all parties involved – a focus that was further clarified in autumn 2008. 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. Economic efficiency is a basic prerequisite for this to be possible. That is why life assurance and banking operations are conducted jointly and some non-life insurance operations are considered best-suited to joint concession. This interface does not affect customer relations, which always develop through the respective regional insurance company, as if it were a local bank or life-assurance company. This division of duties is the foundation of the Länsförsäkringar concept. Business activities within Länsförsäkringar AB are to be conducted for profit-making purposes to enable the company to provide returns for its owners, the regional insurance companies. Development and service operations are to be conducted at cost price.

Earnings

Group

The Group's total assets increased during the year to SEK 130,554 M (116,241). Although the Group's negative investment income had a considerable impact on profit, the underlying operations were profitable. Operating profit excluding investment income and restructuring costs amounted to SEK 152 M.

Consolidated operating loss amounted to SEK 3,395 M (profit: 1,270) and net loss for the year before tax amounted to SEK 2,480 M (profit: 922). The Group's premiums earned after ceded reinsurance amounted to SEK 3,024 M (2,634) and net interest income totalled SEK 1,340 M (1,069). Solvency capital totalled SEK 7,907 M (11,652) and the solvency margin amounted to 252% (429).

Parent Company

The Parent Company's loss after financial items amounted to SEK 136 M (profit: 118) and loss after tax amounted to SEK 8 M (profit: 169). Earnings include the amount of SEK 354 M (330) which pertains to dividends from the subsidiaries. Total assets amounted to SEK 10,879 M (11,965).

Dividend policy

The owners, the 24 regional insurance companies, have commissioned Länsförsäkringar AB to carry out development activities, service operations and business activities. The business activities shall be conducted for the purpose of profit-making so that the company can pay competitive returns through growth in value and dividends to the owners. The return on Länsförsäkringar AB's shareholders' equity shall be at a market-based level and include a risk premium.

All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the regional insurance companies in the form of dividends. Normally, 30% of net profit for the year after tax in the Group shall be paid on the condition that a credit rating of A can be justified for the Group's credit-rated units. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking such that the lowest credit rating of A can be justified.

LÄNSFÖRSÄKRINGAR AB GROUP[1]

	2008	2007
Profit before tax, SEK M	–3,395	1,270
Solvency capital, SEK M	7,907	11,652
Solvency margin, %	252	429
Total assets, SEK M	130,554	116,241
Return on shareholders' equity, %	–29	10

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

SHAREHOLDERS

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

SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	2004	2005	2006	2007	2008
Shareholders' equity per share	1,114	1,410	1,523	1,648	1,186

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

[1] Pertains to the company's covered bonds.

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

Non-life insurance: Increased premiums earned and stronger earnings

Länsförsäkringar AB conducts non-life insurance business on behalf of the regional insurance companies in the areas of medical insurance, accident insurance, third-party liability insurance, cargo insurance and some liability insurance, animal insurance, products for national customers in the commercial automotive area, recycling insurance and ceded reinsurance. Länsförsäkringar AB also handles the regional insurance companies' internal and external reinsurance.

The majority of non-life insurance business in the Länsförsäkringar Alliance is now underwritten in the regional insurance companies with local concessions. Non-life insurance business is conducted within Länsförsäkringar AB on behalf of the regional insurance companies. In 2008, Premiums earned after ceded reinsurance rose to SEK 3,024 M (2,634). This increase is primarily attributable to the positive trend within the healthcare area and the transfer of Agria Djurförsäkring, which was previously a subsidiary of Länsförsäkringar AB, to Länsförsäkringar Sak during the year.

Rapid development in healthcare area

The market for insurance in the healthcare area is developing rapidly and Länsförsäkringar is a market leader in medical insurance in Sweden, with a market share of more than 32%. Demand for insurance solutions among companies is increasing substantially in the areas of healthcare, rehabilitation, preventive healthcare and other solutions that supplement the protection of the public. The key reason for this is that companies' operations are exposed to substantial disruptions if employees are absent due to illness. Healthy employees increase profitability.

Key figures, SEK M	2008	2007
Premiums earned after ceded reinsurance	3,024	2,634
Profit/loss before appropriations and tax	–3,003	1,169
Technical result for insurance operations	327	293
Expense ratio	36	30
Combined ratio	111	107

Environmental insurance

The recycling insurance that is now available as part of most regional insurance companies' agricultural insurance has received a very positive reception from customers. Once a year, Länsförsäkringar collects environmentally harmful waste and scrap free of charge from agricultural operations. Taking out recycling insurance reduces the risk of damage and negative environmental impact at the same time as customers solve their waste problems in a secure and environmentally correct manner.

Intensified cooperation with the Federation of Swedish Farmers

Länsförsäkringar Sak's acquisition of insurance operations from the Federation of Swedish Farmers (LRF) was finalised on July 1, 2008. The acquired insurance operations comprise individual and group life, medical and accident insurance and the acquisition is part of the continuing growth strategy. The intensified cooperation with LRF provides greater know-how about the agricultural market in Sweden and the basis for identifying customer needs at an early stage and developing new insurance solutions. The Länsförsäkringar Alliance can now offer its agricultural customers a more attractive and complete offering of banking and insurance services.

Establishing operations abroad

In 2008, Länsförsäkringar Sak established non-life insurance operations in Latvia and Lithuania. The first insurance policy was sold at the beginning of 2008 and now personal property and motor-vehicle insurance (third-party liability and material damage to motor vehicles) are sold to private individuals. Agria has established successful operations through its animal insurance activities in Norway and the UK and through partners in Finland, Iceland and the Åland Islands.

Stable earnings in insurance operations

The technical result for the insurance operations improved and amounted to SEK 327 M (293). Operating profit declined to a loss of SEK 3,003 M (profit: 1,169) due to negative investment income. Premiums earned after ceded reinsurance rose to SEK 3,024 M (2,634). This increase is mainly attributable to higher volumes for products within medical and animal insurance. The claims outcome was favourable in all areas during the year. Since 2004, most of the third-party liability insurance has been underwritten by the regional insurance companies. The provision for claims incurred for third-party liability insurance underwritten up to and including 2003 is run off within Länsförsäkringar Sak.

Agria Djurförsäkring – continued strong customer inflow

Agria Djurförsäkring, which was previously a wholly owned subsidiary of Länsförsäkringar AB, became a wholly owned subsidiary of Länsförsäkringar Sak during the year. Premium income for Agria's Swedish animal and crop insurance, which surpassed SEK 1 billion in 2007, increased further in 2008 to SEK 1,293 M. Over a five-year period, premium income has increased by slightly more than 56.8%. In a market in which five players offer animal insurance, Agria has a market share of 60% (60).

The technical result for 2008 amounted to SEK 69 M (99). The number of customers continued to grow this year, with dog and cat insurance responsible for the majority of this increase. The number of horse-insurance policies declined slightly during the year and the livestock and crop business area was also characterised by the structural changes in the agricultural sector. Agria Dyreforsikring, which sells small-animal and horse insurance in Norway, experienced a strong inflow of customers, matching its sales for the preceding year as early as September. Agria Dyreforsikring was operated within Agria Djurförsäkring during most of the year. During the fourth quarter, the operations in Agria Dyreforsikring were reported by Agria International Försäkring AB.

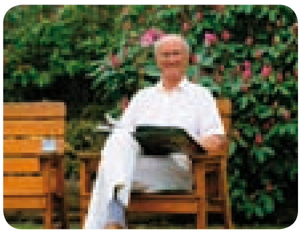
Reinsurance

Profit for the reinsurance operations amounted to SEK 44.1 M, which is the best result to date. Internationally assumed transactions reported favourable results and the market situation has improved. The Länsförsäkringar Alliance's primary need in terms of reinsurance is cover against storms and other natural damage. This cover was expanded to SEK 7,000 M for 2008, and since the exposure is deemed to be the same, the same cover was renewed for 2009.

Run-Off

Wasa Run-Off AB is the Länsförsäkringar Alliance's company for run-off transactions and a wholly owned subsidiary of Länsförsäkringar AB. As part of the streamlining of Länsförsäkringar AB's tasks, the subsidiaries WASA International Försäkrings AB and Återförsäkrings AB Stockholm were sold to the UK run-off specialist Compre Holdings. The transfer was conditional pending such details as the Swedish Financial Supervisory Authority's approval of the new owner, which was granted in March 2009. The companies will be transferred to Compre Holding LTD in 2009.

Life assurance: Long-term approach generates favourable return



Due to its successful risk measures, the life-assurance company preserved its capital and financial strength despite the financial crisis. During a year in which global stock markets fell by between 30 and 50%, pension savers with traditional management received an average bonus rate of 3.5% before tax and fees.

Länsförsäkringar Liv is not consolidated in Länsförsäkringar AB since the company is operated in accordance with mutual principles.

Like other life-assurance companies in the Swedish market, Länsförsäkringar's life-assurance operations have felt the impact of the financial crisis. However, through successful risk work and a continuous reallocation from share investments to interest-bearing securities, the company finished the year with some of the strongest key figures in the industry. Collective consolidation amounted to 105% (114) at year-end and the solvency ratio was 114% (152). During a year in which global stock markets fell by between 30 and 50%, the total return in traditional life assurance operations amounted to negative 0.6% (6.7) on December 31. The average total return for the past five years amounted to 7%. Customers received an average bonus rate of 3.5% in 2008 before tax and fees, which is the highest among comparable companies. The average bonus rate since Länsförsäkringar's life-assurance operations were started in 1985 is 9.2% per year. Länsförsäkringar was named "Life-Assurance Company of the Year" in Swedish business daily Affärsvärlden's annual survey, and named Sweden's best pension manager by the European industry magazine Investment & Pensions Europe (IPE).

Key figures	2008	2007
Premium income, SEK M[1]	11,247	10,794
Total assets, SEK M	150,216	162,793
Total return, traditional management, %	–0.6	6.7
Collective consolidation, %	105	114
Solvency ratio, %	114	152

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

Länsförsäkringar's offering

Länsförsäkringar offers various management forms for customers who save in pension and capital-endowment insurance. Traditional management, New World management and Insured Pension are offered through Länsförsäkringar Liv, and unit-linked insurance through Länsförsäkringar Fondliv. The management forms offer different advantages depending on the objectives of the savings and the level of risk the saver is willing to take.

The sale of collective agreement pensions and Insured Pension were strong during the year, which contributed to an excellent trend in full-service customers among the regional insurance companies. Increases, meaning new sales on existing agreements, rose by 20% during the year.

The private market, which increased by 29%, accounted for the strongest sales growth. This result reflects Länsförsäkringar's trends and major shift in this area, from a ninth-place ranking in the private market three years ago to being one tenth of a percentage point away from first place. Although sales growth in the occupational pension market was 1% lower than in 2007, Länsförsäkringar remained the third-largest pension company in the occupational pension market. The savings market, which primarily comprises capital-endowment insurance products, declined by 43%.

Demutualisation Länsförsäkringar Liv

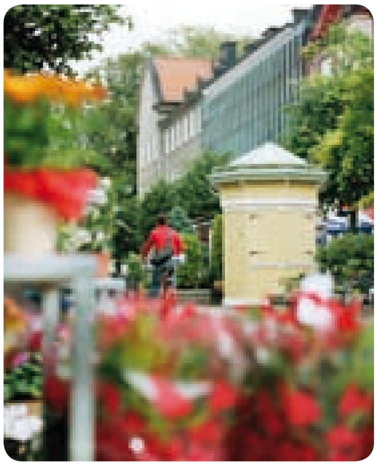
In autumn 2008, the customers in Länsförsäkringar Liv voted in favour of the proposed demutualisation of the com-

pany to a profit-distributing, limited liability life-assurance company.

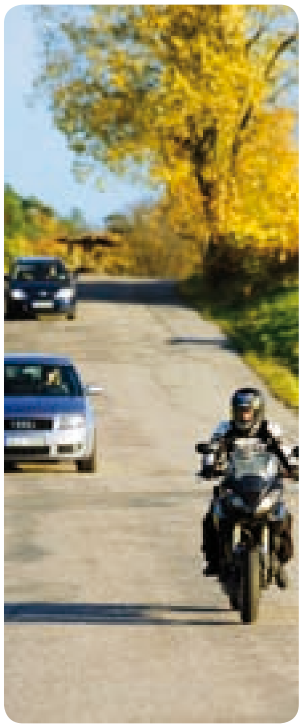
Länsförsäkringar Liv is a limited liability company. Since 1985, when the company was founded and Länsförsäkringar began conducting life-assurance operations, the shares in Länsförsäkringar Liv are owned by Länsförsäkringar AB. Länsförsäkringar AB is jointly owned by the 24 regional insurance companies, which in turn are owned by their non-life insurance customers. In December 2008, the Board of Directors of Länsförsäkringar Liv submitted an application to the Swedish Financial Supervisory Authority to restructure the company to a profit-distributing, limited liability life-assurance company, which can take place on January 1, 2010 at the earliest.

Pension choices increasingly important

The procurement process surrounding the new and changed collective pension agreements is an important part of the life-assurance market since the changes have resulted in a gradual increase in the portion of the total occupational-pension premium that the individual can choose. Two major procurement processes took place in 2008 and Länsförsäkringar was eligible in both.



Bank: Profitable volume growth



The banking operations offer a full range of banking services primarily to the retail and agricultural market. These include loan and financing products, for example, retail mortgage loans, and leasing and financing products through the subsidiary Wasa Kredit. Länsförsäkringar had Sweden's most satisfied bank customers in the retail market for the fourth consecutive year. The total number of customers at year-end amounted to 700,000 (665,000).

Increased retail mortgage and household lending

Länsförsäkringar's lending rose to SEK 79 billion (67). Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek increased to SEK 54 billion (48). The market share for household and retail mortgage lending rose to 3.5% (3.2) and the percentage of market growth was 6.4%. Loan origination is always based on the goal of maintaining favourable credit quality. Although the retail mortgage market was characterised by lower activity during the second half of the year, Länsförsäkringar maintained a favourable volume trend.

Positioning in agriculture

Länsförsäkringar's bank and insurance offering to farmers is one of the strongest in the market and is based on a historically long relationship with the agricultural sector. During the year, the regional insurance companies continued to grow strong in the area of banking advisory services to farmers.

In February, Länsförsäkringar began offering first-lien mortgages to Swedish agricultural properties. Second-lien mortgages and operating credits for farmers also increased during the year. Agricultural mortgages totalled SEK 6,506 M (3,093) and first-lien mortgages for agricultural and forestry properties amounted to SEK 3,226 M (0).

Key figures	2008	2007
Deposits from the public, SEK M	35,090	29,735
Lending to the public, SEK M	78,564	67,040
Operating profit[1], SEK M	272	238
Return on shareholders' equity[1], %	4.9	5.0
Cost/income ratio before loan losses[1]	0.72	0.74

[1] Excluding restructuring costs.

Fifth largest bank in deposits

Länsförsäkringar's deposits increased to SEK 35 (30) billion. The market share, measured as deposits from households, rose to 3.2% (2.9) and the share of market growth amounted to 6.3%. Accordingly, Länsförsäkringar is Sweden's fifth largest retail bank in deposits.

Funds and fund market

Länsförsäkringar is the fifth largest fund company in Sweden with a market share of 4.2% (3.9), measured in managed assets. A total of SEK 51 billion (65) was managed in 29 (31) investment funds with different investment orientations. The reason for the decrease in the fund volume was the decline in value of the stock market during 2008. Unlike the Swedish fund market, which reported a negative net flow of SEK 7.7 billion, Länsförsäkringar had a positive net flow of SEK 2.4 billion during the year. A Fund Market ("Fondtorget") for direct savings was launched in November, whereby Länsförsäkringar's own funds were supplemented with 25 external funds that will provide the customers with greater freedom of choice in investment alternatives.

Growth in card and payment transactions

The use of bank cards as a means of payment continued to rise, with cards being used increasingly often to purchase for smaller amounts. Customers with salary accounts and bank or credit cards are a priority target group for Länsförsäkringar's banking operations. Payment transactions rose to SEK 74 M (57), corresponding to a 30% increase. Income from payment transactions continued to increase during the year. Of the payment services, bank card transactions, bank giro and private giro accounted for the largest volumes. Payments via the Internet rose to 84% (81) of all payment transactions. The number of cards rose to 181,000 (151,000), an increase of 20%.

Financing with covered bonds
Länsförsäkringar Bank's financing sources include shareholders' equity, subordinated loans, deposits, inter-bank borrowing and borrowing in the capital market. Most of the banking operations' borrowing occurs through the subsidiary Länsförsäkringar Hypotek. Borrowing in Länsförsäkringar Hypotek is conducted with covered bonds, which have the highest credit rating from Moody´s (Aaa) and from Standard & Poor´s (AAA). The covered bonds are pledgeable at the Riksbank. Despite increased turbulence in the capital market and a decline in market liquidity, primarily during the second half of the year, Länsförsäkringar's banking operations have maintained favourable access to financing during every stage of the crisis. Borrowing increased to SEK 49 billion (46), of which covered bonds amounted to SEK 42 billion (37). The remaining amount pertains to commercial papers. This increase is attributable to financing of higher lending volumes.

Objective and strategy for borrowing
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 liquidity situation is very strong. The majority of lending occurs through the subsidiary Länsförsäkringar Hypotek, which is financed through the issue of covered bonds and to a certain extent through the use of Länsförsäkringar Bank's deposit surplus. Länsförsäkringar Bank's deposits are sufficient to finance the uncovered lending operations of Länsförsäkringar Bank. The primary source of financing is borrowing in covered bonds in Sweden, with benchmark loans for the institutional market. Issues are concentrated to large volumes in a small number of bond loans that provide the conditions for generating high liquidity. The benchmark curve in the Swedish market includes bonds with maturity periods of one to five years issued through on-tap issues. FRN loans are also issued regularly, normally in large volumes to generate higher liquidity. International borrowing has occurred in the Swiss market to date. The banking operations are working on securing as broad an investor base as possible in the markets deemed to be central to achieving the financing strategy.

Asset management: Modern management model to succeed in difficult times

The responsibility for asset management lies within a specialist function in Länsförsäkringar AB. At year-end, Asset Management managed approximately SEK 140 billion on behalf of the Länsförsäkringar AB's life assurance and non-life insurance companies, the mutual fund company, Agria Djurförsäkring (animal and crop insurance) and several smaller Group companies.

Assignment and earnings

The Group-wide Asset Management unit in Länsförsäkringar AB has the task of handling asset management on behalf of the subsidiaries of the Länsförsäkringar AB Group. The most important task is Länsförsäkringar Liv with approximately SEK 100 billion in investment assets, followed by Länsförsäkringar Sak with slightly more than SEK 13 billion and Agria with slightly more than SEK 0.8 billion.

The loss from the most important management assignment, Länsförsäkringar Liv, amounted to 0.6% in 2008. Over the past five years the average total return was 7%, which is the highest of all life-assurance and pension-insurance companies in Sweden. In November, Länsförsäkringar Liv was named Sweden's best pension manager by the leading industry magazine, Investment & Pensions Europe, which is yet another confirmation of the competitiveness of the management model.

The return for Länsförsäkringar Sak amounted to negative 13.3% and the return for Agria Djurförsäkring totalled negative 12.8%. The durations and valuation principles of liabilities differ significantly between the non-life insurance company and the life-assurance company. The difference led to a completely different investment strategy for interest-rate hedges, for example. The management model made it possible to very rapidly lower the risk level of the portfolio by reducing equities exposure during the year.

Modern management model

A modern and competitive management model is a prerequisite for generating a stable, high return on investment assets over the long term. Accordingly, Länsförsäkringar works continuously on developing its model to ensure that management is always at the forefront.

TOTAL RETURN 2008 LÄNSFÖRSÄKRINGAR LIV TRADITIONAL MANAGEMENT

Investments	Market value Jan. 1, 2008, SEK M	%	Market value Dec. 31, 2008, SEK M	%	Total return, %
Interest-bearing	40,769	39.2	74,933	76.3	8.9
Equities	54,065	52.0	10,408	10.6	–38.7
Alternative investments	2,687	2.6	4,266	4.3	–32.6
Properties	6,479	6.2	8,688	8.8	2.7
Total	**104,000**	**100**	**98,285**	**100**	**–0.6**

If other assets and management costs are added to the return on investment assets above, the total return for traditional management would amount to 7.3% (7.2).

This applies to the choice of investment assets and the methodology and approach applied. The management model was put through a very hard test in 2008 as a result of the worst financial crisis in several decades. In brief, the 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.

Diversification of risks

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

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

The derivative strategies proved to be highly valuable in 2008. With manoeuvrable asset allocation, the portfolios have been quickly adapted to market conditions and hedge strategies made a significant contribution to minimising losses in the investment portfolios. Accordingly, Länsförsäkringar Liv continued to report strong collective consolidation and a "green light" in the Swedish Financial Supervisory Authority's traffic-light test despite the crisis in the financial markets in 2008.

Long-term managers

The long-term approach Länsförsäkringar adopts in its management makes it possible to increase returns in the long term by investing in assets that are not tradable in the short-term, known as alternative investments. The investment option is mainly used in the life-assurance operations, which in recent years has focused intently on this type of assets and has invested an increasing amount in Private Equity, properties and diversified strategies (mostly forest and infrastructure).

Best managers

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

Optimal organisation

The modern management method is supported by a suitably adapted organisation. Having all operating management outsourced to external managers, Länsförsäkringar can focus its resources 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.

Environment: Active environment work

Länsförsäkringar AB works actively to reduce its environmental impact from both its offices and business activities. The direct environmental impact derives primarily from business travel and the consumption of electricity, heating and paper. The indirect impact arises mainly from water and fire damage that affects the regional insurance companies' customers.

Länsförsäkringar AB contributes to strengthening the work of the regional insurance companies to reduce the number of claims and reduce the effects of incurred damage. Another important area is spreading knowledge to customers about the environmental impact of Länsförsäkringar's operations.

Environmentally friendly travel

To reduce the direct impact on the environment, train travel is increasingly used for business trips. The company-car policy approves only environmentally friendly cars and offers the option of the early replacement of company cars. During 2008, the percentage of environmentally friendly cars rose to more than 70%. A number of company bicycles are available for use by all employees during working hours, as well as the option to borrow bus cards to reduce car travel. In addition, an increasing number of meetings now take place by telephone, video or web conferences as a means of reducing total accumulated travel.

Reduced flows of paper

One of the targets of the developments carried out in Länsförsäkringar AB is to reduce the flow of paper both within the company and sent to customers. To reduce the consumption of paper, digital solutions and efficient printing and copying solutions are being developed. The expansion of the Internet channel offers more opportunities to reduce the amount of paper sent to customers. For example, all terms and conditions for commercial insurance are now available in digital form on the Internet and are no longer sent to customers. Customers are also offered the option of choosing not to have account and loan statements sent to their home address, and as many paper dispatches as possible are packaged together to reduce the flow of paper.

Environmentally certified properties

Enhancing the efficiency of heating and cooling systems and the use of low-energy lamps to minimise the use of energy are also important in lowering the direct impact of the company on the environment. The statutory energy inspection was conducted during the year and the energy-savings improvements that resulted from it will further reduce energy consumption once they have been implemented. By participating in the Building/Living Dialogue Project and the Environmental Certification Project, Länsförsäkringar AB's properties have been assigned environmental certification in a pilot project. Environmental certification of properties encompasses many areas, such as energy use, hazardous substances, environmental impact and indoor environment.

Environmental aspects of investment decisions

In 2008, Länsförsäkringar Liv invested SEK 1 billion in the World Bank's (International Bank for Reconstruction and Development, IBRD) "green" bond. The bond has a credit rating of AAA and is guaranteed by the IBRD. The bond yields a slightly higher return than a Swedish government bond. The proceeds earned from this issue are to be used to invest in technology that reduces emissions of carbon dioxide in developing countries. For Länsförsäkringar, this investment is a way of generating higher returns while supporting the environment.

Reducing the number of claims

Every claim that can be avoided is important to the indirect environmental impact, and therefore claims-prevention activities are crucial from an environmental perspective. To reduce the impact on the environment from damage suffered by the regional insurance companies' customers, active development measures are conducted to reduce the number of claims and to reduce the consequences of occurred damage. To expand knowledge in the area of the environment, Länsförsäkringar Sak supports scientific research. One example is the project on "Flooding in the city's water system: causes and measures

Some more examples of Länsförsäkringar's environmental work and measures for reducing environmental impact are listed here:

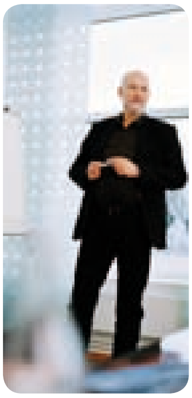
- Annual follow-up of the PVC industry aimed at improving environmentally friendly changes and increasing the level of recycling.
- Länsförsäkringar has developed an Environment Manual together with a number of other organisations that will be used to systematically make environmental adjustments to a building or facility over its entire lifecycle.
- Further developed an environment and quality tool for assessing the environmental and quality work of for example building contractors and sheet-metal and lacquer shops.
- Offered a reinsurance policy to the agricultural sector that reduces the amount of environmentally harmful waste and scrap in farming.
- Developed Länsförsäkringar's products and services, which has led to an insurance policy for a wind power station) and the option for customers to save in an environmentally friendly manner by offering a fund for renewable energy.
- Work on the environment management system for Länsförsäkringar AB that has had ISO 14001 certification for five years. This system guarantees systematic environmental work.

to reduce the consequences," which studies why flooding takes place and the action that can be taken to reduce the number of floods and their consequences. Another project is "Cost-benefit analysis of preventive actions against landslides and avalanches as a result of a changed climate." The aim of the project is to develop a risk analysis method based on risk costs and the evaluation of preventive measures against erosion, landslides and avalanches identified in developed risk areas.

Another key component in reducing the number of claims is to train and inform the contractors that Länsförsäkringar engages. For example, a series of seminars was conducted on the topic of "water-proof wet rooms."

In partnership with Tyréns Temaplan and the IVL Swedish Environmental Research Institute, Länsförsäkringar also produced a tool to assess the environmental impact of damage repairs. The intension is to encourage contractors to make sound environmentally friendly choices and monitor and report on the environmental impact of primarily from cases of water damage.

Employees: Attractive employer focusing on the long term



By focusing on profitability and competitiveness, Länsförsäkringar AB's managers and employees will face a series of exciting challenges in the future, and therefore skills-development efforts have been emphasised in the organisation.

Intensified competition in the market and the possibility of attracting employees with the right competencies are shared business objectives in Länsförsäkringar AB and factors that influence the operations' needs for skills development. All skills development is to support the operations and for this reason, existing professional roles have been identified and professional skills have been introduced to employees' target contracts in order to identify skills-development measures.

Working in a structured manner and following a common method provide the conditions for employees to attain the individual goals in their target contracts. It also enhances the clarity of managers' expectations of employees. Clarity increased motivation and commitment and leads to improved performance, as shown by the results of this year's employee survey.

Long-term leadership development

Länsförsäkringar AB has invested heavily in leadership development in recent years. Since 2005, when the programme and planning of long-term leadership development commenced, employee opinions of leadership have become more and more positive. A leadership index survey is carried out every year and includes the questions about management, targets and results orientation and career-development discussion with target contracts.

To ensure the supply of future leaders, talented young employees are selected to attend an Assessment Centre. After undergoing analysis, motivation and personality tests, and various simulation and role-play exercises, the right candidates are offered a place on a specially tailored Young Talent Programme. The Programme includes personal development and leadership style, implementing change, personal efficiency, motivation and driving forces. In addition, a female manager is nominated every year for the Ruter Dam one-year management development programme for women. This has been a focus area for many years in a bid to have more women take on senior managerial roles. Länsförsäkringar also contributes as a mentor and lecturer on the management development programme and hosts company visits.

Development in an international environment

Länsförsäkringar participates in international partnerships to develop products and services. The most extensive insurance partnership takes place with EurAPCo (European Alliance Partners Company). Training courses for managers and specialists are held within the framework of EurAPCo, via the Eureko Academy.

Eurekans and Ashridge are two development programs to which Länsförsäkringar can annually nominate employees to attend. Eurekans is a programme that is primarily targeted to younger employees between the ages of 25 and 35 who will grow into a managerial role in three to five years' time. Ashridge is a programme that is mainly targeted to company presidents and senior-level managers or members of managerial groups.

Scholarship holder exchange programme through Nordic cooperation

A scholarship holder exchange programme has been produced together with Länsförsäkringar AB's Finnish partner, Tapiola. The programme is held annually and aims at facilitating the exchange of experiences between companies in employees' own fields of activity.

Valuable expertise retained through new partial pension

The offer of an attractive partial pension solution for employees over the age of 62 is a measure utilised to address future retirement. Employees are offered a solution whereby they work at 80% and receive a salary at 90% and a full occupational pension. This working-hours structure follows the 80-90-100 principle.

The partial pension solution provides the possibility of retaining employees with valuable expertise and facilitates the transfer of competencies. A partial pension agreement is a supplement to the age-62 rule of the industry's pension agreement.

Managing performance

In 2008, Länsförsäkringar AB introduced a new method for its employee survey, Pulsen ("the pulse"), as part of its heightened focus on managing performance. The survey studies active verbs: Want, Know, Can, May, Should. These verbs guide performance, which in turn enables continuous performance development in the organisation.

The percentage of employee responses was 85%. The ratings, on a scale of 1–5, were high:

Performance Index:	4.2
Leadership Index	4.0

Attractive employer

In order to secure the conditions for Länsförsäkringar to compete for business-critical expertise, a long-term project has commenced to promote Länsförsäkringar's attractiveness as an employer. Länsförsäkringar's strong brand and many different awards and accolades won during the year form a stable platform for the continued work.

Länsförsäkringar's image as an employer will be communicated to a even greater extent using a joint approach. Value-based recruitment advertisements will communicate a sense of reliability and what Länsförsäkringar stands for. The new website will illustrate development and career opportunities and the diversity of professions available to prospective employees. Länsförsäkringar as an employer shall also be clearly communicated to students by conducting more active student profiling and participating in labour market days for example.

Results: An even more attractive employer

The long-term work on enhancing Länsförsäkringar's attractiveness as an employer generated results in 2008. For the sixth consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's Företagsbarometer survey. Over the past three years, Länsförsäkringar has advanced its position from 52nd place to be most recently 36th. The intention is to become one of the ten most attractive employers among Swedish economics students in all industries by 2010. As confirmation of the quality of its work with the target group of young graduates, Länsförsäkringar received an award for its HR activities from Universum when Länsförsäkringar AB's Director of Human Resources was named "Human Resources Director of the Year."

Trainee programme and contact with students

A trainee programme with seven trainees started in 2008. The trainees' educational backgrounds were in law, economics specialising in marketing, and civil engineering, and some of the trainees had a double degree in economics. All trainees were offer permanent employment within Länsförsäkringar. Länsförsäkringar's trainee programme is certified and meets the requirements for a professional trainee programme laid down by the Swedish Association of Graduate Engineers and TraineeGuiden (Swedish trainee guide).

Students of business administration and economics were identified as the target group that Länsförsäkringar wants and needs to attract. To further increase contact with this target group, Länsförsäkringar entered into an agreement with the Swedish Foundation for Enterprise Education which is behind the launch of a revised economics programme, the Diploma in Upper-Secondary Business Course. This cooperation agreement enables Länsförsäkringar to establish contacts with qualified upper-secondary schools across Sweden.

Reduced sickness absence and better health

Total sickness absence in Länsförsäkringar AB, which was at 4.7% in 2005, declined to 3.4% in 2008. A contributing factor is the measures targeted to employees with long-term sickness absence. Another factor was the medical and rehabilitation insurance that was taken out for all employees. This insurance provides the opportunity for fast and personal medical advice and rehabilitation.

Change process at Länsförsäkringar AB

The company underwent an extensive change process in autumn 2008 to enhance competitiveness and reduce costs. The number of personnel was reduced by approximately 20% as part of the process of cost reductions. The company's need for the right competencies was a critical factor in the appointment of the new organisation that came into effect on January 1, 2009.

In tackling redundancies, Länsförsäkringar AB's basis has been to assume responsibility for and help employees find a new solution; an approach it has taken in previous personnel-reduction processes. The process comprises three parts:

1. A development programme in a resources organisation aimed at providing support, development and opportunities for future solutions. The focus is on identifying new paths and alternatives to find new work based on employees' individual skills.
2. Financial support in the form of a volunteer offering based on length of service and age at December 31, 2008.
3. A pension offer for employees who are 60 years old or above on December 31, 2008.

This change process is the most extensive implemented in Länsförsäkringar AB and encompasses all employees. The process was implemented in a short period of time thanks to its level of clarity and a high degree of openness.

Employee statistics Länsförsäkringar AB

Employees	**2008**	**2007**
Permanent employees on December 31, 2008, total	1,699	1,657
of whom men	760	745
of whom women	939	912
Permanent employees recruited during the year	119	109
Permanent employees who left during the year	135	109

Age range, all employees	**2008**	**2007**
0–30 years	149	150
31–40 years	512	522
41–50 years	524	488
51–60 years	424	421
61–	90	73
Average age, women	44	44
Average age, men	45	44

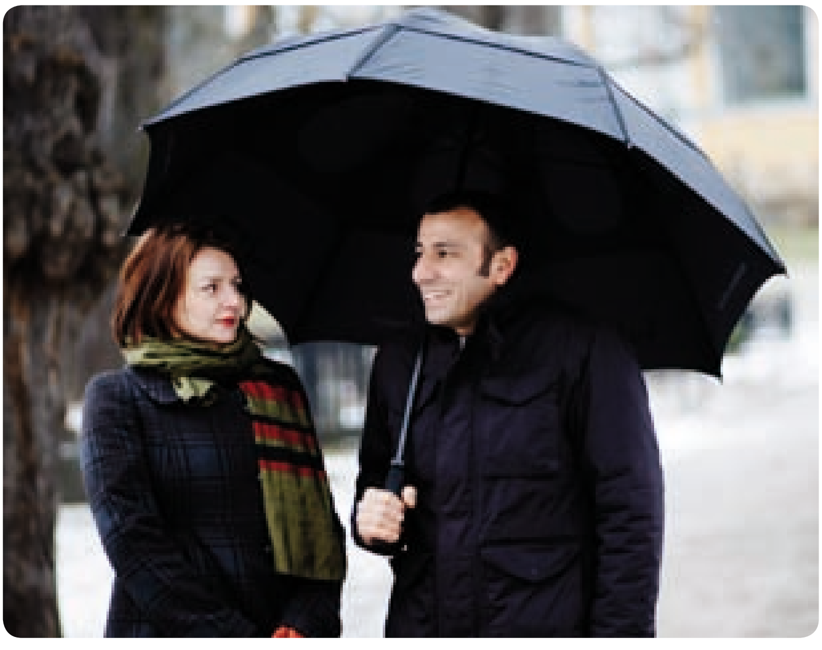
	2008		**2007**	
Age range, managers	**Female managers**	**Male managers**	**Female managers**	**Male managers**
0–30 years	2	1	1	1
31–40 years	36	39	31	36
41–50 years	38	52	40	47
51–60 years	22	39	23	41
61–	5	5	3	3
Total	**103**	**136**	**98**	**128**

Average age, managers	**2008**	**2007**
Women	45	45
Men	46	46

	2008		**2007**	
Gender distribution among management and Board	**Women**	**Men**	**Women**	**Men**
President	5	8	6	6
Management teams[1]	29	50	42	57
Board members[2]	15	69	30	78

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

Sickness absence, %	**2008**	**2007**
Total sickness absence as a percentage of ordinary working hours	3.4	3.8
Percentage of absence pertaining to absence during a consecutive period of absence of 60 days or more	51.1	61.2
Sickness absence by gender, %		
Men	2.0	2.3
Women	4.5	5.1
Sickness absence by age category, %		
Up to age 29	2.8	2.7
Age 30 to 49	3.1	3.4
Age 50 or older	4.2	5.0



Owner control

The internal 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. Each of the regional insurance companies is, as owner, responsible for ensuring that well-functioning owner control is in place vis-à-vis Länsförsäkringar AB. The Boards of Directors of the regional insurance companies are formally responsible for owner control.

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

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

Development of owner control

Owner control has become increasingly more important in line with the development of Länsförsäkringar AB's business activities. The basis of owner control in the regional insurance companies has changed over time, particularly in the past 10–15 years. Since the beginning of the 1990s, the regional insurance companies' capital tied up in Länsförsäkringar AB has increased substantially. Growth in value together with a number of share issues have increased total net wealth from almost zero to slightly more than SEK 7.5 billion. Today, the Länsförsäkringar AB share comprises a significant portion of the regional insurance companies' investment assets, for some companies as much as 30–35%. The Länsförsäkringar AB share must yield market-level returns for the individual regional insurance companies on a par with other alternative investments.

From the mid 1960s to 1994, Länsförsäkringar AB was owned via the Association of Regional Insurance Companies. The regional insurance companies' owner influence and responsibility was then exercised through membership of this federation. The joint business in Länsförsäkringar AB at this time was primarily motor-vehicle insurance.

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

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

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

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

Owner agreement

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

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

Owner-control logic

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

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

Strictly speaking, there are of course natural boundaries between owner control on the one hand and administration of the company between the General Meeting/consortium and Länsförsäkringar AB's Board on the other. The federal structure of the Länsförsäkringar Alliance and the task that Länsförsäkringar AB has in the Länsförsäkringar Alliance provide particular conditions and possibilities for owner control. In addition to this, Länsförsäkringar AB's Group structure entails that the regional insurance companies' owner control of the subsidiaries of Länsförsäkringar AB is handled de facto through Länsförsäkringar AB's Board. As a result, the regional insurance companies' owner control not only takes place through the General Meeting and the consortium but also through the regional insurance companies' representation on the Board of Länsförsäkringar AB.

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

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

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

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

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

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020 hereby submit the annual report and consolidated financial statements for fiscal year 2008. The registered office of the company is in Stockholm.

Ownership

Länsförsäkringar AB is wholly owned by the 24 regional insurance companies, together with 14 local insurance companies. The Länsförsäkringar Alliance comprises the 24 regional insurance companies and the Länsförsäkringar AB Group.

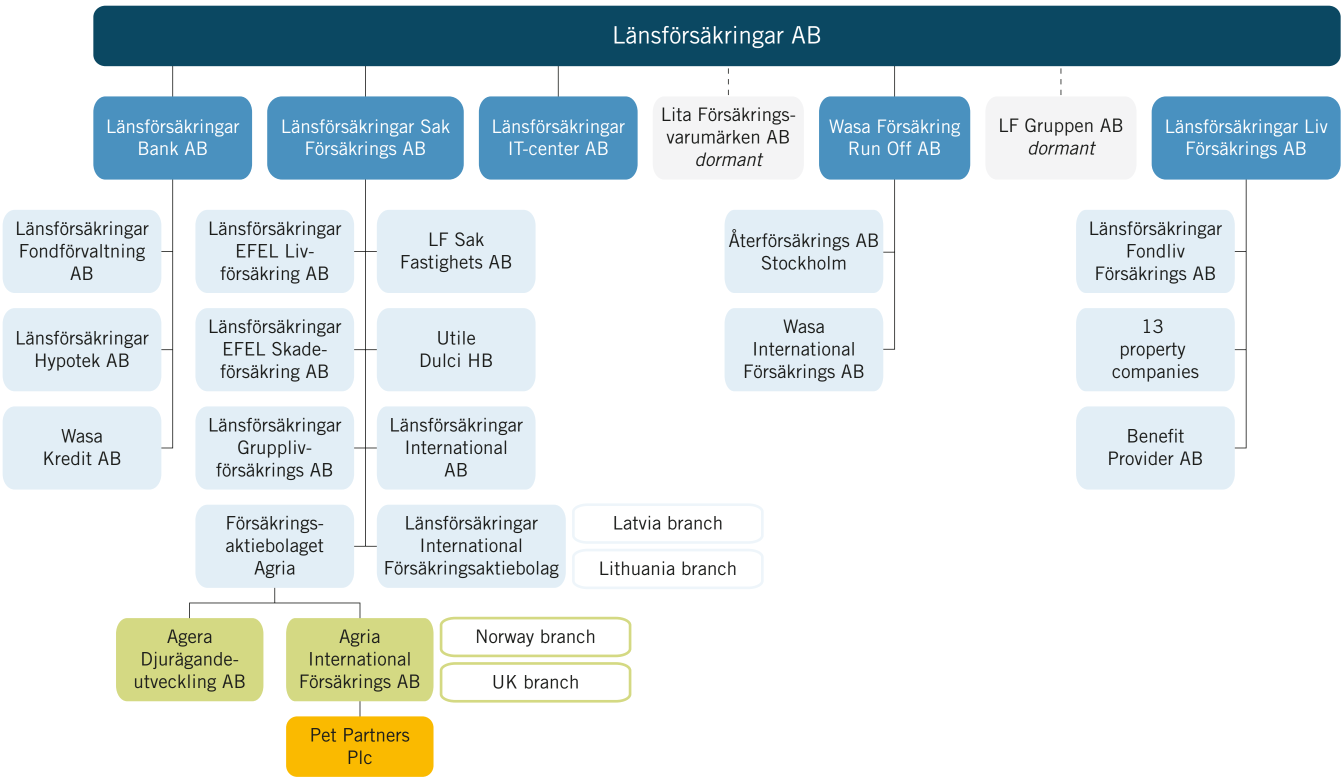
Group structure

Länsförsäkringar AB continuously endeavours to have an as efficient and well-defined Group structure as possible. In 2008, the ownership of Försäkringsaktiebolaget Agria with subsidiaries was transferred from Länsförsäkringar to the subsidiary Länsförsäkringar Sak Försäkringsaktiebolag (publ), referred to below as Länsförsäkringar Sak. The Group structure will be subject to further adjustment in 2009 to enhance simplification and clarity.

On July 1, Länsförsäkringar Sak acquired the two companies Länsförsäkringar EFEL Skadeförsäkring AB and Länsförsäkringar EFEL Livförsäkring AB from the Federation of Swedish Farmers with annual premiums earned of SEK 260 M.

Länsförsäkringar Liv Försäkringsaktiebolag (publ) – referred to below as Länsförsäkringar Liv – with subsidiaries is not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders. A summary of the Life Assurance Group's income statement and balance sheet is provided. Länsförsäkringar Liv has been wholly owned by Länsförsäkringar AB since it was founded in 1985, but it is intended that Länsförsäkringar Liv be restructured as a profit-distributing company in 2010, after which the company will be consolidated.

Länsförsäkringar AB Group structure, December 31, 2008



Focus of operations

The Länsförsäkringar AB Group shall create possibilities for the regional insurance companies to be successful in their respective markets. Länsförsäkringar AB has three main tasks:

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

The business activities are conducted in the business units Non-life insurance, Life assurance and Banking, and the task is to conduct business and assume responsibility for directly related product support for the regional insurance companies based on the unit's expertise.

The financial control of the business units is primarily based on the owners' yield requirements.

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

Service

The Service Function has two main areas of responsibility:

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

Development

The Development unit has two main areas of responsibility:

- Responsibility for all development, in the broad sense of the word, regarding the customer offering, meaning products, concepts, process and tools regardless of business area.
- Ordering development projects from IT and responsibility in this context for what is to be developed.

IT

The IT unit has three main areas of responsibility:

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

Trend in the Länsförsäkringar AB share price

As can be seen in the five-year summary, the net worth of the Länsförsäkringar AB share has risen by 6% since 2004. In addition, dividends in 2006 and 2007 were paid corresponding to a 7% increase in value. During 2008, the value of the share fell by 28%, including a 3% dividend.

Governance of the Group

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

In view of the fact that the different lines of business within the Group operate under somewhat varying legal requirements, the Board has the important task of ensuring that a balance is constantly maintained between the different financial interests that exist within the Group, so that no single grouping of interests is unduly favoured at the expense of another. The Board also prepares and approves a separate Group instruction detailing the Group's organisation and clarifying the division of responsibilities between the various governing bodies and officers within the Group. The Board has established Internal Audit, Chief Risk Officer and Compliance functions. The Board has also initiated measures to successively adapt the corporate governance rules applied within the Group to relevant parts of the Swedish Code of Corporate Governance. For further information regarding corporate governance issues, refer to the Corporate Governance Report.

Key events during the year

Håkan Danielsson took office as the new President of Länsförsäkringar AB in conjunction with the Annual General Meeting held in May 2008. Håkan Danielsson was previously responsible for the Group's life-assurance operations and he succeeded Tommy Persson who had served as President since 1996.

Länsförsäkringar International Försäkringsaktiebolag obtained a concession on January 17. The first insurance policy in the Baltic States was sold at the beginning of 2008 and now household and homeowner, personal property, leisure home and motor-vehicle insurance (third-party liability and material damage to motor vehicles) are sold to private individuals.

On July 1, the wholly owned subsidiary Länsförsäkringar Sak acquired the companies Länsförsäkringar EFEL Skadeförsäkring AB and Länsförsäkringar EFEL Livförsäkring AB from the Federation of Swedish Farmers. The acquired insurance operations comprise individual and group life assurance, medical and accident insurance. The intensified cooperation with LRF provides greater know-how about the agricultural market in Sweden and the basis for identifying customer needs at an early stage and developing new insurance solutions. The Länsförsäkringar Alliance can now offer its agricultural customers a more attractive and complete offering of banking and insurance services.

In spring 2008, the Board of Directors of Länsförsäkringar Liv Försäkrings AB proposed a demutualisation of the company to a profit-distributing, limited liability life-assurance company. The aim of demutualisation is to create greater security and enhanced clarity for customers, while strengthening the competitiveness of the life-assurance company. In autumn 2008, customers voted in favour of the restructuring and an application was submitted to the Swedish Financial Supervisory Authority in December. The plan is that demutualisation will take place on January 1, 2010. After demutualisation, Länsförsäkringar Liv will be consolidated in the consolidated financial statements.

In the autumn, Länsförsäkringar AB and its subsidiaries streamlined the three tasks to their owners, the 24 regional insurance companies, aimed at further enhancing competitiveness while lowering costs. These tasks are to: conduct joint banking and insurance operations, pursue development activities and provide service in areas that generate economies of scale and efficiency. As a result of this change process, Länsförsäkringar AB's organisation was defined based on the company's three business units – Non-life insurance, Life assurance and Banking – and the three support units, Development, IT and Service. The final negotiations in the staffing process for the new organisation were completed in December and entail a reduction of approximately 250 employees. Operating expenses within the Länsförsäkringar AB Group are to be reduced by approximately 20% in 2009. Earnings for 2008 in the Länsförsäkringar AB Group were charged with SEK 346 M for restructuring costs, of which Länsförsäkringar AB was charged with SEK 79 M.

In December, an agreement was signed for the sale of Återförsäkringsaktiebolaget Stockholm and Wasa International Försäkringsaktiebolag to Compre Holdings Ltd. This transaction is conditional on the approval of the Swedish Financial Supervisory Authority and will be completed once permission has been received, which is expected in the first six months of 2009.

Employees

Länsförsäkringar AB's success depends on the commitment, competence and performance of its employees. To ensure the right competencies, level of commitment and high performance, a remuneration-based target contract is established for each employee. The target contract also includes action plans with associated activities for improving the skills and health of the individual employee. A number of training and experience programmes for current and future managers are in place to develop leadership skills. Furthermore, active work is being conducted to ensure ethnic diversity in the company since the aim is that the organisation is to reflect and be attractive to everyone in the burgeoning multicultural society.

Environmental work

Environmental work is an important part of Länsförsäkringar AB's operations and is based on a joint environmental policy with the regional insurance companies. This policy stipulates that the environment shall be taken into consideration in all decisions made and actions undertaken in order to reduce the environmental impact through continuous improvement. The policy also emphasises the importance of skills development and influencing customers and suppliers to contribute to the sustainable development of society. Länsförsäkringar AB has ISO 14001 Environmental Management System certification.

Lines of business

Non-life insurance

The majority of non-life insurance business in the Länsförsäkringar Alliance is now underwritten in the regional insurance companies with local concessions. The Länsförsäkringar AB Group has concessions for such areas as animal, medical and special insurance, at total premiums earned of slightly more than SEK 3 billion.

The technical result for the insurance operations improved and amounted to SEK 327 M (293). Operating profit declined to a loss of SEK 3,003 M (profit: 1,169) due to negative investment income. Premiums earned after ceded reinsurance rose by 15% to SEK 3,024 M (2,634) compared with the preceding year. The increase is primarily attributable to higher product volumes in medical and animal insurance. The insurance operations include group life assurance business with premiums earned of SEK 231 M.

Claims payments after ceded reinsurance amounted to SEK 1,953 M (1,764). The claims outcome remained favourable during the year in most product groups. Since 2004, most of the third-party liability insurance has been underwritten by the regional insurance companies. The provision for claims incurred for motor third-party liability insurance underwritten up to and including 2003 is run off within Länsförsäkringar Sak Försäkrings AB.

The total return on investment assets amounted to negative 12.0% (pos: 7.2) in 2008.

Net profit for the year continued to be charged with costs for the establishment of insurance operations in Latvia and Lithuania, and costs associated with the restructuring of the Länsförsäkringar AB Group. Third-party liability insurance remained a major line of business, recognising a profit of SEK 239 M (150). Profit derives in part from the run-off transactions described above and in part from transactions with customers in several counties that is partly underwritten within Länsförsäkringar Sak.

Assumed reinsurance, consisting of active reinsurance business and run-off business, also generated a profit during the year.

The Länsförsäkringar Alliance received very few major claims during the year. The positive claims profile strengthened the procurement of reinsurance for 2009 and the prices for external reinsurance have been marginally increased.

Försäkringsaktiebolaget Agria continued to develop its business in both Sweden and internationally and remains a market leader in the animal-insurance market with a market share of 60% in Sweden.

Bank

Länsförsäkringar's services are primarily directed to private individuals and farmers, with a full range of banking services. According to the Swedish Quality Index (SQI), Länsförsäkringar strengthened its position as the bank with Sweden's most satisfied bank and retail mortgage customers during the year and increased its lead over other Swedish banks, particularly in terms of customer loyalty. Sales, advisory services and customer services are carried out through the approximately 110 branches of the 24 regional insurance companies and via the Internet and telephone. In 2008, nine new branches were opened and the number of bank advisors rose by 49. Länsförsäkringar strengthened its market position and is now the fifth largest bank in Sweden in terms of deposits. The total number of customers in the Banking Group amounted to 700,000 (665,000), up 5%.

The primary financing in the capital market takes place through the subsidiary Länsförsäkringar Hypotek using covered bonds. Securities issued rose by 7%, or SEK 3 billion, to SEK 49 billion (46), of which covered bonds amounted to SEK 42 billion (37). Liquidity is favourable and the credit quality of the liquidity portfolio is high. All liquidity is invested in Swedish securities. The percentage of government securities amounted to 72% and the remaining portion of the portfolio primarily comprised covered bonds.

Total lending in the Banking Group increased by 17% to SEK 79 billion (67). Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek AB increased by 13% to SEK 54 billion (48). The market share for household and retail mortgage lending was 3.5% (3.2) and the percentage of market growth was 6.4% according to Statistics Sweden.

Deposits increased by 18% to SEK 35 billion (30), corresponding to a market share of 3.2% (2.9), and the share of market growth was 6.3% according to Statistics Sweden. Länsförsäkringar Fondförvaltning AB manages a fund volume of SEK 51 billion (65) in 29 (31) mutual funds with different investment orientations. The market share amounted to 4.2% (3.9). Finance company Wasa Kredit AB offers lending products in such forms as leasing and instalments. The lending volumes in Wasa Kredit AB amounted to SEK 9 billion (9).

The Banking Group's operating profit excluding restructuring costs rose to SEK 272 M (238), which is an increase of 14%. Operating profit including restructuring costs amounted to SEK 245 M (238). Net interest income rose by 19% to SEK 1,211 M (1,017), an increase attributable to higher lending and deposit volumes to the public, a higher return on shareholders' equity and cash flows and relatively improved borrowing costs for retail mortgages.

Life assurance and pension insurance

Through favourable risk allocation, Länsförsäkringar Liv has maintained its solvency capital and financial strength despite the financial crisis. During a year in which global stock markets fell by between 30 and 50%, the life-assurance operations generated a total return of negative 0.6% and pension savers with traditional management received an average bonus rate of 3.5% before tax and fees. The company ended the year with collective consolidation of 105%. During the year, Länsförsäkringar was named "Life-Assurance Company of the Year" in Swedish business daily Affärsvärlden's annual survey, and named Sweden's best pension manager by the European industry magazine Investment & Pensions Europe (IPE).

The sale of collective agreement pensions and Insured Pension were strong during the year and contributed to an excellent trend in full-service customers among the regional insurance companies. Increases, that is to say, new sales on existing agreements, rose by 20% during the year. New sales as defined by the Swedish Insurance Federation, where increases are not recognised, fell by 4.5% compared with the preceding year to SEK 16,553 M (17,341). Sales via independent insurance brokers attained the highest levels in the company's history. The sales value including increases on existing agreements amounted to SEK 10,634 M (9,226) during the year, corresponding to a 15% increase compared with 2007. The importance of insurance brokers is continuing to increase and Länsförsäkringar works continually to improve this significant cooperation area. Total premium income as defined by the Swedish Insurance Federation amounted to SEK 11,247 M (10,794), corresponding to a 4.2% increase compared with the year-earlier period.

Net loss for the year in Länsförsäkringar Liv amounted to SEK 30,126 M (profit: 11,361). The weakening in earnings is due to changes in accounting principles on the choice of interest rates for calculating technical reserves and the negative trends in the financial markets during the year. Collective consolidation amounted to 105% (114) Collective consolidation is a measurement of a life-assurance company's ability to distribute a bonus. It shows the value of the company's assets in relation to the guaranteed commitments and the non-guaranteed bonus to customers, that is, the entire capital assured. The solvency ratio amounted to 114% (152). Solvency is a measure of a life-assurance company's financial strength. It shows the value of the company's assets in relation to the guaranteed commitments to customers. The Länsförsäkringar Liv Group is not consolidated since the company is operated in accordance with mutual principles. A summary of the Life Assurance Group's income statement and balance sheet is provided.

Risks and risk management

The Länsförsäkringar AB Group's operations give rise to different types of risks. The majority of these risks arise in the Group's subsidiaries. A description of the Group's total risks and how they are controlled and managed is provided in Note 2.

Falling share prices in the autumn led to value losses in the Group's equity portfolios. Accordingly, reinvestments were made to reduce the equities portion of the investment portfolios and thereby lower the risks inherent in these assets.

The risks arising directly in the Parent Company are primarily attributable to the Parent Company's financing and other assets that are not the shares of subsidiaries. The Parent Company repaid a loan of EUR 300 M that had been raised on the international capital market in 2003. In conjunction with repayment, a loan totalling SEK 1.7 billion was raised with the regional insurance companies and a loan of SEK 1,160 M that Länsförsäkringar Sak Försäkrings AB had raised with the Parent Company was repaid.

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

The Parent Company's interest-rate risk is low since the fixed-interest periods of the borrowing and investments are short. With regard to the due dates of loans raised, exposure arises with the loans to Länsförsäkringar Bank that fall due for payment in 2018 (SEK 680 M) and in 2017 (SEK 280 M) and that SEK 290 M has an indefinite term, whereas borrowing falls due for payment in 2010, except for subordinated loans from the regional insurance companies, which amount to SEK 114 M and are due for payment in 2011.

The Parent Company's liquidity on December 31, 2008 was favourable, with short-term, interest-bearing investments and cash and cash equivalents of SEK 1,739 M.

A benchmark portfolio is determined for the management of the Parent Company's investment assets. At year-end, this entails that the largest portion is to be invested in interest-bearing assets and a smaller portion in equities. Equity-related investment assets on December 31, 2008 amounted to only 2% of the Parent Company's investment assets.

The demutualisation of Länsförsäkringar Liv to a profit-distributing company scheduled for January 1, 2010 requires that Länsförsäkringar AB, as the company's owner, makes a significant capital contribution. Such a capital contribution will be financed through a combination of Länsförsäkringar AB receiving additional funds from its owners (the regional insurance companies), utilising internally available funds and raising subordinated loans in the capital market.

Earnings and financial position

Group

Consolidated operating loss amounted to SEK 3,395 M (profit: 1,270) and net loss for the year before tax amounted to SEK 2,480 M (profit: 922). The Group's premiums earned after ceded reinsurance amounted to SEK 3,024 M (2,634) and net interest income totalled SEK 1,340 M (1,069). Solvency capital declined by SEK 3,745 M to SEK 7,907 M in 2008 and the Group's solvency margin fell to 252% (429).

Parent Company

The Parent Company's loss after financial items amounted to SEK 136 M (profit: 118) and loss after tax amounted to SEK 8 M (profit: 169). Earnings include the amount of SEK 354 M (330) which pertains to dividends from the subsidiaries. Total assets amounted to SEK 10,879 M (11,965).

Expectations regarding future development

Länsförsäkringar AB is clearly focused on streamlining its operations according to its roles in the Länsförsäkringar Alliance's value chain: Business, Development and Service. The objective of the change process commenced in autumn 2008 is to create the conditions for enhanced competitiveness at a lower cost for the Länsförsäkringar Alliance as a whole.

Profitability in the insurance operations is healthy and growth will continue to be based on these existing operations. Service and development will support these business activities. Länsförsäkringar AB prioritises profitability ahead of volumes and the aim is to progress from growth with profitability to profitable growth. Respect for customers' money directs an intense focus to active risk work concentrated on high collective consolidation in life assurance and a high solvency margin in non-life insurance, a strong cost/income ratio and low risk profile, as well as favourable credit quality in the banking operations and low internal expenses.

By applying a modern and competitive management model, asset management at Länsförsäkringar AB will continue to generate stable and high returns on investment assets in the long term. Länsförsäkringar works continuously to develop this model so as to ensure that management is always at the leading edge in terms of assets invested and methodology/model/approach. The management model was put through a very hard test in 2008 but the results it generated were among the best in the industry.

A major development issue for Länsförsäkringar is the work centred on restructuring Länsförsäkringar Liv Försäkrings AB to a profit-distributing life-assurance company (demutualisation). The demutualisation process will ultimately create even better conditions for future growth. The Board of Directors of Länsförsäkringar Liv proposed the restructuring to a profit-distributing life-assurance company in 2008 and customers voted in favour of the proposal in the autumn. An application for demutualisation was submitted to the Swedish Financial Supervisory Authority in December and a ruling is expected before the summer. Demutualisation can take place on January 1, 2010 at the earliest.

Healthcare is another clear focus area where growth will take place based on a position of strength. Länsförsäkringar is now a leader in medical insurance with a market share of approximately 35%. Länsförsäkringar is developing its non-life insurance operations in the Baltic States (Latvia and Lithuania) where the first insurance policies were sold at the beginning of 2008. Operations are being established in the areas of household and car insurance. Agria's operations with its animal insurance activities in Norway and the UK and through partners in Finland, Iceland and the Åland Islands were also developed. Another example of future development within Länsförsäkringar AB's operations is the intensified collaboration with the Federation of Swedish Farmers (LRF) through which Länsförsäkringar Sak has acquired insurance operations from LRF. The insurance operations comprise individual and group life assurance, medical and accident insurance.

The bank's continued growth is not at the expense of profitability, but takes place organically by developing the segments that have been established. Since February 2008 when its partnership agreement with Landshypotek expired, Länsförsäkringar Bank has offered its own first-lien mortgages to agricultural and forestry properties. The idea of providing first-lien mortgages to the agricultural sector is to offer improved total solutions in banking and insurance products specially adapted to farmers.

One of the major issues for the Länsförsäkringar Alliance and the insurance industry is the proposed changes to third-party liability insurance. Due to the complexity of the investigation, an extended investigation period has been requested for June 15, 2009. Länsförsäkringar AB is monitoring developments to influence the outcome and find the best possible solution for its customers.

Personnel
Information regarding the average number of employees, salary and remuneration for the Group as well as details of salary and other remuneration to senior executives and auditors' fees is provided in Notes 6 and 7 in the Parent Company and Notes 13 and 14 in the Group.

Proposed appropriation of profit
Non-restricted shareholders' equity in the consolidated balance sheet amounted to SEK 1,874 M. There is no requirement for transfer to restricted reserves. According to the balance sheet for Länsförsäkringar AB, non-restricted equity totalling SEK 2,280,570,133 is at the disposal of the Annual General Meeting. The Parent Company's non-restricted shareholders' equity includes unrealised losses in the amount of SEK 29 M (gain: 132).

The Parent Company's non-restricted equity comprises

Profit brought forward, SEK	2,288,071,723
Net loss for the year, SEK	–7,501,590
Non-restricted equity, December 31, 2008, SEK	2,280,570,133

The Board of Directors propose that, of the unappropriated earnings in the Parent Company, SEK 2,280,570,133 be carried forward.

The result of the year's operations and the company's position at December 31, 2008 are presented in the following consolidated and Parent Company income statements and balance sheets, and the accompanying notes.

Five-year summary

Länsförsäkringar AB Group excluding Länsförsäkringar Liv[1]	2004	2005	2006	2007	2008
Amounts in SEK M unless otherwise stated					
Group					
Operating profit/loss	781	2,100	821	1,270	–3,395
Net profit/loss for the year	945	1,861	618	922	–2,480
Return on shareholders' equity, %[2]	9	19	8	10	–29
Total assets	69,414	80,478	91,184	116,241	130,554
Solvency capital					
Shareholders' equity[3]	7,016	8,878	9,594	10,376	7,466
Deferred tax	448	686	1,004	1,162	327
Subordinated loans	139	139	114	114	114
Total solvency capital	**7,603**	**9,703**	**10,713**	**11,652**	**7,907**
Number of shares, 000s	6,298	6,298	6,298	6,298	6,298
Shareholders' equity per share, SEK	1,114	1,410	1,523	1,648	1,186
Solvency margin, %	389	497	498	429	252
Capital base for the insurance group[4]	10,263	12,777	12,679	14,001	11,189
Required solvency margin for the insurance group[4]	4,450	4,560	4,583	4,640	4,753
Capital base for the financial conglomerate			13,610	14,413	11,868
Capital requirement for the financial conglomerate			7,656	8,088	9,364
Average number of employees	1,225	1,230	1,283	1,436	1,490
Insurance operations					
Premiums earned (after ceded reinsurance)	3,057	1,889	2,106	2,430	2,793
Investment income transferred from financial operations	505	422	392	421	526
Claims payments (after ceded reinsurance)[5]	–2,625	–1,504	–1,350	–1,601	–1,775
Operating expenses[6]	–675	–514	–868	–992	–1,324
Other income and expenses	–3	18	24	34	115
Technical result, non-life insurance operations	**260**	**310**	**304**	**294**	**335**
Technical result, life assurance operations	2	5	9	–1	–8
Remaining investment income[7]	518	1,760	414	790	–3,330
Operating profit/loss[7]	**689**	**1,930**	**721**	**1,169**	**–3,003**
Premium income before ceded reinsurance					
Non-life insurance	3,806	3,905	4,126	4,475	5,385
Premium income after ceded reinsurance					
Non-life insurance	1,955	1,952	2,150	2,512	2,951
Life assurance	1	1	1	203	190
Asset management					
Total return, %[8]	4.9	10.3	4.9	7.2	–12.0
Financial position					
Investment assets[9]	19,247	20,592	18,894	18,476	15,717
Technical reserves (after ceded reinsurance)	14,015	13,717	13,266	13,728	14,215
Cost ratio	29	40	41	39	47
Expense ratio[10]	22	27	30	30	36
Claims ratio[11]	86	80	75	76	75
Combined ratio	108	107	105	107	111

Länsförsäkringar AB Group excluding Länsförsäkringar Liv[1]	2004	2005	2006	2007	2008
Banking operations					
Net interest income	830	873	927	1,017	1,211
Operating profit	127	154	198	238	245
Net profit for the year	**186**	**109**	**139**	**176**	**177**
Total assets	43,016	51,661	62,538	85,094	104,136
Shareholders' equity	2,442	2,851	3,184	3,824	4,291
Return on shareholders' equity, %[2]	4.3	4.1	4.6	5.0	4.9
Return on shareholders' equity after restructuring reserve, %[2]	4.3	4.1	4.6	5.0	4.4
Investment margin, %	2.2	1.9	1.6	1.4	1.3
Capital adequacy ratio, %[12]	–	–	–	10.6	10.4
Capital adequacy ratio, %[13]	11.4	11.3	10.6	–	–
Other operations					
Income	1,524	1,836	2,061	2,210	2,579
Operating profit/loss	363	152	1,217	169	–147

1) The Länsförsäkringar Liv Försäkrings AB Group is not consolidated since the company is operated in accordance with mutual principles. Accordingly, the life-assurance companies are included in the insurance group.
2) Profit before tax plus change in surplus value of owner-occupied property less standard tax at a rate of 28% as a percentage of average shareholders' equity adjusted for dividends.
3) Shareholders' equity restated in accordance with IFRS amounted to SEK 8,866 M, excluding minority interests, on January 1, 2006.
4) The insurance group includes the Länsförsäkringar AB Group's Parent Company and insurance companies, as well as Länsförsäkringar Liv and Länsförsäkringar Fondliv. The capital base and the required solvency margin have been calculated in accordance with the Swedish Financial Supervisory Authority's instructions.
5) Excluding claims adjustment costs from 2006
6) Including claims adjustment costs from 2006
7) Länsförsäkringar AB and Länsförsäkringar IT Center AB are included in 2004- 2005.
8) Total return is calculated as the sum of all direct yield and changes in the value of the investment portfolio in relation to the average value of the investment assets during the year.
9) Investment assets comprise owner-occupied property, shares and participations in associated companies, investment property, loans to Group companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and bank balances, and interest-bearing long-term liabilities.
10) Pertains only to non-life insurance. Excluding claims adjustment costs in accordance with the Swedish Financial Supervisory Authority's instructions.
11) Pertains only to non-life insurance. Including claims adjustment costs in accordance with the Swedish Financial Supervisory Authority's instructions.
12) In accordance with transitional rules for Basel II.
13) In accordance with Basel I.

The Länsförsäkringar AB Group has applied International Financial Reporting Standards (IFRS) since 2007. Information in the five-year summary has been restated for 2006 in accordance with IFRS. Information for 2004–2005 is reported in accordance with previously applied accounting principles.

Contents

Consolidated income statement

SEK M	Note	2008	2007
Premiums earned before ceded reinsurance		5,392.8	4,634.6
Reinsurers' portion of premiums earned		–2,368.8	–2,000.1
Premiums earned after ceded reinsurance	5	**3,024.0**	**2,634.5**
Interest income	6	7,463.2	4,541.1
Interest expense	7	–6,123.4	–3,471.7
Net interest income		**1,339.8**	**1,069.4**
Investment income, net	8	–3,160.8	1,296.6
Commission revenue	9	1,061.2	1,012.2
Other operating income	10	2,320.4	2,120.4
Total operating income		**4,584.5**	**8,133.0**
Claims payments before ceded reinsurance		–3,268.7	–4,129.0
Reinsurers' portion of claims payments		1,315.7	2,365.2
Claims payments after ceded reinsurance	11	**–1,953.0**	**–1,763.8**
Commission expense	12	–1,423.5	–1,265.7
Personnel costs	13	–1,749.0	–1,369.9
Other administration expenses	14, 15	–2,655.2	–2,228.3
Loan losses	16	–65.1	–51.1
Other expenses	17	–133.7	–184.8
Total expenses		**–7,979.4**	**–6,863.5**
Operating profit/loss		**–3,394.9**	**1,269.5**
Tax on net profit for the year	18	915.3	–347.3
Net profit/loss for the year		**–2,479.6**	**922.2**
Profit/loss attributable to Parent Company's shareholders		–2,479.6	922.2
No portion of earnings is attributable to minority shareholders			
Earnings per share before and after dilution, SEK	19	–394	146
Profit per business segment	3		

Consolidated balance sheet

SEK M	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Goodwill	20	350.6	164.8
Other intangible assets	21	1,006.0	699.4
Deferred tax assets	39	600.8	13.9
Tangible assets	22	100.7	104.3
Owner-occupied property	23	2,205.2	2,363.0
Shares in Länsförsäkringar Liv Försäkrings AB	24	514.5	461.2
Shares and participations in associated companies	25	20.9	17.4
Reinsurers' portion of technical reserves	38	5,889.2	5,696.9
Investment property	26	280.2	287.0
Lending	27, 28	78,563.8	67,040.0
Change in value of hedge portfolios	32	1,131.9	–247.7
Shares and participations	29	1,316.2	6,654.3
Bonds and other interest-bearing securities	30	21,070.4	21,222.6
Derivatives	31	2,761.6	1,200.7
Other receivables	33	1,969.1	2,641.7
Prepaid expenses and accrued income	34	1,230.1	1,005.9
Cash and bank balances	35	11,542.7	6,915.8
Total assets		**130,554.0**	**116,241.2**
Shareholders' equity, provisions and liabilities			
Shareholders' equity	36		
Share capital		629.8	629.8
Other capital contributed		4,801.3	4,801.3
Reserves		73.3	188.1
Profit brought forward including profit for the period		1,961.8	4,757.0
Shareholders' equity attributable to the Parent Company's shareholders		**7,466.2**	**10,376.1**
Minority interests		–	0.0
Total shareholders' equity		**7,466.2**	**10,376.1**
Subordinated debt	37	114.0	114.0
Technical reserves	38	20,104.4	19,424.7
Deferred tax liabilities	39	927.9	1,175.6
Other provisions	40	425.1	283.4
Securities issued	41	48,478.1	48,815.5
Deposits from the public	42	34,623.7	29,350.7
Liabilities to credit institutions	43	9,112.6	707.2
Derivatives	31	2,001.5	606.2
Change in value of hedge portfolios	32	1,024.6	–215.5
Current tax liabilities		1.5	225.8
Other liabilities	44	3,697.4	3,228.9
Accrued expenses and deferred income	45	2,577.1	2,148.6
Total shareholders' equity, provisions and liabilities		**130,554.0**	**116,241.2**

For information regarding pledged assets, refer to Note 46.

Changes in consolidated shareholders' equity

	Shareholders' equity attributable to the Parent Company's shareholders									
	Share capital	Other capital contributed	Translation reserve	Revaluation reserve	Hedging reserve	Fair value reserve	Profit brought forward including net profit for the year	Total	Minority interests	Total share-holders' equity
Opening shareholders' equity, Jan. 1, 2007	629.8	4,801.3	0.2	119.1	–30.2	–	4,074.1	9,594.3	0.0	9,594.3
Change in translation reserve			–3.1					–3.1		–3.1
Revaluation of owner-occupied property				120.8				120.8		120.8
Change in value of financial instruments					21.4	–0.5		20.9		20.9
Tax on items recognised against shareholders' equity				–33.8	–6.0	0.1		–39.7		–39.7
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			**–3.1**	**87.0**	**15.4**	**–0.4**		**98.9**		**98.9**
Net profit for the year							922.2	922.2		922.2
Total changes in net wealth, excluding transactions with the company's owners			**–3.1**	**87.0**	**15.4**	**–0.4**	**922.2**	**1,021.1**		**1,021.1**
Dividend at SEK 38 per share							–239.3	–239.3		–239.3
Closing shareholders' equity, Dec. 31, 2007	**629.8**	**4,801.3**	**–2.9**	**206.1**	**–14.8**	**–0.4**	**4,757.0**	**10,376.1**	**0.0**	**10,376.1**
Opening shareholders' equity, Jan. 1, 2008	629.8	4,801.3	–2.9	206.1	–14.8	–0.4	4,757.0	10,376.1	0.0	10,376.1
Adjustment for changed accounting principle							–38.5	–38.5		–38.5
Adjusted shareholders' equity Jan. 1, 2008	629.8	4,801.3	–2.9	206.1	–14.8	–0.4	4,718.5	10,337.6	0.0	10,337.7
Change in translation reserve			–47.2					–47.2		–47.2
Revaluation of owner-occupied property				–103.7				–103.7		–103.7
Change in value of financial instruments					20.5	–14.6		5.9		5.9
Tax on items recognised against shareholders' equity				32.2	–5.7	3.8		30.2		30.2
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			**–47.2**	**–71.6**	**14.8**	**–10.8**		**–114.7**		**–114.7**
Net loss for the year							–2,479.6	–2,479.6		–2,479.6
Total changes in net wealth, excluding transactions with the company's owners			**–47.2**	**–71.6**	**14.8**	**–10.8**	**–2,479.6**	**–2,594.4**		**–2,594.4**
Acquisition of minorities									0.0	0.0
Dividend at SEK 44 per share							–277.1	–277.1		–277.1
Closing shareholders' equity, Dec. 31, 2008	**629.8**	**4,801.3**	**–50.1**	**134.5**	**–**	**–11.1**	**1,961.8**	**7,466.2**	**–**	**7,466.2**

Consolidated cash-flow statement

SEK M	Note	2008	2007
Operating activities			
Profit/loss before tax		–3,394.4	1,269.5
Adjustment for non-cash items	53	4,741.4	–397.7
Tax paid		–229.0	–0.2
Cash flow from operating activities before working capital changes		**1,117.5**	**871.7**
Cash flow from working capital changes			
Investments in investment assets, net		1,406.6	–4,282.6
Increase(–)/Decrease(+) in operating receivables		–11,202.6	–12,231.5
Increase(–)/Decrease(+)in operating liabilities		14,574.7	6,803.4
Cash flow from operating activities		**5,896.2**	**–8,839.0**
Investing activities			
Acquisition of subsidiaries	53	–411.3	–312.9
Acquisition of intangible assets		–191.1	–736.4
Acquisition of tangible assets		–40.2	–75.8
Divestment of tangible assets		4.2	4.3
Cash flow from investing activities		**–638.4**	**–1,120.8**
Financing activities			
Dividends		–278.9	–239.3
Change in securities issued		–337.5	13,639.6
Cash flow from financing activities		**–616.3**	**13,400.3**
Net cash flow for the year		4,641.5	3,440.5
Cash and cash equivalents, January 1		6,915.8	3,477.1
Exchange-rate differences in cash and cash equivalents		–14.8	–1.8
Cash and cash equivalents, December 31	53	**11,542.4**	**6,915.8**

Notes to the consolidated financial statements

Amounts are stated in SEK M unless specified otherwise

NOTE 1 ACCOUNTING PRINCIPLES

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and the regulations and general advice FFFS 2008:26 of the Swedish Financial Supervisory Authority were applied. The Group follows the Swedish Financial Reporting Board's recommendation RFR 1.1 Supplementary Accounting Rules for Groups.

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

Change in accounting principles

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

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

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

Assets and liabilities are recognised at cost, with the exception of investment property, owner-occupied property and the major portion of the Group's holding of financial instruments that are either measured at fair value or at an adjusted amortised cost.

The balance sheet has been prepared in liquidity order. The accounting principles for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

New or revised IFRS or interpretations

New international accounting standards, amendments to standards and interpretations of these standards that take effect from 2009 will be applied once they are applicable. The company's assessment is that none of these changes will have any significant impact on the company's earnings or position when the new regulations are applied. The Group does not apply recently adopted standards in advance.

The new and revised standards and interpretation statements described below will take effect in future fiscal years and have not been applied in advance during the preparation of these financial statements.

IFRS 3 *Business Combinations* (revised) and IAS 27 *Consolidated and Separate Financial Statements* (revised) will only affect future transactions and acquisitions.

IFRS 8 *Operating Segments* defines what an operating segment is and specifies the information to be submitted about operating segments in financial reporting. The standard, which has been approved by the EU, is to be applied for fiscal years starting on or after January 1, 2009. The company's preliminary assessment is that this new standard will result in an additional business segment being recognised separately.

IAS 1 *Presentation of Financial Statements* (revised) involves some changes to the presentation of financial statements and the recommendation of new, non-mandatory terms for the financial statements. This amendment will not affect the determination of the amounts recognised but clarifies the income statement items to be recognised directly against shareholders' equity. The revised IAS 1 standard is to be applied for fiscal years starting on or after January 1, 2009.

IAS 32 *Financial Instruments: Presentation* (revised) requires that certain financial instruments that qualify as financial liabilities be recognised as shareholders' equity. Certain disclosure requirements for these financial instruments were introduced simultaneously through an amendment to IAS 1. The instruments to which this amendment refers are puttable financial instruments and instruments, or components of instruments, which impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity on liquidation. The company has not yet established an opinion on how this amendment will impact its financial accounting.

As a result of the financial crisis, the IASB decided on changes to IFRS 7 *Financial Instruments: Disclosures* in March 2009. These changes entail additional disclosure requirements, although the company has not yet evaluated the extent to which the financial statements will be affected. A number of amendments and interpretations were also issued that are not deemed to have impacted the company's financial accounting:

- IFRS 2 Share-based Payment
- IAS 23 Borrowing Costs (revised)
- IAS 39 Financial Instruments: Recognition and Measurement (the change pertains to one-sided risk in a hedged item and inflation in a financial hedge item)
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfer of Assets from Customers

Assessments and estimates in the financial statements

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

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods. The assessments made by management in the application of IFRS that have a significant impact on the financial statements, and estimates made that may result in significant adjustments to financial statements in subsequent years, are described in greater detail in Note 54.

Consolidated financial statements

Consolidation principles

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

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

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

Subsidiaries

Subsidiaries are consolidated in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined on the basis of an acquisition analysis performed when the acquisition takes place. As part of the analysis, the cost of the participations or operations and the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities on the acquisition date are established. The cost of the subsidiary's shares or operations comprises the fair values on the acquisition date of paid assets, arisen or assumed liabilities and issued equity instruments provided as consideration in exchange for the acquired net assets and transaction costs that are directly attributable to the acquisition. For acquisitions of operations where the cost exceeds the fair value of acquired assets and assumed liabilities and contingent liabilities, the difference is recognised as goodwill. When the difference is negative, the item is recognised directly in the income statement. The financial statements of subsidiaries are included in the consolidated financial statements from the acquisition date until the date on which the controlling influence ceases. Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

The consolidated financial statements do not include the wholly owned company Länsförsäkringar Liv. Subsidiaries are companies that are under the controlling influence of Länsförsäkringar AB. A "controlling influence" means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv and whose earnings accrue in their entirety to the policyholders, are not recognised in accordance with the purchase method since it is not possible to exercise control in order to receive financial benefits from such a life-assurance company.

The shares in Länsförsäkringar Liv are classified in the category of "Financial assets available for sale" in the balance sheet.

Special purpose enterprises

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

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

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

Accounting of associated companies

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

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

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

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

Related parties

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

Associated companies include all associated companies owned by the Länsförsäkringar AB Group and the Länsförsäkringar Liv Group. Other related parties comprise Länsförsäkringar Mäklarservice AB and Länshem Fastighetsförmedling AB.

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

Segment reporting

The Group's primary principle of division is business segment. A business segment is an identifiable part of the Group for accounting purposes that provides financial services that are exposed to different risks and opportunities to those found in other business segments. Geographic distribution is not applied since the operations are mainly conducted in Sweden with similar risks and opportunities. Operations are followed up on a nation-wide basis, as opposed to the regional insurance companies which work within their respective geographic areas.

Pricing between the Group's segments is based on market conditions for the business operations of Insurance, Banking and Other Activities. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the target process. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Segment information is provided only for the Group in accordance with IAS 14 Segment Reporting.

Foreign currency

Transactions in foreign currency

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

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

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

Translation of the financial statements of foreign operations

The Group has small foreign operations in the form of a Norwegian branch, a subsidiary in the UK and certain operations under establishment in Latvia and Lithuania. Assets and liabilities in branches and subsidiaries are translated to SEK at the exchange rate prevailing on the balance-sheet date. Income and expenses are translated to the Group's reporting currency at an average exchange rate comprising an approximation of the exchange rate applicable on the date of the transaction. Translation differences arising in the translation of branches' and subsidiaries' currencies are recognised directly against shareholders' equity as a translation reserve.

In the event of a divestment, the accumulated translation differences attributable to the foreign operations are realised less currency hedges in the consolidated income statement.

Impairment

The carrying amounts of the Group's assets are assessed on every balance sheet-date to determine whether there are any indications of impairment. IAS 36 Impairment of Assets is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 Financial Instruments: Recognition and Measurement, assets available for sale and divestment groups that are recognised in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment property recognised at fair value in accordance with IAS 40 Investment Property, inventories in accordance with IAS 2 Inventories, and deferred tax assets in accordance with IAS 12 Income Taxes. The carrying amounts of the exempted assets above are tested according to the respective standard.

Impairment tests for tangible and intangible assets and participations in subsidiaries and associated companies

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

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

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

Impairment tests for financial assets

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

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

Reversal of impairment losses

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

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

Impairment of equity instruments classified as financial assets available for sale that were previously recognised in profit and loss cannot subsequently be reversed through profit and loss. The impaired value is the value from which subsequent revaluations are made, which are recognised directly against shareholders' equity. Impairment of interest-bearing instruments, classified as financial assets available for sale, are reversed through profit and loss if the fair value increases and the increases can objectively be attributed to an event that occurred after the impairment was applied.

Income

Income is recognised when:

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

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

Income from sales of properties

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

Rental income

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

Other income

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

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

Premium income

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

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

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

Premiums earned

Premiums earned are recognised as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance-sheet date is recognised as "Provision for unearned premiums" in the balance sheet. "Provision for unearned premiums" is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract.

Interest income and interest expense

Interest income and interest expense presented in profit and loss comprise interest on financial assets and liabilities that is measured at amortised cost, including interest on doubtful receivables, and interest from financial assets classified as assets available for sale. Interest income from financial assets measured at fair value through profit and loss according to the fair value option are also recognised here. For interest-rate derivatives that hedge financial assets, paid and accrued interest is recognised as interest income, and for interest-rate derivatives that hedge financial liabilities, these are recognised as part of interest expense. Unrealised changes in the value of derivatives are recognised in the item "Net profit/loss from financial transactions."

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

Investment income, net

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

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

Commission

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

Commission expense is dependent on the transaction and is recognised in the period in which the services are received.

Commission expense includes compensation to the regional insurance companies for their work with the Group's customer-related issues in each of the regional insurance companies' geographic areas of operation. Commission expense deriving from financial assets or financial liabilities not measured at fair value through profit and loss comprises commission to the regional insurance companies.

Claims payments

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

Remuneration to employees

A provision is recognised for the anticipated cost of bonus payments and other variable remuneration when the Group has an applicable legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration after termination of employment

Pension plans

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

Recognition and valuation of pension commitments occurs in accordance with IAS 19 Employee Benefits.

Defined-benefit pension plans

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

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

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

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

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

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

Defined-contribution pension plans

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

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

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

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

Remuneration for termination of employment

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

Loan losses

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

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against shareholders' equity, whereby the related tax effect is recognised in shareholders' equity.

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

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

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

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

The carrying amount of proprietary intangible assets includes all directly attributable expenses, such as directly attributable expenses for salaries and materials. Other development expenses are recognised as an expense when they arise.

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

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

Internally generated goodwill and internally generated trademarks are recognised in profit and loss when they arise.

Tangible assets

Equipment

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

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

Owner-occupied property

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

Land and buildings owned by the Länsförsäkringar AB Group and that are used for administrative purposes are recognised at their revalued amounts, which correspond to fair value less accumulated depreciation and adjustments due to revaluations on the date of revaluation. Fair value is based on the prevailing prices in an active market for similar properties in the same location and of the same standard. The valuation is performed annually by an independent appraiser. Increases in value resulting from revaluation are normally recognised against the revaluation reserve, which is recognised as a portion of shareholders' equity. If the increase comprises a reversal of a previously recognised decrease in value of the same asset, the increase is recognised as a decreased cost in profit and loss. If revaluation results in a reduction in the carrying amount, the reduction is recognised in profit and loss. However, the reduction is recognised directly against shareholders' equity to the extent that any existing balance in the revaluation reserve is attributable to the asset.

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

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

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

Frame	100 years
Roof, façade, windows	50 years
Frame supplementation	40 years
Fixtures and fittings	40 years
Exterior surface	20 years

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

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

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

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

Leasing

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

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

The Group is a lessee in the form of external lease contracts classified as operational leasing and where expenses are recognised as rents.

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

Investment property

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

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

Valuation is conducted twice a year on most properties, and once a year on other properties. Since valuation is based on fair value, depreciation is not applied to property.

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

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

Financial assets and liabilities

Recognition and derecognition in the balance sheet

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

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

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date. Loan receivables are recognised in the balance sheet when the loan amount is paid to the borrower. Loan guarantees are not recognised in the balance sheet. Instead, they are valid for three months and are recognised as a commitment in Note 46.

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

Classification

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument, but also the options contained in IAS 39 Financial Instruments: Recognition and Measurement. The classification determines how the financial instrument is valued after initial recognition and is described below.

Financial assets measured at fair value through profit and loss

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

The term fair value refers to the sales value on the balance-sheet date with no deductions for expected selling expenses. For financial instruments listed on an authorised stock exchange or equities market, the sales value is normally the current buying-rate on the balance-sheet date. All changes in value are recognised in profit and loss. For financial instruments that do not have prices quoted on an active market, the company applies valuation techniques that are largely based on observable market prices and, to as small an extent as possible, on internal company assumptions.

Unlisted shares are recognised at fair value according to the valuation principles applied by industry organisations in Europe and the US. For unlisted shares whose fair value cannot be determined with certainty, the shares are measured at cost. Shares and participations also include items designated as alternative investments, which comprise units in funds that buy, develop and sell unlisted companies (private equity) and hedge funds. Valuation data is obtained from the various funds and valuation of their assets complies with the guidelines of the European Private Equity and Venture Capital Association.

Foreign financial investment assets are valued in their original currency and are subsequently translated at the closing rate of exchange. Exchange-rate differences that arise are recognised in profit and loss as exchange-rate gains/losses.

Financial assets held for trading are derivatives that are financial hedging instruments, but for which hedge accounting is not applied. This category is not otherwise used.

Loan receivables and accounts receivable

Loan receivables are initially recognised in the balance sheet at cost – the amount loaned to the borrower – less fees and supplements for costs received. Subsequently, loan receivables are recognised continuously at amortised cost after deductions for the impairment of loan losses.

Loan losses are primarily assessed at the group-wise level because the loans do not amount to significant amounts individually. The group-wise valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.

When an impairment requirement exists, the loan receivable is impaired to the present value of expected future cash flows, including the fair value of collateral, less selling expenses discounted by the original effective interest rate. Impairment losses are recognised as an allocation to the reserve for loan losses. When a financial asset is impaired due to loan losses, a deposit account is used. If the impairment requirement declines in subsequent periods, the maximum impairment carried out is reversed.

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

Confirmed loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal or through other claim remissions. In such situations, the receivable is eliminated from the balance sheet and is recognised as a confirmed loss in the income statement.

A loan receivable is considered doubtful if a payment is more than 60 days overdue or if there is reason to expect that the counterparty cannot meet its undertaking.

Interest on doubtful receivables is recognised in profit and loss.

Impairment for losses on guarantees is recognised under liability as a provision.

Financial assets available for sale

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

Assets in this category are continuously measured at fair value, with unrealised changes in value recognised against shareholders' equity. Assets are recognised in profit and loss once the changes in value have been realised. Changes in value due to impairment or exchange-rate differences for monetary items are recognised in profit and loss. Furthermore, interest on interest-bearing instruments is recognised in accordance with the effective interest method in profit and loss, similar to dividends on shares. Any transaction costs for these instruments will be included in the cost when first recognised and thereafter included in the continuous valuations.

Derivatives

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

Listed prices are utilised where these exist. Other derivatives are valued using accepted theoretic models.

Financial liabilities measured at fair value through profit and loss

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

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

Other financial liabilities

This category includes loans and other financial liabilities, for example, accounts payable. The liabilities are measured at cost.

Valuation

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

Financial instruments are initially measured at fair value, plus a supplement for transaction costs, with the exception of derivatives and instruments that belong to the category of financial assets recognised at fair value in profit and loss, excluding transaction costs.

The fair value of the financial instruments is determined primarily based on quoted market prices. Their fair value is calculated on the basis of the mid-market price at the closing of the market on December 31. For valuation at fair value, the current buying-rate is used. If no quoted market prices are available, generally accepted valuation models are used, such as discounting of future cash flows. These valuation models are based on observable market data. For OTC instruments, the calculation of fair value is based on prices for comparable quoted instruments. For lending and deposits with variable interest rates, fair value corresponds to the carrying amount. Lending and deposits with fixed interest rates are valued based on the depo STIBOR and FRA swap curve, plus an interest margin corresponding to an average margin mark-up. Investments in shares and participations that are not listed in an active market and whose fair value can be calculated in a reliable manner have been measured at cost.

Hedge accounting

The Group's derivative instruments, which comprise interest and currency swaps, forward rate agreements and purchased interest caps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations.

All derivatives are measured at fair value in the balance sheet. To avoid misleading earnings effects due to financial hedging, the Group has chosen to apply hedge accounting.

The hedge-accounting strategy defined and applied by the bank is portfolio hedging of fair value in the lending and borrowing portfolio. Fair value hedge accounting means that the hedged item is measured at fair value with respect to the hedged risk and that the change in fair value is recognised in profit and loss for both the hedging instrument and the hedged item.

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

Unrealised changes in the value of hedging instruments are recognised as "Investment income, net" and interest coupons (accrued, received and paid) are recognised among interest income if the hedged item is an asset or portfolio of assets or among interest expense if the hedged item is a liability or portfolio of liabilities.

The application of portfolio hedging is based on the version of IAS 39 adopted by the EU, known as the "carve out" version.

To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting may only be applied if the hedge relationship can be expected to be highly effective and subsequently to have had an effectiveness in the range of 80–125%. In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value recognised through profit and loss.

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

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

Evaluation of hedge relationships occurs at least quarterly on the official reporting occasions, but can also be carried out monthly if required.

Each identified hedge relationship is expected to be effective over the entire lifetime of the hedge relationship. Effectiveness is tested using two different methods: one forward-looking (prospective) assessment and one retrospective evaluation. Ineffectiveness is recognised in profit and loss.

Financial management risk

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

Prepaid acquisition costs

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

Insurance contracts

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

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

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

Technical reserves

Technical reserves comprise "Provision for unearned premiums and unexpired risk," "Life-assurance provisions," and "Provision for claims outstanding."

Provision for unearned premiums and unexpired risks

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

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

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

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

If the premium level of insurance contracts already entered into is deemed to be insufficient, a provision is made for unexpired risks. The change for the period in "Provisions for unearned premiums and unexpired risks" is recognised in profit and loss. Changes attributable to the translation of the provision items to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under the item "Investment income, net."

Life-assurance provisions

Life-assurance provisions correspond to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The provision is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity, overheads and loading for contingencies.

Calculation of the life-assurance provisions was based on a gross interest rate assumption in accordance with the Swedish Financial Supervisory Authority's Regulation FFFS 2008:6 regarding the maximum interest permissible for the calculation of life-assurance provisions (2.75–3.25% depending on the insurance date).

Provision for claims outstanding

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

With the exception of medical and accident insurance for children and claims annuities, the provision for claims outstanding is not discounted. In the case of medical and accident insurance for children, discounting at a rate of 3.0% is applied. The provision for claims annuities is discounted in line with customary life assurance methods.

For third-party liability insurance, provisions are made for claims adjustment costs according to the unit cost principle.

Provisions for claims adjustment costs for other types of insurance are made proportionally against the provision for claims incurred. The provision for claims incurred but not reported (IBNR) encompasses costs for claims that have been incurred but are unknown to the company. The amount is an estimate based on historical experience and claims outcomes.

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

Other provisions

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

Contingent liabilities

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

Loan guarantees

A loan guarantee can be:

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

Loan guarantees are not recognised in the balance sheet. Issued irrevocable loan guarantees are valid for three months and are recognised as a commitment under memorandum items.

Financial guarantees

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

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

Cash-flow statement

Cash-flow statements are prepared in accordance with the indirect method. Recognised cash flow includes only transactions that result in outgoing payments.

NOTE 2 RISKS AND RISK MANAGEMENT

Focus and aims of the Group's risk management

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

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

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

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

- The Group primarily focuses on private individuals and small and medium-sized companies, and has few major commitments entailing risk with large companies.
- The Group has relatively low retention in non-life insurance.
- The Group's operations focus on Sweden. As a supplement to the Swedish market, the Group strives to utilise its experience and strong position in Swedish non-life insurance to successively develop profitable non-life insurance operations in certain other countries in northern Europe.
- The Group usually takes a certain exposure to the equities market, on the condition that the company's capital strength permits this. At year-end 2008, this exposure was small due to the volatility in the equities market, the somewhat reduced capital strength and the restructuring of Länsförsäkringar Liv to a profit-distributing company, which will result in an exposure to the trends in the equities market for the Group.
- Lending in the Group's banking operations primarily pertains to households and to a smaller extent to farmers and small and medium-sized companies.
- The Group does not conduct investment banking operations.

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

SUMMARY FOR THE LÄNSFÖRSÄKRINGAR AB GROUP

SEK billion	Dec. 31, 2008	Change from Dec. 31, 2007
Investments	**41**	**2**
Shares and equity-related assets	2	–5
Interest-bearing assets including lending to credit institutions and cash/bank balances	33	4
Property-related assets	2	0
Other investment assets	4	3
Lending	**79**	**12**
Collateral distribution:		
Private homes	50	6
Tenant-owned apartments	10	2
Agricultural properties	5	3
Unsecured loans	5	1
Other collateral	9	0
Reinsurers[1]	**6**	**0**
Other assets	**5**	**1**
Total assets	**131**	**14**
Shareholders' equity	**7**	**–3**
Technical reserves, gross	**20**	**1**
Third-party liability	9	0
Commercial and property	1	0
Medical and accident	1	0
Animal and crop insurance	1	0
Other direct insurance	1	1
Assumed reinsurance	6	0
Deposits and borrowing from the public	**35**	**5**
Securities issued	**48**	**0**
Liabilities to credit institutions	**9**	**8**
Other liabilities	**11**	**3**
Total shareholders' equity and liabilities	**131**	**14**

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

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

Risk management

The risks in the Länsförsäkringar AB Group associated with the operations in the subsidiaries are managed wherever risk arises. Insurance risks are managed in the Group's insurance companies, risks in the insurance companies' investment assets are managed by the Group-wide asset management unit on behalf of the insurance companies and credit risk in lending is managed in the Banking Group.

The management and monitoring of different risks takes place in the operating activities, within the frameworks established by the Boards of each company and which are broken down into more detailed regulations regarding authorisation to take risks and obligations to monitor them. In addition, independent functions from the operating activities such as Internal Audit, Compliance and Risk Control, contribute to monitoring and ensuring that the operations are conducted in accordance with applicable regulations and within the frameworks established by each Board.

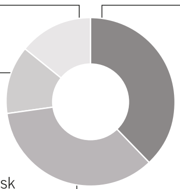
The Länsförsäkringar AB Group has a joint Finance Committee at Board level. The Finance Committee is a forum for financial analyses of the business environment and macroeconomic analyses. The Committee prepares and coordinates issues concerning asset management to be presented to the Board of each subsidiary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

The Group also has a Risk Committee at management level. The Risk Committee addresses general issues regarding risk-taking, risk management and the balance between risk-taking and use of capital in the Länsförsäkringar AB Group.

An aggregated risk profile for the Group is reported to the Parent Company's Board of Directors every quarter. The profile is based on a risk model, which for the calculation of the bank's risks from 2008 was based on the Basel II capital requirement regulations, with credit risk calculated in accordance with the advanced Internal Ratings-based Approach for the majority of the Banking Group's credit portfolio. An approach similar to the draft Solvency II capital requirement regulations for insurance companies was utilised for the non-life insurance companies' insurance risk and the market risks in the non-life insurance companies and the Parent Company. The risk model is calibrated to show risk such that the highest probability of a less favourable outcome occurring within 12 months is 0.5%. Assumptions are made on the diversification between and within primary types of risk of approximately the same size in the draft Solvency II regulations.

The diagram below shows the distribution of risk in the Länsförsäkringar AB Group on December 31, 2008 classified by primary types of risk following the model utilised for 2008. Diversification effects have been distributed proportionally among insurance risk, credit risk and market risk. Market risks comprised a significantly lower proportion at year-end than at the beginning of the year.

LÄNSFÖRSÄKRINGAR AB GROUP, RISK PROFILE, DECEMBER 31, 2008



More advanced risk models are used in each operation. Länsförsäkringar Bank calculates the capital requirement for the majority of its credit portfolio by applying the advanced Internal Ratings-based Approach (IRB approach) under the Basel II regulations. Länsförsäkringar Sak has developed a Dynamic Financial Analysis model for the simultaneous analysis of non-life insurance risk and market risk.

Work is under way within the EU on new risk-based solvency requirements for insurance companies, Solvency II. The new regulations are expected to become highly significant in such areas as governing risk in insurance companies. A preliminary study into the direction of the Group's Solvency II preparations was conducted in 2008. Based on this preliminary study, a Solvency II project will be initiated at the beginning of 2009.

Risk, capital and solvency

The management of risk-taking is closely related to the control of the use of the Group's capital. This relationship is further highlighted in the solvency requirements imposed from the public arena. All units within the Länsförsäkringar AB Group fulfil these requirements.

In the majority of cases, the Group's insurance companies had a capital base exceeding the statutory solvency margin by several hundred percent. Those insurance companies obliged to submit reports under the Swedish Financial Supervisory Authority's traffic-light model reported significant capital surpluses in relation to the requirements imposed by the test. On December 31, 2008, the Banking Group had a capital adequacy ratio of 10.4%, compared with the target capital adequacy ratio of 10.5% +/– 0.5% and the statutory requirement of a minimum of 8%. Excluding the supplements that are applied to the transition years of 2007–2009 according to the Basel II regulations, the capital adequacy ratio was 17.7%.

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

The amount of the Länsförsäkringar AB Group's risk-bearing capital depends on the approach selected for calculating this capital. Separate approaches are, for example, found in sets of public regulations and in rating agencies' capital models. The risk model used for reporting in the Parent Company's Board of Directors is shown in the table below. The deduction of the carrying amount of the shares in Länsförsäkringar Liv is matched by the risks in these operations not being included in this risk reporting, since the company is operated in accordance with mutual principles and its risks are carried by the policyholders. The difference between the carrying amount of technical reserves and the estimated value of technical reserves according to the Solvency II regulations decreased significantly during the year due to the substantial drop in market interest rates.

LÄNSFÖRSÄKRINGAR AB GROUP, BUFFER CAPITAL

	Dec. 31, 2008
Shareholders' equity	7,466
Deferred tax, net	327
Subordinated loans	114
Carrying amount, Länsförsäkringar Liv Försäkrings AB	–514
Carrying amount, technical reserves less technical reserves according to Solvency II[1)]	93
Total buffer capital	**7,486**

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

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

Classification of risk

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

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

CLASSIFICATION OF RISK IN THE LÄNSFÖRSÄKRINGAR AB GROUP

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

Non-life insurance risk and life-assurance risk

Non-life insurance operations in the Group largely comprise third-party liability insurance, medical insurance, commercial insurance, animal insurance and assumed reinsurance. Where appropriate, the Boards of the non-life insurance companies limit non-life insurance risks through decisions on the highest permissible retention for different types of insurance risks.

SENSITIVITY ANALYSIS

	Impact on profit before tax
10% lower premium level	–302
10% increased claims frequency or higher average claim	–196
1% higher annual claims inflation	–803

In addition to non-life insurance risk, life-assurance risks also arise in the Group to a limited extent, partly in the form of the risk of paying life assurance through claims annuities primarily deriving from the operations with third-party liability insurance, and partly in the form of risk of death through the group life assurance conducted in a subsidiary of Länsförsäkringar Sak Försäkrings AB.

Premium risk

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

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

In other lines of business, risk selection rules and risk inspection are the key instruments for monitoring premium risk, alongside premium calculation. The company also follows detailed internal underwriting guidelines (risk selection rules) to ensure correct assessment and quantification of the risk that is being underwritten. An important element in this regard is the inspection of new and existing risks. In conjunction with inspection, claims-prevention measures are also implemented in the form of advisory services and the installation of preventive products, thereby further improving the Group's risk.

In an effort to limit the risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product.

REINSURANCE PER CLAIM INCIDENT

	Retention	Cover
Third-party liability insurance	2	300
Liability insurance	20	300
Cargo insurance	10	200
Accident insurance	20	250

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

ESTIMATED CLAIMS COSTS BEFORE REINSURANCE, PER CLAIM YEAR

	Claim year						
	2003	2004	2005	2006	2007	2008	Total
Länsförsäkringar Sak AB and Agria AB animal insurance							
At end of claim year	3,394	2,020	1,262	1,409	1,613	1,631	
One year later	3,326	1,975	1,264	1,547	1,520		
Two years later	3,322	1,902	1,333	1,463			
Three years later	2,931	1,954	1,254				
Four years later	2,931	1,827					
Five years later	2,737						
Estimated claims costs	2,737	1,827	1,254	1,463	1,520	1,631	
Accumulated claims payments	2,076	1,431	1,039	1,200	1,159	1,010	
Provision for claims payments	661	396	216	263	361	621	1,979
Provision for claims payments, older year classes							6,181
Provision for claims payments for assumed reinsurance							5,763
Total provision for claims payments, gross							**13,923**
Claims annuities reserve, gross							3,427
Claims adjustment reserve, gross							411
Provision for claims outstanding, Länsförsäkringar Sak AB and Agria AB animal insurance, gross							**17,761**
Provision for claims outstanding, other Group companies, gross							**1,053**
Provision for claims outstanding, gross							**18,814**
Provision for claims outstanding, reinsurers' portion							**–5,734**
Provision for claims outstanding, for own account							**13,080**

A joint reinsurance pool with the regional insurance companies, a third-party liability pool, exists for third-party liability insurance transactions. The surplus portion of a claim is reinsured in the third-party liability pool after individually determined retention. Should a claim exceed SEK 40 M (group retention), the surplus portion of the claim is externally reinsured at SEK 300 M. There is an accident pool for accident insurance that is established in the same manner as the third-party liability pool. The group retention is SEK 20 M and the upper limit of the external reinsurance is SEK 250 M.

Reserve risk

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

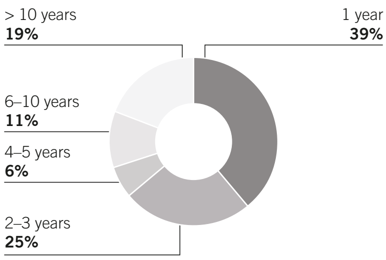
The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 20.1 billion. An estimate of the cost of claims outstanding – about SEK 18.8 billion – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in third-party liability insurance, which accounts for a large portion of the Group's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. Another significant element in the follow-up work is the regular reviews of claims outstanding that are performed.

The table above shows the trend in estimated claims costs before reinsurance, per claim year, and the composition of the provision for claims outstanding for own account.

The Group's non-life insurance portfolio has a relatively high duration given the large percentage of third-party liability insurance transactions, which is why changes in claims inflation have a significant impact on reserve requirements. The following diagram shows how the expected payments of claims outstanding, calculated at present value, are distributed according to tenure.

ESTIMATED DISTRIBUTION OF TENURE OF EXPECTED PAYMENTS OF CLAIMS OUTSTANDING, GROSS, CALCULATED AT PRESENT VALUE, DECEMBER 31, 2008



Disaster risk

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

The Group has relatively low exposure to disaster risk in its own transactions. Agria's operations in horse, livestock and crop insurance has "umbrella" insurance in place, in addition to specific cover for individual claims that covers claims up to SEK 70 M.

The Group administrates common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural disasters. For 2008, the cover was SEK 7 billion. In addition, there is internal Group reinsurance amounting to an additional SEK 3 billion, which comes into effect if damage exceeds the level covered by the external reinsurance.

Market risk

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

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

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

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

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

SENSITIVITY ANALYSIS, DECEMBER 31, 2008

	Impact on profit before tax
1% higher interest rate, nominal interest rates	–247
1% higher real interest rate (impact on claims annuities)	215
10% lower share prices	–87
10% lower property prices[1)]	–28
10% weaker SEK	–30

1) For the effect of changed property prices, the difference between the impact on profit and the impact on shareholders' equity is that the effect of a decline in the fair value of the office property utilised by the Group is recognised directly against shareholders' equity. A 10% decline in the value of the property results in a decrease in shareholders' equity, after 26.3% standard tax, amounting to approximately SEK 162 M.

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

Interest-rate risk

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

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

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

The Banking Group has established a limit for the highest permissible interest-rate risk, which is relatively low compared with the normal total interest-rate risk in the entire Group.

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

FIXED-INTEREST PERIODS FOR INTEREST-BEARING ASSETS AND LIABILITIES, NET (INCLUDING DERIVATIVES) AT DECEMBER 31, 2008

The table shows the net nominal interest maturity structure

	> 1 year	1–5 years	5–10 years	> 10 years	Total
Insurance[1)]	4,000	4,188	1,218	231	9,637
Bank	4,573	813	102	–	5,488
Other[1)]	1,493	–1,814	–	–	–321
Total	**10,066**	**3,187**	**1,320**	**231**	**14,805**

1) Excluding investments in fixed-income funds in "Insurance" and "Other" totalling SEK 2,161 M and excluding intra-Group investments in bonds.

Equities risk

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

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

The equities exposure was reduced substantially in 2008 due to the high level of volatility in the equities market and the somewhat reduced capital strength and because the restructuring of Länsförsäkringar Liv to a profit-distributing company will result in an exposure to the trends in the equities market for the Group.

Property risk

Property risk is the risk that the value of assets declines due to falling property prices. Property investments are to essentially found exclusively in the non-life insurance companies. The Group's property risk overwhelmingly derives from the ownership of the office property in Stockholm that the Group utilises for its operations and whose fair value amounts to approximately SEK 2.2 billion.

Credit-spread risk

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

The credit-spread risk is managed in controlling documents that stipulate the approved exposure level per counterparty. The counterparty shall have a credit rating that is deemed to be sufficient. Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions.

BOND INVESTMENTS CLASSIFIED BY RATING, DECEMBER 31, 2008

	AAA Swedish Government	AAA other government securities	AAA other	AA	A	BBB or lower
Insurance[1]	1,814	2,765	3,546	328	10	–
Bank	4,972	–	4,973	–	501	–
Other[1]	–	–	–	–	–	–
Total	**6,786**	**2,765**	**8,519**	**328**	**501**	**–**

1) Excluding investments in fixed-income funds in "Insurance" and "Other" totalling SEK 2,161 M and excluding intra-Group investments in bonds.

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

Currency risk

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

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

GROUP'S NET EXPOSURE IN FOREIGN CURRENCY, DECEMBER 31, 2008

Currency	Equivalent in SEK M
CHF	257
USD	247
EUR	–243
Other currencies	36
Total	**297**

The total net currency exposure on December 31, 2008 amounted to slightly more than 1% of the total investment assets in the non-life insurance companies and the Parent Company jointly.

Counterparty risk

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

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

EXPOSURE TO REINSURERS PER RATING CATEGORY

The division refers to purchased, external cover for 2009

AAA	AA	A	BBB	BB or lower	Total
2%	43%	54%	1%	0%	100%

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

COUNTERPARTY RISKS IN FINANCIAL DERIVATIVES PER RATING CATEGORY, DECEMBER 31, 2008, SEK M

Calculated based on the market value of the derivative

	AAA	AA	A	BBB or lower	Total
Insurance	–	19	21	–	40
Bank	–	1,467	140	–	1,607
Other	–	–	–	–	–
Total	**–**	**1,486**	**161**	**–**	**1,647**

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

Counterparty risks also arise through the insurance companies' and Parent Company's deposits in accounts in external banking institutions, totalling slightly more than SEK 1.6 billion.

Credit risk in the lending operations

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

The lending operations in the Banking Group are conducted only with borrowers in Sweden and mainly comprise retail mortgage loans, loans to farmers, instalment and leasing operations and unsecured consumer credit. Most of the lending portfolio comprises retail mortgage loans characterised by a low loan-to-value ratio and a favourable geographic spread in Sweden, which results in a low risk profile. Most of the bank's loans are secured through mortgage deeds in properties and other bank collateral.

In 2008, the credit volume, particularly the retail mortgage lending volume, continued to grow. First-lien mortgages to farmers, a product that was previously mediated to other creditors, also contributed to increased volumes.

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

Länsförsäkringar Bank has received approval from the Swedish Financial Supervisory Authority to calculate its capital adequacy for credit risks in accordance with the Internal Ratings-based Approach (IRB Approach) under the new capital adequacy regulations that came into effect on February 1, 2007. For this purpose, new risk-classification models have been introduced. The risk classification system enables a more precise measurement of the actual risk in the credit portfolio, provides a tool for control, measuring and monitoring of credit risks and makes it possible to rapidly identify trends.

BANKING GROUP'S LENDING BY SECTOR, DECEMBER 31, 2008

Loan receivables	Gross	Impairment	Net
Retail sector	73,211	–246	72,965
Corporate sector	5,521	–61	5,460
Credit institutions	9,831		9,831
Public sector	139		139
Other			
Total	**88,702**	**–307**	**88,395**
Loans approved but not disbursed			597
Overdraft facilities approved but not utilised			1,492
Unutilised card loans and financial guarantees			745
Total credit risk exposure in the Banking Group's lending			**91,230**

BANKING GROUP'S LENDING BY COLLATERAL FOR LOAN RECEIVABLES, DECEMBER 31, 2008

Private homes	50,292
Tenant-owned apartments	9,623
Agricultural properties	5,290
Commercial properties, multi-family dwellings	533
Other collateral	8,170
Unsecured loans	4,963
Credit institutions	9,831
Total	**88,702**

The credit portfolio has maintained a high level of quality and has not been impacted by the slowdown of the real economy.

BANKING GROUP'S DOUBTFUL LOAN RECEIVABLES, DECEMBER 31, 2008

	Doubtful loan receivables
Retail sector	216
Corporate sector	38
Total	**255**

IMPAIRMENT OF BANKING GROUP'S RECEIVABLES, DECEMBER 31, 2008

	Individually appraised receivables	Group-wise appraised receivables	Total
Retail sector	50	196	246
Corporate sector	31	30	61
Total	**81**	**226**	**307**

Operational risk

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

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

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

The Group's Compliance Officers are assigned the task of identifying and reporting risks that may arise as a result of shortcomings in compliance with the regulations. The Compliance Officers report their observations to the Boards of the Group companies in which they operate.

Concentration risk

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

From 2004, most of Länsförsäkringar's third-party liability insurance has been underwritten by the local regional insurance companies. Claims incurred for insurance underwritten up to and including 2003 is run off within Länsförsäkringar Sak. The reserve risk in the Group's non-life insurance operations is heavily concentrated to third-party liability insurance transactions. Of the total technical reserves before ceded reinsurance of SEK 20.1 billion, 47% refers to the third-party liability insurance line of business.

The Banking Group's credit portfolio largely comprises retail mortgage lending to private individuals and in other respects primarily comprises other loans to private individuals and farmers and leasing operations, and is not considered to contain any significant concentration risk.

The Group's investment assets in the non-life insurance companies and the Parent Company are very highly diversified. As of December 31, 2008, the office property in Stockholm utilised by the Group comprised a major investment asset. The value of this property represented slightly more than 15% of the value of the non-life insurance companies' and the Parent Company's total investment assets. The largest exposure in other respects pertains to the four largest Swedish banking groups and derives from investments in housing bonds and current investments of the Banking Group's and the Parent Company's liquidity. The single largest share investment pertains to the Eureko insurance company and represents approximately 3% of the investment assets.

Liquidity risk, including financing risk

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

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

The Banking Group conducts active liquidity risk management to ensure that the financing of the lending operations is not jeopardised. The aim is to attain a favourable spread of financing sources. In 2007, Länsförsäkringar Bank began issuing covered bonds and also offered the exchange of existing bonds to covered bonds. Liquidity is continuously planned and internal regulations on the lowest permissible liquidity are in place.

The Banking Group's liquidity remains favourable and the credit quality of the liquidity portfolio is high. All liquidity is invested in Swedish securities. The proportion of government securities amounted to 72% on December 31, 2008 and the remaining portion of the portfolio primarily comprised covered bonds.

The Parent Company's liquidity is mainly affected by dividends and Group contributions from subsidiaries, any requirements for contributions to be made to subsidiaries, dividends to owners and interest payments on loans. At the end of 2008, the Parent Company settled a loan of EUR 300 M that was raised in the international capital market in 2003, in the same year as the Parent Company were granted loans from the regional insurance companies totalling SEK 1.7 billion. The Parent Company's liquidity was favourable at year-end, with current, interest-bearing investments and cash and cash equivalents of more than SEK 1 billion.

MATURITY STRUCTURE OF THE GROUP'S DEPOSITS AND BORROWING, DECEMBER 31, 2008

Carrying amount	On demand	< 12 months	1–5 years	> 5 years	Without maturity/ change in value	Total
Insurance	–	–	–	–	–	–
Bank	23,657	33,772	36,179	1,682	5,378	100,668
Other	–	207	1,814	–	–	2,021
Elimination	–	–658	–58	–1,250	–	–1,966
Group	**23,657**	**33,321**	**37,935**	**432**	**5,378**	**100,723**

NOTE 3 PROFIT PER BUSINESS SEGMENT

Consolidated income statement 2008

	Insurance operations	Banking operations	Other operations	Eliminations	Total 2008
Premiums earned before ceded reinsurance	5,392.8	–	–	–	5,392.8
Reinsurers' portion of premiums earned	–2,368.8	–	–	–	–2,368.8
Premiums earned after ceded reinsurance	**3,024.0**	**–**	**–**	**–**	**3,024.0**
Interest income	–	7,463.2	–	–	7,463.2
Interest expense	–	–6,251.7	–	128.3	–6,123.4
Net interest income	–	1,211.5	–	128.3	1,339.8
Investment income, net	–2,755.5	1.4	208.5	–615.4	–3,160.8
Commission revenue	255.2	806.0	–	–	1,061.2
Other operating income	1,042.8	150.3	2,579.0	–1,335.7	2,436.4
Total operating income	**1,566.4**	**2,169.3**	**2,787.5**	**–1,822.7**	**4,700.5**
Claims payments before ceded reinsurance	–3,268.7	–	–	–	–3,268.7
Reinsurers' portion of claims payments	1,315.7	–	–	–	1,315.7
Claims payments after ceded reinsurance	**–1,953.0**	**–**	**–**	**–**	**–1,953.0**
Commission expense	–482.5	–944.4	–	3.4	–1,423.5
Personnel costs	–789.1	–331.0	–691.0	62.1	–1,749.0
Other administration expenses	–1,344.5	–583.8	–2,110.2	1,267.3	–2,771.2
Loan losses	–	–65.1	–	–	–65.1
Other expenses	–	–	–133.7	–	–133.7
Total expenses	**–4,569.1**	**–1,924.2**	**–2,934.9**	**1,332.8**	**–8,095.5**
Operating profit/loss	**–3,002.7**	**245.0**	**–147.4**	**–489.9**	**–3,394.9**
Tax	850.3	–67.7	130.1	2.6	915.3
Net profit/loss for the year	**–2,152.4**	**177.3**	**–17.3**	**–487.3**	**–2,479.6**

Profit/loss in its entirety is attributable to the Parent Company's shareholders.

Consolidated balance sheet, December 31, 2008

	Insurance operations	Banking operations	Other operations	Eliminations	Total 2008
Total assets	**25,595**	**104,136**	**11,113**	**–10,291**	**130,554**
Shareholders' equity	2,120	4,291	7,727	–6,672	7,466
Provisions and liabilities	23,475	99,845	3,386	–3,619	123,088
Total shareholders' equity, provisions and liabilities	**25,595**	**104,136**	**11,113**	**–10,291**	**130,554**
Investments in tangible assets	3.9	7.3	25.7		36.9
Investments in intangible assets	380.5	125.3	4.9		510.7
Depreciation/amortisation for the year	–96.5	–52.3	–55.9		–204.7

NOTE 3 PROFIT PER BUSINESS SEGMENT, cont.

Consolidated income statement 2007

	Insurance operations	Banking operations	Other operations	Eliminations	Total 2007
Premiums earned before ceded reinsurance	4,634.6	–	–	–	4,634.6
Reinsurers' portion of premiums earned	–2,000.1	–	–	–	–2,000.1
Premiums earned after ceded reinsurance	**2,634.5**	**–**	**–**	**–**	**2,634.5**
Interest income	–	4,541.1	–	–	4,541.1
Interest expense	–	–3,524.2	–	52.5	–3,471.7
Net interest income	–	1,016.9	–	52.5	1,069.4
Investment income, net	1,279.7	5.4	360.9	–349.4	1,296.6
Commission revenue	93.3	918.9	–	–	1,012.2
Other operating income	959.3	128.3	2,209.9	–1,177.1	2,120.4
Total operating income	**4,966.8**	**2,069.4**	**2,570.7**	**–1,474.0**	**8,133.0**
Claims payments before ceded reinsurance	–4,129.0	–	–	–	–4,129.0
Reinsurers' portion of claims payments	2,365.2	–	–	–	2,365.2
Claims payments after ceded reinsurance	**–1,763.8**	**–**	**–**	**–**	**–1,763.8**
Commission expense	–303.3	–963.4	–	1.0	–1,265.7
Personnel costs	–561.1	–276.3	–561.2	28.7	–1,369.9
Other administration expenses	–1,159.7	–540.2	–1,665.0	1,136.6	–2,228.3
Loan losses	–	–51.1	–	–	–51.1
Other expenses	–9.5	–	–175.3	–	–184.8
Total expenses	**–3,797.4**	**–1,830.9**	**–2,401.5**	**1,166.3**	**–6,863.5**
Operating profit/loss	**1,169.4**	**238.5**	**169.2**	**–307.6**	**1,269.5**
Tax	–329.2	–62.9	47.7	–2.9	–347.3
Net profit/loss for the year	**840.2**	**175.6**	**217.0**	**–310.5**	**922.2**

Profit/loss in its entirety is attributable to the Parent Company's shareholders.

Consolidated balance sheet, December 31, 2007

	Insurance operations	Banking operations	Other operations	Eliminations	Total 2007
Total assets	**29,041**	**85,094**	**12,147,**	**–10,040**	**116,241**
Shareholders' equity	4,864,	3,824	7,868	–6,180,	10,376
Provisions and liabilities	24,177	81,270	4,279	–3,860	105,865
Total shareholders' equity, provisions and liabilities	**29,041**	**85,094**	**12,147**	**–10,040**	**116,241**
Investments in tangible assets	20.1	19.1	28.1	,	67.3
Investments in intangible assets	404.8	134.5	32.2	,	571.5
Depreciation/amortisation for the year	–64.2	–37.0	–33.0	,	–134.2

The Group's primary principle of division is business segment. Geographic distribution is not applied in the operational control of the Group since business activities are nation-wide, as opposed to the regional insurance companies, which work within their respective geographic areas.

The Insurance business segment pertains to non-life insurance and life assurance and associated asset management and service operations, primarily provided to the regional insurance companies. The Länsförsäkringar Alliance's internal and external reinsurance and run-off of previously underwritten international reinsurance are also included.

The Bank and funds business segment pertains to deposit and lending operations and the administration of mutual funds.

The Other business segment pertains to service and asset-management services in the Parent Company and IT Centre.

NOTE 4 ACQUISITIONS OF OPERATIONS

Acquisitions of operations 2008

EFEL Livförsäkring AB and EFEL Skadeförsäkring AB

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

Effects of the acquisition

During the first six months that the companies were included in the Group, the life-assurance company contributed SEK 34.0 M and the non-life insurance company SEK 75.2 M to the Group's income and SEK 0.5 M and SEK 1.2 M, respectively, to the Group's earnings after tax in 2008. The total full-year volumes measured in premiums for both companies amounted to SEK 260 M.

The acquired company's net assets on acquisition date

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

NOTE 4 **ACQUISITIONS OF OPERATIONS, cont.**

The acquired company's net assets on acquisition date

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

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

Acquisitions of operations 2007

PetPartners

On March 30, 2007, Agria purchased the British sales company PetPartners Plc for SEK 317.4 M. PetPartners is a Managing General Agent, which markets, sells, administers and performs claims adjustment of its own and other companies' insurance. PetPartners works closely together with the UK Kennel Club. PetPartners has approximately 50 employees. The majority of the claims administrators are qualified veterinary nurses. They handle a business volume of approximately SEK 250 M and 600,000 insurance policies.

Effects of the acquisition

In the nine months that Agria owned the company in 2007, the subsidiary contributed SEK 31.8 M to the Group's income and SEK 9.3 M to the Group's profit after tax. If the acquisition had taken place on January 1, 2007, the contribution to net profit for the year would have been SEK 8.8 M.

The acquired company's net assets on acquisition date

SEK M	Carrying amount in PetPartners Plc before the acquisition	Fair value, adjustment	Fair value, recognised in the Group
Intangible assets		140.1	140.1
Tangible assets	5.0		5.0
Accounts receivable and other receivables	68.9		68.9
Cash and cash equivalents	20.3		20.3
Interest-bearing liabilities	–57.7		–57.7
Deferred tax liabilities	–0.3		–0.3
Accounts payable and other operating liabilities	–7.8		–7.8
Net identifiable assets and liabilities	**28.3**	**140.1**	**168.4**
Consolidated goodwill			164.8
Purchase consideration paid, cash			**333.2**
Cash (acquired)			20.3
Net cash outflow			**312.9**

After the first payment, additional expenses of SEK 15.8 M relating to the acquisition arose, which was included in the purchase consideration. The goodwill item that arose in conjunction with the acquisition of PetPartners can be attributed to the customer relations, products and know-how in the organisation. The intangible asset comprises a valuation of an agreement with the UK Kennel Club and is amortised over ten years.

Acquisition of insurance portfolio

On January 1, 2007, Länsförsäkringar Sak and its subsidiary Länsförsäkringar Grupplivförsäkrings AB took over an insurance portfolio from Länsförsäkringar Liv Försäkrings AB (Life). The transfer pertains to an insurance portfolio of medical and accident insurance for adults, group medical and group accident insurance to Länsförsäkringar Sak and an insurance portfolio of group life assurance and employment group life assurance to Länsförsäkringar Grupplivförsäkrings AB.

Effects of the acquisition

The transfer pertained to the technical reserves belonging to the acquired portfolio. Premiums earned in 2007 amounted to SEK 370 M and net loss for the year after tax to SEK 8.8 M.

The acquired net assets on acquisition date

Mkr	Carrying amount in Länsförsäkringar Liv	Fair value, adjustment	Fair value, recognised in the Group
Intangible assets		240.0	240.0
Other assets	774.0		
Technical reserves	–774.0		–774.0
Purchase consideration paid, cash			**240.0**

The intangible assets comprise customer registers and are amortised over between five and eight years.

Of the technical reserves, SEK 145 M has been transferred to Länsförsäkringar Gruppliv and SEK 629 M to Länsförsäkringar Sak.

NOTE 5 PREMIUMS EARNED AFTER CEDED REINSURANCE

	2008	2007
Non-life insurance		
Premium income, direct insurance, Sweden	2,730.6	2,344.2
Premium income, direct insurance, other EEA	158.3	74.5
Premium income, assumed reinsurance	2,496.2	2,056.1
Change in provision for unearned premiums	–207.0	–82.5
Change in premium for unexpired risks	–29.0	38.0
Premiums earned before ceded reinsurance	**5,149.0**	**4,430.3**
Premiums for ceded reinsurance	–2,434.0	–1,962.4
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	78.4	–37.7
Reinsurers' portion of premiums earned	–2,355.6	–2,000.1
Total premiums earned after ceded reinsurance	**2,793.4**	**2,430.3**
Life assurance		
Periodic premium income, group insurance, direct life assurance, contracts that carry no bonus entitlement, Sweden	203.2	203.4
Change in life-assurance provision before ceded reinsurance	40.5	0.8
Total premiums earned after ceded reinsurance	**243.8**	**204.2**
Premiums for ceded reinsurance	–13.2	–
Total premiums earned after ceded reinsurance	**230.6**	**204.2**
Total premiums earned after ceded reinsurance	**3,024.0**	**2,634.5**

NOTE 6 INTEREST INCOME

	2008	2007
Interest income on lending to credit institutions	125.8	100.6
Interest income on lending to the public	4,094.5	2,956.4
Interest income on interest-bearing securities	628.3	210.0
Interest income on derivatives		
Hedge accounting	2,492.7	1,214.3
Non-hedge accounting	116.7	59.4
Other interest income	5.0	0.2
	7,463.2	**4,541.1**
of which interest income on doubtful receivables	3.8	0.4
of which interest income from financial items not measured at fair value.	4,772.7	3,169.6
Average interest rate on lending to the public during the year	5.7%	4.7%

NOTE 7 INTEREST EXPENSE

	2008	2007
Interest expense, liabilities to credit institutions	–65.7	–6.9
Interest expense, deposits and borrowing from the public	–1,235.2	–780.6
Interest expense, subordinated debt	–73.5	–73.5
Interest expense, interest-bearing securities	–2,149.0	–1,342.7
Interest expense, derivatives		
Hedge accounting	–2,236.1	–1,197.3
Non-hedge accounting	–352.6	–59.3
Other interest expense, including government deposit insurance	–11.2	–11.5
Total interest expense	**–6,123.4**	**–3,471.7**
of which interest expense from financial items not measured at fair value	–3,662.9	–2,267.6
Average interest rate on deposits from the public during the year	3.8%	2.2%

NOTE 8 INVESTMENT INCOME, NET

	2008	2007
Interest income	**488.4**	**559.7**
Dividends	**141.9**	**114.5**
Profit, Investment property		
Rental income	14.5	38.1
Expenses	–6.3	–20.0
Total profit, investment property	**8.2**	**18.0**
Realised profit, net		
Shares and participations	–1,588.5	2,138.6
Interest-bearing securities	–1,274.5	–34.7
Other financial investment assets	–6.1	–
Total realised profit, net	**–2,869.1**	**2,103.9**
Unrealised profit, net		
Shares and participations	–1,116.8	–1,102.1
Interest-bearing securities	–656.1	–410.7
Derivatives	884.2	405.1
Investment property	–13.3	25.0
Other financial investment assets	–9.6	–8.0
Total unrealised profit, net	**–911.5**	**–1,090.6**
Exchange-rate gains/losses, net	**238.2**	**–55.9**
Interest expense	**–228.4**	**–338.0**
Participations in associated companies	**3.8**	**0.6**
Depreciation/amortisation and impairment of shares and participations	**–10.3**	**–6.0**
Asset management expenses	**–32.1**	**–11.8**
Interest compensation	**10.1**	**2.2**
Investment income, net	**–3,160.8**	**1,296.6**

	2008	2007
Profit/loss by valuation category		
Derivative assets intended for risk management, non-hedge accounting	1,192.5	131.8
Other financial assets measured at fair value through profit and loss	–3,856.9	1 099.7
Derivative liabilities intended for risk management, non-hedge accounting	52.3	300.6
Financial assets available for sale	9.9	–
Loan receivables and accounts receivable	11.3	2.2
Financial liabilities at amortised cost	–1,158.1	–540.1
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	–360.6	–27.3
Change in fair value of hedged item with regard to the hedged risk in hedges of fair value	352.2	23.6
Items not specified by category		
Exchange-rate gains/losses	238.2	–55.9
Net interest income	260.0	221.7
Dividends	141.9	114.5
Depreciation/amortisation and impairment of shares and participations	–10.3	–6.0
Asset management expenses	–32.1	–11.8
Non-financial items not included in investment income, net	–1.2	43.6
Total investment income, net	**–3,160.8**	**1,296.6**

NOTE 9 COMMISSION REVENUE

	2008	2007
Payment mediation commission	71.0	62.7
Lending commission	63.5	64.4
Deposit commission	4.9	3.5
Securities commission	597.6	735.7
Card operations	70.2	51.5
Commission and profit shares in ceded reinsurance	255.2	93.2
Other commission	–1.2	1.1
	1,061.2	**1,012.2**

NOTE 10 OTHER OPERATING INCOME

	2008	2007
Service income, regional insurance companies	1,248.0	1,203.5
Other service income	812.5	718.7
Other income	259.8	198.1
	2,320.4	**2,120.4**

NOTE 11 CLAIMS PAYMENTS

	2008			2007		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
Non-life insurance						
Claims paid	–3,211.8	1,247.1	–1,964.7	–2,949.5	1,222.1	–1,727.4
Claims annuities paid	–202.4	–	–202.4	–183.7	–	–183.7
Change in provision for claims incurred and reported	882.8	489.3	1,372.1	–438.3	762.5	324.3
Change in provision for claims incurred and not reported	–549.5	–430.2	–979.6	–394.2	380.5	–13.7
Total	**–3,080.9**	**1,306.3**	**–1,774.7**	**–3,965.7**	**2,365.1**	**–1,600.6**
Life assurance						
Claims paid	–159.0	6.7	–152.3	–187.5	0.1	–187.4
Change in provision for claims outstanding	–28.8	2.8	–26.0	24.2	–	24.2
Total	**–187.8**	**9.5**	**–178.3**	**–163.3**	**0.1**	**–163.2**
Total non-life insurance and life assurance	**–3,268.7**	**1,315.7**	**–1,953.0**	**–4,129.0**	**2,365.2**	**–1,763.8**

NOTE 12 COMMISSION EXPENSE

	2008	2007
Payment mediation commission	–73.1	–80.0
Securities commission	–351.2	–419.2
Card operations	–57.3	–53.1
Remuneration to regional insurance companies	–489.3	–439.2
Commission, direct insurance	–127.5	–105.5
Commission, assumed reinsurance	–276.3	–113.3
Other commission	–48.8	–55.4
Total commission expense	**–1,423.5**	**–1,265.7**
of which commission expense from financial items not measured at fair value	–448.9	–398.8

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

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

NOTE 13 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees	2008	2007
Sweden		
Men	675	692
Women	728	691
	1,403	**1,383**
Lithuania		
Men	9	–
Women	7	1
	16	**1**
Latvia		
Men	7	–
Women	6	–
	13	**–**
Norway		
Men	1	1
Women	1	1
	2	**2**
UK		
Men	5	8
Women	51	42
	56	**50**
Total number of employees	**1,490**	**1,436**

Salaries, other remuneration and social security expenses	2008	2007
Sweden		
Salaries and remuneration	835.3	692.5
of which variable remuneration	23.5	38.5
Social security expenses	670.9	462.6
of which pension costs	322.7	195.0
	1,506.3	**1,155.1**
Lithuania		
Salaries and remuneration	4.3	0.2
of which variable remuneration	0.1	–
Social security expenses	1.3	0.0
of which pension costs	0.0	0.0
	5.6	**0.2**
Latvia		
Salaries and remuneration	2.2	–
of which variable remuneration	0.1	–
Social security expenses	0.5	–
of which pension costs	0.0	–
	2.7	**–**
Norway		
Salaries and remuneration	1.3	1.3
Social security expenses	0.2	0.2
of which pension costs	0.0	0.0
	1.5	**1.5**
UK		
Salaries and remuneration	16.2	16.2
Social security expenses	1.9	1.8
of which pension costs	0.3	0.3
	18.1	**18.0**

Board, President, Executive Vice Presidents and other senior executives, Sweden	2008	2007
Salaries and remuneration	51.3	48.0
of which salaries to President and Executive Vice Presidents	34.7	29.9
of which variable remuneration to President and Executive Vice Presidents	4.5	4.9
of which salaries to senior executives	8.0	8.8
of which variable remuneration to senior executives	1.2	2.3
Social security expenses	39.3	48.1
of which pension costs	18.6	26.5
	90.6	**96.1**

Other senior executives refers to Group management excluding Presidents and Executive Vice Presidents.

NOTE 13 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.

Total salaries, other remuneration and social security expenses	2008	2007
Salaries and remuneration	910.6	758.2
of which variable remuneration	29.4	45.7
Social security expenses	714.2	512.5
of which pension costs	341.6	221.8
	1,624.7	**1,270.9**

Variable remuneration

Variable remuneration is paid to managers who have a bonus agreement. Remuneration is based on attained targets met in accordance with the business plan, the Employee Commitment Index, the leadership index and other individual goals. Variable remuneration is paid at a maximum of one month's salary.

An incentive system is in place that encompasses all employees not included in other bonus agreements. A condition for payment of this remuneration is that the owners' requirements for the return on shareholders' equity in the Group are fulfilled. The maximum amount that can be paid per employee if the conditions are met is determined by the appropriate Board. One third of the established amount is paid to everyone regardless of individual performance. Payment of two thirds of the determined amount is based on the degree of completion of the individual goals in the target contract. Of the amount of variable remuneration for 2008 SEK 10.8 M is attributable to the insurance operations and the remaining SEK 18.6 M is attributable to the other operations.

Costs for personnel reduction in conjunction with reorganisation

The amounts for "Salaries, remuneration and social security expenses" for 2008 include expenses for personnel reduction in conjunction with the reorganisation of company include SEK 112.6 M pertaining to salaries and SEK 227.0 pertaining to social security expenses, of which SEK 150.3 M comprises pension costs.

Sickness absence, %	2008	2007
Total of overall working hours	3.4	3.7
Total of overall working hours for men	1.9	2.1
Total of overall working hours for women	4.7	5.1
Absence among employees age 29 or younger	2.8	2.9
Absence among employees age 30–49	3.2	3.3
Absence among employees age 50 or older	3.9	4.6
Percentage pertaining to absence of a consecutive period of 60 days or more	50.9	58.5

Remuneration to senior executives

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

Remuneration to the President and other senior executives comprises basic salary, variable salary, other benefits and pension costs. Variable salary is maximised to four months' salaries for the President and other senior executives. A maximum of two months' salaries can be paid for 2008. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. In other words, other senior executives refers to the individuals who comprise Group management together with the President.

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

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

Loans to senior executives	2008	2007
Board members	71.6	78.0
President and Executive Vice Presidents	13.1	4.5
	84.7	**82.5**

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

Number of women among senior executives, %	2008	2007
Board members	19	23
Other senior executives	41	42

NOTE 14 FEES AND REMUNERATION TO AUDITORS

	2008	2007
KPMG AB		
– audit assignments	12.0	8.6
– other assignments	4.4	14.2
SET Revisionsbyrå AB		
– audit assignments	0.2	0.1
– other assignments	–	0.0
Deloitte		
– audit assignments	0.6	–
	17.1	**23.0**

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

NOTE 15 OTHER ADMINISTRATION EXPENSES

	2008	2007
Other administration expenses		
Costs for premises	–126.0	–133.7
Depreciation/amortisation	–204.7	–134.3
IT costs	–989.7	–846.5
Consultant costs	–419.7	–404.5
Marketing	–172.4	–176.5
Other administration expenses	–742.8	–532.7
	–2,655.2	**–2,228.3**
Administration expenses in insurance operations classified by function		
Expenses for acquisitions	–387.4	–387.9
Expenses for administration	–954.7	–397.1
Expenses for claims adjustment	–320.1	–253.0
Expenses in asset and property management	–82.5	–63.8
	–1,744.6	**–1,101.8**

NOTE 16 LOAN LOSSES NET

	2008	2007
Specific provisions for individually appraised loan receivables		
Write-off of confirmed loan losses during the year	–61.1	–39.9
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	58.4	–
Impairment of loan losses during the year	–71.4	–2.3
Payment received for prior confirmed loan losses	35.7	23.1
Reversed impairment of loan losses no longer required	26.3	10.5
Net expense for the year for individually appraised receivables	**–12.2**	**–8.6**
Group-wise appraisal of homogenous groups of loan receivables with limited value and similar credit risk		
Write-off of confirmed loan losses during the year	–5.3	–34.3
Payment received for prior confirmed loan losses	–	5.0
Provision/reversal of reserve for loan losses	–52.5	–28.2
Net expense for the year for group-wise appraised receivables	**–57.7**	**–57.4**
Net expense for the year for fulfilment of guarantees	**4.8**	**14.9**
Net expense of loan losses for the year	**–65.1**	**–51.1**

All information pertains to receivables from the public.

NOTE 17 OTHER EXPENSES

	2008	2007
Expansion of trademarks	–100.0	–100.0
Other expenses	–33.7	–84.8
	–133.7	**–184.8**

NOTE 18 TAX ON NET PROFIT FOR THE YEAR

	2008	2007
Current tax		
Tax expenses for the period	–9.6	–225.3
Adjustment of tax expense pertaining to earlier years	4.9	0.4
Total current tax	**–4.7**	**–224.9**
Deferred tax		
Change in deferred tax expense on temporary differences	413.2	206.6
Change in deferred tax revenue/expense of tax value in loss carryforwards capitalised during the year	506.9	–329.0
Total deferred tax	**920.0**	**–122.4**
Total recognised tax expense	**915.3**	**–347.3**
Reconciliation of effective tax rate		
Profit/loss before tax	–3,394.9	1,269.5
Tax in accordance with applicable tax rate for Parent Company	950.6	–355.5
Effect of other tax rates for foreign companies	–0.3	–
Tax on non-deductible costs	–55.2	–311.0
Tax on non-taxable income	10.0	320.1
Increase in loss carryforwards without corresponding capitalisation of deferred tax	–0.2	–1.4
Utilisation of non-capitalised loss carryforwards	3.0	–1.2
Tax attributable to earlier years	5.7	3.0
Changed tax rates	1.7	–
Other	–0.1	–1.3
Total tax on net profit for the year	**915.3**	**–347.3**
Applicable tax rate	28%	28%
Effective tax rate	27%	27%
Tax items recognised directly against shareholders' equity		
Deferred tax attributable to changed accounting principles	–	–
Revaluation of owner-occupied property	31.6	–33.8
Change in hedging reserve	3.7	–6.0
Financial assets available for sale	–	0.1
	35.3	**–39.7**

NOTE 19 EARNINGS PER SHARE

	Dec 31, 2008	Dec 31, 2007
Net profit/loss attributable to Parent Company's shareholders, SEK M	–2,478.7	922.2
Number of shares	6,297,583	6,297,583
Earnings per share before and after dilution, SEK	**–394**	**146**

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

NOTE 20 GOODWILL

In 2008, Länsförsäkringar Sak Försäkrings AB acquired two insurance companies, one specialising in group life assurance and one in group medical insurance. Acquired goodwill primarily comprises expected synergies. EFEL Livförsäkrings AB gave rise to goodwill of SEK 35 M. The insurance portfolio will be transferred to Länsförsäkringar Grupppliv AB, which conducts similar business activities. EFEL Skadeförsäkring AB has goodwill totalling SEK 144.4 M and will be merged with Länsförsäkringar Sak Försäkrings AB.

The amount of goodwill of SEK 164.8 M acquired in 2007 was attributable to Försäkringsaktiebolaget Agria's acquisition of the sales company PetPartners Plc. The company markets, sells and administers its own and other insurance advisors' insurance. The company is not an insurance advisor itself. The aim of the acquisition is to enable the establishment of Agria's animal insurance in the UK market. The goodwill comprises customer relations, products and know-how in the organisation. For more information, refer to Note 4 Acquisitions of operations.

Capitalised cost of goodwill

	2008	2007
Cost		
Opening cost, January 1	164.8	–
Adjustment of opening cost	29.0	–
Acquisition of operations for the year	179.4	164.8
Exchange-rate differences	–22.5	–
Closing cost, December 31	**350.6**	**164.8**
Carrying amount, December 31	**350.6**	**164.8**

No impairment losses have been recognised.

The value of goodwill was tested on December 31, 2008.

NOTE 21 OTHER INTANGIBLE ASSETS

Capitalised development and acquisition expenditure

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Cost				
Opening cost, January 1, 2007	486.9	43.3	29.0	559.1
Other receivables	–	1.0	–	1.0
Exchange-rate differences for the year	–	–	1.5	1.5
Acquisitions during the year	159.3	32.2	380.1	571.6
Closing cost, December 31, 2007	**646.1**	**76.5**	**410.5**	**1,133.2**
Opening cost, January 1, 2008	646.1	76.5	410.5	1,133.2
Other receivables	–11.0	–	–	–11.0
Exchange-rate differences for the year	–	–1.0	–24.6	–25.6
Acquisitions during the year	155.3	49.1	306.3	510.7
Closing cost, December 31, 2008	**790.5**	**124.6**	**692.3**	**1,607.4**

NOTE 21 OTHER INTANGIBLE ASSETS, cont.

Capitalised expenses	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
Amortisation				
Opening accumulated amortisation, January 1, 2007	–250.8	–10.2	–9.2	–270.2
Amortisation for the year	–40.2	–9.4	–48.1	–97.7
Closing accumulated amortisation December 31, 2007	**–291.0**	**–19.6**	**–57.3**	**–367.9**
Opening accumulated amortisation, January 1, 2008	–291.0	–19.6	–57.3	–367.9
Exchange-rate differences for the year	–	–	1.1	1.1
Amortisation for the year	–49.2	–18.3	–80.4	–147.9
Closing accumulated amortisation, December 31, 2008	**–340.2**	**–37.9**	**–136.5**	**–514.7**
Impairment				
Opening accumulated impairment losses, January 1, 2007	–65.8	–	–	–65.8
Impairment for divestments and scrapping	–	–0.1	–	–0.1
Closing accumulated impairment, December 31, 2007	**–65.8**	**–0.1**	**–**	**–65.9**
Opening accumulated impairment, January 1, 2008	–65.8	–	–	–65.8
Impairment for the year	–	–20.8	–	–20.8
Closing accumulated impairment, December 31, 2008	**–65.8**	**–20.9**	**–**	**–86.7**
Carrying amount, December 31				
2007	**289.3**	**56.8**	**353.3**	**699.4**
2008	**384.5**	**65.8**	**555.8**	**1,006.0**

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

NOTE 22 TANGIBLE ASSETS

	2008	2007
Cost		
Opening cost, January 1	477.7	445.3
Divestments/scrapping	–89.5	–35.0
Acquisitions during the year	37.0	67.3
Exchange-rate differences	–1.7	–
Closing cost, December 31	**423.5**	**477.7**
Amortisation		
Opening accumulated amortisation, January 1	–373.3	–365.9
Accumulated depreciation on acquisitions	–0.0	–1.4
Accumulated depreciation for divestments/scrapping	84.6	31.8
Depreciation for the year	–35.2	–37.8
Exchange-rate differences	1.2	–
Closing accumulated depreciation, December, 31	**–322.7**	**–373.4**
Carrying amount at year-end	**100.7**	**104.3**

No impairment losses have been recognised.

NOTE 23 OWNER-OCCUPIED PROPERTY

The Group applies the revaluation method to the Group's owner-occupied property. These valuations were performed by an external appraiser at the most recent year-end. Leisure homes with a carrying amount of SEK 3.8 M are valued internally. The cash-flow method is used in these valuations with a location-price analysis. Three leisure homes were sold in 2008.

	After revaluation Dec. 31, 2008	Before revaluation Dec. 31, 2008	After revaluation Dec. 31, 2007	Before revaluation Dec. 31, 2007
Cost	2,371.7	2,235.3	2,473.7	2,347.3
Accumulated depreciation	–166.5	–157.0	–110.7	–105.1
Carrying amount	2,205.2	2,078.4	2,363.0	2,242.2
Fair value		**2,205.2**		**2,363.0**

Reclassification to amortised cost

	Dec. 31, 2008	Dec. 31, 2007
Opening balance	2,363.0	2,291.0
Capitalised improvements	1.3	8.5
Impairment	–1.8	–
Depreciation for the year according to plan before revaluation	–51.9	–57.4
Revaluation of owner-occupied property	–103.7	120.8
Divestments	–1.7	–
Closing balance	2,205.2	2,363.0
Historical cost reduced by depreciation according to plan	2,004.3	2,054.9
Revaluation effect against revaluation reserve	–76.5	87.0
Tax assessment values	986.2	988.6

The Group has no borrowing costs for owner-occupied property. The reserve revaluation includes 73.7% of the revaluation that is attributable to the Parent Company's shareholders from January 1, 2006.

NOTE 24 SHARES IN LÄNSFÖRSÄKRINGAR LIV FÖRSÄKRINGSAKTIEBOLAG (PUBL)

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Share holders' equity	Profit	Carrying amount, Dec. 31, 2008	Carrying amount, Dec. 31, 2007
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	11,050.8	–30,126.0	514.5	461.2

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

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

NOTE 25 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Dec. 31, 2008	Dec. 31, 2007
Carrying amount at beginning of the year	17.4	26.9
Divestments of associated companies	–0.3	–
Reclassification	–	–2.1
Impairment	–	–6.0
Profit shares in the associated company	3.0	0.6
Other changes in the associated company's shareholders' equity	0.8	–2.1
	20.9	**17.4**

Accumulated impairment losses amount to SEK 3.8 M (6.0).

	Corporate Registration Number	Registered office	Number of shares	Share of equity %	Carrying amount, Dec. 31, 2008	Carrying amount, Dec. 31, 2007
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0.0	0.0
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	9.4	7.7
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Switzerland	12,331	16.7	10.2	8.2
Svenska Elitskon AB	556549-7012	Umeå	500	29.8	0.0	0.0
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.2	0.2
MIPS AB	556609-0162	Stockholm	–	–	–	0.0
Häst i Västerås AB	556687-6420	Västerås	250	25.0	0.0	0.0
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	45.0	1.1	1.3
Total					**20.9**	**17.4**

All shares and participations are unlisted.

Summary of financial information pertaining to associated companies

	2008	2007
Income	33.7	32.3
Profit	3.0	0.6
Assets	229.5	182.7
Liabilities	209.8	163.5
Shareholders' equity	19.7	19.1

The amounts presented above refer only to the Group's participating interest. The average exchange-rate for income and profit and the closing rate of exchange for other information were used in the calculation of the summary of financial information for foreign companies. All associated companies apply the calendar year as the fiscal year.

The reasons that the Group is considered to have a significant influence in the European Alliance Partners Company AG despite owning a participating interest of less than 20% are as follows.

The owner company is represented on the company's Board and thereby has the right (but not a duty) to participate in all decisions made in the company, including strategic issues and issues regarding guidelines, budget, business plans and similar matters. Furthermore, a large amount of information is exchanged with the company.

NOTE 26 INVESTMENT PROPERTY

	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value
Investment property per December 31, 2008	30.5	280.2	0.0%	2.9%	–112.4
Investment property per December 31, 2007	30.3	287.0	0.0%	–1.2%	–139.3

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

NOTE 26 INVESTMENT PROPERTY, cont.

Change in value for the period

	Cost		Fair value	
	2008	**2007**	**2008**	**2007**
Opening balance, January 1	30.3	30.3	287.0	262.0
Acquisitions	1.8	–	–	–
Additional investments in existing assets	4.7	–	–	–
Profit/loss from adjustments of fair value	–6.3	–	–6.8	25.0
Closing balance, December 31	30.5	30.3	280.2	287.0

	Dec. 31, 2008	**Dec. 31, 2007**
Tax assessment value	207.5	204.6

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

Similar to previous years, the properties were valued by an external independent surveyor. Fair value was calculated by applying the location-price method and a return-based cash-flow method. The cash-flow method is based on a calculation of the present value of future actual cash flows in the form of net surplus that is successively adapted to the market over ten years and the present value of the estimated residual value.

Due to the current turmoil in the financial markets, location prices have not been available to a normal extent. Instead, greater emphasis has been attached to the cash-flow method.

Impact on profit for the period

	2008	**2007**
Rental income	14.4	13.1
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	–6.9	–16.4

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

NOTE 27 LENDING

Lending to the public

	Dec. 31, 2008	**Dec. 31, 2007**
Loan receivables, gross	78,871.0	67,302.5
Impairment	–307.2	–262.5
Loan receivables, net	**78,563.8**	**67,040.0**
Doubtful loan receivables	254.6	176.1

Reconciliation of impairment of loan losses

	2008	**2007**
Opening balance, January 1	–262.5	–244.5
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	58.4	66.2
Reversed impairment of loan losses no longer required	67.5	64.9
Impairment of loan losses during the year	–254.0	–210.9
Payment pertaining to probable loan losses for the year	64.2	50.9
Value of collateral pertaining to probable loan losses for the year	19.3	10.9
Closing balance, December 31	**–307.2**	**–262.5**

Loan receivables are geographically attributable in their entirety to Sweden.

NOTE 28 FINANCIAL LEASING

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

Dec. 31, 2008	**Up to 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Gross investment	1,564.3	2,265.7	204.2	4,034.2
Present value of future minimum lease fees	1,399.1	2,136.0	203.6	3,738.7

Dec. 31, 2007	**Up to 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Gross investment	1,630.4	2,240.3	36.0	3,906.7
Present value of future minimum lease fees	1,441.6	2,090.7	32.1	3,564.5

	2008	**2007**
Unearned financial income	295.5	342.2
Provision for doubtful receivables pertaining to minimum lease fees	39.7	42.2
Variable portion of leasing fees included in net profit for the year	16.1	14.2

Financial leasing is included in lending to the public.

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

NOTE 29 SHARES AND PARTICIPATIONS

	Carrying amount Dec. 31, 2008	**Carrying amount Dec. 31, 2007**
Fair value in profit and loss		
Shares and participations	1,316.2	6,654.3
Specification of listed / unlisted		
Listed shares and participations	464.9	5,598.3
Unlisted shares and participations	851.3	1,056.0
	1,316.2	**6,654.3**

	Dec. 31, 2008	**Dec. 31, 2007**
Fair value	1,316.2	6,654.3
Cost	1,030.4	5,519.5

NOTE 30 BONDS AND OTHER INTEREST-BEARING SECURITIES

	Carrying amount Dec. 31, 2008	**Carrying amount Dec. 31, 2007**
Government bonds	5,044.9	11,993.8
Mortgage institutions	10,785.6	7,909.5
Other issuers	5,240.0	1,319.4
	21,070.4	**21,222.6**

All securities are listed.

	Dec. 31, 2008	**Dec. 31, 2007**
Fair value	21,050.5	21,222.6
Amortised cost	19,645.2	21,231.6
Par value	20,701.2	21,238.8

NOTE 31 DERIVATIVES

Derivatives not utilised in hedge accounting

	Fair values		Par values	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Derivative instruments with positive values or valued at zero				
Equity	0.2	370.7	234.4	12,166.7
Interest	1,029.8	412.6	33,524.3	24,183.0
Currency	1,728.2	417.5	15,396.8	18,570.8
Other	3.4	–	1,650.0	–
	2,761.6	**1,200.7**	**50,805.5**	**54,920.5**
Cost	–	328.5		
Derivative instruments with negative values				
Equity	0.0	205.7	503.9	10,465.0
Interest	1,507.5	295.3	34,976.0	24,156.7
Currency	494.0	105.2	9,064.9	9,464.8
	2,001.5	**606.2**	**44,544.7**	**44,086.5**

NOTE 32 FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGE OF INTEREST-RATE RISK

	Dec. 31, 2008	Dec. 31, 2007
Assets		
Carrying amount at beginning of year	–247.7	–101.4
Changes during the year	1,379.6	–146.3
Carrying amount at year-end	**1,131.9**	**–247.7**
Liabilities		
Carrying amount at beginning of year	–215.5	–45.6
Changes during the year	1,240.0	–169.9
Carrying amount at year-end	**1,024.6**	**–215.5**

NOTE 33 OTHER RECEIVABLES

	Dec. 31, 2008	Dec. 31, 2007
Receivables, direct insurance	639.4	407.1
Receivables, reinsurance	279.7	356.6
Deposits with companies that have ceded reinsurance	59.3	36.7
Accounts receivable	362.1	397.8
Other receivables	628.6	1,443.5
Total other receivables/assets	**1,969.1**	**2,641.7**

NOTE 34 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2008	Dec. 31, 2007
Accrued interest and rental income	936.0	697.2
Prepaid costs	78.1	56.9
Other accrued income	99.2	72.5
Other prepaid expenses	116.8	179.4
Total prepaid expenses and accrued income	**1,230.1**	**1,005.9**

NOTE 35 CASH AND BANK BALANCES

	Dec. 31, 2008	Dec. 31, 2007
Cash and central bank account balances	81.3	71.5
Balances with other banks	11,461.4	6,844.3
Total balance	**11,542.7**	**6,915.8**

For information regarding the Länsförsäkringar AB Group's cash and cash equivalents refer to the consolidated cash-flow statement.

NOTE 36 SHAREHOLDERS' EQUITY

	Shareholders' equity attributable to the Parent Company's shareholders					
	Restricted shareholders' equity		Non-restricted shareholders' equity			
	Share capital	Restricted reserves	including net profit for the year	Total	Minority interests	Total share-holders' equity
Opening shareholders' equity, January 1, 2007	629.8	6,210.9	2,753.6	9,594.3	0.0	9,594.3
Change in translation reserve			–3.1	–3.1		–3.1
Revaluation of owner-occupied property			120.8	120.8		120.8
Change in value of financial instruments			20.9	20.9		41.8
Tax on items recognised against shareholders' equity			–39.7	–39.7		–39.7
Transfer between restricted and non-restricted shareholders' equity		–1,320.0	1,320.0			
Net profit for the year			922.2	922.2		922.2
Dividend at SEK 38 per share			–239.3	–239.3		–239.3
Closing shareholders' equity, December 31, 2007	**629.8**	**4,890.9**	**4,855.5**	**10,376.1**	**0.0**	**10,376.1**
Opening shareholders' equity, January 1, 2008	629.8	4,890.9	4,855.5	10,376.1	0.0	10,376.1
Adjustment for changed accounting principle			–38.5	–38.5		–38.5
Adjusted shareholders' equity January 1, 2008	629.8	4,890.9	4,817.0	10,337.6	0.0	10,337.7
Change in translation reserve		–36.3	–10.8	–47.1		–47.1
Revaluation of owner-occupied property			–103.7	–103.7		–103.7
Change in value of financial instruments			5.9	5.9		5.9
Tax on items recognised against shareholders' equity			30.2	30.2		30.2
Transfer between restricted and non-restricted shareholders' equity		107.7	–107.7			
Net loss for the year			–2,479.6	–2,479.6		–2,479.6
Acquisition of minorities					0.0	0.0
Dividend at SEK 44 per share			–277.1	–277.1		–277.1
Closing shareholders' equity, December 31, 2008	**629.8**	**4,962.2**	**1,874.2**	**7,466.2**	**–**	**7,466.2**

NOTE 36 SHAREHOLDERS' EQUITY, cont.

Share capital

	2008	2007
Number of shares with a quotient value of SEK 100	6,297,583	6,297,583

All shares are ordinary shares.

Specification of the capital item "reserves" in the balance sheet

	2008	2007
Revaluation reserve		
Opening revaluation reserve, January 1	206.1	119.1
Revaluation of owner-occupied property	–103.7	120.8
Tax attributable to revaluation for the year	29.0	–33.8
Tax due to changed tax rate	3.1	–
Closing revaluation reserve, December 31	134.5	206.1
Hedging reserve		
Opening hedging reserve, January 1	–14.8	–30.2
Change in hedging reserve for the year	20.5	21.4
Tax attributable to change for the year	–5.7	–6.0
Closing hedging reserve, December 31	**0.0**	**–14.8**
Fair value reserve		
Opening fair value reserve, January 1	–0.4	–
Change in fair value reserve for the year	–14.6	–0.5
Tax attributable to change for the year	4.1	0.1
Tax attributable to change for the year	–0.3	–
Closing fair value reserve, December 31	**–11.1**	**–0.4**
Translation reserve		
Opening translation reserve, January 1	–2.9	0.2
Translation differences for the year	–47.2	–3.1
Closing translation reserve, December 31	**–50.1**	**–2.9**

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

Statutory reserve
The statutory reserve remains restricted shareholders' equity but no new transfers to the statutory reserve are required. The statutory reserve also includes amounts that were added to the share premium reserve prior to January 1, 2006.

Restricted reserves
Restricted reserves may not be reduced through profit distribution. Other restricted reserves are included in profit brought forward in the table of changes in consolidated shareholders' equity.

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

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

Fair value reserve
The fair value reserve comprises the accumulated net change in fair value of financial assets available for sale until the asset is eliminated from the balance sheet.

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

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

Profit brought forward including net profit for the year
Profit brought forward including net profit for the year includes profits in the Parent Company, subsidiaries and associated companies. From 2007, the item also includes the unrealised gains in insurance companies that were previously recognised in the Reserve for unrealised gains.

Dividends
It is proposed that no dividends be distributed in 2009. In 2008, dividends were paid in the amount of SEK 44 per share, totalling SEK 277.1 M.

All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the shareholders in the form of dividends. Normally, 30% of net profit for the year after tax in the Group shall be paid on the condition that the balance between capital strength and risk-taking can be maintained.

NOTE 37 SUBORDINATED DEBT

	Dec. 31, 2008	Dec. 31, 2007
Subordinated debt	114.0	114.0

The terms of the subordinated loan are fixed until December 15, 2011. The interest on the loan corresponds to the interest on government bonds on December 15, 2006 with a corresponding maturity, plus 0.65% (0.65). The interest rate during the year was 4.361% (4.361). If the corresponding interest rate for a government bond on June 15, 2009 has changed by 50 bp or above, the interest rate will be adjusted for the remaining term.

NOTE 38 TECHNICAL RESERVES

	2008			2007		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance, January 1	962.5	76.3	886.2	880.1	113.9	766.2
Provisions during the period	166.5	78.4	88.1	46.1	–37.7	83.8
Insurance portfolio taken over	129.0		129.0	36.2		36.2
Exchange-rate changes	1.2	0.4	0.8	0.1	0.1	0.0
Closing balance, December 31	**1,259.2**	**155.1**	**1,104.1**	**962.5**	**76.3**	**886.2**
of which non-life insurance	1,255.5	155.1	1,100.4	958.8	76.3	882.6
of which life assurance	3.6		3.6	3.6		3.6
Unexpired risk						
Opening balance, January 1	1.4		1.4	3.2		3.2
Provisions during the period	29.0		29.0	–1.8		–1.8
Exchange-rate changes	0.7		0.7			
Closing balance, December 31	**31.1**		**31.1**	**1.4**		**1.4**
of which non-life insurance	31.1		31.1	1.4		1.4
Claims outstanding						
Claims incurred and reported	10,847.6	3,168.5	7,679.0	10,145.2	2,402.1	7,743.1
Claims incurred and not reported	3,839.6	2,443.4	1,396.2	3,185.6	2,068.7	1,116.9
Claims annuities	3,212.0		3,212.0	3,056.8		3,056.8
Claims adjustment costs	561.7	8.7	553.0	590.9	9.9	581.0
Total opening balance, January 1	**18,460.8**	**5,620.6**	**12,840.1**	**16,978.4**	**4,480.7**	**12,497.7**
Provisions for the period	–304.5	62.0	–366.4	831.5	1,143.1	–311.6
Change in shareholders' equity	38.5		38.5			
Insurance portfolio taken over	481.3		481.3	656.7		656.7
Exchange-rate changes	138.0	51.6	86.4	–5.8	–3.2	–2.7
Total closing balance, December 31	**18,814.1**	**5,734.2**	**13,079.9**	**18,460.8**	**5,620.6**	**12,840.1**
of which non-life insurance	18,595.3	5,725.7	12,869.6	18,283.2	5,615.0	12,668.2
of which life assurance	218.8	8.4	210.4	177.5	5.6	171.9
Specification of closing balance claims outstanding						
Claims incurred and reported	10,304.6	2,744.8	7,559.8	10,768.7	3,168.5	7,600.2
Claims incurred and not reported	4,605.5	2,980.5	1,625.0	3,918.5	2,443.4	1,475.0
Claims annuities	3,428.0		3,428.0	3,212.0		3,212.0
Claims adjustment costs	476.0	8.9	467.1	561.7	8.7	553.0
Total closing balance, December 31	**18,814.1**	**5,734.2**	**13,079.9**	**18,460.8**	**5,620.6**	**12,840.1**
Carrying amount at year-end	**20,104.4**	**5,889.2**	**14,215.1**	**19,424.7**	**5,696.9**	**13,727.7**
of which non-life insurance	19,881.9	5,880.8	14,001.1	19,243.5	5,691.3	13,552.2
of which life assurance	222.4	8.4	214.0	181.2	5.6	175.6
Run-off profit/loss, non-life insurance	**153.8**	**130.8**	**284.6**	**177.1**	**–19.3**	**157.8**

NOTE 39 DEFERRED TAX ASSETS AND TAX LIABILITIES

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

	Net		Liabilities		Assets	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Intangible assets	112.2	–	112.2	–	–	–
Land and buildings	290.0	335.5	290.0	335.5	–	–
Other financial investment assets	67.7	269.3	67.7	275.7	–	–6.4
Total assets	–16.3	–0.6	–	–	–16.3	–0.6
Liabilities	–92.6	–62.7	–	–8.3	–92.6	–54.3
Utilisation of loss carryforwards	–519.5	–1.1	–	–	–519.5	–1.1
Untaxed reserves	485.7	621.4	485.7	621.4	–	–
Deferred tax assets (–) /deferred tax liabilities (+)	**327.1**	**1,161.7**	**955.6**	**1,224.2**	**–628.4**	**–62.5**
Offset	–	–	–27.6	–48.6	27.6	48.6
Net deferred tax assets (–) /deferred tax liabilities (+)	**327.1**	**1,161.7**	**928.0**	**1,175.6**	**–600.8**	**–13.9**

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

Change in deferred tax in temporary differences and loss carryforwards

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

Change in deferred tax in temporary differences and loss carryforwards

2007	Amount at Jan. 1	Tax on acquisitions	Recognised in profit and loss	Recognised directly against shareholders' equity	Amount at Dec. 31
Land and buildings	224.2		77.4	33.8	335.4
Other financial investment assets	657.7		–393.0	4.6	269.3
Receivables	0.8		–0.6	–0.1	0.0
Other assets	13.5		–14.1	–	–0.6
Liabilities	–26.5		–32.9	–3.3	–62.7
Utilisation of loss carryforwards	–368.8		367.6	–	–1.2
Untaxed reserves	503.4		118.0	–	621.4
Deferred tax assets (–) /deferred tax liabilities (+)	**1,004.3**		**122.4**	**35.0**	**1,161.7**

NOTE 40 OTHER PROVISIONS

	Dec. 31, 2008	Dec. 31, 2007
Provision for pensions being paid	28.5	48.4
Provisions for early retirement in accordance with pension agreement	62.7	50.7
Provision for contractual obligations	172.1	167.0
Other provisions	161.7	17.3
	425.1	**283.4**

Provision for contractual obligations

Carrying amount at beginning of period	167.0	143.4
Provisions made during the period	32.0	25.0
Amounts utilised during the period	–25.0	–1.0
Unutilised amount reversed during the period	–1.9	–0.4
Carrying amount at end of period	**172.1**	**167.0**

Defined-benefit pension plans

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

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities.

In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	Dec. 31, 2008	Dec. 31, 2007
Present value of wholly or partly funded commitments	41.0	15.2
Fair value of plan assets	–23.0	–23.9
Present value of unfunded commitments	50.9	98.6
Present value of net commitments	**68.9**	**89.9**
Unrecognised accumulated actuarial gains (+) and losses (–)	13.9	6.5
Net amount recognised pertaining to defined-benefit plans in the balance sheet	**82.8**	**96.4**
The net amount is recognised in the following items in the balance sheet:		
Other provisions	91.3	104.8
Other receivables	–8.5	–8.4
	82.8	**96.4**

	2008	2007
Change in net liability recognised in the balance sheet:		
Opening liability, January 1	96.4	95.0
Pension costs for the year according to specification below	5.6	7.1
Paid remuneration	–18.5	–7.8
Paid remuneration (reimbursement)	–0.7	2.1
Closing net, December 31 according to the balance sheet	**82.8**	**96.4**
Total changes in present value of defined-benefit plans		
Commitments for defined-benefit plans, January 1	113.8	118.0
Costs for service during current period	3.2	3.8
Interest expense	4.0	4.3
Paid remuneration	–21.3	–7.7
Actuarial gains (–) and losses (+)	–7.6	–4.6
Total commitments for defined-benefit plans, December 31	**92.2**	**113.8**
Change in fair value of plan assets		
Fair value of plan assets, January 1	23.9	24.3
Paid remuneration (reimbursement)	–1.3	–2.0
Expected return on plan assets	1.6	1.0
Difference between expected and actual return (actuarial gains/losses)	1.2	0.6
Fair value of plan assets, December 31	**23.0**	**23.9**
Composition of plan assets		
Participations in fixed-income funds	21.8	20.9
Cash and bank balances	3.3	3.1
Other assets	6.0	6.5
Liabilities	–8.1	–6.6
Total	**23.0**	**23.9**
Costs recognised in profit and loss:		
Costs for service during current period	3.2	3.8
Costs for service during prior periods	–	2.1
Interest expense	4.0	2.2
Expected return on plan assets	–1.6	–1.0
Recognised actuarial gains (–) and losses (+)	–	0.0
Effects of reductions and settlements	–	0.0
Total net expenses in the income statement	**5.6**	**7.1**
Costs are recognised in the following lines in the income statement:		
Personnel costs	5.6	7.1
Significant calculation assumptions on December 31		
Discount rate	2.4%	4.2%
Expected return on plan assets	6.0%	4.3%
Expected rate of salary increase	3.5%	2.6%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%

	2008	2007	2006
Historic information:			
Present value of defined-benefit commitments	92.2	113.8	118.0
Fair value of plan assets	–23.0	–23.9	–24.3
Surplus/Deficit in the plan	69.1	89.9	93.7
Experience-based adjustment pertaining to plan assets	0.0	1.3	–0.4
Experience-based adjustment pertaining to defined-benefit commitments	13.0	1.4	–1.4

Defined-contribution pension plans

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

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

	2008	2007
Expenses for defined-contribution plans	181.3	168.1

NOTE 41 SECURITIES ISSUED

	Dec. 31, 2008	Dec. 31, 2007
Commercial papers	5,082.6	6,557.9
Bond loans	43,302.0	42,041.6
Cashier's cheques issued	93.5	216.0
	48,478.1	**48,815.5**

NOTE 42 DEPOSITS AND BORROWING FROM THE PUBLIC

	Dec. 31, 2008	Dec. 31, 2007
Deposits from insurance companies	3,584.8	3,412.6
Deposits from households	28,844.0	24,308.5
Deposits from other Swedish public	2,194.9	1,629.6
	34,623.7	**29,350.7**

NOTE 43 LIABILITIES TO CREDIT INSTITUTIONS

	Dec. 31, 2008	Dec. 31, 2007
Riksbank	8,501.4	343.0
Other Swedish credit institutions	611.2	364.2
	9,112.6	**707.2**

NOTE 44 OTHER LIABILITIES

	Dec. 31, 2008	Dec. 31, 2007
Liabilities, direct insurance	693.3	365.5
Liabilities, reinsurance	338.9	428.6
Deposits from reinsurers	50.5	52.1
Accounts payable	241.9	188.4
Interest-bearing liabilities to regional insurance companies	1,700.0	–
Other liabilities	672.9	2,194.4
Total other liabilities	**3,697.4**	**3,228.9**

NOTE 45 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2008	Dec. 31, 2007
Prepaid rent	39.7	–
Accrued interest expense	1,559.3	1,148.0
Other deferred income	309.4	407.4
Other accrued expenses	668.6	593.1
Total accrued expenses and deferred income	**2,577.1**	**2,148.6**

NOTE 46 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Dec. 31, 2008	Dec. 31, 2007
Pledged assets		
Lien for own property, par value	115.5	114.7
Total registered investment assets on behalf of policyholders	14,104.1	13,802.2
of which pertain to preferential commitments	3,427.3	3,212.0
Bonds	13,152.3	2,450.9
Equities	–	165.5
Bank balances	70.5	24.0
	27,326.9	**16,557.4**
Contingent liabilities		
Guarantees	41.8	44.8
Surety	7.8	12.0
Partnership in Länsförsäkringsbolagens Fastighets HB Humlegården	–	0.7
Early retirement at age 62 in accordance with pension agreement, 80%	206.4	275.3
	256.0	**417.2**
Other commitments, banking operations		
Loans and credits approved but not disbursed	597.1	457.2
Unutilised portion of credits	1,492.4	1,428.9
Exchange-rate related contracts	–	9,361.9
Interest-rate swaps	–	44,772.5
Card loans approved but not utilised	707.3	–
Commitments, repurchase transactions	352.9	–
	3,149.7	**56,020.6**

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

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

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

	Dec. 31, 2008			Dec. 31, 2007		
Amount expected to be recovered, SEK M	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Assets						
Goodwill	–	350.6	350.6	–	164.8	164.8
Other intangible assets	177.7	828.4	1006.0	94.6	604.8	699.4
Deferred tax assets	306.6	294.1	600.8	–	13.9	13.9
Tangible assets	32.8	67.9	100.7	35.5	68.8	104.3
Owner-occupied property	–	2,205.2	2,205.2	–	2,363.0	2,363.0
Shares in Länsförsäkringar Liv Försäkrings AB	–	514.5	514.5	–	461.2	461.2
Shares and participations in associated companies	–	20.9	20.9	–	17.4	17.4
Reinsurers' portion of technical reserves	3,466.4	2,422.9	5,889.2	3,361.1	2,335.8	5,696.9
Investment property	–	280.2	280.2	–	287.0	287.0
Lending	3,095.4	75,468.3	78,563.7	1,765.2	65,274.8	67,040.0
Change in value of hedge portfolios	–	1,131.9	1,131.9	–	–247.7	–247.7
Shares and participations	–	1,316.2	1,316.2	–	6,654.3	6,654.3
Bonds and other interest-bearing securities	9,824.0	11,246.4	21,070.4	12,767.2	8,455.4	21,222.6
Derivatives	523.3	2,238.3	2,761.6	436.3	764.4	1,200.7
Other receivables	1,804.5	164.6	1,969.1	2,592.1	49.6	2,641.7
Prepaid expenses and accrued income	1,230.1	–	1,230.1	1,005.9	–	1,005.9
Cash and bank balances	11,542.7	–	11,542.7	6,915.8	–	6,915.8
Total assets	**32,003.5**	**98,550.3**	**130,553.8**	**28,973.8**	**87,267.5**	**116,241.2**

	Dec. 31, 2008			Dec. 31, 2007		
Amount expected to be settled, SEK M	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Provisions and liabilities						
Subordinated debt	–	114.0	114.0	–	114.0	114.0
Technical reserves	7,307.1	12,797.3	20,104.4	7,055.1	12,369.6	19,424.7
Deferred tax liabilities	–	927.8	927.8	–	1,175.6	1,175.6
Other provisions	52.3	372.8	425.1	65.5	217.9	283.4
Securities issued	13,199.5	35,278.6	48,478.1	17,614.8	31,200.8	48,815.5
Deposits from the public	1,897.8	32,725.8	34,623.7	1,232.6	28,118.1	29,350.7
Liabilities to credit institutions	9,112.6	–	9,112.6	707.2	–	707.2
Derivatives recognised as liabilities	648.1	1,353.4	2,001.5	225.7	380.5	606.2
Change in value of hedge portfolios	–	1,024.6	1,024.6	–	–215.5	–215.5
Current tax liabilities	1.5	–	1.5	225.8	–	225.8
Other liabilities	1,809.8	1,887.7	3,697.5	3,189.3	39.7	3,228.9
Accrued expenses and deferred income	2,577.1	–	2,577.1	2,148.6	–	2,148.6
Total provisions and liabilities	**36,605.7**	**86,482.1**	**123,087.7**	**32,464.5**	**73,400.6**	**105,865.1**

NOTE 48 ASSETS AND LIABILITIES BY CATEGORY

Dec. 31, 2008	Loan receivables and accounts receivable	Financial assets measured at fair value through profit and loss: Financial assets valued according to fair value option	Financial assets measured at fair value through profit and loss: Held for trading	Derivatives used in hedge accounting	Financial assets available for sale	Non-financial assets	Total	Fair value
Assets								
Goodwill						350.6	350.6	
Other intangible assets						1,006.0	1,006.0	
Deferred tax assets						600.8	600.8	
Tangible assets						100.7	100.7	
Owner-occupied property						2,205.2	2,205.2	
Shares in Länsförsäkringar Liv Försäkrings AB					514.5		514.5	514.5
Shares and participations in associated companies						20.9	20.9	
Reinsurers' portion of technical reserves						5,889.2	5,889.2	
Investment property						280.2	280.2	
Lending	78,563.8						78,563.8	79,886.0
Shares and participations		1,305.4			10.8		1,316.2	1,316.2
Bonds and other interest-bearing securities		11,764.4			9,306.0		21,070.4	21,070.4
Derivatives			1,304.8	1,456.8			2,761.6	2,761.6
Change in value of hedge portfolios	1,131.9						1,131.9	1,131.9
Other receivables	362.1					1,607.0	1,969.1	
Prepaid expenses and accrued income	44.3	173.8	2.6	620.1	95.3	294.0	1,230.1	
Cash and bank balances	11,542.7						11,542.7	11,542.7
Total assets	**91,644.7**	**13,243.7**	**1,307.4**	**2,076.9**	**9,926.6**	**12,354.7**	**130,554.0**	

	Financial liabilities measured at fair value through profit and loss: Held for trading	Financial liabilities measured at fair value through profit and loss: Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities						
Subordinated debt			114.0		114.0	114.0
Technical reserves				20,104.4	20,104.4	
Deferred tax liabilities				927.9	927.9	
Other provisions				425.1	425.1	
Securities issued			48,478.1		48,478.1	50,883.3
Deposits from the public			34,623.7		34,623.7	35,271.4
Liabilities to credit institutions			9,112.6		9,112.6	9,112.6
Derivatives recognised as liabilities	548.6	1,452.9			2,001.5	2,001.5
Change in value of hedge portfolios			1,024.6		1,024.6	1,024.6
Current tax liabilities				1.5	1.5	
Other liabilities			241.9	3,455.5	3,697.4	
Accrued expenses and deferred income	1.6	660.4	897.4	1,017.8	2,577.1	
Total liabilities	**550.2**	**2,113.3**	**94,492.2**	**25,932.2**	**123,087.9**	

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

Dec. 31, 2007	Loan receivables and accounts receivable	Financial assets measured at fair value through profit and loss: Financial assets valued according to fair value option	Financial assets measured at fair value through profit and loss: Held for trading	Derivatives used in hedge accounting	Financial assets available for sale	Non-financial assets	Total	Fair value
Assets								
Goodwill						164.8	164.8	
Other intangible assets						699.4	699.4	
Deferred tax assets						13.9	13.9	
Tangible assets						104.3	104.3	
Owner-occupied property						2,363.0	2,363.0	
Shares in Länsförsäkringar Liv Försäkrings AB					461.2		461.2	461.2
Shares and participations in associated companies						17.4	17.4	
Reinsurers' portion of technical reserves						5,696.9	5,696.9	
Investment property						287.0	287.0	
Lending	67,040.0						67,040.0	67,161.7
Shares and participations		6,643.2			11.1		6,654.3	6,654.3
Bonds and other interest-bearing securities		19,725.8			1,496.8		21,222.6	21,222.6
Derivatives			811.9	388.9			1,200.7	1,200.7
Change in value of hedge portfolios	–247.7						–247.7	–247.7
Other receivables	404.8					2,236.9	2,641.7	
Prepaid expenses and accrued income	60.6	140.6		482.3	13.7	308.7	1,005.9	
Cash and bank balances	6,915.8						6,915.8	6,915.8
Total assets	**74,173.6**	**26,509.6**	**811.9**	**871.2**	**1,982.8**	**11,892.3**	**116,241.2**	

	Financial liabilities measured at fair value through profit and loss: Held for trading	Financial liabilities measured at fair value through profit and loss: Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities						
Subordinated debt			114.0		114.0	114.0
Technical reserves				19,424.7	19,424.7	
Deferred tax liabilities				1,175.6	1,175.6	
Other provisions				283.4	283.4	
Securities issued			48,815.5		48,815.5	48,459.8
Deposits from the public			29,350.7		29,350.7	30,361.9
Liabilities to credit institutions			707.2		707.2	707.2
Derivatives recognised as liabilities	335.8	270.4			606.2	606.2
Change in value of hedge portfolios			–215.5		–215.5	–215.5
Current tax liabilities				225.8	225.8	
Other liabilities			188.4	3,040.5	3,228.9	
Accrued expenses and deferred income		429.0	719.0	1,000.6	2,148.6	
Total liabilities	**335.8**	**699.4**	**79,679.1**	**25,150.4**	**105,864.8**	

NOTE 49 VALUATION METHODS FOR FAIR VALUE

Determination of fair value through published price quotations or valuation techniques

Dec. 31, 2008	Instruments with published price quotations	Valuation techniques based on observable market prices	Valuation techniques based on unobservable market prices	Total
Assets				
Shares and participations	464.9	827.8	23.5	1,316.2
Bonds and other interest-bearing securities	21,070.4	–	–	21,070.4
Derivatives	0.5	2,761.1	–	2,761.6
Liabilities				
Derivatives recognised as liabilities	–	2,001.5	–	2,001.5

Dec. 31, 2007	Instruments with published price quotations	Valuation techniques based on observable market prices	Valuation techniques based on unobservable market prices	Total
Assets				
Shares and participations	5,598.3	1,042.6	13.4	6,654.3
Bonds and other interest-bearing securities	21,222.6	–	–	21,222.6
Derivatives	0.3	1,200.4	–	1,200.7
Liabilities				
Derivatives recognised as liabilities	0.1	606.1	–	606.2

NOTE 50 RELATED-PARTY TRANSACTIONS

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

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

Principles for transactions

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

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

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

Pricing

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

Committees

There are a number of Service Committees within the Länsförsäkringar AB Group whose task is to deal with all intra-Group transactions involving various goods and services. The committees discuss the service levels and costs for all goods and services. Based on these discussions, the internal supplier develops a budget and price list for the year ahead.

Decisions

The Group management within the Länsförsäkringar AB Group, in conjunction with the annual business planning, decides on the respective Group unit's or service centre's price list for goods and services

Documentation

Internal transactions are documented annually in accordance with the prevailing agreement instructions.

Related-party transactions in the Group 2008

Regional insurance companies and local insurance companies

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

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

Länsförsäkringar Mäklarservice AB

Länsförsäkringar Mäklarservice AB is jointly owned by the regional insurance companies and Länsförsäkringar Sak. The company mediates the Länsförsäkringar AB Group's insurance products through a number of regional broker desks.

Länsförsäkringar Liv Försäkrings AB

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

In 2007, Länsförsäkringar Sak and its subsidiary Länsförsäkringar Grupplivförsäkrings AB took over an insurance portfolio from Länsförsäkringar Liv Försäkrings AB. The transfer pertains to an insurance portfolio of medical and accident insurance to Länsförsäkringar Sak and an insurance portfolio of group life assurance and employment group life assurance to Länsförsäkringar Grupplivförsäkrings AB. The total purchase consideration for the portfolio transfer amounted to SEK 240 M.

The Länsförsäkringar AB Group also has commission agreements for mediated fund transactions with the Länsförsäkringar Liv Group. Länsförsäkringar Liv Försäkrings AB purchases IT services from the Länsförsäkringar AB Group.

Related-party transactions 2008

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

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

Interest income and interest expense from related parties 2008

	Interest income	Interest expense
Regional insurance companies	11.3	85.4

NOTE 50 RELATED-PARTY TRANSACTIONS, cont.

Related-party transactions 2007

	Sales/ income	Purchases/ expenses	Receivables	Liabilities
Associated companies	0.0	256.0	0.0	–
Länsförsäkringar Liv Group	485.6	9.7	577.6	40.9
Owners				
Regional insurance companies	1,300.6	572.7	4,515.3	8,040.2
Other related parties				
Länsförsäkringar Mäklarservice AB, Länshem Fastighetsförmedling AB	20.4	4.5	2.2	–

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

Interest income and interest expense from related parties 2007

	Interest income	Interest expense
Associated companies	–	11.8
Regional insurance companies	1.7	58.3

The Länsförsäkringar AB Group's agreements with related parties

Agreement	Counterparty	Date
Framework IT agreement regarding appendices for production, life-cycle management, orders, projects and assignments	Länsförsäkringar Liv AB	2004
Agreement regarding commission for mediated fund transactions	Länsförsäkringar Fondliv AB	2005
Commission and outsourcing agreement regarding customer-related work in banking and fund operations insurance companies	24 regional insurance companies	2005
Agreement regarding commission for mediation of insurance products	24 regional insurance companies	2006
Management agreement Utile Dulci 2 HB	Humlegården Fastigheter AB	2007
Sales agreement	Länsförsäkringar Mäklarservice AB	2008
Claims adjustment agreement	24 regional insurance companies	2008

Transactions between the Länsförsäkringar AB Group and its Board and management
For information regarding remuneration to closely related key persons such as Board members and senior executives refer to Note 13 Employees, personnel costs and remuneration to senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

For the Länsförsäkringar Liv Group transactions with related parties, refer to the Länsförsäkringar Liv Försäkringsaktiebolag's 2008 Annual Report.

NOTE 51 GROUP COMPANIES

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in % Dec. 31, 2008	Dec. 31, 2007
Länsförsäkringar IT Center AB	Sweden	100	100
LF Gruppen AB, dormant	Sweden	100	100
Länsförsäkringar Bank AB (publ)	Sweden	100	100
Länsförsäkringar Fondförvaltning AB (publ)	Sweden	100	100
Länsförsäkringar Hypotek AB	Sweden	100	100
Wasa Kredit AB	Sweden	100	100
Länsförsäkringar Sak Försäkrings AB (publ)	Sweden	100	100
Länsförsäkringar International AB	Sweden	100	100
Länsförsäkringar International Försäkrings AB	Sweden	100	–
Länsförsäkringar Grupplivförsäkrings AB	Sweden	100	100
Lita Försäkringsvarumärken AB, dormant	Sweden	100	75
LF Sak Fastighets AB	Sweden	100	100
Utile Dulci 2 HB	Sweden	100	100
Försäkringsaktiebolaget Agria (publ)	Sweden	100	100
Agria International Försäkrings AB	Sweden	100	100
PetPartners Plc	UK	100	100
Agera Djurägandeutveckling AB	Sweden	100	100
Vetcare AB	Sweden	–	100
Västerorts Djursjukhus AB	Sweden	–	100
Wasa Försäkring Run-Off AB	Sweden	100	100
Wasa International Försäkrings AB	Sweden	100	100
Återförsäkrings AB Stockholm	Sweden	100	100
Länsförsäkringar EFEL Skadeförsäkring AB	Sweden	100	–
Länsförsäkringar EFEL Livförsäkring AB	Sweden	100	–

Länsförsäkringar Liv is no longer classified as a Group company.

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

NOTE 52 SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT

	2008	2007
Interest paid and dividends received		
Dividends received	141.9	115.1
Interest received	488.4	559.7
Interest paid	–228.4	–338.0
Adjustment of non-cash items		
Depreciation/amortisation and impairment of assets	256.6	134.3
Unrealised exchange-rate differences	980.4	1,096.3
Capital gains and losses in assets	2,869.1	–2,103.4
Technical reserves after ceded reinsurance	487.4	462.1
Pension provisions	39.8	18.9
Other provisions	101.7	0.2
Other items not affecting liquidity	6.5	–6.1
	4,741.4	**–397.7**

NOTE 52 SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT, cont.

Acquisition of subsidiaries and other business units

	2008	2007
Acquired assets and liabilities		
Goodwill	179.4	164.8
Intangible assets	319.6	140.1
Tangible assets	–	5.0
Operating receivables	–	68.9
Investment assets	406.3	–
Cash and cash equivalents	113.8	20.3
Total assets	**1,019.2**	**399.1**
Deferred tax	–85.8	–
Technical reserves	–398.6	–
Operating liabilities	–9.8	–65.8
Total liabilities and provisions	**–494.2**	**–65.8**
Purchase consideration paid	525.1	333.2
Less acquired cash and cash equivalents	–113.8	–20.3
Impact on cash and cash equivalents	411.3	312.9
Cash and cash equivalents		
Cash and bank balances	11,542.4	6,915.8

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

NOTE 53 EVENTS AFTER BALANCE-SHEET DATE

Länsförsäkringar AB has a new organisation from January 1, 2009, comprising the three business units – Non-life insurance, Life assurance and Banking – and the three support units, Development, IT and Service. This change has meant that the number of personnel has been reduced by approximately 250. As a result, it has been decided that one of the owner-occupied properties be converted for an amount of SEK 214 M.

NOTE 54 SIGNIFICANT ESTIMATES AND ASSESSMENTS

The company management has discussed the performance, selection and disclosures relating to the Group's significant accounting principles and estimates, and the application of these principles and estimates. Significant assessments utilised in the application of the company's accounting principles are described below.

The mutual funds that were established by and are more than 50% owned by the Länsförsäkringar AB Group are included in the consolidated financial statements in accordance with IFRS. No holdings of this size existed in the annual accounts for 2008.

Länsförsäkringar AB's holding in Länsförsäkringar Liv is not classified as a holding in a subsidiary in accordance with the definition in IAS 27 and, accordingly, is not consolidated. Länsförsäkringar AB's investments in Länsförsäkringar Liv are recognised in accordance with IAS 39 regarding the recognition and valuation of unlisted shares.

Loan losses are primarily assessed at the group-wise level because the loans do not amount to significant amounts individually. The group-wise valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.

NOTE 55 INFORMATION REGARDING THE PARENT COMPANY

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

The address of the office is

Tegeluddsvägen 11–13
SE-106 50 Stockholm

The consolidated financial statements 2008 comprise the Parent Company and its subsidiaries. The Länsförsäkringar AB Group also included participations owned in associated companies.

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

Contents

Income statement for the Parent Company

SEK M	Note	2008	2007
Net sales	3	1,359.3	1,181.1
Operating expenses			
External expenses	4, 5, 6	–1,259.3	–1,087.4
Personnel costs	7	–387.0	–301.8
Depreciation/amortisation and impairment of tangible and intangible assets	12,13	–55.8	–33.1
Operating loss		**–342.8**	**–241.2**
Profit from financial items			
Profit from participations in Group companies	8	480.3	309.6
Interest income and similar profit/loss items	9	226.1	350.5
Interest expense and similar profit/loss items	10	–499.7	–301.2
Profit after financial items		**–136.2**	**117.7**
Tax on net profit for the year	11	128.7	51.6
Net profit/loss for the year		**–7.5**	**169.3**

Balance sheet for the Parent Company

SEK M	Note	Dec. 31,2008	Dec. 31, 2007
Assets			
Fixed assets			
Intangible assets	12		
Capitalised development expenditure		20.6	49.1
		20.6	**49.1**
Tangible assets	13		
Land and buildings		3.8	5.5
Equipment		62.7	61.8
		66.6	**67.3**
Financial assets			
Shares and participations in Group companies	14	6,678.0	6,192.0
Loans to Group companies	15	1,703.1	2,310.0
Deferred tax assets	26	28.7	–
Other securities held as fixed assets	16	517.7	461.9
		8,927.5	**8,964.0**
Total fixed assets		**9,014.6**	**9,080.4**
Current assets			
Inventories		**2.0**	**2.9**
Current receivables			
Receivables from Group companies	17	611.7	589.9
Receivables from other related parties	17	133.9	211.7
Other receivables		74.3	63.3
Prepaid expenses and accrued income	18	6.2	21.0
		826.1	**885.8**
Current investments	19	167.0	1,421.1
Cash and bank balances		869.5	574.8
Total current assets		**1,864.5**	**2,884.6**
Total assets	**20**	**10,879.3**	**11,965.0**

Balance sheet for the Parent Company, cont.

SEK M	Note	Dec. 31, 2008	Dec. 31, 2007
Shareholders' equity, provisions and liabilities			
Shareholders' equity	21		
Restricted shareholders' equity			
Share capital		629.8	629.8
Statutory reserve		4,801.3	4,801.3
		5,431.0	**5,431.0**
Non-restricted shareholders' equity			
Fair value reserve		–	–14.8
Profit brought forward		2,288.1	2,265.7
Net profit/loss for the year		–7.5	169.3
		2,280.6	**2,420.2**
Total shareholders' equity		**7,711.6**	**7,851.3**
Provisions			
Provisions for pensions and similar commitments	22	41.6	41.4
Other provisions	23	80.8	11.7
		122.4	**53.1**
Long-term liabilities			
Subordinated loans from regional insurance companies	24	114.0	114.0
Other liabilities to regional insurance companies		1,700.0	–
Bond loans	25	–	2,834.9
Deferred tax liabilities	26	–	43.6
		1,814.0	**2,992.5**
Current liabilities			
Accounts payable		45.0	62.0
Liabilities to Group companies	17	998.0	838.1
Liabilities to other related parties	17	84.4	63.0
Other liabilities		18.1	5.1
Accrued expenses and deferred income	27	85.7	99.9
		1,231.2	**1,068.1**
Total shareholders' equity, provisions and liabilities	20	**10,879.3**	**11,965.0**
Pledged assets and contingent liabilities	28		
Pledged assets		–	0.4
Contingent liabilities		71	85.5

Changes in shareholders' equity for the Parent Company

SEK M	Restricted shareholders' equity		Non-restricted shareholders' equity			
	Share capital	Statutory reserve	Fair value reserve Hedging reserve	Profit brought forward	Net profit/loss for the year	Total share-holders' equity
Opening shareholders' equity, January 1, 2007	**629.8**	**4,801.3**	**–30.2**	**1,121.3**	**1,194.8**	**7,716.9**
Appropriation of profit				1,194.8	–1,194.8	–
Change in value, cash-flow hedge			21.4			21.4
Group contributions received				262.4		262.4
Tax attributable to items recognised against shareholders' equity			–6.0	–73.5		–79.5
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			15.4	188.9		204.3
Net profit for the year					169.3	169.3
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			15.4	1,88.9	169.3	373.6
Dividends				–239.3		–239.3
Closing shareholders' equity, December 31, 2007	**629.8**	**4,801.3**	**–14.8**	**2,265.7**	**169.3**	**7,851.3**
Appropriation of profit				169.3	–169.3	–
Change in value, cash-flow hedge			20.5			20.5
Group contributions paid				–118.6		–118.6
Group contributions received				299.4		299.4
Tax attributable to items recognised against shareholders' equity			–5.7	–50.6		–56.3
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			14.8	130.2		144.9
Net loss for the year					–7.5	–7.5
Total changes in net wealth recognised directly against shareholders' equity, excluding transactions with the company's owners			14.8	130.2	–7.5	137.4
Dividends				–277.1		–277.1
Closing shareholders' equity, December 31, 2008	**629.8**	**4,801.3**	**–**	**2,288.1**	**–7.5**	**7,711.6**

Cash-flow statement for the Parent Company

SEK M	Note	2008	2007
Operating activities			
Profit/loss after financial items		–136.2	117.7
Adjustment for non-cash items, etc.	29	220.2	38.8
		84.1	**156.5**
Cash flow from operating activities before working capital changes		**84.1**	**156.5**
Cash flow from working capital changes			
Increase (–)/Decrease (+) in inventories		0.9	0.3
Increase (–)/Decrease (+) in operating receivables		–123.1	–21.3
Increase (+)/Decrease (–) in operating liabilities		178.0	146.8
Cash flow from operating activities		**139.9**	**282.3**
Investing activities			
Shareholders' contributions paid		–1,018.0	–541.0
Acquisition of intangible assets		–5.0	–32.2
Acquisition of tangible assets		–26.6	–36.4
Divestment of tangible assets		7.5	–
Divestment of subsidiaries		658.5	–
Sale of fixed assets		4.2	5.3
Investments in financial assets		–55.8,	–9.2
Divestment/decrease in financial assets		1,198.2	416.5
Cash flow from investing activities		**762.9**	**–197.1**

SEK M	Note	2008	2007
Financing activities			
Loans to Group companies		606.9	–100.0
Loans raised		1,703.1	–
Repayment of debt		–2,834.9	–
Dividends		–277.1	–239.3
Group contributions received		180.8	262.4
Cash flow from financing activities		**–621.2**	**–76.9**
Net cash flow for the year		281.6	8.4
Cash and cash equivalents, January 1		836.9	828.5
Cash and cash equivalents, December 31		**1,118.5**	**836.9**
Parent Company's cash and cash equivalents in Länsförsäkringar Bank		–249.1	–262.1
Cash and bank balance in the Parent Company's balance sheet		**869.5**	**574.8**

Notes to the financial statements for the Parent Company

Amounts are stated in SEK M unless specified otherwise

NOTE 1 Accounting principles

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) as well as recommendation RFR 2.1 Accounting for Legal Entities and the statements regarding listed companies issued by the Swedish Financial Reporting Board.

The regulations in RFR 2.1 stipulate that the Parent Company, in the annual accounts for the legal entity, shall apply all EU-approved IFRS and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and amendments to IFRS.

Changed accounting principles

The Parent Company's changed accounting principles have been recognised in accordance with the regulations in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This means that the accounting principles are recognised with retroactive effect.

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

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

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

Classification and presentation format

The Parent Company's income statement and balance sheet are presented following the format of the Swedish Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements, which is applied to the presentation of the consolidated financial statements, is primarily the recognition of financial income and expenses, fixed assets and shareholders' equity.

Subsidiaries and associated companies

Shares and participations in subsidiaries are recognised at cost less impairment. Participations in associated companies are recognised in the Parent Company according to the equity method. Only dividends received are recognised as income on the condition that such dividends derive from profits earned after the acquisition. Dividends exceeding earned profits are deemed to be a repayment of the investment and reduce the carrying amount of the participation.

Income

Sale of goods and execution of service assignments

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

Group contributions and shareholders' contributions

The company recognises paid and received Group contributions and shareholders' contributions in accordance with statement URA 2 issued by the Swedish Financial Reporting Board. Shareholders' contributions are recognised directly against the shareholders' equity of the recipient and are capitalised in shares and participations from the donor to the extent that impairment is not required. Group contributions are recognised according to financial implication. This entails that Group contributions that have been paid and received with the aim of minimising the Group's total tax are recognised directly against profit brought forward after deductions for their actual tax effect.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in those cases where the Parent Company alone has the right to decide on the amount of dividends and where the Parent Company has made a decision on the amount of dividends before the Parent Company published its financial statements.

Leased assets

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

Borrowing costs

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

Property

Property is recognised according to the principle for tangible assets, but without the possibility of applying fair value.

Remuneration to employees

Defined-benefit pension plans

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

NOTE 2 RISKS AND RISK MANAGEMENT

In addition to shares in Group companies and receivables from Group companies, the Parent Company of the Group also has investment assets. However, these investment assets are limited in size relative to the investment assets of the Group's insurance companies. At year-end 2008, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 29 M (646). In addition, the Parent Company has cash and cash equivalents totalling SEK 1,119 M (837) that are invested in bank accounts. The bond loan of EUR 300 M raised by the Parent Company in 2007 was repaid in its entirety in 2008.

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

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

NOTE 3 NET SALES

Sales in the Parent Company comprise service income of SEK 1,205.6 M (1,034.5) and rental income of SEK 153.7 M (146.6) for premises and equipment for companies in the Länsförsäkringar Alliance. The company's sales are recognised in the segment "Other operations." A total of 32% (23) of sales comes from companies in the Länsförsäkringar AB Group, 16% (15) from the Life Assurance Group, 50% (60) from regional insurance companies and 2% (2) from external customers.

NOTE 4 EXTERNAL EXPENSES

	2008	2007
Cost of premises, Note 5	–188.5	–178.7
Marketing	–185.1	–241.5
Consultants	–216.6	–180.9
Fees to auditors, Note 6	–6.9	–9.6
IT costs	–283.8	–243.4
Printed matter, telephony and postage	–40.1	–45.3
Asset management expenses	–8.0	–8.2
Expenses for research and development	–3.0	–
Other expenses	–327.2	–180.0
	–1,259.3	**–1,087.4**

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

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

NOTE 5 OPERATIONAL LEASING

Lease agreements in which the company is the lessee
Irrevocable lease payments pertaining to rent for premises amount to:

	2008	2007
Within one year	158.0	149.9
Between one year and five years	632.0	599.6
Longer than five years	474.0	599.6
	1,264.0	**1,349.1**

A rental charge of SEK 158.0 M (149.9) was recognised in profit for 2008.

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

Lease agreements in which the company is the lessor
Future irrevocable lease payments are as follows:

	2008	2007
Within one year	137.6	136.7
Between one year and five years	539.4	543.5
Longer than five years	396.5	533.6
	1,073.4	**1,213.8**

In 2008, rental income amounting to SEK 137.2 M (136.7) was recognised.

The company leases premises to both internal and external tenants. Internal lease contracts are valid for ten years up to and including December 2016.

For external tenants with rent of SEK 5.4 M (3.3), lease contracts are valid for three years up to and including December 2009 and will be extended with the same terms and conditions up to and including 2012.

NOTE 6 FEES AND REMUNERATION TO AUDITORS

	2008	2007
KPMG AB		
– Audit assignments	–5.0	–1.8
– Other assignments	–1.8	–7.6
SET Revisionsbyrå AB		
– Audit assignments	–0.1	–0.2
	–6.9	**–9.6**

NOTE 7 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

	2008	2007
Average number of employees, salaried employees, Sweden		
Men	112	109
Women	121	110
Total number of employees	**233**	**219**

Salaries, other remuneration and social security expenses		
Salaries and remuneration	169.7	119.0
of which variable remuneration	6.6	7.3
Social security expenses	134.7	85.7
of which pension costs	64.4	37.8
	304.4	**204.7**

Senior executives		
Salaries and remuneration	17.1	18.3
of which salaries and other benefits to President	5.5	5.1
of which variable salary to President	0.9	1.2
of which salary and other benefits to other senior executives 5 (5)	8.0	8.8
of which variable salary to other senior executives 5 (5)	1.3	2.3
Social security expenses	13.3	25.9
of which pension costs	6.5	16.2
	30.4	**44.2**

Total salaries, other remuneration and social security expenses		
Salaries and remuneration	186.8	137.3
of which variable remuneration	8.7	10.9
Social security expenses	148.0	111.6
of which pension costs	70.8	53.9
	334.8	**248.9**

Variable remuneration
Variable remuneration is paid to managers who have a bonus agreement. Remuneration is based on attained targets met in accordance with the business plan, the Employee Commitment Index, the leadership index and other individual goals. Variable remuneration is paid in a maximum of one month's salary.

An incentive system is in place that encompasses all employees not included in other bonus agreements. A condition for payment of this remuneration is that the owners' requirements for the return on shareholders' equity in the Group are fulfilled. The maximum amount that can be paid per employee if the conditions are met is determined by the Board. One third of the established amount is paid to everyone regardless of individual performance. Payment of two thirds of the determined amount is based on the degree of completion of the individual goals in the target contract. A small number of employees have bonus agreements that may result in one to six months' salaries.

Costs for personnel reduction in conjunction with reorganisation
The amounts for "Salaries, remuneration and social security expenses" for 2008 include expenses for personnel reduction in conjunction with the reorganisation of company in the amount of SEK 38.0 M pertaining to salaries and SEK 40.7 M pertaining to social security expenses, of which SEK 22.1 M comprises pension costs.

Sickness absence, %	**2008**	**2007**
Total of overall working hours	3.6	4.4
Total of overall working hours for men	2.4	3.5
Total of overall working hours for women	4.7	5.2
Absence among employees age 29 or younger	2.0	3.9
Absence among employees age 30–49	4.0	3.8
Absence among employees age 50 or older	3.3	5.6
Percentage of absence pertaining to absence during a consecutive period of 60 days or more	54.4	71.1

NOTE 7 **EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont.**

Remuneration to senior executives

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

Remuneration to the President and other senior executives comprises basic salary, variable salary, other benefits and pension costs. Other senior executives refers to the nine individuals who comprise Group management together with the President and Executive Vice President.

Variable salary is maximised to four months' salaries for the President and other senior executives. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration.

Remuneration and other benefits paid during the year to senior executives of Länsförsäkringar AB

						Pension costs as a percentage of pensionable salary, %	
2008	**Basic salary**	**Variable remuneration**	**Other benefits**	**Pension costs**	**Total**	**Defined-contribution**	**Defined-benefit**
Håkan Danielsson, President, Parent Company	2.3	0.6	0.0	0.9	3.8	35	–
Remuneration from Länsförsäkringar Liv	1.2	–	0.0	0.4	1.6	35	–
Tommy Persson, former President, Parent Company	2.3	0.3	0.0	0.6	3.2	29	–
Ann Sommer, Executive Vice President, subsidiary	2.1	0.3	0.1	0.9	3.4	34	–
Hans Jonsson, Chairman of the Board, Parent Company	0.6	–	–	–	0.6	–	–
Remuneration from subsidiaries	0.0	–	–	–	0.0	–	–
Gösta af Petersens, Deputy Chairman of the Board	0.3	–	–	–	0.3	–	–
Hans Benndorf, Board member, Parent Company	0.1	–	–	–	0.1	–	–
Remuneration from subsidiaries	0.0	–	–	–	0.0	–	–
Ulf W Eriksson, Board member	0.2	–	–	–	0.2	–	–
Anders Källström, Board member	0.1	–	–	–	0.1	–	–
Sune Nilsson, Board member, Parent Company	0.1	–	–	–	0.1	–	–
Remuneration from subsidiaries	0.0	–	–	–	0.0	–	–
Ann-Christin Norrström, Board member	0.2	–	–	–	0.2	–	–
Anne-Marie Pålsson, Board member	0.3	–	–	–	0.3	–	–
Lars-Eric Åström, Board member	0.1	–	–	–	0.1	–	–
Carina Holmberg, former Board member	0.1	–	–	–	0.1	–	–
Kajsa Lindståhl, former Board member	0.2	–	–	–	0.2	–	–
Fredrik Waern, former Board member	0.1	–	–	–	0.1	–	–
Other senior executives (9 people)							
Parent Company	7.7	1.2	0.3	5.0	14.3	55	–
Subsidiaries and Länsförsäkringar Liv	6.5	0.8	0.3	3.8	11.4	33	–
Total 2008	**24.4**	**3.3**	**0.7**	**11.5**	**39.9**		
Total remuneration from Parent Company	14.7	2.2	0.3	6.5	23.6		
Total remuneration from subsidiaries and Länsförsäkringar Liv	9.8	1.1	0.4	5.0	16.3		
2007							
Tommy Persson, President	3.9	1.2	0.0	11.8[1]	16.9	175	69
Ann Sommer, Executive Vice President, subsidiary	2.0	0.4	0.1	0.9	3.3	38	–
Tomas Johansson, Executive Vice President, subsidiary	2.5	0.6	0.1	1.6	4.7	56	–
Hans Jonsson, Chairman of the Board, Parent Company	0.5	–	–	–	0.5	–	–
Remuneration from subsidiaries	0.0	–	–	–	0.0	–	–
Gösta af Petersens, Deputy Chairman of the Board	0.3	–	–	–	0.3	–	–
Fredrik Waern, Board member	0.2	–	–	–	0.2	–	–
Kajsa Lindståhl, Board member	0.2	–	–	–	0.2	–	–
Ann-Christin Norrström, Board member, Parent Company	0.1	–	–	–	0.1	–	–
Remuneration from subsidiaries	0.0	–	–	–	0.0	–	–
Anne-Marie Pålsson, Board member	0.2	–	–	–	0.2	–	–
Ulf W Eriksson, Board member	0.2	–	–	–	0.2	–	–
Anna-Greta Lundh, former Board member, Parent Company	0.1	–	–	–	0.1	–	–
Remuneration from subsidiaries	0.0	–	–	–	0.0	–	–
Carina Holmberg, Board member	0.2	–	–	–	0.2	–	–
Other senior executives (8 people)							
Parent Company	8.5	2.3	0.3	4.4	15.6	47	–
Subsidiaries and Länsförsäkringar Liv	3.4	0.7	0.1	1.1	5.2	23	–
Total 2007	**22.3**	**5.3**	**0.5**	**19.8**	**47.8**		
Total remuneration from Parent Company	14.7	3.5	0.3	16.3	34.8		
Total remuneration from subsidiaries and Länsförsäkringar Liv	8.0	1.8	0.2	3.5	13.5		

[1] The cost of SEK 11.8 M comprises the final payment of a pension agreement from 1996. This agreement was a defined-benefit plan between the age of 60 and 65 and thereafter a defined-contribution plan.

NOTE 7 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES, CONT.

Variable remuneration
Variable remuneration includes anticipated bonus for the fiscal year. For the President and other senior executives, variable remuneration is based on targets met in accordance with the business plan, the Employee Commitment Index, the leadership index and other individual goals. Other benefits pertain to company car and interest benefits. Pension costs pertain to the impact on net profit for the year.

Pensions
The retirement age for the President is 60 years. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary.

The retirement age for other senior executives is 60 or 62. Pensions at the ages of 60, 62 and 65 are defined-contribution pensions and are expected to be paid at 70% of pensionable salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO) and the Swedish Union of Insurance Employees (FTF).

Severance pay
A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, the President shall also be entitled to severance pay corresponding to 18 months' salary. The period of notice for other senior executives is six months, and if termination is issued by the company, severance pay corresponding to 18 months' salary shall also be paid. The alternative for other senior executives is a period of notice of three months upon termination of employment by the employee and a period of notice of 12 months upon termination of employment by the company. If termination of employment is issued by the company, severance pay corresponding to 12 months' salary shall also be paid.

Preparation and decision-making process applied in relation to the issue of remuneration to senior management
Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board of Directors. Remuneration to other senior executives is determined by the President in accordance with the principles for salaries and conditions for senior executives as decided by the Annual General Meeting.

	2008	2007
Loans to senior executives		
Board members	19.1	14.5
President and Executive Vice Presidents	3.1	2.6
Other senior executives, 9 people (8)	16.6	14.3
	38.8	**31.4**

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

	2008	2007
Number of women among senior executives, %		
Board members	20	33
Other senior executives	23	15

NOTE 8 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	2008	2007
Dividends from subsidiaries	354.0	330.0
Capital gains from shares in subsidiaries	145.3	–
Impairment of subsidiaries	–19.0	–20.4
	480.3	**309.6**

NOTE 9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2008	2007
Interest income, Group companies	166.3	119.0
Interest income, other	15.5	56.0
Capital gains, shares and participations	–	159.5
Capital gains, currencies	8.7	–
Unrealised gains, interest-bearing securities	7.9	0.5
Dividends on shares and participations	27.6	15.6
	226.1	**350.5**

NOTE 10 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2008	2007
Interest expense, Group companies	–13,0	–10,2
Interest expense, subordinated loans	–9,0	–5,0
Interest expense, other	–157,1	–153,2
Realised losses, shares and participations	–83,1	–
Realised losses, interest-bearing securities	–0,1	–0,8
Unrealised losses, shares and participations	–237,4	–129,3
Unrealised losses, interest-bearing securities	–	–0,4
Other expenses	–	–2,3
	–499,7	**–301,2**

NOTE 11 TAX ON NET PROFIT FOR THE YEAR

	2008	2007
Current tax income		
Tax income for the period	50.6	73.5
Deferred tax expense (–)/tax income (+)		
Deferred tax pertaining to temporary differences	79.9	37.1
Deferred tax expense as a result of lowered tax rate	–1.9	–
Deferred tax expense as a result of utilisation of previously capitalised tax value in loss carryforwards	–	–59.0
Total recognised tax income	**128.7**	**51.6**
Reconciliation of effective tax rate		
Recognised profit/loss before tax	–136.2	117.7
Tax at applicable tax rate	38.1	–32.9
Tax on non-deductible costs	–8.2	–6.8
Tax on non-taxable income	100.6	92.9
Tax attributable to earlier years	0.0	–1.5
Changed tax rate	–1.9	–
Recognised effective tax	**128.7**	**51.6**
Applicable tax rate	28%	28%
Effective tax rate	95%	–44%
Tax items recognised directly against shareholders' equity		
Current tax on Group contributions received	50.6	73.5
Deferred tax, hedge accounting	5.7	–6.0

NOTE 12 INTANGIBLE ASSETS

Capitalised IT costs	Internally developed IT systems	Acquired	Total
Cost			
Opening cost, January 1, 2007	1.7	26.1	27.8
Acquisitions during the year	–	32.2	32.2
Closing cost, December 31, 2007	**1.7**	**58.3**	**60.0**
Opening cost, January 1, 2008	1.7	58.3	60.0
Acquisitions during the year	–	5.0	5.0
Closing cost, December 31, 2008	**1.7**	**63.3**	**65.0**
Amortisation			
Opening accumulated amortisation, January 1, 2007	–0.3	–3.8	–4.1
Amortisation for the year	–0.3	–6.5	–6.9
Closing accumulated amortisation, December 31, 2007	**–0.7**	**–10.3**	**–10.9**
Opening accumulated amortisation, January 1, 2008	–0.7	–10.3	–10.9
Amortisation for the year	–0.3	–12.3	–12.7
Closing accumulated amortisation, December 31, 2008	**–1.0**	**–22.6**	**–23.6**
Impairment			
Opening accumulated impairment, January 1, 2008	**–**	**–**	**–**
Impairment for the year	–	–20.8	–20.8
Closing accumulated impairment, December 31, 2008	**–**	**–20.8**	**–20.8**
Carrying amount, December 31			
2007	**1.0**	**48.1**	**49.1**
2008	**0.7**	**19.9**	**20.6**

The five-year amortisation period for intangible assets managed in 2008 remains.

NOTE 13 TANGIBLE ASSETS

	Land and buildings	Equipment	Total
Cost			
Opening cost, January 1, 2007	5.6	329.7	335.3
Divestments	–	–19.8	–19.8
Scrapping	–	–0.8	–0.8
Acquisitions during the year	–	36.4	36.4
Closing cost, December 31, 2007	**5.6**	**345.5**	**351.2**
Opening cost, January 1, 2008	5.6	345.5	351.2
Divestments	–1.7	–7.5	–9.2
Scrapping	–	–75.9	–75.9
Acquisitions during the year	–	26.6	26.6
Closing cost, December 31, 2008	**3.9**	**288.7**	**292.7**
Depreciation			
Opening accumulated depreciation, January 1, 2007	–0.1	–272.3	–272.4
Accumulated depreciation for divestments	–	14.5	14.5
Scrapping	–	0.3	0.3
Depreciation for the year	–0.1	–26.2	–26.2
Closing accumulated depreciation, December 31, 2007	**–0.1**	**–283.7**	**–283.8**
Opening accumulated depreciation, January 1, 2008	–0.1	–283.7	–283.8
Accumulated depreciation for divestments	0.0	7.5	7.5
Scrapping	–	72.6	72.6
Depreciation for the year	0.0	–22.4	–22.4
Closing accumulated depreciation, December 31, 2008	**–0.1**	**–226.0**	**–226.1**
Carrying amount, December 31			
2007	**5.5**	**61.8**	**67.3**
2008	**3.8**	**62.7**	**66.6**

Tax assessment value, owner-occupied property	Dec. 31, 2008	Dec. 31, 2007
Tax assessment value, buildings	1.8	2.5
Tax assessment value, land	3.4	2.9
	5.2	**5.4**

No impairment losses have been recognised. Equipment includes SEK 4.0 M (4.1) representing works of art that are not depreciated.

Länsförsäkringar AB leases equipment to Group companies. The carrying amount of leased equipment totals SEK 25.7 M (20.4) and rental income was SEK 11.1 M (9.8). The rental income corresponds to the depreciation of the leased equipment. Land and buildings refer to six leisure properties located in Sweden, of which three were sold in 2008.

NOTE 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2008	2007
Cost		
Opening accumulated cost, January 1	9,825.8	9,284.7
Shareholders' contributions	1,018.0	541.0
Purchases	0.2	–
Divestments	–513.3	–
Closing accumulated cost, December 31	**10,330.7**	**9,825.8**
Impairment		
Opening accumulated impairment, January 1	–3,633.7	–3,613.3
Impairment for the year	–19.0	–20.4
Closing accumulated impairment, December 31	**–3,652.8**	**–3,633.7**
Carrying amount at year-end	**6,678.0**	**6,192.0**

Specification of the company's holding of shares and participations in Group companies

Company name	Corporate Registration Number	Number of shares and participations	Participating interest 2008, %	Participating interest 2007, %	Carrying amount 2008	Carrying amount 2007
Agria Försäkrings AB (publ)	516401-8003	–	–	100	–	463.3
LF Gruppen AB (dormant)	556420-8535	1,000	100	100	0.1	0.1
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	3,964.6	3,464.6
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	6,265,252	100	100	2,448.7	1,998.7
Länsförsäkringar IT Center AB	556549-7004	10,000	100	100	15.5	16.6
Wasa Försäkring Run-Off AB	556563-9456	1,000	100	100	248.8	248.8
Lita försäkringsvarumärken AB	556508-9108	100	100	–	0.2	–
Utile Dulci 2 HB	916601-0067		0.1	0.1	0.1	0.1
Shares and participations in Group companies					**6,678.0**	**6,192.0**

All subsidiaries have their registered offices in Stockholm. Länsförsäkringar Sak Försäkrings AB owns 99.9% of Utile Dulci 2 HB. Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ). This company is operated in accordance with mutual principles and may not pay dividends according to its current Articles of Association. As a result, the majority of the risks and rewards associated with ownership do not accrue to the owner Länsförsäkringar AB but to the life-assurance policyholders. Accordingly, this shareholding cannot be classified as a holding in a subsidiary under the definition provided in IAS 27 Consolidated and Separate Financial Statements.

NOTE 15 LOANS TO GROUP COMPANIES

	Dec. 31, 2008	Dec. 31, 2007
Accumulated cost		
Subordinated loans to Länsförsäkringar Bank	1,250.0	1,150.0
Promissory note to Länsförsäkringar Sak	–	1,160.0
Listed bonds to Länsförsäkringar Hypotek	453.1	–
Carrying amount	**1,703.1**	**2,310.0**

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

SEK 180.0 M, due May 31, 2017. Interest is fixed at the three-month STIBORFIX rate plus 1.00 percentage point until May 31, 2007. From June 1, 2007 to May 31, 2012 with an addition of 0.35 percentage points and thereafter at 1.5 percentage points.

SEK 580.0 M, due December 15, 2018. Interest is fixed at the three-month STIBOR rate plus 370 bp from the date of the loan on December 16, 2008 to the break-off date, which falls five years after the date of the loan, and 555 bp from the break-off date to the repayment date.

SEK 290.0 M, perpetual. Interest is fixed at the 3-month STIBORFIX rate plus 1.99 percentage points until December 15, 2013 and thereafter at 2.99 percentage points.

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

SEK 100.0 M due September 30, 2018. Interest on the loan corresponds to STIBOR plus 240 bp from the date of the loan until the break-off date and an additional 150 bp from the break-off date to the repayment date.

Loans to Länsförsäkringar Hypotek comprise a listed bond due on June 17, 2009. The interest rate is 4.305%.

NOTE 16 OTHER SECURITIES HELD AS FIXED ASSETS

	Dec. 31, 2008	Dec. 31, 2007
January 1	461.9	452.0
Shareholders' contributions	–	9.2
Capitalisation of expenses for demutualisation of the company to a profit-distributing, limited liability life-assurance company	53.3	–
Reclassification of Brf Kalvheden	–	0.7
Acquisition of tenant-owned apartments	2.5	–
	517.7	**461.9**

Company name	Number of shares and participations	Carrying amount 2008	Carrying amount 2007
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	514.5	461.2
Brf Kalvheden	1	0.7	0.7
Brf Mässen, Stockholm	1	2.5	–
		517.7	**461.9**

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

NOTE 17 RELATED-PARTY TRANSACTIONS

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

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

Related-party transactions 2007		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	238.2	176.7	–	707.3	5.8	1,128.0
	Rental income	118.7	23.1	–	0.3	–	142.2
	Rent, equipment	7.9	2.0	–	–	0.0	9.8
	Interest income	129.0	–	–	–	–	129.0
Expenses	Services purchased	–383.3	–8.9	–2.3	–111.7	–	–506.2
	Rent, premises	–147.1	–	–	–	–	–147.1
	Interest expense	–10.2	–	–	–	–	–10.2
Receivables	Interest-bearing loans	2,310.0	–	–	–	–	2,310.0
	Cash and cash equivalents with Länsförsäkringar Bank	262.1	–	–	–	–	262.1
	Other receivables	327.8	7.0	0.0	203.7	1.0	539.5
Liabilities	Interest-bearing liabilities	265.0	–	–	114.0	–	379.0
	Other liabilities	573.1	2.2	–	60.8	–	636.1

Transactions within the Group

Länsförsäkringar AB is owned by the 24 regional insurance companies and the 14 local insurance companies. The operations of Länsförsäkringar AB and its subsidiaries are organised into divisions, Group-wide units, service centres and President staff functions. The basis of the organisation in 2008 was that the ongoing operations shall be conducted in the divisions, and also, for the purpose of generating economies of scale, certain functions have been organised centrally in the Länsförsäkringar AB Group. The functions that have been organised centrally include maintenance and development of joint computer systems and such services as Legal Affairs, HR, Communication and Security.

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

Länsförsäkringar AB leases its office premises from property owner Utile Dulci 2 HB, which is a subsidiary of Länsförsäkringar Sak.

Länsförsäkringar AB has issued a subordinated loan to Länsförsäkringar Bank amounting to SEK 1,250 M and purchased covered bonds in Länsförsäkringar Hypotek totalling SEK 453.1 M. Wasa Försäkring Run-Off and IT Center AB have, in turn, issued loans of SEK 207 M and SEK 50 M, respectively, to Länsförsäkringar AB.

Länsförsäkringar Bank AB manages subsidised loans to employees on behalf of the Parent Company Länsförsäkringar AB. Such loans are issued after the bank performs standard credit rating checks.

For information regarding remuneration to related key persons, such as Board members and senior executives, refer to Note 7 Employees, personnel costs and remuneration to senior executives.

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

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2008	Dec. 31, 2007
Accrued interest	–	10.6
Other prepaid expenses	6.2	10.3
	6.2	**21.0**

NOTE 19 CURRENT INVESTMENTS

	Dec. 31, 2008		Dec. 31, 2007	
	Cost	Fair value	Cost	Fair value
Unlisted shares and participations, Swedish	2.5	1.5	2.5	1.5
Listed shares and participations, foreign	20.2	0.0	24.8	158.9
Interest-bearing securities, Swedish	–	–	764.2	648.7
Interest-bearing securities, foreign	135.0	138.0	–	–
Mutual fund units, Swedish	–	–	381.1	450.4
Mutual fund units, foreign	33.8	27.6	33.8	35.3
Derivatives	–	–	–	126.4
	191.6	**167.0**	**1,206.4**	**1,421.1**

	Dec. 31, 2008		Dec. 31, 2007	
Specification of current investments	Cost	Fair value	Cost	Fair value
Unlisted participations, Swedish				
Länshem Fastighetsförmedling AB	2.5	1.5	2.5	1.5
Listed participations, foreign				
Kaupthing Búnadarbanki hf	20.2	0.0	24.8	158.9
Mutual fund units, Swedish				
ABN AMRO Sverige Referens	–	–	380.7	450.0
Länsförsäkringar Europe Fund	–	–	0.3	0.3
Länsförsäkringar Fund-in-fund Low risk	–	–	0.0	0.0
Länsförsäkringar Fund-in-fund Normal risk	–	–	0.0	0.0
Länsförsäkringar Fund-in-fund Offensive/High risk	–	–	0.0	0.0
			381.1	**450.4**

	Dec. 31, 2008		Dec. 31, 2007	
	Cost	Fair value	Cost	Fair value
Mutual fund units, foreign				
GaveKal Platform Company Fund	33.8	27.6	33.8	35.3

	Amortised cost	Fair value	Amortised cost	Fair value
Interest-bearing securities, Swedish				
Listed bonds issued by the Swedish Government	–	–	198.7	198.3
Listed bonds issued by Swedish mortgage institutions	–	–	565.5	450.4
			764.2	**648.7**
Interest-bearing securities, foreign				
Listed bonds issued by the foreign governments	135.0	138.0	–	–
Derivatives	**–**	**–**	**–**	**126.4**
Total current investments	**191.6**	**167.0**	**1,206.4**	**1,421.1**

NOTE 20 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES

	Dec. 31, 2008				Dec. 31, 2007			
Amount expected to be recovered	within 12 months	after 12 months	after 5 years	Total	within 12 months	after 12 months	after 5 years	Total
Fixed assets								
Intangible assets[1)]	12.7	7.9		20.6	6.9	42.2		49.1
Tangible assets[1)]	22.4	44.2		66.6	26.2	41.1		67.3
Participations in Group companies			6 678.0	6,678.0			6,192.0	6,192.0
Loans to Group companies	453.1		1,250.0	1,703.1	1,160.0		1,150.0	2,310.0
Deferred tax assets		28.7		28.7				–
Other securities held as fixed assets			517.7	517.7			461.9	461.9
	488.2	**80.8**	**8,445.7**	**9,014.7**	**1,193.1**	**83.3**	**7,803.9**	**9,080.3**
Inventories	2.0			2.0	2.9			2.9
Current assets								
Current receivables from Group companies	611.7			611.7	589.9			589.9
Receivables from other related parties	133.9			133.9	211.7			211.7
Other receivables	74.3			74.3	63.3			63.3
Prepaid expenses and accrued income	6.2			6.2	21.0			21.0
Current investments	1,036.5			1,036.5	1,996.0			1,996.0
	1,862.6			1,862.6	2,881.8			2,881.8
TOTAL ASSETS	**2,352.8**	**80.8**	**8,445.7**	**10,879.3**	**4,077.8**	**83.3**	**7,803.9**	**11,965.0**

NOTE 20 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS FOR ASSETS, PROVISIONS AND LIABILITIES, cont.

	Dec. 31, 2008				Dec. 31, 2007			
Amount expected to be recovered	**within 12 months**	**after 12 months**	**after 5 years**	**Total**	**within 12 months**	**after 12 months**	**after 5 years**	**Total**
Provisions								
Provisions for pensions and similar commitments	8.1	33.6		41.6	4.5	36.9		41.4
Other provisions	1.0	79.8		80.8	1.0	10.7		11.7
	9.1	**113.4**		**122.4**	**5.5**	**47.6**		**53.1**
Liabilities								
Long-term liabilities								
Subordinated loans		114.0		114.0		114.0		114.0
Other liabilities to related parties		1,700.0		1,700.0				
Bond loans					2,834.9			2,834.9
Deferred tax liabilities						43.6		43.6
		1,814.0		**1,814.0**	**2,834.9**	**157.6**		**2,992.5**
Current liabilities								
Accounts payable	45.0			45.0	62.0			62.0
Liabilities to Group companies	998.0			998.0	838.1			838.1
Liabilities to other related parties	84.4			84.4	63.0			63.0
Other liabilities	18.1			18.1	5.1			5.1
Accrued expenses and deferred income	85.7			85.7	99.9			99.9
	1,231.2			**1,231.2**	**1,068.1**			**1,068.1**
TOTAL LIABILITIES AND PROVISIONS	**1,240.3**	**1,927.4**		**3,167.6**	**3,908.5**	**205.2**		**4,113.7**

[1] Anticipated depreciation/amortisation is recognised under the amounts expected to be recovered "within 12 months."

NOTE 21 SHAREHOLDERS' EQUITY

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

Shares at a quotient value of SEK 100	**Number of votes per share**	**Dec. 31, 2008 Number of shares**	**Dec. 31, 2007 Number of shares**
Series A	10	1,532,678	1,532,678
Series B	1	4,761,455	4,761,455
Series C	1	3,450	3,450
Number of shares outstanding		**6,297,583**	**6,297,583**

Restricted reserves
Restricted reserves may not be reduced through profit distribution.

Revaluation reserve
If a tangible or financial asset is revalued, the revaluation amount is reserved in a revaluation reserve.

Statutory reserve
The aim of the statutory reserve is to save a portion of the net profit that is not utilised to cover losses brought forward. The statutory reserve comprises restricted shareholders' equity. No new transfers to the statutory reserve are required, although transfers can be made voluntarily. The statutory reserve also includes the amount of SEK 4,801.3 M that was included in the share premium reserve prior to January 1, 2006.

Non-restricted shareholders' equity
Share premium reserve
When shares are issued at a premium, meaning that a higher amount than the quotient value is paid for the share, an amount corresponding to the surplus of the quotient value of the share is recognised in the share premium reserve.

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

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

NOTE 22 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Dec. 31, 2008	**Dec. 31, 2007**
Provision for pensions being paid	34.2	30.6
Provisions for early retirement in accordance with pension agreement	7.5	10.8
	41.6	**41.4**

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

Defined-benefit pension plans
The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises 65% of the pensionable salary at age 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on the individual salaries and ages in the current age groups.

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

NOTE 22 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, cont.

	Dec. 31, 2008			Dec. 31, 2007		
	Pensions being paid	Provision in accordance with pension agreement	Total	Pensions being paid	Provision in accordance with pension agreement	Total
Pension commitments						
Provisions for pensions	34.2	–	34.2	30.6	–	30.6
Other provisions	–	7.5	7.5	–	10.8	10.8
Total	**34.2**	**7.5**	**41.6**	**30.6**	**10.8**	**41.4**

	2008			2007		
	Pensions being paid	Provision in accordance with pension agreement	Total	Pensions being paid	Provision in accordance with pension agreement	Total
The year's change in capital value of own commitments for which there are no separated assets						
Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	30.6	10.8	41.4	31.6	9.9	41.6
Cost excluding interest expense charged to earnings	9.4	3.3	12.8	2.3	1.5	3.8
Interest expense	1.2	0.3	1.5	1.1	0.4	1.4
Pensions paid	–7.0	–6.9	–14.0	–4.4	–1.0	–5.4
Capital value at December 31	**34.2**	**7.5**	**41.6**	**30.6**	**10.8**	**41.4**
Cost of the company's own pensions						
Cost excluding interest expense	9.4	3.3	12.8	2.3	1.5	3.8
Interest expense	1.2	0.3	1.5	1.1	0.4	1.4
Cost of the company's own pensions	**10.6**	**3.6**	**14.2**	**3.4**	**1.9**	**5.2**
Assumptions pertaining to defined-benefit commitments						
Discount rate	3.5%	3.5%		3.5%	3.5%	
Expected rate of salary increase		3.5%			2.6%	
Percentage expected to retire voluntarily at age 62		20.0%			20.0%	

Defined-contribution pension plans

These pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plan above is recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2008	2007
Expenses for defined-contribution plans	33.6	32.0

NOTE 23 OTHER PROVISIONS

	Dec. 31, 2008	Dec. 31, 2007
Provision for research programme	3.0	1.0
Provision for salaries	–	2.7
Provision for pension-related expenses in conjunction with reorganisation	66.4	–
Reserve for pensioners' loans	11.4	8.0
	80.8	**11.7**

NOTE 24 SUBORDINATED LOANS FROM RELATED PARTIES

	Dec. 31, 2008	Dec. 31, 2007
Subordinated debt	114.0	114.0

The terms of the subordinated loan are fixed until December 15, 2011. The interest on the loan corresponds to the interest on government bonds on December 15, 2006 with a corresponding maturity, plus 0.65% (0.65). The interest rate during the year was 4.361% (4.361). If the corresponding interest rate for a government bond on June 15, 2009 has changed by 50 bp or above, the interest rate will be adjusted for the remaining term.

NOTE 25 BOND LOANS

	Dec. 31, 2008	Dec. 31, 2007
Bond loans	–	2,834.9

The loan was repaid on the maturity date and no new loans have been raised.

The loan, which was listed on the Luxembourg Stock Exchange, was for EUR 300 M and matured on December 16, 2008 at a fixed rate of interest at 4.625%. The entire exchange-rate exposure was hedged.

NOTE 26 DEFERRED TAX ASSETS AND TAX LIABILITIES

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Current investments	–7.5	–	–	51.4	–7.5	51.4
Pension provisions	–20.4	–7.7	–	–	–20.4	–7.7
Liabilities	–0.8	–	–	–	–0.8	–
Loss carryforwards	–	0.0	–	–	–	–
Deferred tax assets (–)/deferred tax liabilities (+)	**–28.7**	**–7.7**	**–**	**51.4**	**–28.7**	**43.6**

Change in deferred tax in temporary differences and loss carryforwards 2008

	Amount at Jan. 1	Recognised in income statement	Recognised directly against shareholders' equity	Amount at Dec. 31
Current investments	51.4	–64.6	5.7	–7.5
Pension provisions	–7.7	–12.7	–	–20.4
Liabilities	–	–0.8	–	–0.8
Loss carryforwards	0.0	0.0	–	–
Deferred tax assets (–)/deferred tax liabilities (+)	**43.6**	**–78.1**	**5.7**	**–28.7**

The company's tax loss carryforwards amounted to SEK 0.0 M (0.1). Deferred tax assets have been calculated and recognised on the tax loss carryforwards, which are expected to be utilised within the next three years.

Change in deferred tax in temporary differences and loss carryforwards 2007

	Amount at Jan. 1	Recognised in income statement	Recognised directly against shareholders' equity	Amount at Dec. 31
Current investments	81.7	–36.4	6.0	51.4
Pension provisions	–7.0	–0.7	–	–7.7
Loss carryforwards	–59.0	59.0	–	–
Deferred tax assets (–)/deferred tax liabilities (+)	**15.8**	**21.9**	**6.0**	**43.6**

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2008	Dec. 31, 2007
Holiday pay liabilities	10.4	11.8
Social security expenses	5.0	13.1
Special employer's contribution	15.0	–
Research grants	23.1	10.5
Jointly financed development expenditure	18.4	6.0
Accrued interest expense	–	5.7
Accrued bonuses	7.0	17.8
Reserves for personnel costs	5.4	15.0
Other accrued expenses	1.4	19.9
	85.7	**99.9**

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Dec. 31, 2008	Dec. 31, 2007
Property mortgages	–	0.4
Contingent liabilities		
Early retirement at age of 62 in accordance with pension agreement	29.9	43.3
Part-owner of Utile Dulci 2 HB	41.1	42.2
	71.0	**85.9**

NOTE 29 SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT

	2008	2007
Interest paid and dividends received		
Dividends received from subsidiaries	354.0	330.0
Interest received	181.8	174.9
Interest paid	–179.1	–168.4
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	74.9	53.5
Capital losses attributable to divestment of participations	–147.8	–158.7
Unrealised gains	–7.9	–0.5
Unrealised losses	237.4	145.3
Unrealised exchange gains, net	–5.6	–
Unrealised exchange losses, net	–	2.3
Provisions	69.3	–3.0
	220.2	**38.8**

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

Statement from the Board

The Board of Directors and President affirm that this Annual Report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on July 19, 2002 on the application of international accounting standards. The annual accounts and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Group's and the Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the Parent Company and the companies included in the Group are exposed.

Stockholm, March 31, 2009

Hans Jonsson *Chairman*	Gösta af Petersens *Deputy Chairman*	Hans Benndorf *Board member*
Ulf W Eriksson *Board member*	Anders Källström *Board member*	Sune Nilsson *Board member*
Ann-Christin Norrström *Board member*	Anne-Marie Pålsson *Board member*	Lars-Eric Åström *Board member*
Carl Johan Gezelius *Employee Representative*	Håkan Haraldsson *Employee Representative*	Tomas Jönsson *Employee Representative*

Håkan Danielsson
President

My audit report was submitted on April 8, 2009.

Stefan Holmström
Authorised Public Accountant

The Annual Report and consolidated financial statements presented above were approved for issue by the Board of Directors on March 31, 2009. The consolidated and Parent Company income statement and balance sheet are subject to approval by the Annual General Meeting to be held on May 16, 2009.

Audit Report

To the Annual General Meeting of shareholders in Länsförsäkringar AB (publ)

Corporate Registration Number 556549-7020

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar AB (publ) for 2008 . The annual accounts and the consolidated accounts are included in the printed version of this document on pages 24-90. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and the consolidated accounts in accordance with the Annual Accounts Act for Insurance Companies and thereby give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act for Insurance Companies and give a true and fair view of the Group's financial position and results of operations. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, April 8, 2009

Stefan Holmström
Authorised Public Accountant

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

INCOME STATEMENT

SEK M	2008	2007
Premium income, gross	6,236	6,547
Premium income, net	5,820	6,150
Investment income, net	–17,596	8,066
Claims payments	–4,245	–3,698
Other technical revenue	252	594
Change in life assurance provision	–11,495	2,834
Operating expenses	–1,641	–1,441
Technical result, life assurance operations	**–28,905**	**12,505**
Non-technical items	–196	–195
Profit/loss before tax	**–29,101**	**12,310**
Tax	–1,025	–949
Net profit/loss for the year	**–30,126**	**11,361**

BALANCE SHEET

SEK M	Dec. 31, 2008	Dec. 31, 2007
Assets		
Intangible assets	1,197	1,457
Investment assets	102,388	114,600
Investment assets for which policyholders bear the investment risk	31,708	40,900
Reinsurers' portion of technical reserves	792	796
Receivables	3,088	261
Other assets	8,117	2,025
Prepaid expenses and accrued income	2,926	2,754
Total assets	**150,216**	**162,793**
Shareholders' equity, provisions and liabilities		
Share capital	8	8
Funds and net profit for the period	11,043	36,632
Technical reserves	97,992	80,720
Provisions for life assurance policies for which policyholders bear the investment risk	31,709	40,905
Provisions for other risks and expenses	234	246
Deposits from reinsurers	853	860
Liabilities	7,723	2,858
Accrued expenses and deferred income	654	564
Total shareholders' equity, provisions and liabilities	**150,216**	**162,793**

Corporate Governance Report: Länsförsäkringar AB

Länsförsäkringar AB is wholly owned by the 24 customer-owned regional insurance companies, together with 14 local insurance companies.

Länsförsäkringar AB complies with the Swedish Code of Corporate Governance (referred to below as the Code) in the applicable parts, with consideration of the fact that the company is not a stock market company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

- Notice and holding of an Annual General Meeting. Deviation from the provisions of the Code with respect to the fact that the company is not a stock market company and has only one shareholder.
- The mandate period for Board members is, as a general rule, two years. Deviation from the provisions of the Code of a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a member irrespective of mandate period. A mandate period that is longer than one year contributes to ensuring continuity and establishing competence within the Board.
- Composition of the Board of Directors. Deviation from the provisions of the Code that at least two Board members shall be independent in relation to the company's major shareholders. According to the instruction for the Nomination Committee (see below), the Board of Directors shall be appropriately composed, with respect to the company's operations, stage of development and other circumstances, and characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.
- A special section of the company's website on corporate governance is intended to be established during 2009.

This Corporate Governance Report is unaudited.

General meeting

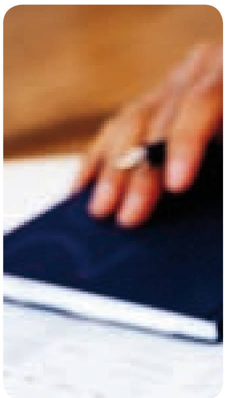
The shareholder exercises its voting rights at the Annual General Meeting. Decisions are made at the Annual General Meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remuneration to Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration to Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and includes remuneration for extra Board meetings and committee work. In accordance with the Code, the 2008 Annual General Meeting approved the principles for remuneration and other terms of employment for company management.

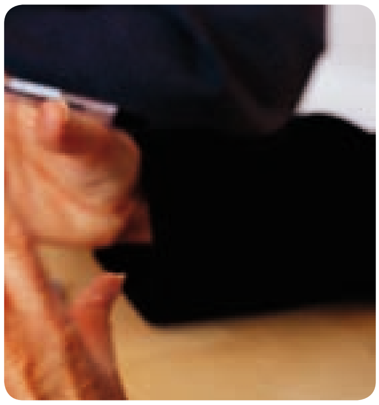
Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee, which is charged with the duty of presenting proposals for members of the Board of Directors and auditors of Länsförsäkringar AB and its directly owned subsidiaries, and fees to these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2008 Annual General Meeting, the Nomination Committee has comprised Karin Starrin (Chairman) (Länsförsäkringar Halland), Göran Trobro (Deputy Chairman) (Länsförsäkringar Kristianstad), Ingemar Larsson (Länsförsäkringar Göteborg och Bohuslän), Anders Stigers (Dalarnas Försäkringsbolag) and Björn Sundell (Länsförsäkringar Uppsala).

External auditors

In accordance with the Articles of Association, Länsförsäkringar AB shall have one auditor with one deputy auditor. Auditors are appointed for a mandate period of four years. At the 2008 Annual General Meeting, Stefan Holmström, KPMG AB, was appointed auditor and





Johan Bæckström, KPMG AB, was appointed deputy auditor, both for a mandate period of four years.

Composition of Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar AB shall comprise 9–12 Board members elected by the Annual General Meeting, with or without deputies. Board members are elected for a mandate period of two years. In addition, members and deputy members appointed by trade unions are also members of the Board. The President is not a member of the Board. The company has no time limit for the length of time for which a member may sit on the Board. The upper age limit is 70. The Chairman and Deputy Chairman of the Board are appointed by the Annual General Meeting.

The Board currently comprises 12 members and two deputy members. Nine of the members were elected by the Annual General Meeting and three members and two deputy members were appointed by the trade unions. Nine of the members are independent in relation to the company and the management of the company.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and shall handle and make all decisions concerning issues of material significance and an overall nature relating to the company's operations. This includes determining an appropriate organisation, the goals and strategies of the operation and guidelines for control and governance.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board and its Chairman, the number of Board meetings, procedures for reporting on the operations and financial reports as well as procedures for Board meetings, notices of meetings, presentation of material, delegation of work duties within the Board and disqualification.

The Board shall remain informed about the performance of the company to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting shall take place in accordance with established instructions and through regular Board meetings. During the year, the Board regularly reviews the earnings and sales trends, investment income, financial position, etc., in relation to the budget and business plan.

In an internal Group directive, the Board has established the company's and the Group's organisation and clarified the distribution of work duties between the various units and executives in the company and the Group. Every year, the Board establishes a directive for the President as well as a large number of guidance documents for the operations.

The Board conducts annual strategic seminars and evaluations of its own work. The Board also annually assesses the work of the President and his terms of employment. The Board meets the company's auditors at least once per year (see also Audit Committee below).

The Board has established a Finance Committee, an Audit Committee and a Remuneration Committee. The committees' tasks are established by the Board through special instructions. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

Chairman

According to the formal work plan, the Chairman shall lead the Board's work and ensure that the Board fulfils its duties. The Chairman shall also ensure that the Board meets as required, that the Board is provided with the opportunity to participate in meetings or receive satisfactory information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with the President, the Chairman shall also keep informed of significant events and developments within the company between Board meetings, and shall support the President in his work.

Internal audit

The Board appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations agree with the guidelines issued by the Board and that the operations are being conducted toward the targets established by the Board. The internal audit function is also to examine and assess the organisation of the bank, its procedures, governance and control of the operations. The Board has adopted a separate instruction for the internal audit function.

Finance Committee

The Board of Directors of Länsförsäkringar AB has appointed four of the total of eight members in a Group-wide Finance Committee for the Länsförsäkringar AB Group. The remaining members are appointed by the Boards of some of the subsidiaries. The Committee is intended to be a forum for financial analyses of the business environment and macroeconomic analysis, as well as to prepare issues concerning asset management to be presented to the Board for decision. It is also the duty of the Finance Committee to monitor compliance with established objectives, investment orientation, chains of command, etc. The Board meeting immediately following the Annual General Meeting in 2008 appointed Hans Jonsson (Chairman), Håkan Danielsson, Kajsa Lindståhl, and Anne-Marie Pålsson to represent Länsförsäkringar AB on the Finance Committee.

Audit Committee

The Audit Committee is responsible for preparing the Board's work on quality assurance of the company's internal control of financial reporting, risk management and risk control, compliance with regulations, other internal control issues and for matters referred by the Board to the Audit Committee. The Audit Committee comprises three Board members. Most of the members, including the Chairman are independent in relation to the company and management. The internal and external auditors, along with the company's President and CFO, usually participate in the Committee's meetings. At the Board meeting immediately following the 2008 Annual General Meeting, Gösta af Petersens (Chairman), Ulf W Eriksson and Hans Jonsson were appointed members of the Audit Committee. On January 1, 2009, a joint Audit Committee was established for the Länsförsäkringar AB Group, to which Länsförsäkringar AB has appointed Gösta af Petersens (Chairman) and Ulf W Eriksson as its representatives.

Remuneration Committee

The Remuneration Committee shall prepare issues on remuneration and other terms of employment for the President and the principles for remuneration and other terms of employment for company management. At the Board meeting immediately following the 2008 Annual General Meeting, Hans Jonsson (Chairman), Ulf W Eriksson and Gösta af Petersens were appointed members of the Remuneration Committee.

Meetings and attendance

The table above shows the number of meetings held in each body since the 2008 Annual General Meeting until February 2009, and the attendance by each Board member.

MEETINGS AND ATTENDANCE

	Board	Finance Committee	Audit Committee	Remuneration Committee
Total number of meetings	**7**	**6**	**3**	**1**
Gösta af Petersens	6	–	3	1
Hans Benndorf	6	–	–	–
Håkan Danielsson	–	6	–	–
Ulf W Eriksson	7	–	3	1
Carl Johan Gezelius	7	–	–	–
Håkan Haraldsson	7	–	–	–
Hans Jonsson	7	6	1	1
Tomas Jönsson	6	–	–	–
Anders Källström	7	–	–	–
Kajsa Lindståhl	–	5	–	–
AnnChristin Nilsson, (deputy)	–	–	–	–
Sune Nilsson	7	–	–	–
Ann-Christin Norrström	7	–	–	–
Anne-Marie Pålsson	6	6	–	–
Johan Wehlin, (deputy)	–	–	–	–
Lars-Eric Åström	4	–	–	–

Internal control and risk management relating to financial reporting 2008

The internal control and risk management process is based on the control environment and involves four main activities: risk assessment, control activities, information and communications, and monitoring.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board of Directors, the President and management have established for the Parent Company and the Group. The control environment also includes the values and corporate culture that the Board, the President and management communicate and work from to create appropriate and efficient operations.

The Board of Directors is responsible for the guidelines for the control and governance of the operations. Throughout the Group, routines and modes of action are coordinated by Group-wide regulations and guidelines that are approved and established in each subsidiary. This procedure is documented and communicated in guidance documents such as internal policies, guidelines and instructions. Such guidance documents include Group instructions, reporting instructions, financial control principles and attestation instructions. The Board has appointed an Audit Committee responsible for preparing the Board's quality assurance of the financial reporting. Special Audit Committees have been established by the Boards of some of the subsidiaries. The Board has also established an Internal Audit function, to support the Board in assuring that operations are conducted in accordance with the Board's decisions. The Risk Management function regularly conducts risk identification, analysis and follow-up. The Compliance function continuously monitors compliance with external and internal regulations.

Risk assessment

Risk assessment includes identifying and analysing the source of risks affecting internal control relating to financial reporting. These risks are identified and analysed at Group level, Group-wide level and unit level. The company and the Group are governed through common processes, in which risk management is built into every process and various methods are used to value and restrict risks and to ensure that identified risks are managed in accordance with established guidance documents.

Risk analyses are performed aimed at identifying processes associated with risks for which the probability that they will occur is high and for which the significance of material misstatement in the financial reporting is high. The processed and control activities associated with key risks are assessed based on the risk analysis. The risks associated with the operations conducted within the various parts of the Group are dealt with in the part of the Group in which they arise.

Control activities

Risks in financial reporting are controlled through carefully prepared financial statements, standardised work routines with built-in control functions and the evaluation of ongoing improvements. The financial information is analysed and reviewed at various organisational levels before being presented publicly. Efforts are ongoing to eliminate and reduce identified significant risks affecting internal control relating to financial reporting. This includes the development and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

Information and communications

Internal guidance documents are subject to review and reassessment at least once a year. All guidance documents are published internally on the company's internal webside. Every manager must ensure that the regulations are communicated to affected subordinate staff.

Monitoring

Every unit of the Group is involved in monitoring compliance with external and internal regulations. An independent review function – Internal Audit – has been established to assist the Board of Directors of the Group in following up the operations' compliance with decisions made by the Board of Directors. Through review and reporting, the Internal Audit shall form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit reports to the Boards of Directors of the Parent Company and the subsidiaries. In addition, every manager must ensure compliance with steering documents within his/her area of responsibility.

The Compliance function's task is to regularly identify, assess, monitor and report on compliance risks – that is, the risk of being subject to sanctions in accordance with laws or ordinances, and the risk of financial loss. Reporting is addressed to the CEO and to the Board of Directors of the company involved.

Board of Directors and auditors


Hans Jonsson


Gösta af Petersens


Hans Benndorf


Ulf W Eriksson


Anders Källström


Sune Nilsson


Ann-Christin Norrström


Anne-Marie Pålsson

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

Gösta af Petersens
Born 1947. Elected 2004.
Farm manager. Deputy Chairman of the Board.
Other Board appointments: Chairman of Länsförsäkringar Gotland, Gotlandsägg AB, SOL Frukt & Grönt på Gotland AB and Eskelunds hembageri AB.
Previous experience: President of Guteprodukter AB and Gotlands Trädgårdsprodukter.

Hans Benndorf
Born 1954. Elected 2008.
President of Länsförsäkringar Stockholm.
Other Board appointments: Chairman of Insurance Industry's Pension Fund (FPK) and Sörman & Partners. Board member of Länsförsäkringar Mäklarservice.
Previous experience: President of Länsförsäkringar Liv and Länsförsäkringar Fondliv, President of Postbanken, Vice President of Skandia Liv, Head of Marknadstekniskt Centrum, Doctor of Science in Business and Economics at Stockholm School of Economics.

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

Anders Källström
Born 1959. Elected 2008.
President of Allehanda Media AB and own farming company.
Other Board appointments: Chairman of Länsförsäkringar Västernorrland and MODO Hockey, Board member of Svenska Hockeyligan.
Previous experience: President of an advertising agency, municipal commissioner and held a number of Board and Committee positions at municipal and county council level, Board member and Chairman of companies in the graphic and sawmill sectors, and investment companies.

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

Ann-Christin Norrström
Born 1952. Elected 2007.
President of Länsförsäkringar Uppsala.
Other Board appointments: Board member of Länsförsäkringar Uppsala, Chairman of Uppsala Regional Office of the Stockholm Chamber of Commerce, Board member of STUNS (Foundation for cooperation between the universities in Uppsala, the business sector and the community), Board member of Aktietorget Uppland AB, Uppsala County Administrative Board and Uppsala County Fire Protection Association and Chairman of BoCity AB.
Previous experience: Head of Risk Operations Länsförsäkringar Gävleborg, Board member of Länsförsäkringar Liv, Forskningsfonden Länsförsäkringar AB and Gefle Dagblad.

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

Lars-Eric Åström

Carl Johan Gezelius

Tomas Jönsson

Håkan Haraldsson

Olle Törnell

Lars-Eric Åström
Born 1946. Elected 2008.
Forest farmer.
Other Board appointments: Chairman of Östgöta Brandstodsbolag and Södra Skogsägarna, Vice Chairman of Södra Cell, Board member of Swedish Federation of Forest Owners.
Previous experience: Chairman of Swedish Federation of Forest Owners, Board member of National Board of Directors of LRF, LRF Skogsförvaltning AB, Ägarfrämjandet.

Carl Johan Gezelius
Born 1948. Elected 2005.
FTF (Swedish Union of Insurance Employees) employee representative.
Other Board appointments: Insurance Industry's Pension Fund (FPK).
Previous experience: Naval officer, Board assignments at FTF and Wasa Försäkring (Life, Unit-linked, etc.).

Tomas Jönsson
Born 1951. Elected 2001.
Swedish Confederation of Professional Association employee representative. Claims adjuster Non-life Division.
Other Board appointments: Länsförsäkringar Sak Försäkrings AB, Bank and Insurance Section of Jusek.
Previous experience: Bank attorney, Förenings-banken.

Håkan Haraldsson
Born 1948. Elected 2006.
LFP employee representative.
Other Board appointments: Chairman of the Länsförsäkringar Alliance's Employee Association, LFP, Employee representative at Länsförsäkringar Bank, Länsförsäkringar Fonder, Östgöta Brandstodsbolag, Länsförsäkringar Norrbotten.

Board Secretary:
Olle Törnell
Born 1958.
Head of Legal Affairs.
Previous experience: Chief Counsel, Wasa Försäkring and bank attorney, Nordbanken .

Board of Directors of Länsförsäkringar AB
Representatives of all companies in Länsförsäkringar convene every year at the Annual General Meeting and elect the Board of Directors of the jointly owned Länsförsäkringar AB, which in turn appoints the Boards of Directors of the subsidiaries. According to the Articles of Association, the Board shall consist of not fewer than nine and not more than twelve members.

AUDITORS

Auditor elected by the Annual General Meeting
Stefan Holmström
Authorised Public Accountant, KPMG AB.

Deputy auditor elected by the Annual General Meeting
Johan Bæckström
Authorised Public Accountant, KPMG AB.

Group management


Håkan Danielsson


Christer Baldhagen


Sten Dunér


Mats Ericsson


Gunilla Forsmark Karlsson


Carin Göransson


Torbjörn Hultgren


Gustav Karner

Håkan Danielsson
Born 1961. Employed since 2005.
President.
Previous experience: President of Länsförsäkringar Liv, President of TryggHansa, President of Holmia.
Board appointments: Swedish Insurance Federation and EurAPCo A.G.

Christer Baldhagen
Born 1957. Employed since 1994.
Director of Corporate Communications.
Previous experience: Director of Corporate Communications at Wasa Försäkring, Consultant at JKL.

Sten Dunér
Born 1951. Employed since 1982.
Group CFO, Head of Service Unit.
Previous experience: Vice President of Stockholm Re.
Board appointments: Chairman of Wasa Försäkring Run-Off AB, Board member of Agria, Länshem and Balder real-estate company.

Mats Ericsson
Born 1954. Employed 1998.
President of Länsförsäkringar Bank.
Previous experience: President of Länsförsäkringar Halland, Regional Manager at Trygg-Hansa.
Board appointments: Chairman of Länsförsäkringar Fondförvaltning AB, Länsförsäkringar Hypotek, Wasa Kredit and the Halland Fire Protection Association. Board member of the Swedish Insurance Employers' Association (FAO), Movement Vård och Rehab AB and Prince Bertil's Foundation.

Gunilla Forsmark Karlsson
Born 1958. Employed 2006.
Head of Development Unit.
Previous experience: Executive Vice President of Länsförsäkringar Bank, President of Skandiabanken, President of Länsförsäkringar Mäklarservice, Executive Vice President of SEB Bolån.

Carin Göransson
Born 1952. Employed since 1988.
Head of IT Unit.
Previous experience: IT strategist, Head of IT at Länsförsäkringar Liv.

Torbjörn Hultgren
Born 1955. Employed since 1991.
Head of President Staff Function Corporate Development.
Previous experience: Operations Analyst FOA/FOI (National Defence Research Establishment/ Swedish Defence Research Agency).
Board appointments: Länsförsäkringar IT Center AB.

Gustav Karner
Born 1967. Employed since 2001.
CFO.
Previous experience: Head of Risk Management, Alecta pension insurance, mutual. Quantitative analyst at Handelsbanken Markets.
Board appointments: Bergvik Skog AB, Östgöta Brandstodsbolag Kapitalförvaltning AB and Humlegården Fastigheter AB.


Jan Lundmark


Malin Rylander-Leijon


Ann Sommer


Jörgen Svensson


Olle Törnell


Carl Johan Gezelius


Tomas Jönsson

Jan Lundmark
Born 1955. Employed since 2002.
Director of Human Resources.
Previous experience: Director of Human Resources at Kraft Foods AB, GB Glace AB, Ericsson Radio Systems AB.

Malin Rylander-Leijon
Born 1970. Employed since 2001.
Head of Control.
Previous experience: Head of Finance & Control at Länsförsäkringar Liv and auditor at SET Revisionsbryå.
Board appointments: Länsförsäkringar Fondliv.

Ann Sommer
Born 1959. Employed since 1988.
President of Länsförsäkringar Sak.
Previous experience: President of WASA International, President of WASA Special Försäkrings AB, President of Wasa International UK and President of Stockholm Re.
Board appointments: Chairman of Försäkringsaktiebolaget Agria, Board member of EFEL Skadeförsäkring AB, EFEL Livförsäkring AB, Swedish Association of Motor Insurers (TFF), Swedish Forest Agency and SOS International Amice (Association of Mutual Insurers and Insurance Cooperatives in Europe).

Jörgen Svensson
Born 1959. Employed since 2008.
President of Länsförsäkringar Liv.
Previous experience: President of Länsförsäkringar Blekinge, various managerial positions at Skandia and If.
Board appointments: Chairman of Länsförsäkringar Fondliv. Board member of Länsförsäkringar Mäklarservice.

Olle Törnell
Born 1958. Employed since 1992.
Head of Legal Affairs.
Previous experience: Chief Counsel, Wasa Försäkring and bank attorney, Nordbanken.

Carl Johan Gezelius
Born 1948. Employed since 1984.
FTF (Swedish Union of Insurance Employees) employee representative.
Previous experience: Naval officer, Board assignments at FTF and Wasa Försäkring (Life, Unit-linked, etc.).
Board appointments: Board member of Insurance Industry's Pension Fund (FPK).

Tomas Jönsson
Born 1951. Employed since 1986.
Swedish Confederation of Professional Association employee representative. Claims adjuster Non-life Division.
Previous experience: Bank attorney, Föreningsbanken.
Other Board appointments: Member of Länsförsäkringar Sak Försäkrings AB and Bank and Insurance Section of Jusek.

Terms and expressions

Administration result, Life assurance
Fees paid by the Länsförsäkringar Liv Group's customers minus operating expenses.

Direct yield, %
The balance of interest income, interest expense, dividends on shares and participations, operating expenses in asset management, and the surplus/deficit on real estate in relation to the average value of investment assets during the year.

Direct insurance
Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Operating expenses in the insurance operations
Costs of marketing, sales and administration in the insurance operations, including claims adjustment costs.

Expense ratio in the insurance operations
Operating expenses in the insurance operations excluding claims adjustment costs in relation to premiums earned after ceded reinsurance, expressed as a percentage.

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.

Required solvency margin
The lowest permitted level of the capital base for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in Chapter 7, Sections 22–55 of the Insurance Business Act.

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, the profit or loss arising at accounting year-end in the provision for claims outstanding made in the preceding year-end accounts. The run-off profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are revalued pending final settlement.

Technical result, non-life insurance operations
Premiums earned less claims payments and operating expenses in the insurance operations plus income from reinsurance ceded and investment income transferred from financial operations.

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.

Investment income transferred from financial operations
Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the computed interest – is transferred from investment income to the insurance operations.

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

Capital base, bank
The total of Tier 1 capital and Tier 2 capital less item in accordance with Chapter 2, Section 7, Paragraph 3 of the Swedish Capital Adequacy and Large Exposures (Credit Institutions and Securities Companies) Act.

Capital adequacy ratio, Bank
The closing capital base as a percentage of the closing risk-weighted amount.

Solvency capital
The total of shareholders' equity, deferred tax liability/assets and subordinated loans.

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

Loan losses, Bank
Probable loan losses are 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.

Cost ratio
Operating expenses in the insurance operations as a percentage of premiums earnings after ceded reinsurance, expressed as a percentage.

Investment margin, Bank
Net interest in relation to average total assets.

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

Premium income
Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance business.

Premiums earned
The proportion of premium income attributable to the fiscal year.

Return on shareholders' equity
Profit before tax plus changes in surpluses in owner-occupied properties after standard tax at 28% as a percentage of average shareholders' equity, adjusted for dividends.

Interest-bearing securities
Loans issued in the market by a borrower (such as the government). Long-term securities are normally termed "bonds," while short-term loans are in the form of what are commonly called "bills."

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

Operating profit/loss
Profit/loss before tax.

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

Solvency, life assurance
The market value of assets in relation to guaranteed commitments to policyholders.

Net worth
Taxed shareholders' equity.

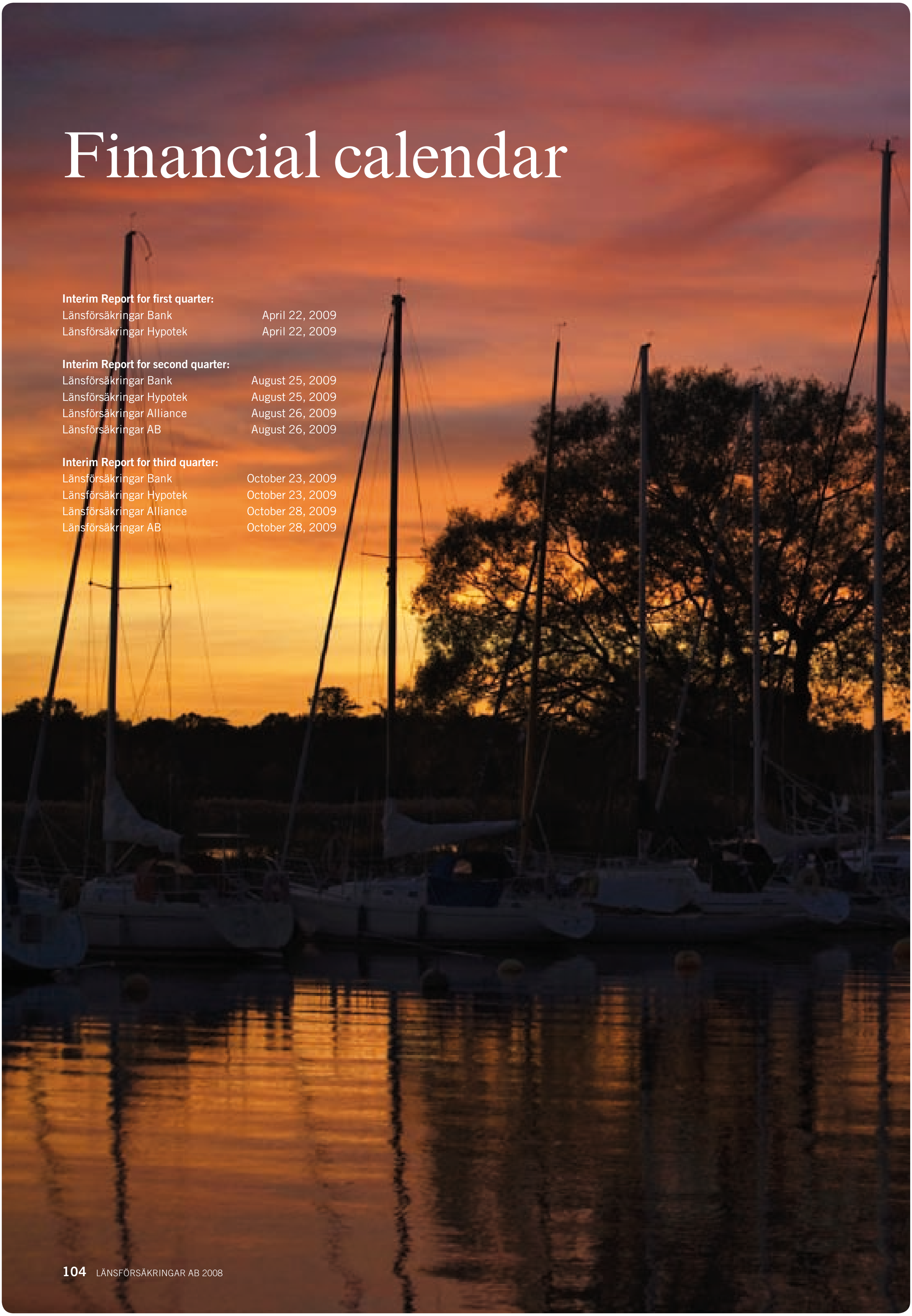
Asset allocation
Selection of allocation between various types of assets in a portfolio, for example the desired proportion of equity and interest-bearing securities.

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

Combined ratio
The total of operating expenses in the insurance operations and claims payments in relation to premiums earned.

Earnings per share
Net profit for the year divided by the average number of shares during the year.

Reinsurance
If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of its policies with other companies. In this connection, the reinsurance is said to be "ceded" by the first company and "assumed" by the second company.



Financial calendar

Interim Report for first quarter:

Länsförsäkringar Bank	April 22, 2009
Länsförsäkringar Hypotek	April 22, 2009

Interim Report for second quarter:

Länsförsäkringar Bank	August 25, 2009
Länsförsäkringar Hypotek	August 25, 2009
Länsförsäkringar Alliance	August 26, 2009
Länsförsäkringar AB	August 26, 2009

Interim Report for third quarter:

Länsförsäkringar Bank	October 23, 2009
Länsförsäkringar Hypotek	October 23, 2009
Länsförsäkringar Alliance	October 28, 2009
Länsförsäkringar AB	October 28, 2009

Addresses

Länsförsäkringar Blekinge
Box 24
SE-374 21 Karlshamn
Visit: Kyrkogatan 21
Phone: +46 (0)454-30 23 00
Fax: +46 (0)454-105 60
E-mail: info@blekinge.lansforsakringar.se

Dalarnas Försäkringsbolag
Box 3
SE-791 21 Falun
Visit: Slaggatan 9
Phone: +46 (0)23-930 00
Fax: +46 (0)23-284 87
E-mail: info@dalarnas.se

Länsförsäkringar Älvsborg
Box 1107
SE-462 28 Vänersborg
Visit: Vallgatan 21
Phone: +46 (0)521-27 30 00
Fax: +46 (0)521-27 32 27
E-mail: info@alvsborg.lansforsakringar.se

Länsförsäkringar Gävleborg
Box 206
SE-801 03 Gävle
Visit: Slottstorget 3
Phone: +46 (0)26-14 75 00
Fax: +46 (0)26-61 43 90
E-mail: info@gavleborg.lansforsakringar.se

Länsförsäkringar Göinge
Box 54
SE-281 21 Hässleholm
Visit: Andra Avenyen 14
Phone: +46 (0)451-489 00
Fax: +46 (0)451-156 93
E-mail: info@goinge.lansforsakringar.se

Länsförsäkringar Göteborg och Bohuslän
SE-404 84 Gothenburg
Visit: Lilla Bommen 8
Phone: +46 (0)31-63 80 00
Fax: +46 (0)31-63 80 05
E-mail: info@gbg.lansforsakringar.se

Länsförsäkringar Halland
Box 518
SE-301 80 Halmstad
Visit: Strandgatan 10
Phone: +46 (0)35-15 10 00
Fax: +46 (0)35-10 36 10
E-mail: info@halland.lansforsakringar.se

Länsförsäkringar Jämtland
Box 367
SE-831 25 Östersund
Visit: Prästgatan 48
Phone: +46 (0)63-19 33 00
Fax: +46 (0)63-10 24 70
E-mail: info@lfz.se

Länsförsäkringar Jönköping
Box 623
SE-551 18 Jönköping
Visit: Barnarpsgatan 22
Phone: +46 (0)36-19 90 00
Fax: +46 (0)36-19 92 40
E-mail: info@jonkoping.lansforsakringar.se

Länsförsäkringar Kalmar län
Box 748
SE-391 27 Kalmar
Visit: Smålandsgatan 1
Phone: +46 (0)20-66 11 00
Fax: +46 (0)480-286 50
E-mail: info@kalmar.lansforsakringar.se

Länsförsäkring Kronoberg
Box 1503
SE-351 15 Växjö
Visit: Kronobergsgatan 10
Phone: +46 (0)470-72 00 00
Fax: +46 (0)470-72 00 01
E-mail: info@lfkronoberg.se

Länsförsäkringar Norrbotten
Box 937
SE-971 28 Luleå
Visit: Kungsgatan 13
Phone: +46 (0)920-24 25 00
Fax: +46 (0)920-22 01 66
E-mail: info@lfn.nu

Länsförsäkringar Skaraborg
Box 600
SE-541 29 Skövde
Visit: Rådhusgatan 8
Phone: +46 (0)500-77 70 00
Fax: +46 (0)500-77 70 30
E-mail: info@skaraborg.lansforsakringar.se

Länsförsäkringar Stockholm
SE-173 82 Stockholm
Visit: Hemvärnsgatan 9, Solna
Phone: +46 (0)8-562 830 00
Fax: +46 (0)5-562 833 36
E-mail: info@sth.lansforsakringar.se

Länsförsäkringar Södermanland
Box 147
SE-611 24 Nyköping
Visit: V Storgatan 4
Phone: +46 (0)155-48 40 00
Fax: +46 (0)155-48 41 03
E-mail: info@lfs.se

Länsförsäkringar Uppsala
Box 2147
SE-750 02 Uppsala
Visit: Svartbäcksgatan 44
Phone: +46 (0)18-68 55 00
Fax: +46 (0)18-68 55 80
E-mail: info@uppsala.lansforsakringar.se

Länsförsäkringar Värmland
Box 367
SE-651 09 Karlstad
Visit: Köpmannagatan 2 A
Phone: +46 (0)54-775 15 00
Fax: +46 (0)54-775 16 50
E-mail: info@LFvarmland.se

Länsförsäkringar Kristianstad
Box 133
SE-291 22 Kristianstad
Visit: V Storgatan 49
Phone: +46 (0)44-19 62 00
Fax: +46 (0)44-12 06 35
E-mail: info@krstad.lansforsakringar.se

Länsförsäkringar Västerbotten
Box 153
SE-901 04 Umeå
Visit: Nygatan 19
Phone: +46 (0)90-10 90 00
Fax: +46 (0)90-10 92 29
E-mail: info@LFvasterbotten.se

Länsförsäkringar Västernorrland
Box 164
SE-871 24 Härnösand
Visit: Stora Torget 3
Phone: +46 (0)611-253 00
Fax: +46 (0)611-22518
E-mail: info@vn.lansforsakringar.se

Länsförsäkringar Bergslagen
Box 1046
SE-721 26 Västerås
Visit: Stora Gatan 41
Phone: +46 (0)21-19 01 00
Fax: +46 (0)21-19 01 37
E-mail: info@lfbergslagen.se

Östgöta Brandstodsbolag
Box 400
SE-581 04 Linköping
Visit: Platensgatan 11
Phone: +46 (0)13-29 00 00
Fax: +46 (0)13-29 06 25
E-mail: info@ostgota.lansforsakringar.se

Länsförsäkringar Gotland
Box 1224
SE-621 23 Visby
Visit: Österväg 17
Phone: +46 (0)498-28 18 50
Fax: +46 (0)498-24 76 48
E-mail: info@lfgotland.se

Länsförsäkringar Skåne
Box 742
SE-251 07 Helsingborg
Visit: Södergatan 15
Phone: +46 (0)42-633 80 00
Fax: +46 (0)42-633 86 60
E-mail: info@skane.lansforsakringar.se

JOINT COMPANIES

Länsförsäkringar AB
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-670 48 23
E-mail: info@lansforsakringar.se

Länsförsäkringar Liv
SE-106 50 Stockholm
Visit: Tegeluddsvägen 21
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-588 408 51
E-mail: info@lansforsakringar.se

Länsförsäkringar Sak
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-588 418 10
E-mail: info@lansforsakringar.se

Länsförsäkringar Bank
SE-106 50 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 (0)8-588 416 00
Fax: +46 (0)8-670 48 37
E-mail: info@lansforsakringar.se

Länsförsäkringar Fondförvaltning AB
SE-106 50 Stockholm
Visit: Tegeluddsvägen 21
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-670 40 07
E-mail: info@lansforsakringar.se

Wasa Kredit AB
Box 6740
SE-113 85 Stockholm
Visit: S:t Eriksgatan 115
Phone: +46 (0)8-635 38 00
Fax: +46 (0)8-676 02 75
E-mail: info@wasakredit.se

Agria Djurförsäkring
Box 70306
SE-107 23 Stockholm
Visit: Tegeluddsvägen 11–13
Phone: +46 (0)8-588 421 00
Fax: +46 (0)8-588 421 80
E-mail: info@agria.se

Humlegården Fastigheter AB
Box 5182
SE-102 44 Stockholm
Visit: Birger Jarlsgatan 25
Phone: +46 (0)8-678 92 00
Fax: +46 (0)8-678 92 99
E-mail: info@humlegarden.se

Länsförsäkringar Mäklarservice
Box 65
SE-171 74 Solna
Visit: Hemvärnsgatan 9
Phone: +46 (0)8-588 490 00
Fax: +46 (0)8-588 491 90
E-mail:
info.maklarservice@lansforsakringar.se

Länshem Fastighetsförmedling
Box 742
SE-251 07 Helsingborg
Visit: Södergatan 15
Phone: +46 (0)42-633 98 10
Fax: +46 (0)42-633 98 11
E-mail: helsingborg@lanshem.se

Production: Länsförsäkringar AB, Marknad, Communication & Internet in cooperation with n3 Kommunikation.
Photo: Elena Kraskowski, Per Kristiansen, Magnus Pehrsson and Johnér Bildbyrå.
Print: Jernström Offset, Stockholm 2009. Translation: The Bugli Company – www.bugli.se

Länsförsäkringar
Bank & Försäkring

LFAB 03433 Utg 10