

Länsförsäkringar Alliance

January–September 2009

INTERIM REPORT

The period in brief

- Based on a low risk profile and strong key figures, all core business segments are continuing to grow and generate favourable profitability.
- Operating profit for non-life insurance operations improved substantially to SEK 4,646 M (loss: 5,596). The technical result amounted to SEK 1,337 M (1,880).
- Solvency for non-life insurance remained strong. Solvency capital increased to SEK 30,364 M (28,248) and the solvency margin amounted to 167% (156).
- The solvency ratio for life-assurance increased to 140% (130) and the collective consolidation level was 106% (95). Premium income rose 7% to SEK 11,587 M (10,822). The return on investment assets in Länsförsäkringar Liv (life assurance) was 0.1% (neg: 11.6).
- Operating profit in the banking operations rose to SEK 196 M (186). Lending to the public was up 25% to SEK 94 billion (76) and deposits from the public rose by 13% to SEK 37 billion

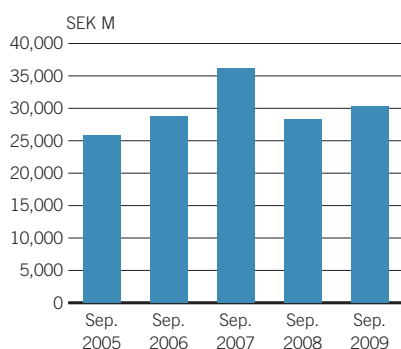
Sten Dunér, Acting President and CFO of Länsförsäkringar AB, the Alliance's jointly owned company:

Länsförsäkringar's business activities in non-life insurance, life assurance and banking services were characterised by earnings improvements and a stable earnings trend. We have experienced a year dominated by an acute financial crisis and maintained strong key figures, while business volumes have risen, particularly in the banking operations. Our credit ratings are intact and our risk profile is low. We are now gradually increasing the percentage of equities in our portfolio as we continue to show the same respect for customers' money as we have in the past.

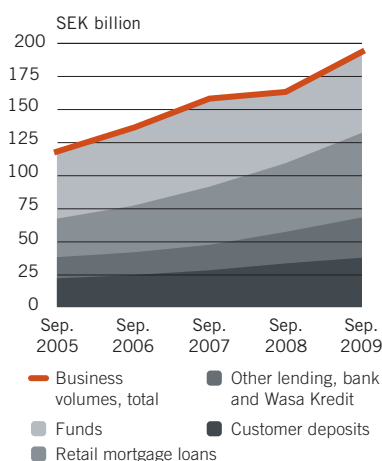
(33). Retail mortgage lending rose 23% to SEK 64 billion (52). The risk profile is low and credit quality remained high.

- The number of customers in the regional insurance companies at the end of the period totalled 3,280,000, an increase of 25 000 during the period. The number of full-service customers increased by 11%.

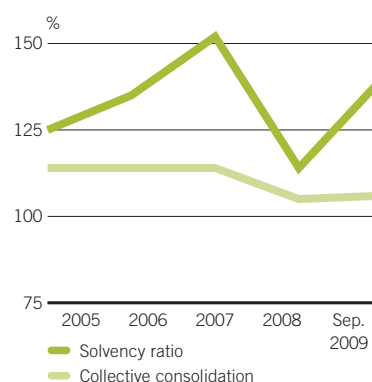
SOLVENCY CAPITAL, NON-LIFE INSURANCE



BUSINESS VOLUMES, BANK



SOLVENCY/COLLECTIVE CONSOLIDATION, LIFE ASSURANCE

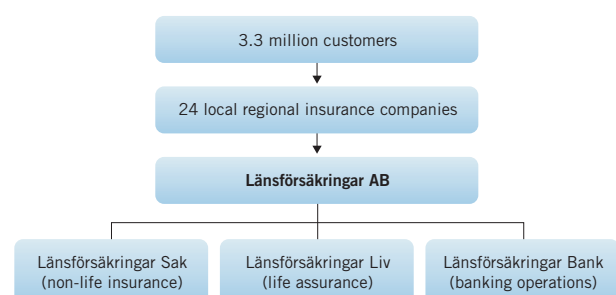


The Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB. Länsförsäkringar's earnings from non-life insurance consist of the total of the earnings of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



Länsförsäkringar in brief

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



Cooperation through Länsförsäkringar AB

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

LÄNSFÖRSÄKRINGAR ALLIANCE, NON-LIFE INSURANCE

	Jan.–Sep. 2005	Jan.–Sep. 2006	Jan.–Sep. 2007	Jan.–Sep. 2008	Jan.–Sep. 2009
Solvency capital, SEK M	25,782	28,790	36,156	28,248	30,364
Solvency margin, %	157	172	218	156	167
Premiums earned after ceded reinsurance, SEK M	12,057	12,259	12,356	13,055	13,467
Technical result, SEK M	2,055	1,873	1,715	1,880	1,337
Operating profit/loss, SEK M	5,672	3,111	4,718	–5,596	4,646
Combined ratio	89	90	93	93	96

LÄNSFÖRSÄKRINGAR AB, GROUP¹⁾

	Jan.–Sep. 2005	Jan.–Sep. 2006	Jan.–Sep. 2007	Jan.–Sep. 2008	Jan.–Sep. 2009
Profit/loss after tax, SEK M	1,119	241	1,031	–1,736	392
Solvency capital, SEK M	9,085	10,054	12,056	9,067	8,526
Solvency margin, %	469	472	527	271	224
Total assets, SEK M	77,857	86,611	108,081	124,031	154,209
Return on shareholders' equity, %		3.0	13.8	–25.0	6.8

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

LÄNSFÖRSÄKRINGAR BANK, GROUP

	Jan.–Sep. 2005	Jan.–Sep. 2006	Jan.–Sep. 2007	Jan.–Sep. 2008	Jan.–Sep. 2009
Deposits from the public, SEK M	20,910	23,759	27,808	33,007	37,210
Lending to the public, SEK M	45,112	52,387	63,380	75,722	94,326
Operating profit, SEK M	106	147	172	186	196

LÄNSFÖRSÄKRINGAR LIV, GROUP

	Jan.–Sep. 2005	Jan.–Sep. 2006	Jan.–Sep. 2007	Jan.–Sep. 2008	Jan.–Sep. 2009
Premium income, SEK M ²⁾	8,962	10,097	10,648	10,822	11,587
Net profit/loss, SEK M	3,430	7,106	12,930	–21,373	18,083
Collective consolidation, %	111	111	117	95	106
Solvency ratio, %	125	134	154	130	140

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

LÄNSFÖRSÄKRINGAR SAK, GROUP

	Jan.–Sep. 2005	Jan.–Sep. 2006	Jan.–Sep. 2007	Jan.–Sep. 2008	Jan.–Sep. 2009
Premiums earned after ceded reinsurance, SEK M	791	881	905	1,351	2,704
Technical result, SEK M	200	185	134	139	279
Profit/loss before appropriations and tax, SEK M	1,465	174	1,203	–2,142	504

*The Agria Group is included in the Länsförsäkringar Sak Group from December 2008.

CREDIT RATING

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

⁴⁾ Pertains to the company's covered bonds.

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

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

Non-life insurance¹⁾

- Operating profit improved substantially to SEK 4,646 M (loss: 5,596). The technical result amounted to SEK 1,337 M (1,880).
- Länsförsäkringar increased its premiums earned in a stagnating market.
- The combined ratio amounted to 96% (93) and the claims ratio to 74 (71).
- Investment income of SEK 4,559 M for the period was attributable to a positive trend in both credits and equities.
- Solvency remained strong with solvency capital at SEK 30,364 M (28,248) and a solvency margin of 167% (156).
- Länsförsäkringar was named Non-Life Insurance Company of the Year in the corporate market for the seventh consecutive year according to the Finansbarometern survey.

Non-life insurance, Länsförsäkringar Alliance

KEY FIGURES, SEK M	Jan. 1, 2009 –Sep. 30, 2009	Jan. 1, 2008 –Sep. 30, 2008	Full-year 2008
Premiums earned after ceded reinsurance	13,467	13,055	17,406
Technical result	1,337	1,880	2,453
Operating profit/loss	4,646	–5,596	–7,511
Return on shareholders' equity, %	20.2	–18.2	–25
Solvency capital	30,364	28,248	25,916
Solvency margin, %	167	156	146
Claims ratio	74	71	72
Expense ratio	22	22	21
Combined ratio	96	93	93

Länsförsäkringar retained its strong position in the private, corporate and agricultural sectors in a stagnating non-life insurance market measured in premiums paid. The decline in the market primarily occurred in motor-vehicle insurance, but was also seen in commercial and property insurance. However, measured in the number of insurance policies, the motor-vehicle insurance market rose and the decline in premiums was largely due to premium reductions as a result of lower claims costs. Intense competition also put downward pressure on premiums. Premiums for

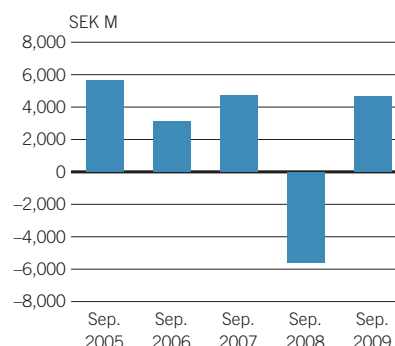
commercial insurance fell following declines in companies' sales and a higher number of bankruptcies than usual. In addition, many large companies and municipal captive companies are choosing not to report their figures to the Swedish Insurance Federation.

According to the Finansbarometern survey, the Länsförsäkringar Alliance was named Non-Life Insurance Company of the Year in the corporate market for the seventh consecutive year. Länsförsäkringar was awarded top marks in all areas: price, offering, service and flexibility to customer needs.

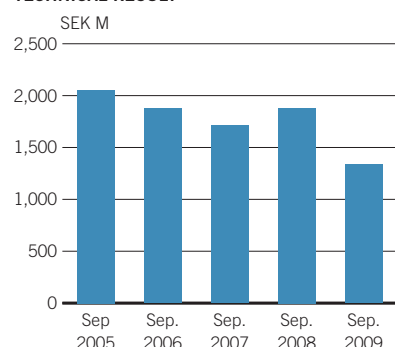
Earnings and profitability

Profitability in the Länsförsäkringar Alliance's non-life insurance operations remained stable with a technical result of SEK 1,337 M (1,880). The continuation of strong positive trends in the financial markets led to a favourable trend in investment portfolios. Both equities and credits performed well. Investment income remained positive during the third quarter and amounted to SEK 4,559 (neg: 6,095). Accordingly, total operating profit improved to SEK 4,646 M (loss: 5,596). The Länsförsäkringar Alliance retained its strong solvency with solvency capital of SEK 30,364 M (28,248) and a solvency margin of 167% (156). The combined ratio rose to 96% (93) and the claims ratio to 74% (71) due to higher costs primarily associated with water and fire damage. The expense ratio was unchanged at 22% (22).

OPERATING PROFIT/LOSS

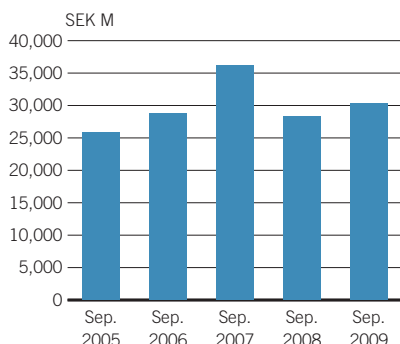


TECHNICAL RESULT

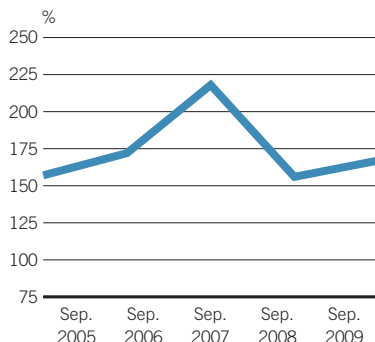


¹⁾ Earnings from non-life insurance consist of the total of the earnings of the 24 regional insurance companies and of the jointly owned Länsförsäkringar AB Group, excluding the Life Assurance Group and the Bank Group. The value and changes in the value of the regional insurance companies' holding of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

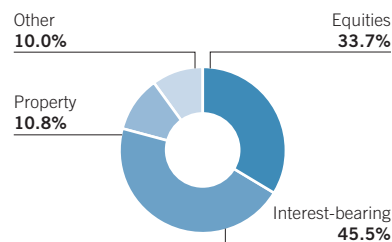
SOLVENCY CAPITAL



SOLVENCY MARGIN



ALLOCATION OF INVESTMENT ASSETS

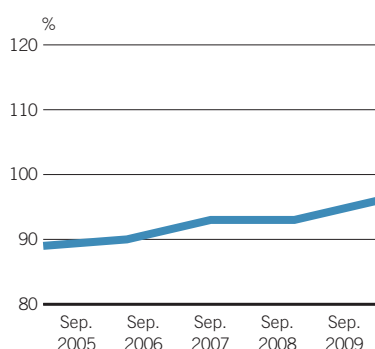


Total investment assets amounted to SEK 57.2 billion on September 30, 2009.

Business volumes

The Länsförsäkringar Alliance retained its strong position in the non-life insurance market, measured in premiums paid, with a market share of 29.4% (30.0). Despite the 3% increase in premiums earned, the market share declined slightly according to the Swedish Insurance Federation's statistics. The reason for this is that a large portion of growth derives from Agria International, an operation that is not reported to the Federation. Most of the growth in premium in animal and crop insurance, which is sold through the subsidiary Agria, originates in the international operations. In other areas, primarily medical and accident insurance policies increased. The market for pet insurance is growing and in this sector Länsförsäkringar has a leading position with a market share of almost 60%. Länsförsäkringar is also a market leader in medical insurance with a market share of approximately 30%. Growth in the corporate sector is reducing due to the recession and fierce competition from a higher number of insurance providers who are actively focusing on commercial insurance. Despite this trend, Länsförsäkringar is the market leader in commercial and property insurance with 35.1% of the market measured in premiums paid. In terms of private insurance, the number of motor-vehicle and accident insurance policies is increasing, while premium growth is being hampered by premium reductions in the motor-vehicle business. Länsförsäkringar remains the market leader in motor-vehicle insurance, measured in the number of insurance policies, and also retained its leading position in homeowner insurance,

COMBINED RATIO



despite a decline in the number of policies. Request for quotes from brokers are continuing to increase and Länsförsäkringar further consolidated its position with insurance brokers with new business and positive feedback on its insurance solutions.

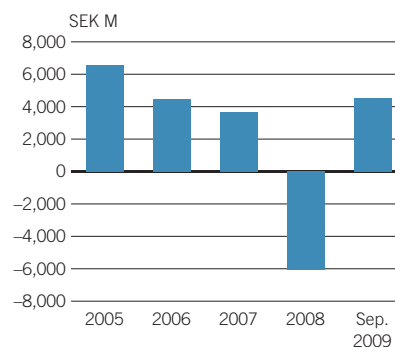
Claims cost trend

Claims costs rose compared with the year-earlier period. The reason is primarily higher costs for water-damage claims in private insurance and fire-damage claims for commercial insurance, but costs for accident claims also rose. However, the trend in motor-vehicle insurance is positive, with lower claims costs in mainly third-party liability insurance. The recession has resulted in a general decrease in traffic, both business and leisure travel, which has led to fewer traffic accidents.

Operations abroad

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

TOTAL INVESTMENT INCOME



in the autumn following approval by the relevant authorities. The sale will not affect Agria International, which will continue to pursue its animal insurance operations in the UK, Norway and Finland. Agria International's business is growing substantially, with premiums earned having almost quadrupled compared with 2008 and amounting to SEK 246 M.

Risk management/investment strategy

The local regional insurance companies and their Boards, as well as the jointly owned non-life insurance companies in Länsförsäkringar AB, have chosen to maintain a strong solvency margin to guarantee the long-term future of the operations. Länsförsäkringar endeavours to strike a balance between risk and available surplus capital. Under Länsförsäkringar's cautious investment strategy, the main portion of assets is invested in interest-bearing securities to ensure the company's long-term commitments. However, with its strong solvency margin, the Länsförsäkringar Alliance has a substantial buffer of capital, meaning that a third of which can be invested in assets with higher anticipated returns, for example, in equities.

Life-assurance and pension insurance

- Profit for Länsförsäkringar Liv for the first nine months of the year amounted to SEK 18,083 M (loss: 21,373). The improvement is largely attributable to the positive changes in technical reserves.
- The total return on investment assets amounted to 0.1% (neg: 11.6).
- The bonus rate is currently 0%, but will be raised to 5% from November 1. The average bonus rate since Länsförsäkringar's life-assurance operations were started in 1985 is 8.9%.
- Länsförsäkringar Liv continued to report strong key figures and the solvency ratio amounted to 140% (130) on September 30, 2009. Collective consolidation amounted to 106% (95).
- Life-Assurance and Fund Company of the Year in the corporate market for the third consecutive year, according to the Finansbarometern Survey.
- Premium income rose 7% to SEK 11,587 M (10,822).
- The Swedish Financial Supervisory Authority rejected Länsförsäkringar's application to restructure the life-assurance company to a profit-distributing limited liability company (demutualisation). The Authority accepted the entire demutualisation proposal except for one point – an element of the crediting issue (distributing profits to policyholders). The ruling is being analysed and a decision will then be made on what future action to take.

Länsförsäkringar Liv, Group

KEY FIGURES, SEK M	Jan. 1, 2009 –Sep. 30, 2009	Jan. 1, 2008 –Sep. 30, 2008	Full-year 2008
Premium income*	11,587	10,822	10,719
Total assets	158,137	144,216	150,216
Return, New World, %	18.9	–17.5	–28.1
Total return, traditional life assurance, %	0.1	–11.6	–0.6

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

The current recession has had a negative impact on the life-assurance market with many companies making personnel cutbacks. Combined with lower salary increases or no increases at all, this trend has affected the size of premiums paid to occupational pensions and the scope that individuals have for their pri-

vate savings. Despite the weaker conditions in the market, Länsförsäkringar increased its premium income. This increase is attributable to Länsförsäkringar's strong position among independent insurance brokers and that a rising number of customers are choosing the company as managers of their collective agreement pensions. In addition, the net flow in the agreement areas in which customers are entitled to transfer their insurance capital was positive.

Länsförsäkringar was named Life-Assurance and Fund Company of the Year in the corporate market for the third consecutive year, according to the Finansbarometern survey.

Earnings and profitability

Profit for Länsförsäkringar Liv for the first nine months of the year amounted to SEK 18,083 M (loss: 21,373). The primary driver behind the improved profit is changes to technical reserves. Long-term interest rates have risen, meaning that the valuations of Länsförsäkringar's liabilities have declined. At the same time as liabilities have decreased, assets did not incur any corresponding effect. The total return in traditional management for January–September 2009 amounted to 0.1%. During the period, assets were allocated based on the aim of maintaining a low level of risk.

Solvency and collective consolidation

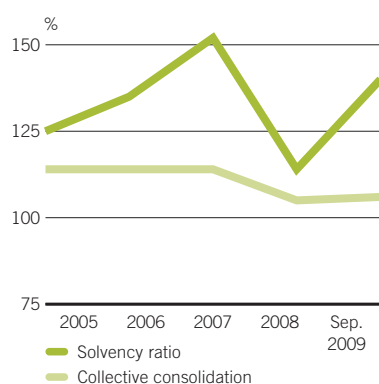
Länsförsäkringar Liv continued to report strong key figures. The solvency

Total return, Länsförsäkringar Liv

On Sep. 30, 2009	Market value, SEK M	Percentage of portfolio, %	Return to date this year, %
Interest-bearing	74,018	77.2	6.2
Equities	8,254	8.6	–0.2
Alternative investments	5,043	5.3	–2.8
Property	8,561	8.9	0.0
Total	95,866	100	0.1

ratio was 140% (130) on September 30, 2009 and collective consolidation amounted to 106% (95).

SOLVENCY RATIO AND COLLECTIVE CONSOLIDATION IN TRADITIONAL LIFE ASSURANCE



Business volumes

The sales trend remained favourable. New sales measured as rolling 12-month figures amounted to SEK 17,192 M (17,198). The market share of the total life-assurance sales market, measured in new sales, amounted to 10.4% (9.9). The increase in market share is particularly positive since large amounts of funds are being added to the life-assurance market in the collective-agreement pension area. This situation benefits Alecta since it is an alternative for those not making active choices in collective-agreement pensions. Länsförsäkringar increased its share in the private pension sub-market from 14.8 to 15.3% and remains a private-market leader.

Länsförsäkringar Liv's premium income continues to rise. Premium income as defined by the Swedish Insurance Federation's definition, measured as rolling 12-month figures, amounted to SEK 11,587 M (10,822) on September 30. The largest increase was seen in the product groups Occupational pension and Collective agreement pension. Previous successes in agreement procurements for the Collective agreement pension product area were the main reason for higher premium income. Länsförsäkringar Liv is one of the eligible managers in the collective pension areas of SAF-LO for private-sector workers, ITP for private-sector salaried employees, FTP for employees of insurance companies and PA-KFS for employees of municipal companies. Managed assets rose

during the period from SEK 133 billion to SEK 143.9 billion (137.7). The largest increase in managed assets was in unit-linked insurance where rising fund prices contributed to the increase.

Demutualisation

In 2008, the Board of Directors of Länsförsäkringar Liv proposed that the company be restructured from a non-profit-distributing limited liability company to a profit-distributing limited liability company. The aim of demutualisation is to create greater security and enhanced clarity for customers, while strengthening the competitiveness of the life-assurance company.

The Swedish Financial Supervisory Authority rejected Länsförsäkringar's application to restructure the life-assurance company to a profit-distributing limited liability company. The Authority accepted the entire demutualisation proposal except for one point – an element of the crediting issue (distributing profits to policyholders). The ruling is being analysed and a decision will then be made on what future action to take.

Return

Länsförsäkringar Liv's customers can choose between a variety of management forms, with traditional management and unit-linked insurance being the largest. Variants of traditional management are New World management and Insured Pension. The total return for traditional management amounted to 0.1% (neg: 11.6). The bonus rate for January – September was 0%. The bonus rate will be raised to 5% from November 1. The average bonus rate since Länsförsäkringar's life-assurance operations were started in 1985 is 8.90% per year.

Throughout the entire financial crisis, Länsförsäkringar has adopted a cautious allocation approach aimed at safeguarding risk in the investment portfolio and, thereby, savers' capital. This respect for customers' money has been successful in both the long and short term. The level of risk has gradually risen, but this cautious approach has been maintained.

The portion of equities in the traditional management portfolio was low during the first nine months of 2009. Interest-bearing investments were made in loans, for example, which had a positive impact on returns. On September 30, the portfolio contained 8.6% equities, 77.2% interest-bearing securities, 8.9% properties and 5.3% alternative investments. Customers choosing the unit-linked insurance form for their savings in 2009 benefited from rising share and fund prices. Equity funds with a Russian and Eastern European orientation were winners during the year. Managed assets for unit-linked insurance rose to SEK 42,255 M (34,156) on September 30, having been at SEK 31,634 M at year-end.

TOTAL RETURN AND BONUS RATE IN TRADITIONAL LIFE ASSURANCE



Traditional life assurance

SEK M	Jan. 1, 2009 –Sep. 30, 2009	Jan. 1, 2008 –Sep. 30, 2008	Full-year 2008
Premium income, net	4,211	4,005	5,486
Investment income, net	–1,747	–14,399	–4,766
Profit/loss after tax	18,267	–21,030	–29,490
Investment assets	108,157	102,722	106,797
Total assets	118,389	111,804	120,694
Collective consolidation, %	106	95	105
Solvency ratio, %	140	130	114

Risks and risk management

Throughout 2009, Länsförsäkringar Liv has continued to take minor risks in its management of policyholders' money. A low percentage of equities and proactive measures, for example, interest-rate hedging, were elements of an allocation strategy to reduce risks in the investment portfolio and for customers.

Unit-linked insurance

SEK M	Jan. 1, 2009	Jan. 1, 2008	Full-year 2008
	–Sep. 30, 2009	–Sep. 30, 2008	
Premium income, net	249	261	334
Investment income, net	7,198	–8,917	–12,488
Loss after tax	–8	–31	–77
Total assets	43,483	35,718	33,072

Bank

- Operating profit increased 5% to SEK 196 M (186).
- Net interest income rose 1% to SEK 857 M (852).
- Loan losses remained low and amounted to SEK 45 M (46).
- Lending to the public rose 25% to SEK 94 billion (76) and deposits from the public increased 13% to SEK 37 billion (33). Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek increased 23% to SEK 64 billion (52).
- According to the 2009 Swedish Quality Index, Länsförsäkringar once again has Sweden's most satisfied bank customers in the retail market.
- The number of customers rose 11% to 761,000 (686,000) and the number of bank cards increased 23% to 211,000 (172,000).
- The banking operations have a low risk profile that has not changed appreciably despite the financial crisis and recession.

Länsförsäkringar Bank, Group

KEY FIGURES, SEK M	Jan. 1, 2009 –Sep. 30, 2009	Jan. 1, 2008 –Sep. 30, 2008	Full-year 2008
Deposits from the public	37,210	33,007	35,090
Lending to the public	94,326	75,722	78,564
Operating profit	196	186	245
Return on shareholders' equity, %	4.3	4.6	4.4
Cost/income ratio before loan losses	0.75	0.74	0.75

Volumes in the lending market continued to grow substantially. Deposit volumes and the number of bank cards also increased. Low interest rates contributed to the recovery of housing prices throughout much of Sweden, particularly in major cities. According to Statistics Sweden, prices of single-family homes rose 3% during the third quarter. Some small and medium-sized municipalities were impacted by lay-off notices and experienced weaker recovery compared with the preceding quarter. The subsidiary Länsförsäkringar Hypotek retained its favourable position and its portfolio had a good geographic distribution.

Signs of stabilisation and a relatively rapid upturn in the global economy continued to have a positive impact on the capital market. The stimulating monetary

policy being pursued by the central banks, combined with an expansive financial policy, bolstered the world's stock markets and narrowed credit spreads. Länsförsäkringar Hypotek took advantage of the favourable market situation and issued a new benchmark bond in August.

According to the 2009 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied bank customers in the retail market for the fifth time. The most important factors for customers are the range of products and the banks' ability to live up to customer expectations. Länsförsäkringar received a top ranking for all of the criteria measured, including image, customer expectations, product range, service quality, value-for-money and loyalty.

The survey also indicated that full-service customers are generally more satisfied than customers who use several banks.

The number of customers increased 11% to 761,000 (686,000) and the number of household financing customers rose 20% to 179,000 (149,000). The number of products per customer also increased. The number of bank cards rose 23% to 211,000 (172,000) and the number of private and savings accounts increased steadily.

Earnings and profitability

Profit before loan losses rose to SEK 241 M (232) and operating profit to SEK 196 M (186), an increase attributable to higher volumes and increased net profit from financial transactions. The return on average shareholders' equity was 4.3% (4.6).

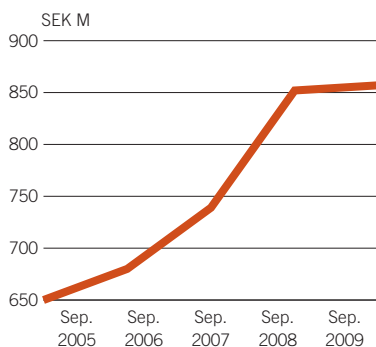
Income

Operating income rose a total of 9% to SEK 951 M (876), primarily due to increased net profit from financial transactions and higher net interest income.

Net interest income rose 1% to SEK 857 M (852), partly due to improved lending margins and increased lending and deposit volumes to the public. Lower market interest rates resulted in reduced lending margins and a lower yield on shareholders' equity. In addition, net interest income was charged with SEK 16 M for fees to the stability fund and SEK 12 M (8) for mandatory government deposit insurance. The investment margin was 0.98% (1.24).

Net commission declined to negative SEK 98 M (neg: 91) as a result of lower fund management volumes. Net profit from financial transactions increased to SEK 81 M (5), due to interest compensation in conjunction with loan conversions from fixed interest to loans with variable interest rates as one of the reasons.

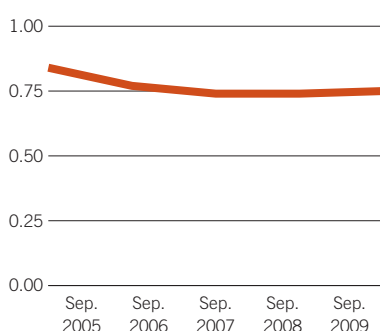
NET INTEREST INCOME



Expenses

Operating expenses increased 10%, or SEK 66 M, to SEK 711 M (644). This increase was primarily attributable to increased expenses for a change in production system in the subsidiary Wasa Kredit, which is expected to enhance efficiency. Operating expenses were also impacted by changes in settlement methods for Group expenses. The cost/income ratio was 0.75 (0.74) before loan losses and 0.79 (0.79) after loan losses.

COST/INCOME RATIO



Loan losses

Loan losses remained low and amounted to SEK 45 M (46). Bad debts amounted to SEK 276 M (214), corresponding to a share of bad debts totalling 0.28% (0.28). The increase in bad debts was attributable to Wasa Kredit.

Business volumes

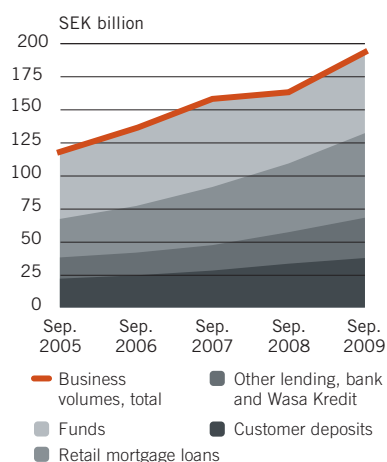
Business volumes continued to increase and amounted to SEK 193 billion (163).

Lending to the public rose 25%, or SEK 18 billion, to SEK 94 billion (76). From year-end, the change was 20%, or SEK 16 billion. Retail mortgage lending in Länsförsäkringar Hypotek increased

23%, or SEK 12 billion, to SEK 64 billion (52). From year-end, the increase was 19%, or SEK 10 billion. All lending exposure occurred in Sweden and was in Swedish kronor.

Deposits from the public rose 13%, or SEK 4 billion, to SEK 37 billion (33). From year-end, the change was 6%, or SEK 2 billion. The volume of managed funds rose 14%, or SEK 7 billion, to SEK 61 billion (54). From year-end, the change was 19%, or SEK 10 billion.

BUSINESS VOLUMES



Lending

Lending to the public rose 25%, or SEK 18 billion, to SEK 94 billion (76). Retail mortgage lending in Länsförsäkringar Hypotek increased 23%, or SEK 12 billion, to SEK 64 billion (52). According to Statistics Sweden, the company's market share for household and retail mortgage lending in the Swedish market amounted to 3.8% (3.3) on August 31, 2009, and the share of market growth for January–August was 11.7%.

First-lien mortgages for agricultural and forestry properties increased to SEK 6.8 billion (2.5). Agricultural lending totalled SEK 10.1 M (5.8). In 2008, Länsförsäkringar captured the second-largest share of market growth for agricultural lending in the Swedish market. The company's agricultural loans have a good geographic distribution in Sweden and the average commitment was SEK 1.3 M (0.9).

Credit quality

The loan portfolio, totalling SEK 94 billion (76), maintained a high level of quality and was not appreciably impacted by the slowdown of the real economy. A total of 84% (87) of the portfolio comprises household loans, according to product-defined portfolio. Of the total portfolio, 76% (77) pertains to retail mortgage lending.

Retail mortgage lending secured by collateral in single-family homes accounted for 86% (88) and tenant-owned apartments for 14% (12). In geographic terms, the loan portfolio has a good distribution across Sweden. Agricultural lending accounted for 11% (8) of the loan portfolio, with 67% (43) of agricultural lending comprising first-lien mortgages mainly to family-owned agricultural properties.

Deposits

Deposits from the public rose 13%, or SEK 4 billion, to SEK 37 billion (33), an increase primarily attributable to private and savings accounts. According to Statistics Sweden, the company's market share for deposits in the Swedish market amounted to 3.4% (3.0) on August 31, 2009, and the share of market growth for January–August was 7.9%.

Borrowing

Debt securities in issue rose 13%, or 7 billion, to SEK 59 billion (52), of which covered bonds accounted for SEK 54 billion (42). The primary financing in the capital market takes place through Länsförsäkringar Hypotek. Newly issued covered bonds amounted to a nominal SEK 28.8 billion (13.6). Repurchased covered bonds totalled a nominal SEK 14.6 billion (2.8) and matured covered bonds amounted to a nominal SEK 3.1 billion (6.4).

Borrowing issued under Länsförsäkringar Bank's various programmes amounted to SEK 5 billion (11). Issued certificates of deposits in Länsförsäkringar Bank amounted to a nominal SEK 7.4 billion (20.1). Repurchased certificates totalled a nominal SEK 0.7 billion (0.5) and matured certificates amounted to a nominal SEK 9.1 billion (17.1).

Liquidity

Liquidity remained favourable and the credit quality of the liquidity portfolio is high. All liquidity is invested in Swedish securities. Almost 90% of the liquidity portfolio is invested in Swedish securities guaranteed by the government and Swedish covered bonds.

Rating

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

Länsförsäkringar Hypotek's covered bonds have the highest ratings, Aaa from Moody's and AAA from Standard & Poor's. Länsförsäkringar Hypotek is one of four companies in the Swedish market that have covered bonds with the highest rating from both agencies.

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

¹⁾ Pertains to the company's covered bonds.

Capital adequacy

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

the capital requirement will be reduced to 80% of the Basel I rules in 2009.

According to current regulations, the transition rules will cease to apply at year-end 2009. However, a proposal is being prepared in the EU to extend the transition period through 2011. The Group's Tier 1 ratio according to Basel II was 12.7% (14.2) and the capital adequacy ratio was 15.1% (17.3). The target level for the Tier 1 ratio is 12 percentage points when Basel II is fully implemented. A deviation of +/- 0.5 percentage points is permitted for the capital target. In accordance with Pillar I of the new rules, the capital requirement, excluding transition rules, amounted to SEK 2,821 M, down 48% compared with SEK 5,466 M according to Basel I regulations.

Interest-rate risk

On September 30, 2009, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 1.0 M (21.3).

Risks and uncertainties

The Group is exposed to a number of risks, primarily comprising credit risks and financial risks. The operations are characterised by a low risk profile, which has been valuable to the company during the financial crisis and recession. Loan losses remain low and the Group was able to refinance its business activities throughout the turbulent period in the capital market. A detailed description of risks is available in the 2008 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

Parent Company

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through Länsförsäkringar Hypotek.

Lending to the public rose 42% to SEK 22 billion (15). From year-end, the change was 32%. Deposits from the public rose 13% to SEK 37 billion (33).

From year-end, the change was 6%.

Debt securities in issue amounted to SEK 5 billion (11).

The Parent Company reported an operating loss of SEK 32 M (profit: 0). Operating income rose to SEK 347 M (340), primarily due to increased net profit from financial transactions, lower commission expense and declining net interest income. Net interest income amounted to SEK 297 M (354) and was impacted adversely by reduced deposit margins. Expenses, excluding loan losses, increased to SEK 374 M (337), and were primarily attributable to changes in settlement methods between the Parent Company and the bank, as well as volume-related expenses. Loan losses amounted to SEK 4 M (3).

Subsidiaries

Länsförsäkringar Hypotek

Retail mortgage lending in the bank's mortgage institution increased 23%, or SEK 12 billion, to SEK 64 billion (52). Up to 75% of the market value of retail mortgage loans are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit totalled SEK 111 M (82) and was attributable to higher lending volumes and increased net profit from financial transactions. Recoveries of loan losses amounted to SEK 5 M (0) and the loan loss level remained unchanged at 0 (0). The number of retail mortgage customers rose to 129,000 (111,000).

SEK M	Sep. 30, 2009	Sep. 30, 2008
Total assets	80,501	55,835
Lending volume	63,892	51,925
Net interest income	230	235
Operating profit	111	82

Wasa Kredit

Wasa Kredit's lending volume totalled SEK 9 billion (9). Leasing assets increased, while the unsecured loan portfolio declined slightly. Operating profit amounted to SEK 79 M (73) and was attributable to an increase in net interest income totalling SEK 330 M (258). At the same time, expenses rose as a result of the change in the company's production system. Loan losses amounted to SEK 46 M (43), net.

SEK M	Sep. 30, 2009	Sep. 30, 2008
Total assets	9,158	8,894
Lending volume	8,797	8,545
Net interest income	330	258
Operating profit	79	73

Länsförsäkringar Fondförvaltning

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 4.0% (3.9) on June 30, 2009. The company's volume of managed funds increased to SEK 61 billion (54). The company manages 30 (28) investment funds with different investment orientations. During January–September, two additional index funds were added to the product range, bringing the total number of index funds to three. The funds are available as direct fund savings, via various unit-linked products and through the PPM system. The company's net flow was positive during the period and amounted to SEK 1,232 M (671). Operating profit rose to SEK 37 M (32).

SEK M	Sep. 30, 2009	Sep. 30, 2008
Total assets	179	190
Assets under management	61,179	53,804
Net flow	1,232	671
Net commission	159	170
Operating profit	37	32

Income statements and balance sheets

NON-LIFE INSURANCE¹⁾

Income statement, SEK M	Jan. 1, 2009 – Sep. 30, 2009	Jan. 1, 2008 – Sep. 30, 2008	Full-year 2008
Premiums earned after ceded reinsurance	13,467	13,055	17,406
Investment income transferred from financial operations	698	937	1,315
Claims payments after ceded reinsurance	–9,934	–9,318	–12,472
Operating expenses	–3,018	–2,823	–3,794
Other technical revenue/expenses	124	29	–2
Technical result from non-life insurance operations before partner discounts	1,337	1,880	2,453
Bonuses and discounts	–132	–154	–290
Technical result from non-life insurance operations after partner discounts	1,205	1,726	2,163
Total investment income	4,559	–6,095	–7,410
Investment income transferred to insurance operations	–698	–937	–1,315
Other non-technical expenses	–420	–289	–948
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAX	4,646	–5,596	–7,511

Balance sheet, SEK M	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
ASSETS			
Shares and participations	19,303	18,516	14,855
Bonds and other interest-bearing securities	26,007	24,503	24,484
Other investment assets	11,905	14,565	12,378
Total investment assets	57,216	57,585	51,717
Reinsurers' portion of technical reserves	1,175	814	512
Receivables and other assets	14,800	13,941	16,880
Prepaid expenses and accrued income	821	820	845
TOTAL ASSETS	74,012	72,710	69,954

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	24,481	22,186	20,956
Technical reserves (before ceded reinsurance)	37,571	36,607	35,954
Other provisions and liabilities	9,999	12,139	10,964
Accrued expenses and deferred income	1,961	1,778	2,080
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	74,012	72,710	69,954

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

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

LÄNSFÖRSÄKRINGAR AB, GROUP

Income statement, SEK M	Jan. 1, 2009 – Sep. 30, 2009	Jan. 1, 2008 – Sep. 30, 2008	Full-year 2008
Premiums earned after ceded reinsurance	2,704	2,272	3,024
Net interest income	890	928	1,340
Investment income, net	538	–2,393	–3,161
Other operating income	2,238	2,401	3,382
Total operating income	6,370	3,208	4,585
Claims payments after ceded reinsurance	–1,834	–1,592	–1,953
Other expenses	–4,004	–4,061	–6,026
Total expenses	–5,838	–5,653	–7,979
Operating profit/loss	532	–2,445	–3,395
Tax	–140	709	915
PROFIT/LOSS FOR THE PERIOD	392	–1,736	–2,480

Balance sheet, SEK M	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
ASSETS			
Goodwill	348	367	351
Other intangible assets	923	1,020	1,006
Property and equipment	98	101	101
Owner-occupied property	2,205	2,406	2,205
Shares in Länsförsäkringar Liv Försäkrings AB	514	510	514
Shares and participations in associated companies	23	18	21
Reinsurers' portion of technical reserves	5,945	5,989	5,889
Lending	94,326	75,722	78,564
Financial assets	40,900	29,114	26,280
Other assets	8,927	8,783	15,623
TOTAL ASSETS	154,209	124,031	130 554

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	7,923	8,373	7,466
Subordinated liabilities	114	114	114
Technical reserves	20,040	20,443	20,104
Debt securities in issue	58,799	54,634	48,478
Deposits from the public	36,920	32,706	34,624
Financial liabilities	23,795	1,760	12,139
Other liabilities	6,618	6,001	7,629

TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	154,209	124,031	130 554
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LÄNSFÖRSÄKRINGAR BANK, GROUP

Income statement, SEK M	Jan. 1, 2009 – Sep. 30, 2009	Jan. 1, 2008 – Sep. 30, 2008	Full-year 2008
Net interest income	857	852	1 211
Net commission	–98	–91	–138
Other operating income	192	115	152
Total operating income	951	876	1,225
Staff costs	–224	–232	–331
General administrative expenses	–435	–375	–531
Other operating expenses	–52	–37	–52
Total expenses before loan losses	–711	–644	–915
Profit before loan losses	241	232	310
Loan losses, net	–45	–46	–65
Total operating profit	196	186	245
Tax	–51	–52	–68
PROFIT FOR THE PERIOD	144	134	177

Balance sheet, SEK M

	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
ASSETS			
Eligible treasury bills	7,000	5,540	–
Lending to credit institutions	2,915	2,201	9,831
Lending to the public	94,326	75,722	78,564
Bonds and other interest-bearing securities	20,049	8,696	10,446
Intangible assets	324	299	327
Property and equipment	19	22	21
Other assets	3,360	1,695	4,947
TOTAL ASSETS	127,993	94,175	104,136

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Liabilities to credit institutions	21,821	734	9,113
Deposits and borrowing from the public	37,210	33,007	35,090
Debt securities in issue	58,799	52,200	48,985
Other liabilities	5,476	4,113	6,657
Shareholders' equity	4,687	4,121	4,291
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	127,993	94,175	104,136

LÄNSFÖRSÄKRINGAR LIV, GROUP

Income statement, SEK M	Jan. 1, 2009 – Sep. 30, 2009	Jan. 1, 2008 – Sep. 30, 2008	Full-year 2008
Premium income before ceded reinsurance	4,770	4,575	6,237
Premium income after ceded reinsurance	4,460	4,266	5,820
Investment income, net	8,889	–23,464	–17,596
Claims payments	–2,824	–2,730	–4,245
Other technical revenue and expenses	393	192	252
Change in technical reserves	9,412	2,698	–11,495
Operating expenses	–1,265	–1,278	–1,641
Technical result for insurance operations	19,065	–20,316	–28,905
Non-technical expenses	–146	–146	–196
Profit/loss before tax	18,919	–20,462	–29,101
Tax	–836	–911	–1,025
PROFIT/LOSS FOR THE PERIOD	18,083	–21,373	–30,126

Balance sheet, SEK M

	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
ASSETS			
Intangible assets	1,053	1,302	1,197
Investment assets	103,607	98,518	102,388
Investment assets for which policyholders bear the investment risk	42,233	34,349	31,708
Reinsurers' portion of technical reserves	751	801	792
Receivables	3,448	419	3,088
Other assets	4,403	5,885	8,117
Prepaid expenses and accrued income	2,642	2,942	2,926
TOTAL ASSETS	158,137	144,216	150,216

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Share capital	8	8	8
Funds plus profit for the period	27,938	20,282	11,043
Technical reserves	80,971	80,036	97,992
Provisions for life assurance for which policyholders bear the investment risk	42,234	34,349	31,709
Provisions for other risks and expenses	349	501	233
Deposits from reinsurers	894	945	853
Liabilities	5,411	7,716	7,723
Accrued expenses and deferred income	332	379	655
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	158,137	144,216	150,216

Financial calendar

Fourth quarter:

Year-end report, Länsförsäkringar Bank **February 16, 2010**

Year-end report, Länsförsäkringar Hypotek **February 16, 2010**

Year-end report, Länsförsäkringar Alliance **February 17, 2010**

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