

Länsförsäkringar Alliance

YEAR-END REPORT 2006

A summary of the 2006 banking and insurance year for 24 regional insurance companies in alliance.

2006 in brief

- The technical result for non-life insurance amounted to SEK 2,131 M (2,515). Operating profit was SEK 4,576 M (7,075).
- As a result of the favorable earnings, 16 of the regional insurance companies are paying a bonus to their customers. In total, the bonuses amount to about SEK 1 billion.
- The total return on investment in the life assurance company was 8.3% (14.9). The bonus rate was raised from 6% to 8% on December 1.
- Operating income from bank operations before loan losses amounted to SEK 238 M (203) and SEK 201 M (154) after loan losses. Lending to the public rose 14% to SEK 54 billion (47) and deposits from the public increased by 15% to SEK 24 billion (21). Mortgage lending rose 18% and amounted to SEK 37 billion (31).
- For the fourth consecutive year, Länsförsäkringar was named “Non-life Insurance Company of the Year” by the Swedish magazine Affärsvärlden. The Swedish Quality Index survey showed that Länsförsäkringar has Sweden’s most satisfied customers within life assurance, pension insurance and mortgage loan areas.

Figures in parentheses refer to 2005.

**Tommy Persson, Managing Director Länsförsäkringar AB,
the Alliance’s jointly owned company:**

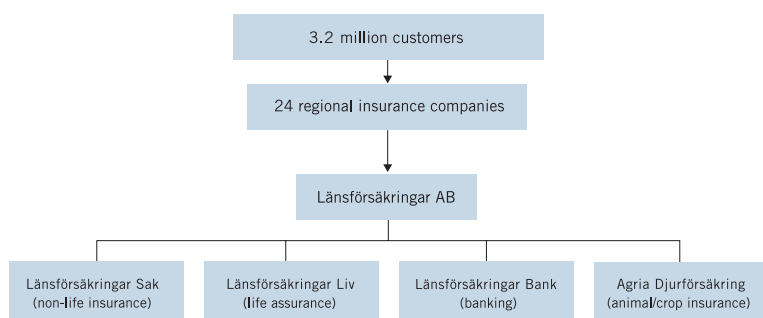
“Länsförsäkringar focuses on growth. Growth will take place organically, in a product-broadening manner and structurally. In 2006, the number of customers engaged in all three core businesses – non-life insurance, life assurance and banking – increased by slightly more than 10%. Our healthcare venture has made us the market leader in medical insurance. In banking, we see both organic and structural growth as the way to establish Länsförsäkringar as the preferred alternative and the player to exert price pressure with respect to the four large banks. Our approach is long-term and not steered by any stock market price. This gives us the necessary leeway to continue to challenge the competition via attractive prices and terms. The ambition is to be among the largest players on the mortgage market within three years. The financial results for 2006 and our current financial strength provide us the capacity to achieve the growth targets.”

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.



Länsförsäkringar Alliance

The Länsförsäkringar Alliance comprises 24 regional and customer-owned insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is based on a strong belief in the local market presence, and its customer contacts are conducted through the regional insurance companies. The regional insurance companies offer a broad range of insurance, bank services and other financial solutions for corporate customers and private individuals. The Länsförsäkringar Alliance has approximately 3.2 million customers and a combined total of 5,500 employees.



Länsförsäkringar AB

The regional insurance companies own Länsförsäkringar AB, which conducts operations through subsidiaries in such areas as life assurance, unit-linked insurance, banking services, fund management, reinsurance and animal insurance. Another primary assignment is to provide service to the regional insurance companies and assume responsibility for common strategic development for the Länsförsäkringar Alliance. Via these assignments, Länsförsäkringar AB creates the conditions for the regional insurance companies to be successful in their respective markets.

Länsförsäkringar AB is wholly owned by the regional insurance companies, together with 14 local insurance companies. Its shareholdings are included in the net asset value of the regional insurance companies.

KEY RATIOS LÄNSFÖRSÄKRINGAR AB, GROUP

	2006	2005
Net asset value, SEK M	10,792	9,703
Solvency margin, %	502	497
Total assets, SEK M	91,546	80,477
Return on capital employed, %	8.2	23.4

Credit rating

Company	Institute	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A3/Stable	P-2
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*	

*Pi indicates that the rating, which is not associated with a forecast, is based on public information, such as Annual Reports.

LÄNSFÖRSÄKRINGAR ALLIANCE, NON-LIFE INSURANCE

	2006	2005
Net asset value, SEK M	32,040	27,738
Solvency margin, %	194	169
Premiums earned, after ceded reinsurance, SEK M	16,359	16,216
Technical result, SEK M	2,131	2,515
Operating income, SEK M	4,576	7,075
Combined ratio, SEK M	93	89

LÄNSFÖRSÄKRINGAR AB, GROUP

	2006	2005
Income before tax, SEK M	1,059	2,100
Solvency margin, %	502	497

Excluding the life assurance Group

LÄNSFÖRSÄKRINGAR AB (PARENT COMPANY IN LÄNSFÖRSÄKRINGAR AB, GROUP)

	2006	2005
Income before tax, SEK M	1,169	71

LÄNSFÖRSÄKRINGAR BANK, GROUP

	2006	2005
Deposits from the public, SEK M	23,942	20,739
Lending to the public, SEK M	53,884	47,094
Operating income, SEK M	201	154

LÄNSFÖRSÄKRINGAR LIV, GROUP

	2006	2005
Premium income, net, SEK M	10,020	9,472
Net profit for the year, SEK M	7,644	4,584
Solvency ratio, %	114	114
Collective consolidation, %	136	126

AGRIA DJURFÖRSÄKRING

	2006	2005
Premiums earned after ceded reinsurance, SEK M	948	844
Income before appropriations and tax, SEK M	121	197

LÄNSFÖRSÄKRINGAR SAK FÖRSÄKRINGS AB

	2006	2005
Premiums earned after ceded reinsurance, SEK M	1,158	1,045
Income before tax, SEK M	591	1 856
Solvency margin, %	340	401

Non-life insurance*

- Continues to hold market-leading position, with a market share of 29.3% (29.9).
- For the fourth consecutive year, Länsförsäkringar named “Non-life Insurance Company of the Year.”
- The technical result for non-life insurance remained strong and amounted to SEK 2,131 M (2,515). The finance business reported strong results for 2006 as well, though lower than the record level of the preceding year. Total operating income amounted to SEK 4,576 M (7,075).
- The solvency margin rose to 194% (169).
- The healthcare venture is ongoing and Länsförsäkringar holds a strong position in medical insurance in an expanding market.
- Since 2001, Länsförsäkringar has consistently received the highest customer satisfaction rating from private customers. Through a strong rise since 2005, Länsförsäkringar has secured its position as the player with the most satisfied non-life insurance customers in the corporate market.

KEY FIGURES	2006	2005
Premiums earned ¹⁾ , SEK M	16,359	16,216
Technical result, SEK M	2,131	2,515
Operating income, SEK M	4,576	7,075
Net asset value, SEK M	32,040	27,738
Solvency margin, %	194	169
Claims ratio	73	71
Expense ratio	20	18
Combined ratio	93	89

¹⁾ After ceded reinsurance.

Länsförsäkringar Alliance maintained its position as the market leader in Swedish non-life insurance in 2006. The market share, calculated as premiums paid, was 29.3% (29.9). The total non-life insurance market has had modest growth of 1.6% and the highest growth was in areas in which Länsförsäkringar Alliance has small market shares. Measured in paid premiums for Household and homeowner, Motor vehicle and Third-party liability insurance, the market increased somewhat, but declined for Commercial and Property insurance. Medical and accident insurance reported growth of almost 6%. The modest market trend indicates that premium levels in 2006 declined or stagnated.

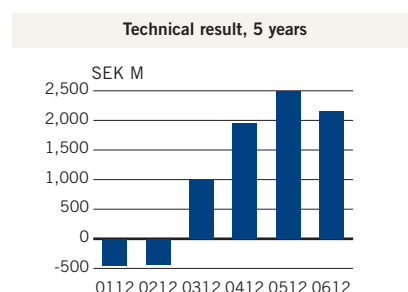
In 2006, the Länsförsäkringar Alliance experienced moderate growth in the

number of policies in private-home and leisure-home insurance. The increase was apparent in the increased market shares in the number of policies for private-home and leisure-home insurance, in which Länsförsäkringar Alliance is the market leader. Accident insurance products for the private sector continued to show a positive portfolio trend and are increasing by 3%. The portfolio of private and corporate motor vehicle insurance also showed some increase in the number of policies during the year, despite increased competition.

Competition and pressure on prices increased in the corporate market as more

players have started to sell commercial insurance. The corporate market is also subject to a minor impact from commission-free premiums, which are gradually being introduced through insurance brokers. The Länsförsäkringar Alliance's portfolio of premiums in business insurance declined somewhat during the year – however, market share increased to 36.6% (36.1).

The market for health and healthcare products continued to develop and increasing numbers of companies are insuring their employees. The Länsförsäkringar Alliance's share of the medical insurance market was approximately 40%.



* Länsförsäkringar's earnings from non-life insurance consist of the sum of the earnings of the 24 regional insurance companies and the Länsförsäkringar AB Group, excluding the life assurance and bank groups. The value and changes in value of the regional insurance companies' holdings of shares in Länsförsäkringar AB and subordinated loans have been eliminated. The Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB.

The combined ratio improved in 2006 and amounted to 93% (89), due partly to non-recurring expenses and in part to pressure on price levels. The growing price competition in the corporate market combined with minor portfolio increases in private insurance produced an increase of 1% in premiums earned, which amounted to SEK 16,359 M (16,216).

The Länsförsäkringar Alliance has been working on profitability-improving measures in the form of claims-prevention for a long period of time. As a result, based on the increase in the number of policies in the portfolio, the claims trend was stable and amounted to SEK 11,896 M (11,542). The claims ratio amounted to 73 (71).

Claims adjustments resulting from Hurricane Gudrun, which occurred in January 2005, continued in 2006 and only a minor proportion remain to be adjusted. The total cost of Gudrun in claims compensation was SEK 3 billion, gross. The storm nicknamed "Per," which struck Sweden on January 14, 2007, was of a considerably lesser extent. As a result of the Länsförsäkringar Alliance's extensive reinsurance cover, the storms have only had a marginal effect on net claims costs. Eventually, the major claims burden on the reinsurance system will impact the reinsurance premiums.

The expense ratio, which amounted to 20% (18), was impacted by provisions for future pensions. In 2006, the Länsförsäkringar Alliance implemented a new motor vehicle insurance system. Approximately 2.5 million insurance policies including their historical files were transferred from the old system. The new motor vehicle insurance system replaces a mainframe system with roots in the 1960s and a severely limited development potential. The state-of-the-art IT design and functionality of the new system has brought excellent opportunities to upgrade administrative processes, which will have a favorable effect on the operating expense level. The systems have also created opportunities to further develop the range of products and services.

Technical result

The technical result amounted to SEK 2,131 M (2,515). The positive trends in the financial markets were ongoing in 2006 – however, the financial return did not attain the record level of the preceding year. Operating income amounted to SEK 4,576 M (7,075).

Länsförsäkringar Alliance's specialist company for animal and crop insurance, Agria, reported a technical result of SEK 45 M (61). Premiums earned by Agria rose to SEK 948 M (844).

Growing sectors of the non-life insurance market

Expanded liability in third-party liability insurance

In 2006, the issue of expanded liability in third-party liability insurance was raised in several proposals from the political parties of Sweden's center-right bloc. The budget proposition proposes an expanded liability whereby third-party liability insurance assumes the entire cost of occupational rehabilitation and loss of future income. Since the proposal requires that an in-depth study be carried out, data on which a decision can be based cannot be expected before the latter part of 2007 and implementation would be out of the question before 2008/2009. Moreover, the Government has proposed an excise duty on the premium for third-party liability insurance, as of July 1, 2007.

The Länsförsäkringar Alliance is monitoring developments closely. A reform would involve major revamping of insurance companies' operations. It is therefore essential that the Länsförsäkringar Alliance and the other players in the industry are involved in drafting the new system and deciding when to implement it, to ensure the best possible solution for customers.

Major focus on healthcare

The market for health insurance products is increasingly attracting attention. Demand for insurance solutions for companies is rising sharply in the areas of healthcare, rehabilitation, fitness pro-

grams and other complementary solutions to society's security. The conclusive reason for this is that a company's operations are seriously disrupted if employees are absent due to illness. Healthy employees increase profitability. With healthcare insurance, the Länsförsäkringar Alliance demonstrates how private care can complement public care. The market for these products is growing.

Currently, about 6% of the population in Sweden has healthcare insurance, privately or as a fringe benefit. This indicates that there is high growth potential.

Environmental insurance

The Länsförsäkringar Alliance is a leader in the development of insurance solutions to secure the financial and environmental guaranties involved in recycling various types of products. The Länsförsäkringar Alliance feels a responsibility to lead developments in the environmental area in the insurance industry. The regional insurance companies' environmental certification, the unique recycling insurance and financial support for research projects in this area testify to this assumption of responsibility.

Life assurance and pension insurance

- Sweden's most satisfied customers, according to the Swedish Quality Index.
- Market shares increased, measured in new sales to 9.8% (8.4) and in premium income to 7.9% (7.6)
- The bonus rate was raised on December 1, 2006, to 8% before fees and yield tax.
- The total return on traditionally managed investment assets amounted to 8.3% (14.9), of which the New World's return amounted to 11.1% (17.1).

Länsförsäkringar Liv

SEK M	2006	2005
Premium income, net	10,020	9,472
Total assets	153,255	140,681
Total return, traditional management, %	8.3	14.9
Return, New World, %	11.1	17.1

Total premium income for life and unit-linked assurance amounted to SEK 10,020 M (9,472), an increase of 6%. New sales rose by 10% to SEK 15,773 M (14,403).

Länsförsäkringar's total market share in terms of new sales rose and amounted to 9.8% (8.4). In terms of premium income the market share rose and amounted to 7.9% (7.6).

In 2006, Länsförsäkringar's life assurance operations had a strong focus on growth and ongoing efforts to enhance operational efficiency and reduce operating expenses. Consequently, the administration result was positive for the first time and favorable results were also reported for the risk business.

The private market was the object of a special focus during the year, involving a new private pension product, Insured Pension.

Traditional life assurance

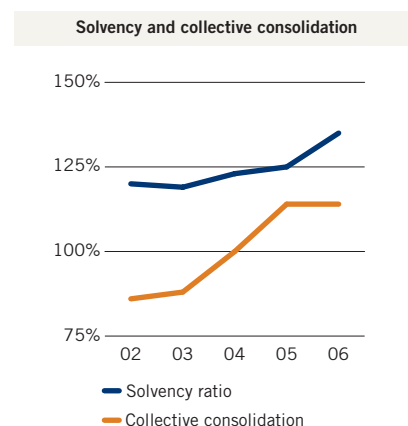
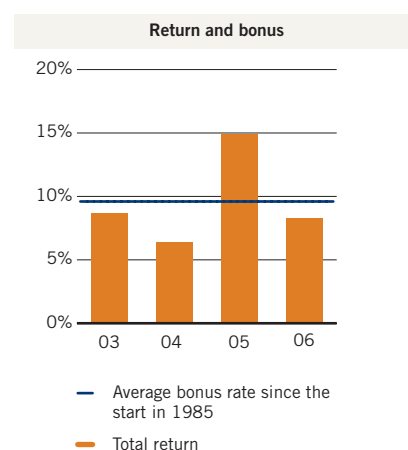
SEK M	2006	2005
Premium income, net	6,032	5,790
Investment income, net	8,003	13,111
Profit after tax	7,839	4,760
Investment assets	111,687	105,147
Total assets	117,934	111,104
Collective consolidation, %	114	114
Solvency ratio, %	136	126

This is a new type of pension savings that can only appreciate in value, never depreciate. Insured Pension was well received by customers and sales of private pension plans increased sharply.

On December 1, Länsförsäkringar Liv raised its bonus rate from 6 to 8%, before fees and yield tax, for customers on traditional pension savings plans. This is the result of a favorable return on investment assets, which in 2006 amounted to 8.3% (14.9). Since 1985, when Länsförsäkringar started its life assurance operations, the average bonus rate was 9.5% per year.

Swedish equities yielded a return in the capital return table of 41.9% (38.1) and the return for foreign equities was 10.7% (27.0). The total return for the fixed-income portfolio was a negative 0.1% (pos: 5.0).

According to Länsförsäkringar Liv's long-term strategy for how pension savers' funds are to yield the best returns, 40% of the so-called reference portfolio is to comprise listed shares. The main portion of these shares is to be found in mature markets such as the US, Europe, Sweden and Japan. The remainder shall comprise growth markets and Asia. The portion of unlisted shares is to be 10%. Accordingly, Länsförsäkringar strives to a total equities portion of 50%. During the autumn, the equities portion exceeded 50%, which was good for the return when the stock markets rose. Hedging strategies are applied in the management to limit risks in the portfolio. By utilizing equity and interest-rate hedges, savers' funds are protected against a decline in the stock market or hike in interest rates.



The hedging strategies had a positive effect when interest rates rose at the beginning of the year and when the stock markets fell.

Länsförsäkringar Liv continues to have a strong balance sheet and the solvency ratio was 136% (126) on December 31, 2006. Solvency is a measure of the financial position of a life assurance company. It shows the value of the company's assets in relation to its guaranteed undertakings to customers. The lower permitted solvency ratio is 104%. Solvency determi-

nes the scope for action in the investment of assets. Good solvency provides scope for equities in the investment portfolio, which from experience involves potential for substantial increases in value.

Collective consolidation amounted to 114% (114) at December 31, 2006. Collective consolidation is a measure of a life assurance company's capacity to provide a bonus. It shows the value of the company's assets in relation to guaranteed undertakings to customers and non-guaranteed bonuses for customers, that is, the entire capital assured. The measure is theoretical since it reflects a situation where the company would pay out the entire capital assured during a single day. The shortest payment period in a traditional pension insurance is five years and the average maturity is about 23 years.

New World

Länsförsäkringar's New World management, which invests 70% of its assets in equities, reaped substantial benefits from the general stock market rise in 2006. The return amounted to 11.1% (17.1). Falling interest rates in the autumn favored New World's fixed-income investments. However, during the year generally, fixed-income investments generated weaker returns than equity investments.

Assets in the New World portfolio are hedged, meaning that the level of return is not affected by the trend of the Swedish krona against other currencies. Since the krona strengthened against many foreign currencies this year, New World has benefited from being currency-neutral. The

New World portfolio has generated an average annual return of 8.2% since its inception in 1996.

Unit-linked insurance

SEK M	2006	2005
Premium income, net	3,988	3,683
Investment income, net	3,586	6,933
Profit after tax	-56	-97
Total assets	38,107	32,261

The stock markets rose across the board in 2006, which had a positive effect on the equity funds in Länsförsäkringar's range of unit-linked insurance. Three-quarters of the funds generated a positive return during the year. The ten funds that had the highest return rose by an average of 36%. The funds that performed best included those that invested in growth markets such as China, Russia and India. Funds that invest in Sweden – mainly small-cap and real estate – had strong performance.

The best performed among Länsförsäkringar's unit-linked insurance offering was ABN Amro China, which rose by 62%. This was followed by the Länsförsäkringar Real Estate Fund, which rose 43%, and the Lannebo SmallCap, which rose 39%. Other funds among the top performers were the ABN Amro Russia and Sweden-focused funds such as the Länsförsäkringar SmallCap Fund, the SEB Real Estate Fund, the Carlson Sweden Concise and the Catella Capital Gains Fund, all of which had increases within the range of 28–37%.

The return for international funds was adversely impacted by the strengthening

of the krona against other currencies.

In October, Länsförsäkringar launched a new and more comprehensive range of funds that included a selection of funds from three new management companies. The new managers are Catella, FIM and Skagen. The range was also expanded with several new funds from managers already contributing to the Länsförsäkringar offering, while others were removed. Länsförsäkringar's unit-linked offering has consisted for some time of Länsförsäkringar's own funds and funds produced by ABN Amro, Carlson, Fidelity, Lannebo, SEB and Société Générale.

Insured Pension

In 2006, Länsförsäkringar launched a new form of private pension plan – Insured Pension. Insured Pension is an easy-to-understand, safe and reasonably priced pension plan, in which customers participate in the potential of the stock market while benefiting from a floor to protect them from declines on the stock market. A Web-based pension calculator enables customers to calculate their future pension and start contributing to the plan right away. Customers who in June started saving under the Insured Pension plan have to date benefited from a favorable return. The mix of equities and bond investments varies according to the customer's age, so the return can also vary depending on the customer's age. The average value growth from June to the present, for all ages, was 15%.

INVESTMENT INCOME IN 2006 FOR LÄNSFÖRSÄKRINGAR LIV, TRADITIONAL MANAGEMENT, INCL. PROPERTY COMPANIES AND NEW WORLD

Amounts in SEK M

Investments	Market value, Jan. 1, 2006	%	Net investment	Value change	%	Market value, Dec. 31, 2006	%	Direct yield	%	Total return	%
Total fixed-income	58,125	57	-4,379	-1,849	-3.4	51,897	47	1,817	3.3	-32	-0.1
Total equities, excl. Alternative Investments	33,106	32	5,617	5,130	14.5	43,853	40	686	1.9	5 816	16.4
Alternative Investments	6,376	6	1,873	-175	-3.1	8,074	8	2,218	38.9	2 043	35.8
Real Estate	5,111	5	183	426	7.7	5,720	5	151	2.7	577	10.4
Investment financing	-13	0	0	0	0.0	-13	0	0	0.0	0	0.0
TOTAL	102,705	100	3,294	3,532	3.5	109,531	100	4,872	4.8	8,404	8.3
Miscellaneous ¹⁾	5,741		124	-115		5,750		-202		-317	
TOTAL	108,446		3,418	3,417	3.2	115,281		4,670	4.3	8,087	7.5

¹⁾ "Miscellaneous" includes surplus value on shares in Group and associated companies that is reported, not in Länsförsäkringar Liv Försäkrings AB, but in the consolidated accounts.

Bank

- Operating income amounted to SEK 238 M (203) before loan losses and to SEK 201 M (154) after loan losses. Income includes a nonrecurring gain of SEK 23 M resulting from the sale of receivables previously written off in Wasa Kredit.
- Revenue was up 6% to SEK 1,025 M (971) and administration expenses increased by 2% to SEK 787 M (769). Administration expenses include a nonrecurring item of SEK 13 M attributable to pension provisions.
- Net interest income rose by 6% to SEK 922 M (873).
- Return on equity after standard tax was 4.6% (4.1).
- Lending to the public increased by 14% to SEK 54 billion (47) and deposits from the public rose 15% to SEK 24 billion (21). Fund volume rose 15% to SEK 62 billion (54).
- The number of customers increased from 593,000 to 640,000.
- Länsförsäkringar continues to have the most highly satisfied bank and mortgage customers in the private banking market, according to the 2006 edition of the Swedish Quality Index.

SEK M	2006	2005
Deposits from the public	23,942	20,739
Lending to the public	53,884	47,094
Fund volume	61,652	53,731
Operating income after loan losses	201*	154
Number of customers	640,000	593,000

*Includes nonrecurring item in Wasa Kredit.

The year 2006 was a successful one for Länsförsäkringar's bank operations. Through the 24 regional insurance companies, the Länsförsäkringar Alliance continues to exert significant price pressure in the Swedish bank market. Given the express aim of building long-term relationships with customers, this role will soon become stronger.

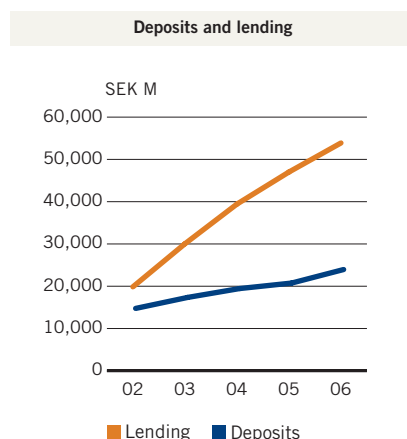
The operations continue to grow in volume as well as in earnings and profitability. At the same time, Länsförsäkringar continues to have extremely satisfied bank and mortgage customers. This ongoing favorable trend developed in a market in which competition from Swedish and international players has increased sharply. In 2006, what was to some extent a new bank emerged. In 2007, the bank operations will continue to deliver system support and products that simplify and

streamline interactions with customers and enhance sales efficacy in both bank and insurance.

Growth

Lending to the public increased by 14%, or SEK 7 billion, to SEK 53,884 M (47,094). All lending was in Swedish kronor. Accordingly, lending accounted for 86% of the Group's total assets.

Interest-bearing securities (bonds in banking operations) increased during the year by 116% to SEK 5,630 M (2,603). Deposits from the public rose by 15%, or SEK 3 billion, to SEK 23,942 M (20,739).



Borrowing and securities issuance increased by 26% or SEK 6,713 M to SEK 32,359 M (25,646).

Earnings and profitability

The Group's operating income amounted to SEK 201 M (154). Income after tax amounted to SEK 142 M (109). Return on average equity after standard tax amounts to 4.6% (4.1).

Revenue

Net interest income rose by 6% to SEK 922 M (873). The increase is attributable to higher lending volumes to the public. An amount of SEK 10 M (9) for mandatory government deposit insurance was charged against net interest income. The Group's investment margin, that is, net interest income as a percentage of average total assets, amounted to 1.62% (1.85). Net commission income rose to negative SEK 12 M (neg: 52). Other operating revenues amounted to SEK 116 M (150). Income rose by a total of 6% to SEK 1,025 M (971).

Expenses

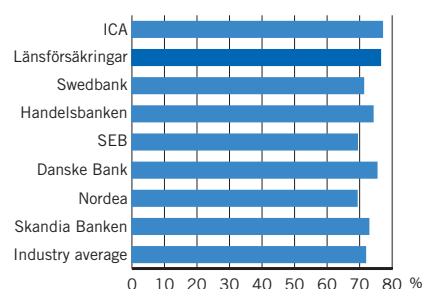
Operating expenses rose by 2% or SEK 19 M to SEK 787 M (769). Expenses include a nonrecurring item of SEK 13 M attributable to pension provisions due to a new pension agreement. The cost/income ratio – costs in relation to income – amounted to 0.77 (0.79) before loan losses and 0.80 (0.85) after loan losses.

Loan losses

Depending on the product, provisions were mostly made after group-wise appraisal and only to a limited extent after individual review. The Group's net loan losses amounted to SEK 37 M (49). The item includes a gain of SEK 23 M attributable to the sale of receivables previously written off in Wasa Kredit.

Continued satisfied customers

The 2006 edition of the Swedish Quality Index survey of the banking industry was presented on October 2. Länsförsäkringar's bank customers were among the top most satisfied in 2006. Customer satisfaction among Länsförsäkringar's bank customers increased and was 4.6 percentage points above the industry average.



This is the third consecutive year that the Swedish Quality Index has shown that Länsförsäkringar's bank customers are more satisfied than other customers at most other banks.

For the second consecutive year, the Swedish Quality Index also revealed that mortgage customers in Länsförsäkringar were also more satisfied than customers at other mortgage lenders in the private market.

Rating

In January 2006, Standard & Poor's changed its outlook for Länsförsäkringar Bank from "stable" to "positive." Accordingly, the long-term credit rating was A-/Positive, and the rating for short-term borrowing, A-2 (K-1), was confirmed. Standard & Poor's referred to the strategic significance of the operations for the entire Länsförsäkringar Alliance and to the involvement of the owner. They also referred to the high capital adequacy and positive trend of banking transactions among the regional insurance companies.

The long-term credit rating from Moody's is A3/Stable, and the short-term rating, P-2.

Länsförsäkringar Bank receives higher credit rating by Standard & Poor's

February 19, 2007 Standard & Poor's upgraded Länsförsäkringar Bank's credit rating from A- to A. Accordingly, the long-term credit rating is A (stable). The short-term rating was raised from A-2 to A-1.

Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public amounted to SEK 9 billion (8).

Deposits from the public amounted to SEK 24 billion (21). Most of the Group's lending operations are conducted through Länsförsäkringar Hypotek and Wasa Kredit. The major portion of the Bank Group's administration expenses is contained within the Parent Company.

Länsförsäkringar Hypotek AB

Residential lending in the bank's mortgage institution increased by 18% to SEK 37 billion, an increase of SEK 6 billion. The ambition is to be among the largest players on the mortgage market within three years. Up to 75% of the market value of mortgage loans are carried by Länsförsäkringar Hypotek and the remainder by the Parent Company.

The market share in lending for private

homes and tenant-owned apartments increased to 3.0% (2.9). The number of mortgage customers increased to 90,400 as at December 31, 2006. Operating income amounted to SEK 45 M (23).

SEK M	2006	2005
Total assets	36,855	31,419
Lending volume	36,546	30,964
Operating profit	45	23
Return on shareholders' equity, %	1.8	1.1

Wasa Kredit AB

Wasa Kredit's operating income before appropriations and tax amounted to SEK 115 M (110). The lending volume totaled SEK 8 billion (8).

SEK M	2006	2005
Total assets	8,435	8,161
Lending volume	8,070	7,743
Operating profit	115	110
Return on shareholders' equity, %	14.7	15.2

Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning manages SEK 62 billion (54) in 30 (32) mutual funds with different investment orientations. Länsförsäkringar's mutual funds are available as direct fund saving, as various unit-linked products and through the PPM system.

Länsförsäkringar's equity funds generated returns between negative 12% where positive 43% during the year. The Real Estate Fund and Small Company Fund generated the highest returns of 43.2 % and 36.2% respectively during the year. The market share of net inflow amounted to 3.4%.

Operating income amounted to SEK 76 M (64). The improvement is primarily the result of an increased volume of assets under management. A 39% portion of the increase is due to net sales, 61% to value growth. Länsförsäkringar is one of Sweden's largest fund companies with a market share of 3.9% (4.1).

SEK M	2006	2005
Total assets	219	202
Assets under management	61,652	53,731
Net inflow	3,027	2,760
Operating profit	76	64
Return on shareholders' equity, %	68.7	68.3

Customer trends

The number of customers in the Länsförsäkringar Alliance at the end of the fourth quarter amounted to more than 3,183,000, an increase of 37,000 customers during the year. The proportion of customers with products in all three of Länsförsäkringar's core businesses continued to increase.

Private customers

As a result of major customer inflows combined with favorable cross-selling, 2006 was an excellent year in the private market. Cross-selling in 2006 was the best measured to date. Customers with products in non-life insurance, life assurance and banking increased by more than 11.5%. The number of private customers rose by more than 27,000 and currently exceeds 2,689,000.

Commercial customers

The situation was similar in the commercial market, in which the customer flow was

highly favorable. The number of commercial customers amounts to more than 316,000, an increase during the year of more than 9,500. At the same time, sales of life assurance and pension insurance to non-life insurance customers and non-life insurance to life assurance and pension insurance customers developed positively. A full 27% now have products in two business areas.

Agricultural customers

The number of agricultural customer is constant, amounting to more than 177,000. Cross-selling continued its positive trend – customers with products in all three core business rose by nearly 5%. The number of products per customers also increased during the period and now amounts to 5 products.

Income statements and balance sheets

NON-LIFE INSURANCE ¹⁾

Income statement, SEK M	2006	2005
Premiums earned, after ceded reinsurance	16,359	16,216
Investment income transferred from financial operations	927	818
Claims payments, after ceded reinsurance	-11,896	-11,542
Operating expenses	-3,293	-2,951
Other technical revenues/expenses	34	-26
Technical result from non-life insurance operations before bonuses and discounts	2,131	2,515
Bonuses and discounts	-910	-926
Technical result from non-life insurance operations after bonuses and discounts	-1,134	1,588
Total investment income	4,654	6,480
Investment income transferred to insurance operations	-927	-818
Other non-technical expenses	-285	-175
INCOME BEFORE APPROPRIATIONS AND TAX	4,576	7,075

Balance sheet, SEK M	Dec. 31, 2006	Dec. 31, 2005
ASSETS		
Shares and participations	25,267	22,765
Bonds and other interest-bearing securities	22,757	22,445
Other investment assets	12,625	9,064
Total investment assets	60,649	54,274
Reinsurers' portion of technical reserves	757	1,474
Receivables and other assets	10,250	8,620
Prepaid expenses and accrued income	668	765
TOTAL ASSETS	72,324	65,133

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	21,983	17,610
Untaxed reserves	1,579	3,693
Technical reserves (before ceded reinsurance)	33,112	31,927
Other provisions and liabilities	13,915	10,501
Accrued expenses and deferred income	1,735	1,402
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	72,324	65,133

¹ Länsförsäkringar's earnings from non-life insurance consist of the sum of the earnings of the 24 regional insurance companies and the Länsförsäkringar AB Group, excluding the life assurance and bank groups. Transactions between the regional insurance companies and Länsförsäkringar AB have been eliminated. The value and changes in value of the regional insurance companies' holdings of shares in Länsförsäkringar AB and subordinated loans have been eliminated. 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 LIV (LIFE)

Income statement, SEK M	2006	2005
Premium income before ceded reinsurance	10,155	9,609
Premiums income after ceded reinsurance	10,020	9,472
Investment income, net	11,638	20,165
Claims payments	-5,329	-5,291
Other technical revenues	0	-
Change in technical reserves	-6,441	-17,527
Operating expenses	-1,317	-1,379
Technical result, insurance operations	8,571	5,440
Non-technical expenses	-194	-177
Income before tax	8,377	5,263
Tax	-733	-679
NET PROFIT FOR THE PERIOD	7,644	4,584

Balance sheet, SEK M	Dec. 31, 2006	Dec. 31, 2005
ASSETS		
Intangible assets	1,643	1,821
Investment assets	107,210	100,817
Investment assets for which policyholders bear the investment risk	36,884	31,033
Reinsurers' portion of technical reserves	683	730
Receivables	408	401
Other assets	3,904	2,918
Prepaid expenses and accrued income	2,523	2,961
TOTAL ASSETS	153,255	140,681

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Share capital	8	8
Funds plus net profit for the period	26,824	18,777
Technical reserves	85,761	87,053
Reserves for life assurance for which policyholders bear the investment risk	36,885	31,034
Provisions for other risks and expenses	59	93
Deposits from reinsurers	713	750
Liabilities	2,540	2,508
Accrued expenses and deferred income	465	458
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	153,255	140,681

BANK

Income statement, SEK M	2006	2005
Net interest income	921,8	873,4
Net commission income	-12,2	-69,8
Other revenue	115,7	149,7
Total revenue	1,025,3	953,3
Personnel costs	-273,2	- 244,2
Other expenses	-514,0	- 506,5
Total expenses	-787,2	-750,7
Income before loan losses	238,1	202,6
Loan losses, net	-37,2	- 48,6
Operating income, bank	200,9	154,0
TOTAL OPERATING INCOME		
Tax	-60,1	-44,7
NET PROFIT	140,8	109,3

Balance sheet, SEK M	Dec. 31, 2006	Dec. 31, 2005
ASSETS		
Lending to the public	53,884	47,094
Bonds	5,630	2,603
Tangible and intangible assets	151	114
Other assets	2,791	1,850
TOTAL ASSETS	62,456	51,661
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits and borrowing from the public	24,380	21,535
Securities issued	31,922	24,850
Other liabilities	1,933	1,375
Subordinated debenture	1,050	1,050
Shareholders' equity	3,171	2,851
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	62,456	51,661

Financial calendar

First quarter:

Interim report, January–March, Länsförsäkringar Bank, April 24, 2007
Interim report, January–March, Länsförsäkringar Hypotek, April 24, 2007
Interim report, January–March, Länsförsäkringar Alliance, April 25, 2007
Interim report, January–March, Länsförsäkringar AB, April 25, 2007
Solvency report, January–March, life assurance, April 20, 2007

Second quarter:

Interim report, January–March, Länsförsäkringar Bank, August 21, 2007
Interim report, January–March, Länsförsäkringar Hypotek, August 21, 2007
Interim report, January–March, Länsförsäkringar Alliance, August 22, 2007
Interim report, January–March, Länsförsäkringar AB, August 22, 2007
Solvency report, January–March, life assurance, August 20, 2007

Third quarter:

Interim report, January–March, Länsförsäkringar Bank, October 23, 2007
Interim report, January–March, Länsförsäkringar Hypotek, October 23, 2007
Interim report, January–March, Länsförsäkringar Alliance, October 25, 2007
Interim report, January–March, Länsförsäkringar AB, October 25, 2007
Solvency report, January–March, life assurance, October 19, 2007



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