

# Länsförsäkringar Alliance

INTERIM REPORT, JANUARY – JUNE 2007

## The period in brief

- Continued strong profitability within non-life insurance operations. Operating income amounted to SEK 4,664 M (944) and the technical result amounted to SEK 1,162 M (1,326).
- Länsförsäkringar is growing fast on the Swedish pension market and its market share rose from 8.3 to 11.2% according to the preliminary half-yearly statistics from the Swedish Insurance Federation.
- Länsförsäkringar had the best total return on investments assets for traditional management of all Swedish life-assurance companies during the first six months of 2007. The return amounted to 7.2% (neg: 0.3).
- The banking operations are continuing to grow in all areas. Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 23% and the market share of new lending in the mortgage market is now approximately 11% (7).
- Länsförsäkringar became an eligible manager for both traditional insurance and unit-linked insurance in the new ITP plan and in the new FTP plan (occupational pension for insurance employees).
- The number of customers in the regional insurance companies after the first half of the year was 3,202,000, an increase of 17,000 during the first six months of the year. An increasing number of customers are choosing to become full-service customers, with the increase in private full-service customers amounting to approximately 10%.

Figures in parentheses pertain to the corresponding period in 2006.



**Tommy Persson, Managing Director of Länsförsäkringar AB, the Group's jointly-owned company:**

This has been a six-month period with major market success and extraordinarily strong earnings in all operations. The capture of market shares has accelerated sharply for bank and life assurance. The mortgage operations were highly successful with new lending of more than 10% of the market. The basis of the market activities is non-life insurance customers, which is the reason that we are now reporting a substantial increase in the number of full-service customers.

The recent stock-market uncertainty has clearly indicated the value of well-functioning hedging strategies. The strategies Länsförsäkringar is now working with when we invest savers' assets protect against major declines in the stock market and in interest rates. This provides us with a high level of flexibility in our long-term activities on the market and in our choice of risks. Combined with our favorable key figures, this has benefited our savers through providing the highest return on the market.

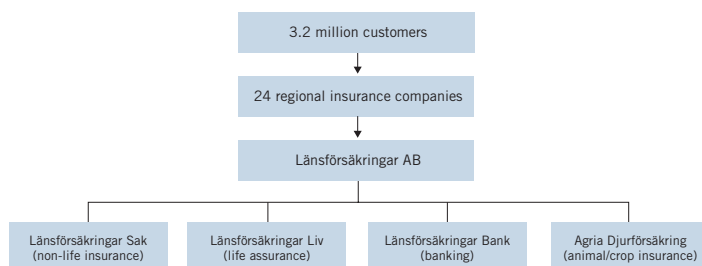


The Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB. Länsförsäkringar's earnings from non-life insurance consist of the total of the earnings of 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 regional 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, banking 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\*

	07-01-01- 07-06-30	06-01-01- 06-06-30
Solvency capital, SEK M	11,713	10,749
Solvency margin, %	568	500
Total assets, SEK M	101,377	91,176
Return on capital employed, %	16.4	-5.4
Income before tax, SEK M	1,137	-405

\* The Länsförsäkringar Life Assurance group is not consolidated.

## Credit ratings

Company	Institute	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 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	

\*pi means that the rating, for which there is no forecast, is based on public information such as annual reports.

### LÄNSFÖRSÄKRINGAR ALLIANCE, NON-LIFE INSURANCE

	07-01-01- 07-06-30	06-01-01- 06-06-30
Solvency capital, SEK M	35,807	28,079
Solvency margin, %	218	169
Premiums earned after ceded reinsurance, SEK M	8,251	8,092
Technical result, SEK M	1,162	1,326
Operating income, SEK M	4,664	944
Combined ratio, SEK M	92	89

### LÄNSFÖRSÄKRINGAR BANK, GROUP

	07-01-01- 07-06-30	06-01-01- 06-06-30
Deposits from the public, SEK M	27,023	23,066
Lending to the public, SEK M	60,399	50,685
Operating income, SEK M	112	83

### LÄNSFÖRSÄKRINGAR LIV, GROUP

	07-01-01- 07-06-30	06-01-01- 06-06-30
Premium income, net, SEK M	3,326	3,086
Net profit for the period, SEK M	13,470	6,074
Collective consolidation, %	119	109
Solvency ratio, %	155	135

### AGRIA DJURFÖRSÄKRING

	07-01-01- 07-06-30	06-01-01- 06-06-30
Premiums earned after ceded reinsurance, SEK M	516	453
Income before appropriations and tax, SEK M	69	47

# Non-life insurance

- Market-leading position in the Swedish non-life insurance market with a market share of 29.4%.
- Operating profit amounted to SEK 4,664 M (944) and the technical result amounted to SEK 1,162 M (1,326).
- Combined ratio was 92 (89).
- Strong solvency margin of 218% (169). Solvency capital amounted to SEK 35,807 M (28,079).
- Focus on the extended liability of insurance companies in third-party liability insurance.

## KEY FIGURES

	07-01-01– 07-06-30	06-01-01– 06-06-30	Full-year 2006
Premiums earned <sup>1)</sup> , SEK M	8,251	8,092	16,362
Technical result, SEK M	1,162	1,326	2,114
Operating income, SEK M	4,664	944	4,545
Solvency capital, SEK M	35,807	28,079	32,093
Solvency margin, %	218	169	195
Claims ratio	72	70	73
Expense ratio	20	19	20
Combined ratio	92	89	93

<sup>1)</sup> After ceded reinsurance.

The Länsförsäkringar Alliance maintained its position as the market leader also in the first six months of 2007, on a market displaying low growth according to statistics from the Swedish Insurance Federation for the first-quarter 2007. The total market for non-life insurance was then SEK 56,891 M, a modest increase of 1.4% on the year-earlier period. The Länsförsäkringar Alliance's market share, measured as the number of policies, remained unchanged compared with the year-earlier period, while the market share measured in premiums declined slightly to 29.4%\* (30.1).

The trend in the number of insured items was positive in the large and important areas of household insurance and car insurance during the first six months of

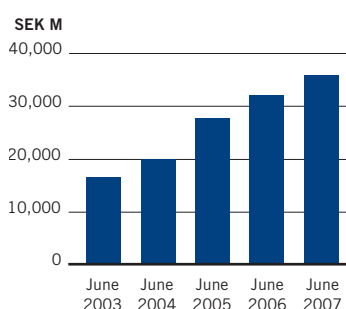
2007. The very strong solvency trend enables the Länsförsäkringar Alliance to maintain low premium levels in the long term. This can now be seen in a favorable inflow of customers.

The market share for private-home insurance rose to 40.9%\*\* and for car insurance to 36.8%\*\*. Our position in commer-

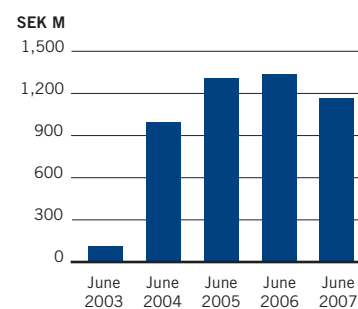
cial insurance, in which the pricing competition is most intense, has strengthened and our market share now amounts to 37.8%\*.

The Länsförsäkringar Alliance maintained its favorable profitability levels in non-life insurance. Operating income before tax rose sharply to SEK 4,664 M (944) due to the strong trends in the finan-

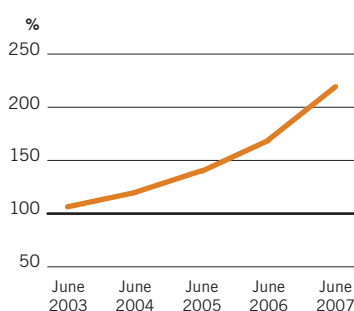
Solvency capital, 5 years



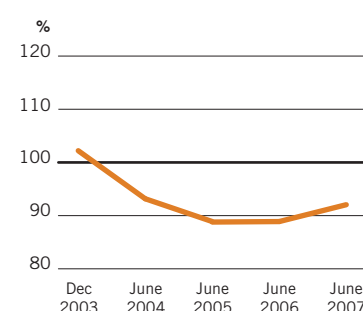
Technical result, 5 years



Solvency margin, 5 years



Combined ratio, 5 years



\* Swedish Insurance Federation: market shares as per March 31, 2007, percentage of total premium income.

\*\* Swedish Insurance Federation: market shares as per March 31, 2007, percentage of number of insurance policies.

cial markets in the first six months of 2007. The technical result for the first six months was also strong at SEK 1,162 M (1,326). The combined ratio rose from 89% to 92%, primarily due to pressed premium levels in the market and increased development expenses. Claims costs for Hurricane Per which hit Sweden at the beginning of the year are estimated at slightly more than SEK 500 M, but an otherwise stable claims trend led to a claims ratio of 72% (70). The floods in southern Sweden during the summer are expected to have a rather limited financial impact, but did result in extensive and considerable damage for the Alliance's customers. The expense ratio rose from 19% to 20% and despite tougher price competition in the non-life insurance market, premiums earned increased by 2%.

#### **Extended liability in third-party liability insurance and excise duty**

Excise duty on third-party liability insurance premiums was introduced on July 1, 2007. The purpose of this duty is to cover society's costs for incurred traffic claims and claim occurring until the extended responsibility, which the insurance industry will assume in third-party liability insurance, comes into effect, and can be viewed as the first step in the reforming of third-party liability insurance. This tax levy will be financed by raising third-party liability insurance premiums and the extensive work with making the necessary systems adaptations and information activities to customers was completed during the spring.

A reform entails adjustments in the operations of the insurance companies and it is important that Länsförsäkringar, together with the other players in the industry, participates in formulating adjustments and in decisions on the date of implementation in order to identify the best possible solution for customers.

#### **Clear focus on environmental figures**

The work with environmental issues is continuously in focus and one part of this

work is to enhance the efficiency of claims prevention to reduce the negative environmental impact of fire and water damage, for example. To gain better control of the environmental effects of these claims-prevention activities, environmental figures were introduced in the spring. Using these figures, supporting data is created for choosing the type of transportation, repairs and materials that have a low environmental impact. In addition, Länsförsäkringar's environmental targets can be reported clearly. The environmental figures can report the effect on most of the Swedish environmental quality targets and the focus of the Länsförsäkringar Alliance is currently directed toward measuring amounts of carbon dioxide.

The Länsförsäkringar Alliance feels a responsibility to lead developments in the environment area in the insurance industry. The environmental certification of the Länsförsäkringar Alliance, its claims-prevention activities, the unique recycling insurance and economic support to research projects in this area are clear examples of this responsibility.

# Life assurance and pension insurance

- Länsförsäkringar had the best total return on investments assets for traditional management of all Swedish life-assurance companies during the first six months of 2007. The return amounted to 7.2% (neg: 0.3).
- Länsförsäkringar is growing fast on the Swedish pension market and its market share measured in new sales rose from 8.3 to 11.2% according to the preliminary half-yearly statistics.
- Länsförsäkringar became an eligible manager for both traditional insurance and unit-linked insurance in the new ITP plan and in the new FTP plan (occupational pension for insurance employees).
- The bonus rate was raised on June 1, 2007 to 10% before fees and yield tax.

## Länsförsäkringar Liv (Life)\*

	07-01-01– 07-06-30	06-01-01– 06-06-30
Premium income, net	3,326	3,086
Total assets	164,702	146,458
Return, New World, %	6.8	1.0
Total return, traditional management, %	7.2	–0.3

Total premium income for life and unit-linked assurance amounted to SEK 3,326 M (3,086), an increase of 8%. New sales rose by 28% to SEK 10,065 M (7,842), including additional sales from existing agreements.

During the first six months of 2007, the focus on the private market continued with the new pension product, Insured Pension, that was launched in 2006. This is a new type of pension savings that can only appreciate in value, never depreciate.

Länsförsäkringar also focused on the collective pension agreement market and launched in the spring a guide on the Internet for assisting customers with the various choices for their collective pensions. Länsförsäkringar also secured two collective pension agreement procurements in the spring. For both the new ITP plan and the new FTP plan, Länsförsäkringar was chosen as an eligible manager for both traditional insurance and unit-linked insurance.

## Traditional life assurance\*

	07-01-01– 07-06-30	06-01-01– 06-06-30
Premium income, net, SEK M	3,158	2,934
Investment income, net, SEK M	7,374	–480
Profit after tax, SEK M	13,098	6,045
Investment assets, SEK M	118,441	102,320
Total assets, SEK M	124,072	114,327
Solvency ratio, %	155	135
Collective consolidation, %	119	109

On June 1, Länsförsäkringar Liv raised its bonus rate from 8 to 10%, 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 the first six months of 2007 amounted to 7.2% (neg: 0.3). Since 1985, when Länsförsäkringar started its life assurance operations, the average bonus rate was 9.4% per year.

The Stockholm Stock Exchange was one of the larger stock exchanges that reported the strongest trend, which was reflected in the return on Swedish shares of 12.9% (2.5). Interest rates in the spring rose sharply, which had a negative impact on interest yield, although the total yield on the interest portfolio was at 1.2% (–0.9) for the period.

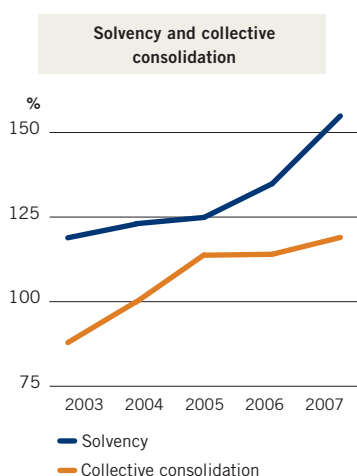
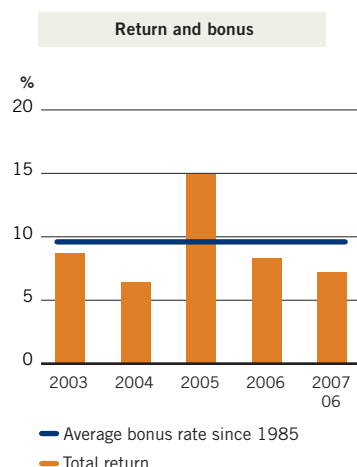
According to Länsförsäkringar Liv's long-term strategy for how pension savers' funds are to yield the best returns, 40% of

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. Some 10% will be invested in funds, forests and infrastructure. Accordingly, Länsförsäkringar strives to a total equities portion of 50%. 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 major decline in the stock market or hike in interest rates.

Länsförsäkringar Liv continues to have a strong balance sheet and the solvency ratio was 155% (135) on June 30, 2007. 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 determines 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 11% (109) at June 30, 2007. 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

\*Effective January 1, 2007, Länsförsäkringar Liv transferred to new accounting regulations, legally-restricted IFRS. One effect of the new accounting principles is that paid premiums for financial instruments in the unit-linked insurance operations are reported as a deposit via the balance sheet, instead of being reported as income in the income statement [Obs! Unclear in Swedish]. In the same manner, claims payments are reported as withdrawals from the insurance operations in the balance sheet. Instead, those fees paid by the customer are reported as premium income and costs for insurance risk are reported as a cost.



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 alternative, which invests 70% in equities, benefited from the relatively favorable trend in the global stock markets during the first six months of 2007. The return amounted to 6.8% (1.0).

The New World portfolio has generated an average annual return of 8.4% since it was started in 1996.

### Unit-linked insurance\*

SEK M	07-01-01-07-06-30	06-01-01-06-06-30
Premium income, net	168	152
Investment income, net	3,491	-549
Profit/loss after tax	43	-28
Total assets	43,081	33,021

Until June 30, the trend was positive for 71 of 77 funds in Länsförsäkringar unit-linked insurance offering. The funds invested in growth markets and in Asia performed the best during the first half of 2007.

The fund that performed the very best was Carlsson Asian Small Cap which rose 48.5%. The regions in Asia, particularly in China, have performed extremely favorably so far this year. Länsförsäkringar's China Fund and ABN AMRO China were some of the funds that have performed highly favorably since year-end 2006. However, the Tokyo Stock Exchange performed very weakly, the effects of which were reflected in the Japanese funds. SGAM Equitie's Japan Small Cap A fell 14.8% since year-end 2006 and Länsförsäkringar's Japan Fund also reported a modest performance, although return is showing a plus.

The markets in Europe and Sweden performed positively and growth in these regions did not experience any limitations during the spring which is highly favorable for companies and, in turn, for the stock markets. Both Länsförsäkringar's Sweden Unfd and Catella's Europe Fund each generated returns of slightly more than 10%.

The funds in the offering that were unsuccessful in generating a positive return were the interest-rate funds. Rising interest rates during the spring contributed to a decline in the market value of the funds' bond investments.

The performance of Länsförsäkringar's Fund-in-Funds during the first half of 2007 was better than the return for the full-year 2006 despite the strengthening of the Swedish krona and rising interest rates having an impact on return levels.

Länsförsäkringar's unit-linked offering comprises Länsförsäkringar's own funds and funds produced by ABN Amro, Carlson, Fidelity, Lannebo, SEB, Société Générale, Catella, FIM and Skagen.

### Insured Pension

Insured Pension is a new way of pension saving that enables customers to take advantage of upturns in the stock market without risking invested funds due to stock market declines. During the first six months of 2007, the average growth in value for Insured Pension was 0.6%. This low return is due to the rise in interest

### INVESTMENT INCOME IN 2007 FOR LÄNSFÖRSÄKRINGAR LIV INCLUDING PROPERTY COMPANIES AND NEW WORLD

SEK M

Investments	Market value, Jan. 1, 2006	%	Market value June 30, 2006	%	Total return %
Interest-bearing, total	50,530	51	56,302	53	1.2
Financing of investments	35,243	35	33,435	32	9.7
Total Alternative Investments	7,934	8	9,265	9	15.2
Properties	5,780	6	6,415	6	11.3
<b>Total</b>	<b>99,487</b>	<b>100</b>	<b>105,417</b>	<b>100</b>	<b>7.2</b>

\*Effective January 1, 2007, Länsförsäkringar Liv transferred to new accounting regulations, legally-restricted IFRS. One effect of the new accounting principles is that paid premiums for financial instruments in the unit-linked insurance operations are reported as a deposit via the balance sheet, instead of being reported as income in the income statement [Obs! Unclear in Swedish]. In the same manner, claims payments are reported as withdrawals from the insurance operations in the balance sheet. Instead, those fees paid by the customer are reported as premium income and costs for insurance risk are reported as a cost.

rates, which reduced the market value of the portion of the savings invested in bonds. For the past 12 months, the average return was 18.5%.

Funds are invested in bonds and in a fund for which the return level depends on the trend in share prices. The mix between equity and bond investments varies for different ages. Accordingly, returns can vary somewhat depending on the age of the customer.

The terms of the bonds are selected so that they expire in the same year as the saver is expected to retire. The market value of the bonds with long terms is highly sensitive to fluctuations in interest rates. The market value declines when interest rates rise, and increases when interest rates fall.

However, interest-rate fluctuations during the saving period do not affect the long-term growth of funds that have already been saved in Insured Pension. On the contrary, higher interest rates mean that funds that are now saved with yield a better interest rate for the period until retirement.



# Bank

- Operating income amounted to SEK 133 M (112) before loan losses and SEK 112 M (83) after loan losses, which is an increase of 35%.
- Lending to the public increased 19% to SEK 60 billion (51) and deposits from the public rose by 20% to SEK 27 billion (23).
- The banking operation continued to grow in all areas. Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 23% and the market share measured as new sales now amounts to approximately 11%.
- Revenue was up 7% to SEK 527 M (493).
- Net interest income rose by 8% to SEK 480 M (445).
- The cost/income ratio declined to 0.75 (0.77).
- The number of customers rose to 652,000 (594,000).

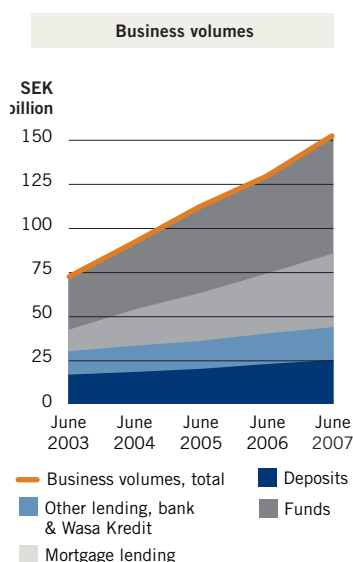
Länsförsäkringar continued to be aggressive in the Swedish banking market and grew in all areas. We experienced a major boost in mortgage transactions and captured more than 11% of new lending, 30 June. Moody's and Standard & Poor's gave subsidiary Länsförsäkringar Hypotek's covered bonds the highest possible rating in June, which is important evidence of the stability, quality and long-term approach of our operations. Our fund volumes also grew substantially. During the first six months of 2007, we enhanced our competitiveness and we will continue to challenge and offer customers high levels of service.

## Total assets

The company's total assets amounted to SEK 70.6 billion (57.0), an increase of 24%. Lending to the public rose by 19% or SEK 9.7 billion to SEK 60.4 billion (50.7). Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 23% to SEK 41.7 billion (33.9). The market share of new sales rose to more than 11%.

Deposits from the public rose by 20% or SEK 4.4 billion to SEK 27.0 billion (22.6).

Fund volumes increased by 21% to SEK 67.2 billion (55.5).



## Basel II

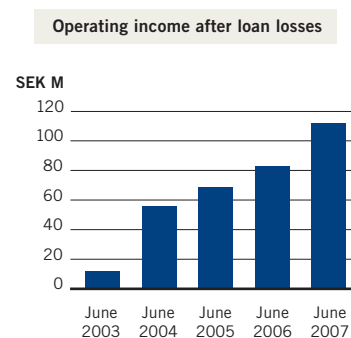
As of February 1, 2007, the capital requirements and capital base are reported in accordance with the Basel II provisions. In accordance with the applicable transition rules, the Group's capital adequacy ratio amounted to 10.54%, while the Tier 1 ratio amounted to 8.86%.

The target level for capital adequacy is 10.5% and for the Tier 1 ratio 8.5%. A deviation of  $\pm 0.5$  percentage points is allowed for both targets. The capital requirements for the portion of the portfolio that is now calculated in accordance with the Internal Ratings-based Approach (IRB

approach) and that will apply when Basel II is fully implemented declined by 53%, from SEK 2,879 M to SEK 1,346 M.

## Earnings and profitability

Operating income amounted to SEK 133.0 M (111.8) before loan losses and to SEK 111.7 M (82.6) after loan losses, corresponding to a return on average equity of 4.8% (3.8).



## Revenue

Net interest income rose by 8% to SEK 480.4 M (445.3). The increase is primarily due to increased volumes. The investment margin amounted to 1.5% (1.6). The decline is primarily attributable to a higher proportion of mortgage loans.

Net commission income declined by 29% to negative SEK 19.5 M (neg: 15.2), due to the higher compensation to the re-

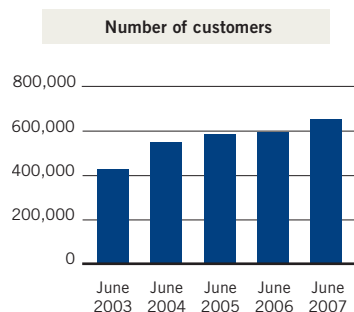


gional insurance companies. The compensation is volume dependent. Net income from financial transactions amounted to SEK 2.3 M (8.9). Other operating revenues amounted to SEK 63.8 M (54.3).

## Expenses

Operating expenses rose by 3% or SEK 12.5 M to SEK 394.0 M (381.5). Loan losses remained low and amounted to SEK 21.3 M (29.3).

The cost/income ratio – costs in relation to income – amounted to 0.75 (0.77) before loan losses and 0.79 (0.83) after loan losses.



## Rating

In February 2007, Standard & Poor's raised Länsförsäkringar Bank's credit rating from A– to A. Accordingly, the rating for long-term borrowing is A (stable). The rating for short-term borrowing was raised from A–2 to A–1. Standard & Poor's referred to the strategic significance of the banking operations for the entire Länsförsäkringar Alliance and to the involvement of the owner. They also referred to the high capital adequacy, high credit quality and continued positive improvements in the performance of the banking operations.

In February 2007, Moody's also upgraded Länsförsäkringar Bank's long-term credit rating from A3 (stable) to A2 (stable). The rating for short-term borrowing was raised from P–2 to P–1.

At the end of May, the subsidiary Länsförsäkringar Hypotek's covered bonds received the credit rating Aaa from Moody's. At the beginning of June, Standard & Poor's announced that it had also given Länsförsäkringar Hypotek's

covered bonds the highest possible credit rating, AAA.

### RATING

Company	Institution	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*	Standard & Poor's	AAA	–
Länsförsäkringar Hypotek*	Moody's	Aaa	–

\*Pertains to the company's covered bonds.

## Borrowing and covered bonds

Borrowing and securities issue increased by 29% or SEK 8.2 billion to SEK 36.5 billion (28.3). Of this amount, SEK 31.1 billion refers to covered borrowing.

On June 18, the subsidiary Länsförsäkringar Hypotek began issuing covered bonds in conjunction with the company implementing an exchange offer directed toward holders of bonds issued under the Parent Company's two programs for long-term borrowing. The exchange was highly successful, with 100% of investors under the benchmark program and 92% of investors under the MTN program accepting the offer. As planned on June 26, a corresponding exchange offer was implemented for bonds issued under the Parent Company's EMTN program, for which the acceptance rate was 77%. Länsförsäkringar Hypotek's long-term borrowing will thereafter take place within the framework of the covered bonds.

## Parent Company

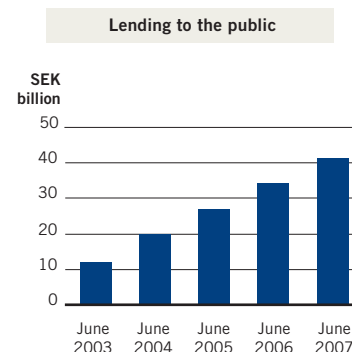
Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public amounted to SEK 10.3 billion (8.9). Deposits from the public amounted to SEK 27.1 billion (22.6). Most of the Group's lending operations are conducted through Länsförsäkringar Hypotek and Wasa Kredit. The majority of the Group's administration expenses occur within the Parent Company.

## Subsidiaries

### Länsförsäkringar Hypotek

SEK M	June 30, 2007	June 30, 2006
Total assets	43,335	36,872
Lending volume	41,735	33,947
Net interest	106.9	94.4
Operating income	23.8	17.7
Return on shareholders' equity, %	1.7	1.4

Mortgage lending increased by 23% or SEK 7.8 billion to SEK 41.7 billion (33.9). The market share for new lending increased to more than 11%. The number of mortgage customers rose from 87,000 to 101,800. The main portion of lending pertains to private homes. Operating income amounted to SEK 23.8 M (17.7).



## Wasa Kredit

SEK M	June 30, 2007	June 30, 2006
Total assets	8,712	8,307
Lending volume	8,347	7,886
Net interest	163.1	167.4
Operating income	47.3	48.0
Return on shareholders' equity, %	12.6	12.6

Wasa Kredit is a finance company whose operations focus on car financing, computer financing, financing for heavy machinery, and unsecured loans. Operating income before appropriations and tax amounted to SEK 47.3 M (48.0). The lending volume amounted to SEK 8.3 billion (7.9).

## Länsförsäkringar Fondförvaltning AB

SEK M	June 30, 2007	June 30, 2006
Total assets	211	175
Assets under management	67,191	55,489
Net inflow	644	2,741
Net commissions	151.3	129.9
Operating income	35.3	31.7
Return on shareholders' equity, %	61.9	62.8

Länsförsäkringar Fondförvaltning manages SEK 67 billion (55) in 30 (31) mutual funds with different investment orientations.

The market share measured as net sales amounted to 4.5% on June 30. The market share measured as assets managed amounted to 3.9%.

Operating income before appropriations and tax amounted to SEK 35.3 M (31.7).

# Customer trends

## Customers

The number of customers in the Länsförsäkringar Alliance continued to rise and at the end of the second quarter the figure was more than 3,203,000 private individuals and companies. This corresponds to an increase of approximately 17,000 customers during the first half of the year, which is in line with the increase in the year-earlier period.

## Private customers

The inflow of customer during the first six months of 2007 was positive and the number of private customers rose by more than 11,000, meaning that the Länsförsäkringar Alliance now has more than 2.7 million private customers. During the period, the number of customers with products in non-life insurance, life assurance and banking increased by approximately 10%.

## Business customers

The trend in the corporate market was also positive during the first half of the year.

The number of business customers now amounts to more than 321,000. At the same time, cross 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 and 27% of business customers have both life-assurance and non-life insurance commitments.

## Agricultural customers

The number of agricultural customers increased marginally and now amounts to slightly more than 178,000. Cross sales remained positive and the number of customers with products in all three core businesses now amounts to more than 10% of the total number of agricultural customers. The number of products per customer also increased during the period and now amounts to nearly 5.5 products.

## Income statements and balance sheets

### NON-LIFE INSURANCE <sup>1)</sup>

Income statement, SEK M	Jan. 1– June 30, 07	Jan. 1– June 30, 06	Full-year 2006
Premiums earned, after ceded reinsurance	8,251	8,092	16,362
Investment income transferred from financial operations	517	401	927
Claims payments, after ceded reinsurance	–5,924	–5,677	–11,878
Operating expenses	–1 690	–1,496	–3 320
Other technical revenues/expenses	8	6	24
<b>Technical result from non-life insurance operations before bonuses and discounts</b>	<b>1,162</b>	<b>1,326</b>	<b>2,114</b>
Bonuses and discounts	–77	–63	–1,020
<b>Technical result from non-life insurance operations after bonuses and discounts</b>	<b>1,085</b>	<b>1,263</b>	<b>1,095</b>
Total investment income	4,234	200	4,664
Investment income transferred to insurance operations	–517	–401	–927
Other non-technical expenses	–138	–118	–287
<b>INCOME BEFORE APPROPRIATIONS AND TAX</b>	<b>4,664</b>	<b>944</b>	<b>4,545</b>

Balance sheet, SEK M	June 30, 2007	June 30, 2006	Dec 31, 2006
<b>ASSETS</b>			
Shares and participations	26,493	22,993	25,286
Bonds and other interest-bearing securities	25,456	22,180	23,050
Other investment assets	12,723	10,089	12,342
<b>Total investment assets</b>	<b>64,673</b>	<b>55,262</b>	<b>60,678</b>
Reinsurers' portion of technical reserves	1,013	1,014	455
Other assets	10,371	10,202	10,499
<b>TOTAL ASSETS</b>	<b>76,057</b>	<b>66,478</b>	<b>71,632</b>

#### SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Shareholders' equity	24,240	18,274	22,213
Untaxed reserves	2,664	3,326	1,341
Technical reserves (before ceded reinsurance)	34,063	32,396	32,874
Other liabilities	15,090	12,482	15,204
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>76,057</b>	<b>66,478</b>	<b>71,632</b>

1) Länsförsäkringar's earnings from non-life insurance comprise the sum of the earnings for the 24 regional insurance companies and the Länsförsäkringar AB, excluding life assurance and banking. The balance between the regional insurance companies and Länsförsäkringar AB has been eliminated. The value and change in value of the regional insurance companies' holdings of shares in Länsförsäkringar AB, and the debenture loan, 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.

From 2007, the 24 regional insurance companies and the Länsförsäkringar AB Group apply the approved international reporting standard IFRS. The regional insurance companies apply these standards with certain limitations due to the Swedish Annual Accounts in Insurance Companies Act, and the relationship between reporting and taxation, known as legally-restricted IFRS. The new accounting principles have not have a material effect on the regional insurance companies' income statements or balance sheets.

The Länsförsäkringar AB Group has listed debentures and must apply international accounting principles in the preparation of its consolidated accounts. In Länsförsäkringar's earnings in non-life insurance, the Länsförsäkringar AB Group's income statement and balance sheet have been adapted to legally-restricted IFRS.

### LÄNSFÖRSÄKRINGAR LIV (LIFE)

Income statement, SEK M	Jan. 1– June 30, 07	Jan. 1– June 30, 06	Full-year 2006
Premium income before ceded reinsurance	3,400	3,160	6,470
Premium income after ceded reinsurance	3,326	3,086	6,335
Investment income, net	11,267	–901	11,610
Claims payments	–2,146	–1,741	–4,197
Other technical revenues	388	300	431
Change in technical reserves	2,036	6,644	–4,074
Operating expenses	–771	–771	–1,532
<b>Technical result, insurance operations</b>	<b>14,100</b>	<b>6,617</b>	<b>8,573</b>
Non-technical expenses	–97	–97	–194
<b>Income before tax</b>	<b>14,003</b>	<b>6,520</b>	<b>8,379</b>
Tax	–533	–446	–733
<b>NET PROFIT FOR THE PERIOD</b>	<b>13,470</b>	<b>6,074</b>	<b>7,646</b>

Balance sheet, SEK M	June 30, 2007	June 30, 2006	Dec 31, 2006
<b>ASSETS</b>			
Intangible assets	1,570	1,750	1,643
Investment assets	114,538	99,618	107,140
Investment assets for which policyholders bear the investment risk	41,644	31,700	36,884
Reinsurers' portion of technical reserves	684	731	683
Receivables	899	7,262	408
Other assets	2,431	2,684	3,904
Prepaid expenses and accrued income	2,936	2,713	2,638
<b>TOTAL ASSETS</b>	<b>164,702</b>	<b>146,458</b>	<b>153,300</b>

#### SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Share capital	8	8	8
Funds plus net profit for the period	39,480	24,228	26,869
Technical reserves	80,214	80,666	85,761
Reserves for life assurance for which policyholders bear the investment risk	41,644	31,700	36,885
Provisions for other risks and expenses	108	104	74
Deposits from reinsurers	739	726	713
Liabilities	2,206	8,660	2,539
Accrued expenses and prepaid income	303	366	451
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>164,702</b>	<b>146,458</b>	<b>153,300</b>

Effective January 1, 2007, Länsförsäkringar Liv transferred to new accounting regulations, legally-restricted IFRS. One effect of the new accounting principles is that paid premiums for financial instruments in the unit-linked insurance operations are reported as a deposit via the balance sheet, instead of being reported as income in the income statement [Obs! Unclear in Swedish]. In the same manner, claims payments are reported as withdrawals from the insurance operations in the balance sheet. Instead, those fees paid by the customer are reported as premium income and costs for insurance risk are reported as a cost.

## Income statements and balance sheets Cont.

### BANK

Income statement, SEK M	Jan. 1– June 30, 07	Jan. 1– June 30, 06	Full-year 2006
Net interest income	480	445	927
Net commission income	–19	–15	–33
Other revenue	66	63	129
<b>Total revenue</b>	<b>527</b>	<b>493</b>	<b>1 023</b>
Personnel costs	–127	–125	–273
General administration expenses	–218	–216	–438
Other expenses	–49	–40	–76
<b>Total expenses</b>	<b>–394</b>	<b>–381</b>	<b>–787</b>
<b>Income before loan losses</b>	<b>133</b>	<b>112</b>	<b>236</b>
Loan losses, net	–21	–29	–38
<b>Total operating income</b>	<b>112</b>	<b>83</b>	<b>198</b>
Tax	–31	–23	–59
<b>NET PROFIT FOR THE PERIOD</b>	<b>81</b>	<b>60</b>	<b>139</b>

Balance sheet, SEK M	June 30, 2007	June 30, 2006	Dec 31, 2006
<b>ASSETS</b>			
Lending to the public	60,399	50,685	53,782
Bonds and other interest-bearing securities	2,755	3,680	5,607
Intangible assets	189	117	144
Tangible assets	16	10	8
Other assets	7,250	2,535	2,997
<b>TOTAL ASSETS</b>	<b>70,607</b>	<b>57,027</b>	<b>62,538</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits and borrowing from the public	27,023	23,066	24,379
Securities issued	36,501	27,807	31,589
Other liabilities	3,620	2,929	3,386
Shareholders' equity	3,465	3,225	3,184
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>70,607</b>	<b>57,027</b>	<b>62,538</b>

### IFRS

As of 2007, Länsförsäkringar Bank will prepare its consolidated accounts in accordance with International Financial Reporting Standards (IFRS) adopted by the EU. As a result of the application of IFRS, comparative figures for the full-year 2006 and the first six months of 2006 have been restated.

The interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting.

The Parent Company prepares its financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutes and Securities Companies, Finansinspektionen's (Swedish Financial Supervisory Authority) regulations and regulatory code (FFFS 2006:16) and Recommendation RR32:06 issued by the Swedish Financial Accounting Standards Council.

Other than the principles described below, the accounting principles have not changed since the 2006 Annual Report.

### Financial instruments

Financial instruments covered by IAS 39 are valued at either fair value or accrued acquisition value, depending on the classification of the instrument.

All derivatives instruments are reported at fair value. Lending and financial liabilities are reported at accrued acquisition value, with the exception of those to which hedge accounting is applied.

### Hedge accounting

In accordance with IAS 39, all derivatives shall be reported at fair value. Hedge accounting at fair value entails that both the hedged item and the hedge instrument are valued at fair value. The change in fair value is recognized in the income statement.

The effectiveness of the hedge relationship is measured and evaluated and any ineffectiveness in the hedge affects the net result of financial transactions.

### Compensation for interest-rate differences

The compensation customers pay in conjunction with the premature redemption of fixed-period lending was previously reported as interest income allocated over the remaining term of the loan. This compensation is recognized in income in its entirety as "Net gains/losses on financial items at fair value" when payment is received.

### Allocation of fees

Certain fees charged to customers in conjunction with credit issuing will be reported as interest income instead of commission revenues, as previously.

Fees charged in conjunction with borrowing (classified as transaction costs) will be reported as interest expenses over the term of the issued security.

## Financial calendar

### Third quarter:

Interim report, January–September, Länsförsäkringar Bank: October 23, 2007.

Interim report, January–September, Länsförsäkringar Hypotek: October 23, 2007.

Interim report, January–September, Länsförsäkringar Alliance: October 25, 2007.

Interim report, January–September, Länsförsäkringar AB: October 25, 2007.

Report on Financial Development for Customers in Länsförsäkringar Liv:

October 19, 2007.



### For further information, please contact

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