

Länsförsäkringar AB (publ)

Corporate Registration Number 556549-7020

INTERIM REPORT JANUARY – JUNE 2007



The Board of Directors and the Managing Director of Länsförsäkringar Aktiebolag (publ), Corporate Registration Number 556549-7020, hereby present the interim report for the period January 1 – June 30, 2007.

Ownership

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

Group organization

In addition to the Parent Company, Länsförsäkringar AB (publ), the Group includes the wholly owned companies Länsförsäkringar Bank AB (publ) and subsidiaries, Försäkringsaktiebolaget Agria (publ) and subsidiaries, Wasa Försäkring Run-Off AB and subsidiaries, Länsförsäkringar Sak Försäkringsaktiebolag (publ) and subsidiaries, and Länsförsäkringar IT Center AB (publ). In addition to these companies, the Group includes one dormant company.

The life-assurance group in which Länsförsäkringar Liv Försäkrings AB (publ) is the Parent Company, and which includes Länsförsäkringar Fondliv Försäkringsaktiebolag (publ), is not consolidated in the Group accounts since the company's earnings are distributed in their entirety to the policy-holders.

LänsförsäkringarGrupplivsförsäkringsaktiebolag (grouplife) was acquired internally by Länsförsäkringar Sak Försäkringsaktiebolag from Wasa Försäkring Run-Off AB.

Försäkringsaktiebolaget Agria (animal insurance) acquired all of the shares in the British sales company PetPartners Plc. The company markets animal insurance for dogs and cats. The operations in Försäkringsaktiebolaget Agria (animal insurance) have been divided into two parts, a Swedish part and an international part. PetPartners Plc is included in Agria's international operations.

Operations

The Länsförsäkringar AB Group conducts operations in, among other areas, life as-

surance, non-life insurance, unit-linked insurance, banking, fund management, reinsurance and animal insurance. Another main task is to provide service to the regional insurance companies and assume responsibility for joint strategic and development activities in the Länsförsäkringar Alliance. The Länsförsäkringar AB Group shall create possibilities for the regional insurance companies to

EARNINGS FOR THE GROUP

SEK M	Jan. 1, 07– June 30, 07	Jan. 1, 06– June 30, 06
Insurance operations	987	–322
Bank operations	112	83
Other operations	38	–166
Income before tax	1,137	–405

be successful in their respective markets.

Insurance operations

The profit from the insurance operations including its entire investment income amounted to SEK 987 M (neg: 322). Accordingly, investment income totals SEK 1,090 M (loss: 293). The insurance operations include a minor life-assurance operation that generated a profit of SEK 1 M (1).

Premiums earned after ceded reinsurance rose by 7% to SEK 1,107 M (1,031). This increase in volume compared with the corresponding period in the preceding year is due to growth in the business areas of health, commercial and animal insurance.

Claims payments after ceded reinsurance rose based in the increase in business volumes and amounted to SEK 874 M (699). The claims outcome was favourable during the first half of 2007 and the claims ratio was 80% (79) at the end of the first half of the year. Operating expenses rose to SEK 304 M (252). Länsförsäkringar Sak Försäkrings AB (non-life) and its subsidiary Länsförsäkringar

Grupplivsförsäkrings AB (grouplife) signed an agreement with Länsförsäkringar Liv Försäkrings AB (life) regarding portfolio transfers on January 1, 2007. The agreement for Länsförsäkringar Sak Försäkrings AB regards a portfolio of medical and accident insurance for adults and group healthcare and accident insurance, and for Länsförsäkringar Grupplivsförsäkrings AB (grouplife) regards a portfolio of group life insurance and employment group life insurance. An application for the portfolio transfers has been submitted to Finansinspektionen (Swedish Financial Supervisory Authority).

Bank operations

Operating income amounted to SEK 133 M (112) before loan losses and to SEK 112 M (83) after loan losses.

Lending to the public rose by 19% to SEK 60 billion (51), of which mortgage lending in the subsidiary Länsförsäkringar Hypotek rose by 23% to SEK 42 billion (34). Deposits from the public increased by 20% to SEK 27 billion (23).

The volume of managed funds rose by 21% to SEK 67 billion (55).

Investment income

The Group's investment income amounted to SEK 1,256 M (loss: 398) for the period. The global stock markets have risen by an average of approximately 9% since year-end 2006. During the first six months of 2007, the Stockholm Stock Exchange rose by slightly more than 13%. The long-term and short-term interest rates rose during the first six months of the year, which had a negative impact on returns. The Swedish krona strengthened against the US dollar and other important currencies. The return on investment assets for the Länsförsäkringar AB Group amounted to 6.6% (neg: 0.6). The

Group's interest-bearing assets generated a return of 1.2% (neg: 0.1). The return from equities amounted to 17.5% (neg: 3.2). The return on property investments was 8.0% (9.6).

The risks and uncertainty factors of the operations

The risks associated with the operations of the Länsförsäkringar AB Group and the Parent Company, and how they are managed, are described in the 2006 Annual Report. These risks have not changed in any significant aspect during the first six months of 2007.

The loan volumes in the Banking Group have continued to rise, particularly regarding mortgages.

Agria's acquisition of the British sales company PetPartners increased business volumes in the non-life insurance operations by approximately SEK 250 M. Länsförsäkringar Sak signed an agreement for the acquisition of group life insurance business from Länsförsäkringar Liv with a business volume of SEK 390 M. Protection against the effects of stock-market decreases on the value of investment assets in Länsförsäkringar Sak has been strengthened by changed investment forms and extended utilization of derivative instruments.

Transactions with closely related parties

The Länsförsäkringar AB Group's companies have the same types of agreements in 2007 as those described in the notes to the 2006 Annual Report. The most important transactions with closely related parties during the interim period are reported in Note 4.

Accounting principles

As of 2007, Länsförsäkringar AB will prepare its consolidated accounts in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations of these standards issued by the International Financial Re-

porting Interpretations Committee (IFRIC), as approved by the European Commission for application within the EU.

The interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR 31 Interim Reporting for Groups, and thereby IAS 34 Interim Financial Reporting. In conjunction with the transition from previously applied reporting standards to IFRS reporting, IFRS 1 First-time Adoption of IFRS is applied.

For a description of the Group's changed accounting principles, refer to Note 1. Previous annual reports and interim reports have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Annual Accounts Act for Insurance Companies and Finansinspektionen's regulations and general guidelines. In addition, the Group and Parent Company applied the Swedish Accounting Standards Board's general guideline 2000:2 which entails the continued application of the Financial Accounting Standards Council's Recommendations Nos 1–29, with the content they had on December 31, 2004.

The introduction of this new set of regulations entails that all comparative figures for 2006 have been restated to the new principles. The effects of the transition are reported in the Appendix Transition to financial reporting in accordance with IFRS. This Appendix contains a summary with explanations of how the transition has impacted the Group's financial results and position.

The Parent Company prepares its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RR32:06 Reporting for Legal Entities issued by the Swedish Financial Accounting Standards Council. This means that in the majority of cases the Parent Company applies the same IFRSs as those applied in the consolidated accounts.

New format and layout

The Länsförsäkringar AB Group has applied a new layout to its income statements and balance sheets as a result of the new regulations. The new format has meant that many items have been eliminated, including internal service transactions, bank accounts and renting. Länsförsäkringar Bank is fully consolidated instead of being consolidated in only a few lines. Since personnel costs have been separated onto a line of their own, this item now includes costs for claims adjustment and asset management and in administration expenses instead of claims payments and investment income.

The results of the operations during the period and the financial position of the Länsförsäkringar AB Group and the Parent Company at June 30, 2007 are shown in the following income statement and balance sheet with accompanying notes.

This interim report is unaudited.

We hereby assure that this report provides a fair review of the Parent Company's and the Group's operations, financial position and describes material risks and uncertainty factors faced by the Parent Company and the companies who are members of the Group.

Stockholm August 22, 2007

Hans Jonsson
Chairman

Gösta af Petersens
Vice Chairman

Ulf W Eriksson

Carina Holmberg

Kajsa Lindståhl

Ann-Christin Norrström

Anne-Marie Pålsson

Fredrik Waern

Tommy Persson
Managing Director

Carl Johan Gezelius
Employee representative

Håkan Haraldsson
Employee representative

Tomas Jönsson
Employee representative

Consolidated income statement

SEK M	Jan. 1, 07– June 30, 07	Jan. 1, 06– June 30, 06
Premiums earned before ceded reinsurance	1,926.5	1,810.8
Reinsurers' portion of premiums earned	–819.8	–780.0
Premiums earned after ceded reinsurance	1,106.7	1,030.8
Interest income	2,158.9	1,154.2
Interest expenses	–1,696.1	–706.4
Net interest income	462.8	447.7
Investment income, net	1,256.0	–398.1
Commission revenue	445.5	388.4
Other operating income	911.7	833.5
Total operating income	4,182.7	2,302.4
Claims payments before ceded reinsurance	–1,999.1	–1,276.2
Reinsurers' portion of claims payments	1,125.2	577.0
Claims payments after ceded reinsurance	–873.9	–699.1
Commission expenses	–561.9	–469.3
Personnel costs	–684.0	–612.4
Other administration expenses	–866.7	–827.3
Loan losses	–21.3	–29.3
Other expenses	–38.3	–70.4
Total expenses	–3,046.1	–2,707.8
Operating income	1,136.6	–405.4
Tax	–322.8	91.0
Net profit/loss for the period	813.8	–314.5
Number of shares	6,297,583	6,297,583
Earnings per share, SEK	129	–41
Profit/loss attributable to Parent Company's shareholders	813.8	–313.7
Profit attributable to minority shareholders	–	–0.8

Profit classified by business area is reported in Note 2

Consolidated balance sheet

SEK M	June 30, 07	June 30, 06
ASSETS		
Goodwill (Note 3)	162.5	–
Other intangible assets	441.4	223.1
Deferred tax assets	9.6	8.5
Tangible assets	94.7	79.4
Real estate used in business operations	2,428.9	2,291.0
Shares in Länsförsäkringar Liv Försäkrings AB	452.0	452.0
Shares and participations in associated companies	26.1	26.9
Reinsurers' portion of technical reserves	5,305.4	4,594.6
Buildings held for investment purposes	269.0	262.0
Lending	66,434.0	55,896.7
Shares and participations	6,903.1	7,638.4
Bonds and other interest-bearing securities	14,059.5	15,513.7
Derivatives	978.5	870.0
Other receivables	2,090.3	1,419.9
Prepaid expenses and accrued income	685.2	536.4
Cash and bank balances	1,036.7	1,363.6
Total assets	101,376.9	91,176.3
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Shareholders' equity		
Share capital	629.8	629.8
Other contributed capital	4,801.3	4,801.3
Reserves	659.9	1,501.5
Retained earnings including net profit/loss for the period	4,174.5	2,653.1
Shareholders' equity attributable to the Parent Company's shareholders	10,265.5	9,585.7
Minority interests	0.0	0.0
Total shareholders' equity	10,265.5	9,585.7
Subordinated debt	114.0	114.0
Technical reserves	18,895.1	17,860.3
Deferred tax liabilities	1,342.8	1,009.5
Other provisions	240.7	245.0
Securities issued	39,283.6	34,296.1
Deposits from the public	27,107.7	23,459.4
Financial liabilities	464.0	351.0
Derivatives reported as liabilities	496.0	779.2
Tax liabilities	22.3	–
Other liabilities	1,284.5	2,001.3
Deferred income and occurred expenses	1,860.5	1,474.9
Total shareholders' equity, provisions and liabilities	101,376.9	91,176.3

Changes in shareholders' equity

SEK M	Share capital	Other contributed capital	Reserves	Retained earnings including net profit/loss for the period	Minority share-holding	Total share-holders' equity
Opening shareholders' equity according to adopted balance sheet at December 31, 2005	629.8		5,823.0	2,424.8		8,877.6
Adjustment in conjunction with transition to IFRS		4,801.3	-4,838.8	-22.0		-59.6
Adjusted shareholders' equity, January 1, 2006	629.8	4,801.3	984.2	2,402.8		8,818.0
Change in translation difference				0.1		0.1
Transfers of reserves			-267.3	267.3		0.0
Change in revaluations			54.1		220.4	274.5
Change in value of financial instruments			-0.8	11.9		11.1
Net profit/loss for the period				-313.7	-0.8	-314.5
Closing shareholders' equity, June 30, 2006	629.8	4,801.3	770.2	2,368.4	219.6	8,789.3
Opening shareholders' equity according to adopted balance sheet at December 31, 2006	629.8		6,202.4	2,834.9	0.0	9,667.1
Adjustment in conjunction with transition to IFRS		4,801.3	-4,700.9	-181.8		-81.4
Adjusted shareholders' equity, January 1, 2007	629.8	4,801.3	1,501.5	2,653.1	0.0	9,585.7
Change in translation difference				0.2		0.2
Transfers of reserves			-963.5	963.5		0.0
Change in revaluations			116.1			116.1
Change in value of financial instruments			5.8	-16.6		-10.8
Net profit/loss for the period				813.8		813.8
Dividend of SEK 38 per share				-239.4		-239.4
Closing shareholders' equity, June 30, 2007	629.8	4,801.3	659.9	4,174.5	0.0	10,265.5

Key figures

	June 30, 07	June 30, 06
GROUP		
Solvency capital, SEK M	11,713	10,701
Solvency margin, %	568	498
Earnings per share, SEK	1,630	1,522
Investment assets	19,024	21,241
Total yield	6.6	4.9
INSURANCE GROUP ¹⁾		
Capital base for the insurance group, SEK M	14,461	12,679
Required solvency margin for the insurance group, SEK M	4,698	4,583
	Jan. 1, 07– June 30, 07	Jan. 1, 06– June 30, 06
INSURANCE OPERATIONS		
Premium income (after ceded reinsurance), SEK M	1,293	1,182
Claims ratio	80	79
Expense ratio	29	24
Combined ratio	109	103
Banking operations, %		
Return on equity	4.8	3.8
Investment margin	1.5	1.6
Capital adequacy ratio ²⁾	10.5	

1) The insurance group includes the Länsförsäkringar AB Group's Parent Company and insurance companies, as well as Länsförsäkringar Liv and Länsförsäkringar Fondliv.

2) In accordance with transition rules.

Consolidated cash-flow statement

SEK M	Jan. 1, 07– June 30, 07	Jan. 1, 06– June 30, 06
Cash flow from operating activities	193.1	547.6
Cash flow from investing activities	-269.8	-32.8
Cash flow from financing activities	-239.4	-
Cash flow for the period	-316.1	514.8
Cash and cash equivalents at the beginning of the period	1,363.6	1,480.7
Cash flow for the period	-316.1	514.8
Exchange rate difference in cash and cash equivalents	-10.7	35.4
Cash and cash equivalents at period-end	1,036.7	2,030.9

Notes to the consolidated income statement and balance sheet

NOTE 1 ACCOUNTING PRINCIPLES

Compliance with standards and legal requirements

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the interpretation statements issued by the International Financial Reporting Interpretations Committee (IFRIC), as they have been adopted by the European Commission for application within the EU. The Annual Accounts Act for Insurance Companies (1995:1560) and the regulations and guidelines in FFFS 2006:17 and FFFS 2007:14, issued by Finansinspektionen (Swedish Financial Supervisory Authority). The interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR 31, Interim reporting for groups, and consequently IAS 34, Interim Financial Reporting, and is Länsförsäkringar AB's first financial report prepared in accordance with IFRS.

Circumstances governing the preparation of the financial accounts of the Parent Company and the Group

The functional currency of the Parent Company, Länsförsäkringar AB is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. This means the financial reports are presented in SEK.

Assets and liabilities have been reported at acquisition value with the exception of buildings held for investment purposes, real estate used in business operations and most of the Group's holdings of financial instruments, which are valued at either their fair value or at an adjusted accrued acquisition value.

Preparation of the accounts in accordance with IFRS requires that management make estimates and assessments as well as assumptions that affect the application of the accounting principles and the amounts reported as revenue, expenses, assets, liabilities and contingent liabilities presented in the accounts. These estimates and assessments, which were made by management, are based on the best information available on the closing date. The actual outcome may differ.

The following accounting principles for the Group have been applied to all periods presented in the consolidated financial reports and in the reporting and consolidation of parent companies and their subsidiaries. They have also been applied in the preparation of the consolidated opening balance sheet in accordance with IFRS at January 1, 2006, which explains the transition from previously applied accounting principles to accounting principles in accordance with IFRS.

Changed accounting principles

This is the first report prepared in accordance with IFRS and the transition is reported in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. For a description of the effects, readers are referred to the appendix, "Transition to financial reporting in accordance with IFRS." The comparison figures for 2006 have been restated in accordance with the new principles.

The main changes to the accounting principles that have affected the Länsförsäkringar AB Group are specified below. In all other respects, the accounting principles are unchanged in comparison with previous periods.

IAS 1 Presentation of financial statements

As a result of the new regulations, Länsförsäkringar AB applies a new presentation format for its consolidated income statement and balance sheet.

IFRS 3 Business combinations

The consolidated accounts cover the Parent Company and those companies in which Länsförsäkringar directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling influence over the operational and financial control of the company and may receive financial advantages.

Länsförsäkringar's subsidiaries are consolidated in accordance with the purchase method. The method implies that an acquired subsidiary is considered as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated acquisition value is established by means of an acquisition analysis in conjunction with the acquisition. The analysis involves establishing the acquisition value of the shares or the business, and the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition date. For business acquisitions in which the acquisition cost exceeds the net value of the assets acquired and liabilities assumed, the difference is reported as goodwill. Subsidiaries are included in the consolidated accounts as of the day the controlling influence is transferred to the Group. They are excluded from the consolidated accounts as of the day the controlling influence ceases.

Goodwill

For goodwill in acquisitions that took place prior to January 1, 2006, the Group has applied IFRS 1. This implies that IFRS is not applied retroactively but rather that the value reported on this day will continue from that date on to be the Group's acquisition

value, after impairment testing. On December 31, 2005, there was no remaining goodwill in the Group.

Goodwill is valued at acquisition value less accumulated impairment. Goodwill is distributed to cash-generating units and is no longer written off, but rather impairment-tested on an annual basis. Goodwill that has arisen through the acquisition of associated companies is included in the reported value of participations in associated companies. In business acquisitions where the acquisition cost is less than the net value of the assets acquired and the liabilities and contingent liabilities – negative goodwill – assumed, the difference is recognized directly in the income statement.

IFRS 4 Insurance contracts

Under IFRS 4, an insurance provider must classify all of its contracts, on an individual basis, as either insurance contracts or as financial contracts. Contracts in which the insurance risk that has been transferred from the insured (policyholder) to the insurer is not significant should be classified as financial contracts and reported as financial instruments in accordance with IAS 39 Financial Instruments – Recognition and Measurement, and IAS 18 Revenue. Contracts in which the insurance risk is significant are classified as insurance contracts.

During a review of the Länsförsäkringar AB Group's insurance contracts, it was found that all of the contracts involve significant insurance risk under IFRS 4 and can thus be classified as insurance contracts under IFRS. In accordance with IFRS 4, previous accounting principles will continue to be applied in the future.

IAS 39 Financial Instruments – Recognition and Measurement

The classification of financial instruments in accordance with IAS 39 determines which valuation and accounting principle should be applied. In the Länsförsäkringar AB Group, the financial instruments have been divided into the following categories.

Financial assets valued at fair value through the income statement

This category consists of two subgroups, financial assets held for trading and other financial assets that the company initially elected to place in this category (under the fair value option.) Financial instruments in this category are valued on an ongoing basis at fair value, with value changes being reported in the income statement. For valuation at market value, the current purchase price is used. Transaction costs are expensed directly. Holdings of shares and participations that are not reported as subsidiaries, associated companies or joint ventures are reported here. This also includes bonds and derivatives with a positive fair value, with the exception of derivatives that are an identified and effective hedge instrument.

Loan receivables and accounts receivables

Loan and accounts receivables are financial assets that are not derivatives, that are associated with established payments or payment that can be established and that are not listed on an active market. These assets are valued at their accrued acquisition value. Accrued acquisition value is determined based on the effective interest rate calculated on the acquisition date. Loan and accounts receivables are reported in the amounts in which they are expected to be received – that is, after deductions for impairment and doubtful receivables. This group includes lending, except from the components in which hedge reporting is applied.

Financial liabilities valued at fair value through the income statement

This category consists of financial liabilities held for trading. It includes the Group's derivatives with negative fair value, with the exception of derivatives that are identified and effective hedge instruments. Changes in fair value are reported in the income statement.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. The liabilities are valued at their accrued acquisition value.

Hedge accounting

Fulfillment of IAS 39 in regards to hedge accounting requires a unambiguous link to the hedged position. It is also required that the hedge effectively protects the hedged position, that hedge documentation is prepared and that hedging effectiveness can be measured. The effectiveness of the hedge relationship is measured and valued, and any ineffectiveness in the hedge is recognized in the income statement. Hedge relationships within the Länsförsäkringar AB Group can be found on both the portfolio level and the transaction level.

Under IAS 39, all derivatives are to be reported at fair value. Hedge reporting at fair value implies that the hedged position is valued at fair value in respect of the hedged risk and that the change in the fair value is recognized in the income statement both for the hedging instrument and for the hedged position.

Länsförsäkringar AB also applies cash-flow hedging, to a certain extent. In cash-flow

hedging, unrealized changes in fair value of the hedge are recognized directly in shareholders' equity instead of the income statement until the entire hedged flow effects the income statement.

Interest rates

The Länsförsäkringar AB Group applies the effective interest method for reporting of interest income and interest expense for all financial instruments that are not valued at fair value through the income statement. This implies, unlike previously, that interest income is reported for doubtful loan receivables as well, that certain fees charged to borrowers via credit provision are reported as interest income instead of as commission revenue, and certain commission-related expenses are reported as interest expense instead of as commission expense. Previously, the compensation for interest-rate differences received in conjunction with borrowers' premature redemption of fixed-interest loans was reported as interest income and distributed over the remaining maturity of the original loan. This compensation is now recognized as income directly.

IAS 16 Property, plant and equipment

Tangible fixed assets are reported as assets on the balance sheet if it is likely that future economic benefits will flow to the company and that the acquisition value (cost) of the asset can be measured reliably.

The Länsförsäkringar AB Group reports its real estate used in business operations in accordance with the revaluation model. Land and buildings owned within the Group and used in its operations are reported in their revalued amount, which is the fair value after deductions for accumulated depreciation and adjustment resulting from revaluation. Fair value is based on the prevailing prices on an active market for similar properties in the same area and in the same condition. The valuation is performed annually by external independent external appraisers. All increases in value resulting from revaluation are credited directly to equity under the heading "Revaluation surplus." If the increase represents a reversal of a previously reported decrease in value pertaining to the same asset, the increase is reported as a reduced expense in the income statement. In cases in which the revaluation results in a reduction of the reported value, the reduction is reported in the income statement. However, the reduction is reported directly against equity to the extent there is a balance in the revaluation surplus that is attributable to the asset. The difference between the depreciation based on the revalued value and depreciation in accordance with the original acquisition value is then transferred from the revaluation surplus to retained earnings.

Accumulated depreciation at the time of the revaluation is deducted from the previous revalued acquisition value of the asset. Remaining amounts are adjusted to obtain agreement with the fair value of the asset.

When an asset is disposed of, any revaluation surplus is transferred to retained earnings without impacting the income statement.

Depreciation

Straight-line depreciation is applied over the asset's estimated useful life. The Group applies component depreciation, which implies that the components' assessed useful life is taken as the basis of the depreciation.

The real estate used in business operations consist of a number of components with different periods of use. The primary category is Land and buildings. Depreciation is not applied to the land component, whose useful life is considered to be unlimited. The buildings, however, consist of several components whose useful lives vary. Useful lives have been assessed as varying between 20–100 years for these components.

The following primary categories of components have been identified and form the basis of the depreciation of buildings.

• Frame	100 years
• Roof, façade, windows	50 years
• Frame supplementation, interior walls	40 years
• Installations, heating, electricity, ventilation and air-conditioning	40 years
• Interior surface layer, machinery	20 years

The depreciation method and the residual value and useful life of an asset are reassessed at the end of every year.

Parent Company accounting principles

The Parent Company has prepared its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's Recommendation RR 32:06, Reporting for legal entities. The statements issued by the Financial Accounting Standards Council's Emerging Issues Task Force applying to listed companies have also been applied. Recommendation RR 32:06 implies that in its annual accounts for the legal entity the Parent Company must apply all IFRS standards and statements that have been approved by the EU to the maximum extent possible within the framework of the Annual Accounts Act and taking into consideration the connection between accounting and taxation. The recommendation specifies the exceptions from and additions to IFRS that are to be made.

Changed accounting principles in the Parent Company

As of 2007, the stipulations of the Annual Accounts Act, Chapter 4, Section 14, paragraphs a–r, regarding the valuation of certain financial instruments at fair value, and hedge accounting, are applied. The change implies that all hedged financial liabilities and their derivatives are reported at fair value in the income statement and the balance sheet.

NOTE 2 EARNINGS BY BUSINESS SEGMENT

Jan. 1, 07 – June 30, 07

SEK M	Insurance– business	Banking business	Other operations	Eliminations	Total
Premiums earned after ceded reinsurance	1,106.7				1,106.7
Net interest income	–25.6	488.3			462.7
Net investment income	1,090.0	2.4	495.6	–332.0	1,256.0
Other operating revenue	340.1	483.1	1,031.7	–497.6	1,357.2
Total operating revenue	2,511.3	973.8	1 527.3	–829.6	4 182.7
Claims payments after ceded reinsurance	–873.9				–873.9
Other expenses	–650.0	–862.1	–1,156.0	495.8	–2,172.2
Total expenses	–1,523.9	–862.1	–1,156.0	495.8	–3,046.1
Operating income	987.4	111.7	371.3	–333.8	1,136.6

Jan. 1, 07 – June 30, 07

SEK M	Insurance– business	Banking business	Other operations	Eliminations	Total
Premiums earned after ceded reinsurance	1,030.8				1,030.8
Net interest income		445.3		2.5	447.7
Net investment income	–293.3	8.9	1,204.3	–1,318.0	–398.1
Other operating revenue	514.8	434.5	1,041.8	–769.1	1,222.0
Total operating revenue	1,252.3	888.7	2,246.0	–2,084.6	2,302.4
Claims payments after ceded reinsurance	–699.1				–699.1
Other expenses	–874.9	–806.1	–1,125.2	797.5	–2,008.7
Total expenses	–1,574.0	–806.1	–1,125.2	797.5	–2,707.8
Operating income	–321.7	82.6	1,120.8	–1,287.1	–405.4

NOTE 3 GOODWILL

The entire goodwill amount, SEK 162.5 M at June 30, 2007, is attributable to the acquisition by Försäkringsbolaget Agria of the sales company PetPartner Plc in March 2007. The acquisition included a tangible fixed asset in the form of a customer contract of SEK 140 M.

NOT 4 TRANSACTIONS WITH CLOSELY RELATED PARTIES

Transactions with closely related companies, June 2006

SEK M	Sales/ revenue Jan.–June	Purchasing/ expenses Jan.–June	Receivables	Liabilities
Associated companies	–	4.9	8.8	–
Länsförsäkringar Liv Försäkrings AB group	222.3	100.1	22.5	1,004.6
Regional insurance companies	597.0	211.5	3,454.2	4,565.2
Other closely related parties	8.3	0.1	2.1	0.1

Interest income and interest expense from closely related companies, June 2006	Interest income	Interest expense
Länsförsäkringar Liv Försäkrings AB group	–	18.1
Regional insurance companies	–	14.7

Interest income and interest expense from closely related companies, June 2007	Sales/ revenue Jan.–June	Purchasing/ expenses Jan.–June	Receivables	Liabilities
Associated companies	–	2.2	–	22.5
Länsförsäkringar Liv Försäkrings AB group	225.8	124.1	5.0	11.2
Regional insurance companies	629.6	179.7	4,158.1	6,661.7
Other closely related parties	9.3	2.1	2.0	3.4

Interest income and interest expense from closely related companies, June 2007	Ränte- intäkt	Ränte- kostnad
Länsförsäkringar Liv Försäkrings AB group	–	11.8
Regional insurance companies	0.9	21.8

Parent Company income statement

SEK M	Jan. 1, 07– June 30, 07	Jan. 1, 06– June 30, 06
Net sales	561.1	513.5
Operating expenses		
External costs	–534.3	–460.7
Personnel costs	–151.4	–139.2
Operating result	–124.6	–86.3
Income from financial items		
Income from participations in Group companies	330.0	1 287.0
Interest income and similar items	253.2	99.2
Interest expense and similar items	–84.4	–179.1
Profit before tax	374.2	1,120.7
Tax	–13.9	46.6
Net profit after tax	360.4	1,167.3

Parent Company balance sheet

SEK M	June 30, 07	June 30, 06
ASSETS		
Intangible fixed assets	57.6	23.7
Shares and participations in associated companies	6,323.4	6,123.4
Other fixed assets	2,275.8	2,273.0
Current assets	Not 1, 2	2,737.2
Cash and bank balances	Not 1	422.0
Total assets	11,334.3	11,509.2
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Shareholders' equity	Not 2, 3	7,712.9
Provisions	42.6	43.6
Long-term liabilities	2,916.4	2,835.3
Current liabilities	Not 1, 3	551.7
Total shareholders' equity, provisions and liabilities	11,334.3	11,509.2

Changes in Parent Company shareholders' equity

SEK M	June 30, 07	June 30, 06
Shareholders' equity according to the balance sheet at December 31 in the year preceding the interim period	7,748.0	6,367.6
Changed accounting principles	-35.1	-68.0
Adjusted shareholders' equity	7,712.9	6,299.6
Dividends	-239.4	-
Value change, hedge	-10.2	11.1
Net profit for the period	360.4	1,167.3
Shareholders' equity at period-end	7,823.7	7,478.0

Parent Company cash-flow statement

SEK M	Jan. 1, 07– June 30, 07	Jan. 1, 06– June 30, 06
Cash flow from operating activities	524.6	510.7
Cash flow from investing activities	-215.0	-298.3
Cash flow from financing activities	-239.4	-
Cash flow for the period	70.2	212.4
Cash and cash equivalents at the beginning of the period	351.8	662.2
Cash flow for the period	70.2	212.4
Cash and cash equivalents at the end of the year	422.0	874.6

Notes to the Parent Company income statement and balance sheet

NOTE 1 CASH AND BANK BALANCES

Cash and bank balances have declined by a total of SEK 276.4 M since December 31, 2006, due to changes in the reporting of bank balances within the Group from as of 2007.

Länsförsäkringar AB has changed its principle for the reporting of its common external Group account. Since the Parent Company is responsible for the contract with the bank, the entire Group's holdings are reported there. The subsidiaries report their holdings as Group internal receivables from the Parent Company, and Länsförsäkringar AB reports the corresponding amounts as Group internal debts to the subsidiaries. For this reason, cash and cash equivalents, and Group internal liabilities, for the comparison figures at December 31, 2006, increased by SEK 200.3 M.

Moreover, the company's bank balances with Länsförsäkringar Bank AB are reported as Group internal receivables instead of cash and cash equivalents as of 2007. Consequently, cash and cash equivalents at December 31, 2006, have declined by SEK 476.7 M and current assets increased by the same amount.

The adjustments have been made to achieve better agreement with the applicable regulations in conjunction with the transition to a complete consolidation of the bank in the Länsförsäkringar AB Group.

NOTE 2 SHAREHOLDERS' EQUITY

As of 2007, shares and participations are valued at the bid price instead of the price paid price in valuation at fair value. The comparison figures have been changed in such a way that current assets at December 31, 2006, have declined by SEK 0.7 M, deferred tax assets increased by SEK 0.2 M and shareholders' equity decreased by SEK 0.5 M. Earnings in the period from January 1, 2006 to June 30, 2006, have improved by SEK 0.1 M after tax.

NOTE 3 HEDGE ACCOUNTING

As of 2007, the stipulations of the Annual Accounts Act, Chapter 4, Section 14, paragraphs a-e, regarding the valuation of certain financial instruments at fair value, and hedge accounting, are applied. The change implies that hedged liabilities and their derivatives are reported at fair value in the income statement and balance sheet. In the comparison figures at December 31, 2006, current liabilities have increased by SEK 29.0 M, long-term liabilities increased by SEK 5.6 M, and shareholders' equity decreased by SEK 34.6 M.

Transition to financial reporting according to IFRS

In line with the stipulations of the European Parliament and the European Council governing the application of international accounting standards, listed companies in the EU must apply international accounting principles, in consolidated financial statements with effect from 2005. Companies with only listed debt instruments do not need to apply the new accounting rules prior to the 2007 financial year. Länsförsäkringar AB is part of the latter category of companies and thus applies the new rules for consolidated financial statements with effect from 2007.

Länsförsäkringar AB has identified a number of areas in which differences arise between the previously applied accounting principles and those pursuant to IFRS. The presentation below comments on how each accounting standard has affected the consolidated financial statements.

In the interim report, the comparative data for 2006 have been restated in accordance with the new principles. This means that opening balances for 2006 have been restated in accordance with IFRS, which means that the restated figures differ from the amounts previously reported in financial reports for 2006. The adjustment of the opening balances is reported through shareholders' equity. Changes in the amounts are shown by the following restated consolidated income statements and consolidated balance sheets in accordance with the new presentation format.

IAS 1 Presentation of Financial Statements

Income statements and balance sheet differ compared with the previous form, which conformed to the Annual Accounts Act for Insurance Companies. According to IAS 1, revenue and costs must be report-

ed more distinctly than in the previously more business segment-based presentation for income statements. In the balance sheet it is mainly the ranking that has been changed. It is now arranged according to liquidity ranking. The banking group is reported on all applicable lines instead of just a few, as was previously the case. Costs for claims adjustment and asset management are included in the new lines "Personnel costs" and Administrative costs. In the past, they were included in "Claims payments" and "Investment income." Commission expenses in insurance operations are reported along with the bank's commissions on a separate line.

IFRS 3 Business Combinations

In line with the rules of IFRS 3, Länsförsäkringar AB has reclassified its holding in the associated company Utile Dulci as a subsidiary, with effect from January 1, 2006. Länsförsäkringar AB has changed its assessment to the effect that already on this date it had a decisive influence in Utile Dulci, although its shareholding was less than 50 percent. The shareholding was raised to 100 percent through gradual acquisitions in 2006. In line with the application provisions governing the recognition of goodwill, the resulting goodwill may be charged directly to shareholders' equity. In conjunction with the translation to IFRS, the goodwill item has been re-booked and charged to retained earnings.

The securities funds that the Länsförsäkringar AB Group has established and of which it owns more than 50 percent are included in the consolidated financial statements pursuant to IFRS.

The shareholding in Länsförsäkringar Liv AB does not fulfil the definition of a subsidiary but is instead treated as an investment in non-listed shares, which are

reported in line with IAS 39. As in the past, consolidation was not undertaken.

IFRS 4 Insurance Contracts

A review was undertaken of all insurance contracts in an effort to ascertain if they could be reported as insurance contracts pursuant to IFRS 4 Insurance contracts, or as financial instruments. The result of the review is that all the Group's non-life insurance contracts have been identified as insurance contracts pursuant to IFRS 4, which means they may continue to be reported as in the past.

IAS 16 Tangible Fixed Assets

Länsförsäkringar AB has previously reported all properties, including those used in its own business, at their fair value, pursuant to the stipulations of Finansinspektionen. In the transition to IFRS, the rules in IAS 16 are to apply to properties used in operations, whereby Länsförsäkringar AB has elected to report these in line with the revaluation model. The revaluation model entails that value changes at fair value are charged to shareholders' equity in the revaluation surplus instead of through the income statement, as was the case in the past. Unrealized value changes reported in the income statement in 2006 have been reversed and are reported in the adjusted comparative figures instead of being charged directly to shareholders' equity. However, reported depreciation of the valued amount is reported in the income statement. Previously, no depreciation was applied.

Real estate used in business operations is written off in line with the rules for component depreciation. This means that the properties are divided into a number of components that are depreciated in line with depreciation schedules

that reflect the components' varying estimated useful lives. Real estate used in business operations are valued on the closing date at their fair value. The difference between the carrying amount – which is influenced by the component depreciation – and the fair value is charged to the revaluation surplus in shareholders' equity. If the fair value on the closing date results in a decline in value, the asset's share of the revaluation surplus is initially reduced. Any excess requirement for a downward adjustment of the asset's value is reported as impairment in the income statement.

In addition, the rules for capitalization have been altered. In accordance with IFRS, all additional expenses after the acquisition date are reported as an increase in a property's value insofar as the additional expenses pertain to the replacement of all or parts of the identified components or if new components are created. Previously, only value-enhancing expenses in relation to the performance level that the asset had when it was originally acquired were capitalized. As in the past, repairs are expensed in the period during which the expense arose.

IAS 27 Consolidated Financial Statements

The form of presentation in which costs and revenue are reported more distinctly in gross form has meant that a greater number of intra-group items such as service transactions, bank accounts and internal rents have been eliminated in the consolidated financial statements.

Internal bank accounts in Länsförsäkringar bank are reported as internal liabilities or receivables – which are eliminated – instead of as cash and cash equivalents in each company.

IAS 28 Associated Companies

Previously, Länsförsäkringar AB reported tax separately tax in the earnings of the associated companies in the Group. In the transition to IFRS, the earnings share

of associated companies is reported after deductions for tax, and thus previous amounts on the tax line have been removed.

IAS 39 Financial Instruments

A review was also conducted of financial instruments for the purpose of classification and valuation. Unrealized value changes will also in the future be reported across the income statement. However, in valuation to market value, the bid rate is used instead of the price paid and transaction costs are expensed directly.

Previously, Länsförsäkringar AB applied hedge accounting using acquisition valuation, which meant that the hedged item's accounting principle, which was accrued acquisition value, governed the valuation of the hedge instrument, which was also valued at their accrued acquisition value. In the transition to IFRS, derivatives will be valued and reported at fair value. In an effort to provide an accurate view of financial risk management in the Group, the hedge models will in future apply hedging at fair value and cash-flow hedging. In conjunction with hedging at fair value, the hedged item is revalued to the fair value in terms of the hedged risk. Changes in value are recognized through the income statement, both in respect of the hedged item and the hedging instrument. In conjunction with cash-flow hedges, changes in the fair value of the hedging instrument are credited to the reserve for real value in shareholders' equity instead of being recognized in the income statement.

Interest income on doubtful receivables will be reported on the basis of the effective interest method, calculated using the effective interest rate, while the value of the loan in connection with impairment will be calculated on the basis of the present value of future cash flow.

In the transition, correction has been made for compensation for interest-rate differences, which is reported in their entirety on receipt as the net result of

financial items at fair value. Previously, compensation for interest-rate differences was reported as interest income allocated over the remaining maturity of the loan.

A reclassification has been made of expenses charged in conjunction with credit provision to interest income instead of as commission revenue. Fees in connection with the raising of loans will be reported as interest expense over the lifetime of the issued security.

EARNINGS EFFECT AT TRANSITION TO IFRS FOR THE PERIOD JAN. 1, 2006 – DEC. 31, 2006

Consolidated income statement 2006	According to new accounting format			Adjustments					According to IFRS
	Bank	Insurance and other	Total	IFRS 3	IAS 16	IAS 27	IAS 28	IAS 39	
SEK M									
Premiums earned before ceded reinsurance		4,036.5	4,036.5						4,036.5
Reinsurers' portion of premiums earned		-1,928.9	-1,928.9						-1,928.9
Premiums earned after ceded reinsurance		2,107.7	2,107.7						2,107.7
Interest income	2,572.8		2,572.8					6.4	2,579.2
Interest expenses	-1,650.9		-1,650.9			8.6		-1.1	-1,643.5
Net interest income	921.8		921.8			8.6		5.3	935.7
Investment income, net ¹⁾	4.5	1,165.6	1,170.1		-181.3	-52.3	-0.7	16.7	952.4
Commission revenue	797.3	125.9	923.2					-21.9	901.3
Other operating income	111.2	3,002.1	3,113.3			-1,539.6			1,573.7
Total operating income	1,834.8	6,401.3	8,236.1		-181.3	-1,583.4	-0.7	0.0	6,470.7
Claims payment before ceded reinsurance ²⁾		-2,861.1	-2,861.1						-2,861.1
Reinsurers' portion of claims payment		1,517.0	1,517.0						1,517.0
Claims payment after ceded reinsurance		-1,344.1	-1,344.1						-1,344.1
Commission expenses	-809.5	-255.0	-1,064.5					1.1	-1,063.4
Personnel costs	-273.2	-1,037.8	-1,311.0						-1,311.0
Other administrative expenses ³⁾	-513.9	-2,764.6	-3,278.5			1,583.4			-1,695.1
Loan losses	-37.2		-37.2					-0.6	-37.8
Other expenses ⁴⁾		-141.3	-141.3	0.5					-140.8
Total expenses	-1,633.9	-5,542.8	-7,176.6	0.5		1,583.4		0.5	-5,592.3
Operating income	200.9	858.5	1,059.5	0.5	-181.3	-	-0.7	0.5	878.4
Taxes			-270.2		50.8		0.7	-0.1	-218.9
Net profit for the year			789.2	0.5	-130.6	-	-	0.4	659.5
Profit/loss attributable to the Parent Company's shareholders			789.2	0.5	-130.6	-	-	0.4	659.5
Profit/loss attributable to minority shareholders			-	-	-	-	-	-	-

1) Includes Investment income, income/expenses and Unrealized gains/losses on investment assets from both Non-technical accounting and Technical accounting of life assurance operations. Operating expenses for asset and property management are not included however (-84.9 and -0.6).

2) Excluding claims adjustment costs.

3) Includes, among other items, claims adjustment costs -228.0, asset management costs -84.9 and property management costs -0.6.

4) Includes goodwill -0.5.

FINANCIAL POSITION AT TRANSITION TO IFRS AS OF DECEMBER 31, 2006

Consolidated balance sheet as of December 31, 2006

SEK M	According to Annual Report	New state- ment format	Total prior to IFRS adjustments	Comments
Assets according to new statement format				
Goodwill	55.0		55.0	
Other intangible fixed assets	79.5	143.6	223.1	From other receivables and assets, banking Group
Deferred tax assets	6.9		6.9	
Tangible assets	71.8	7.6	79.4	From other receivables and assets, banking Group
Real estate used in business operations		2,291.0	2,291.0	From buildings and land
Shares in Länsförsäkringar Liv	452.0		452.0	
Shares and participations in associated companies	26.9		26.9	
Reinsurers' portion of technical reserves	4,594.6		4,594.6	
Buildings held for investment purposes		262.0	262.0	From buildings and land
Lending	55,998.1		55,998.1	
Shares and participations	7,634.3	9.5	7,643.7	From other receivables and assets, banking Group
Bonds and other interest-bearing securities	15,446.4		15,446.4	
Derivatives	701.7		701.7	
Other receivables	372.2	24.4		From other loans
		32.0		From deposits with companies that have ceded reinsurance
		294.6		From other receivables and assets, banking Group
		384.2		From receivables relating to direct insurance
		312.5	1,419.9	From receivables relating to reinsurance
Prepaid expenses and accrued income	217.5	281.9	499.4	From other receivables and assets, banking Group
Cash and bank balances	1,773.7	72.6	1,846.3	From other receivables and assets, banking Group
Assets according to old statement format				
Buildings and land	2,553.0	-2,291.0		To real estate used in business operations
		-262.0	-	To buildings held for investment purposes
Other loans	24.4	-24.4	-	To other receivables
Deposits with companies that have ceded reinsurance	32.0	-32.0	-	To other receivables
Other receivables and assets, banking Group	809.9	-143.6		To other intangible assets
		-7.6		To other tangible assets
		-9.5		To shares and participations
		-294.6		To other receivables
		-281.9		To prepaid expenses and accrued income
		-72.6	-	To cash and bank balances
Receivables pertaining to direct insurance	384.2	-384.2	-	To other receivables
Receivables pertaining to reinsurance	312.5	-312.5	-	To other receivables
TOTAL ASSETS	91,546.5	-	91,546.5	

The left-hand column has been divided into items that can be directly inputted into the new statement format and items that cannot be directly inputted into the new statement format (=old statement format). Items reported according to the old statement format have subsequently been transferred to the "new statement format" in their entirety to a new column according to the new statement format. Items in the far right column have been converted from, for example, "Buildings and land" to "Real estate used in business operations" and "Buildings held for investment purposes."

FINANCIAL POSITION AT TRANSITION TO IFRS AS OF DECEMBER 31, 2006, cont'd.

Consolidated balance sheet as of December 31, 2006

SEK M	According to Annual Report	New state- ment format	Total prior to IFRS adjustments	Comments
Shareholders' equity, provisions and liabilities according to new statement format				
Shareholders' equity				
Share capital		629.8	629.8	From restricted equity
Other contributed capital		4,801.3	4,801.3	From restricted equity
Reserves		1,401.1	1,401.1	From restricted equity
Retained earnings		2,045.7	2,045.7	From profit/loss carried forward
Net profit for the year excluding minority shareholding		789.2	789.2	From net profit for the year
Shareholders' equity attributable to Parent Company's shareholders		9,667.1	9,667.1	
Minority shareholding	0.0		0.0	
Total shareholders' equity	0.0	9,667.1	9,667.1	
Provisions and liabilities according to new statement format				
Subordinated debt	114.0		114.0	
Technical reserves	17,860.3		17,860.3	
Deferred tax liability	1,018.1		1,018.1	
Other provisions	231.1	13.9	245.0	From other provisions and liabilities, banking Group
Securities issued	31,921.5			
		2,688.0	34,609.5	From bond loans
Deposits from the public	23,942.1		23,942.1	
Financial liabilities		351.0	351.0	From liabilities to credit institutions, banking Group
Derivatives reported as liabilities	324.2		324.2	
Tax liabilities			–	
Other liabilities	750.1	51.2		From deposits from reinsurers
		292.9		From other provisions and liabilities, banking Group
		337.1		From liabilities pertaining to direct insurance
		479.1	1,910.3	From liabilities pertaining to reinsurance
Deferred income and accrued expenses	446.1	1,058.7	1,504.8	From other provisions and liabilities, banking Group
Shareholders' equity according to old statement format				
Restricted equity	6,832.2	–629.8		To share capital
		–4,801.3		To other contributed capital
		–1,401.1	–	To reserves
Profit/loss carried forward	2,045.7	–2,045.7	–	To retained earnings
Net profit for the year	789.2	–789.2	–	To profit/loss for the year excluding minority shareholding
Provisions and liabilities according to old statement format				
Deposits from reinsurers	51.2	–51.2	–	To other liabilities
Liabilities to credit institutions, banking Group	351.0	–351.0	–	To financial liabilities
Other provisions and liabilities, banking Group	1,365.5	–13.9		To other provisions
		–292.9		To other liabilities
		–1,058.7	–	To deferred income and accrued liabilities
Liabilities pertaining to direct insurance	337.1	–337.1	–	To other liabilities
Liabilities pertaining to reinsurance	479.1	–479.1	–	To other liabilities
Bond loans	2,688.0	–2,688.0	–	To securities issued
Total shareholders' equity, provisions and liabilities	91,546.5	–	91,546.5	

The left-hand column has been divided into items that can be directly inputted into the new statement format and items that cannot be directly inputted into the new statement format (=old statement format). Items reported according to the old statement format have subsequently been transferred to the "new statement format" in their entirety to a new column according to the new statement format. Items in the far right column have been converted from, for example, "Deposits from reinsurers" to "Other liabilities."

FINANCIAL POSITION AT TRANSITION TO IFRS AS OF DECEMBER 31, 2006, cont'd.

Consolidated balance sheet as of December 31, 2006
IFRS adjustments

SEK M	Total prior to IFRS adjustments	IFRS 3	IAS 16	Adjustments			According to IFRS
				IAS 27	IAS 28	IAS 39	
Assets							
Goodwill	55.0	-55.0					-
Other intangible fixed assets	223.1						223.1
Deferred tax assets	6.9					1.6	8.5
Tangible assets	79.4						79.4
Real estate used in business operations	2,291.0						2,291.0
Shares in Länsförsäkringar Liv	452.0						452.0
Shares and participations in associated companies	26.9						26.9
Reinsurers' portion of technical reserves	4,594.6						4,594.6
Buildings held for investment purposes	262.0						262.0
Lending	55,998.1					-101.4	55,896.7
Shares and participations	7,643.7					-5.3	7,638.4
Bonds and other interest-bearing securities	15,446.4	90.0				-22.7	15,513.7
Derivatives	701.7					168.3	870.0
Other receivables	1,419.9						1,419.9
Prepaid expenses and accrued income	499.4					37.0	536.4
Cash and bank balances	1,846.3			-482.7			1,363.6
Total assets	91,546.5	35.0	-	-482.7	-	77.5	91,176.3
Shareholders' equity, provisions and liabilities							
Shareholders' equity							
Share capital	629.8						629.8
Other contributed capital	4,801.3						4,801.3
Reserves	1,401.1		130.6			-30.2	1,501.5
Retained earnings	2,045.7	-55.5				3.4	1,993.6
Net profit for the year excluding minority shareholding	789.2	0.5	-130.6			0.4	659.5
Shareholders' equity attributable to Parent Company's shareholders	9,667.1	-55.0	-			-26.4	9,585.7
Minority shareholding	0.0						0.0
Total shareholders' equity	9,667.1	-55.0	-			-26.4	9,585.7
Provisions and liabilities							
Subordinated debt	114.0						114.0
Technical reserves	17,860.3						17,860.3
Deferred tax liability	1,018.1					-8.6	1,009.5
Other provisions	245.0						245.0
Securities issued	34,609.5					-313.4	34,296.1
Deposits from the public	23,942.1			-482.7			23,459.4
Financial liabilities	351.0						351.0
Derivatives reported as liabilities	324.2					455.0	779.2
Tax liabilities	-						-
Other liabilities	1,910.3	90.0				0.9	2,001.3
Deferred income and accrued expenses	1,504.8					-29.9	1,474.9
Total shareholders' equity, provisions and liabilities	91,546.5	35.0	-	-482.7	-	77.5	91,176.3

EARNINGS EFFECT AT TRANSITION TO IFRS FOR THE PERIOD JAN. 1, 2006 – JUNE 30 2006

Consolidated income statement 2006			According to new accounting format		Adjustments				
SEK M	Bank	Insurance and other	Total	IFRS 3	IAS 16	IAS 27	IAS 28	IAS 39	According to IFRS
Premiums earned before ceded reinsurance		1,810.8	1,810.8						1,810.8
Reinsurers' portion of premiums earned		-780.0	-780.0						-780.0
Premiums earned after ceded reinsurance		1,030.8	1,030.8						1,030.8
Interest income	1,151.8		1,151.8					2.4	1,154.2
Interest expenses	-708.4		-708.4			2.5		-0.5	-706.4
Net interest income	443.4		443.4			2.5		1.9	447.7
Investment income, net ¹⁾	0.0	-309.8	-309.8	2.9	-62.2	-21.1	-0.3	-7.6	-398.1
Commission revenue	391.0	8.2	399.2					-10.8	388.4
Other operating income	54.3	1,548.4	1,602.6			-769.1			833.5
Total operating income	888.7	2,277.5	3,166.2	2.9	-62.2	-787.8	-0.3	-16.5	2,302.4
Claims payment before ceded reinsurance ²⁾		-1,276.2	-1,276.2						-1,276.2
Reinsurers' portion of claims payment		577.0	577.0						577.0
Claims payment after ceded reinsurance		-699.1	-699.1						-699.1
Commission expenses	-395.9	-73.9	-469.8					0.5	-469.3
Personnel costs	-125.0	-487.4	-612.4						-612.4
Other administrative expenses ³⁾	-256.5	-1,358.6	-1,615.1			787.8			-827.3
Loan losses	-29.2		-29.2					0.0	-29.3
Other expenses		-70.4	-70.4						-70.4
Total expenses	-806.6	-2,689.5	-3,496.1			787.8		0.5	-2,707.8
Operating income	82.1	-411.9	-329.8	2.9	-62.2	-	-0.3	-16.0	-405.4
Taxes			68.7		17.4		0.3	4.5	91.0
Net profit for the period			-261.1	2.9	-44.8	-	-	-11.5	-314.5
Profit/loss attributable to the Parent Company's shareholders			-261.1	2.1	-43.1	-	-	-11.5	-313.7
Profit/loss attributable to minority shareholders			-	0.9	-1.7	-	-	-	-0.8

1) Includes Investment income, income/expenses and Unrealized gains/losses on investment assets from both non-technical accounting and Technical accounting of life assurance operations. Operating expenses for asset and property management are not included however (-18.6 and -0.3).

2) Excluding claims adjustment costs.

3) Includes, among other items, claims adjustment costs -111.9, asset management costs -18.6 and property management costs -0.3.

FINANCIAL POSITION AT TRANSITION TO IFRS AS OF JUNE 30, 2006

Consolidated balance sheet as of June 30, 2006

SEK M	According to Interim Report	New state- ment format	Total prior to IFRS adjustments	Comments
Assets according to new statement format				
Goodwill				
Other intangible fixed assets	79.4	116.8	196.2	From other receivables and assets, banking Group
Deferred tax assets	138.5		138.5	
Tangible assets	75.9	10.0	85.8	From other receivables and assets, banking Group
Real estate used in business operations		7.3	7.3	From buildings and land
Shares in Länsförsäkringar Liv	452.0		452.0	
Shares and participations in associated companies	519.1		519.1	
Reinsurers' portion of technical reserves	4,509.8		4,509.8	
Buildings held for investment purposes		251.0	251.0	From buildings and land
Lending	52,432.7		52,432.7	
Shares and participations	8,095.5	8.0	8,103.5	From other receivables and assets, banking Group
Bonds and other interest-bearing securities	13,459.4		13,459.4	
Derivatives	564.2		564.2	
Other receivables	518.0	24.8		From other loans
		40.3		From deposits with companies that have ceded reinsurance
		301.5		From other receivables and assets, banking Group
		356.2		From receivables relating to direct insurance
		217.0	1,457.7	From receivables relating to reinsurance
Prepaid expenses and accrued income	342.5	147.7	490.2	From other receivables and assets, banking Group
Cash and bank balances	2,030.9	74.1	2,104.9	From other receivables and assets, banking Group
Assets according to old statement format				
Buildings and land	258.3	-7.3		To real estate used in business operations
		-251.0	-	To buildings held for investment purposes
Other loans	24.8	-24.8	-	To other receivables
Deposits with companies that have ceded reinsurance	40.3	-40.3	-	To other receivables
Other receivables and assets, banking Group	658.0	-116.8		To other intangible assets
		-10.0		To other tangible assets
		-8.0		To shares and participations
		-301.5		To other receivables
		-147.7		To prepaid expenses and accrued income
		-74.1	-	To cash and bank balances
Receivables pertaining to direct insurance	356.2	-356.2	-	To other receivables
Receivables pertaining to reinsurance	217.0	-217.0	-	To other receivables
TOTAL ASSETS	84,772.5	-	84,772.5	

The left-hand column has been divided into items that can be directly inputted into the new statement format and items that cannot be directly inputted into the new statement format (=old statement format). Items reported according to the old statement format have subsequently been transferred to the "new statement format" in their entirety to a new column according to the new statement format. Items in the far right column have been converted from, for example, "Buildings and land" to "Real estate used in business operations" and "Buildings held for investment purposes."

FINANCIAL POSITION AT TRANSITION TO IFRS AS OF JUNE 30, 2006, cont'd.

Consolidated balance sheet as of June 30, 2006

SEK M	According to Interim Report	New state- ment format	Total prior to IFRS adjustments	Comments
Shareholders' equity, provisions and liabilities according to new statement format				
Shareholders' equity				
Share capital		629.8	629.8	From restricted equity
Other contributed capital		4,801.3	4,801.3	From restricted equity
Reserves		754.5	754.5	From restricted equity
Retained earnings		2,692.2	2,692.2	From profit/loss carried forward
Net profit for the period excluding minority shareholding		-261.1	-261.1	From net profit for the period
Shareholders' equity attributable to Parent Company's shareholders		8,616.6	8,616.6	
Minority shareholding	0.0		0.0	
Total shareholders' equity	0.0	8,616.6	8,616.7	
Provisions and liabilities according to new statement format				
Subordinated debt	139.0		139.0	
Technical reserves	18,131.3		18,131.3	
Deferred tax liability	752.1		752.1	
Other provisions	42.3	3.7	46.1	From other provisions and liabilities, banking Group
Securities issued	27,810.6			
		2,688.0	30,498.6	From bond loans
Deposits from the public	22,611.2		22,611.2	
Financial liabilities		410.5	410.5	From liabilities to credit institutions, banking Group
Derivatives reported as liabilities	263.2		263.2	
Tax liabilities			-	
Other liabilities	898.2	59.0		From deposits from reinsurers
		235.8		From other provisions and liabilities, banking Group
		390.0		From liabilities pertaining to direct insurance
		365.4	1,948.4	From liabilities pertaining to reinsurance
Deferred income and accrued expenses	421.8	933.6	1,355.4	From other provisions and liabilities, banking Group
Shareholders' equity according to old statement format				
Restricted equity	6,185.5	-629.8		To share capital
		-4,801.3		To other contributed capital
		-754.5	-	To reserves
Profit/loss carried forward	2,692.2	-2,692.2	-	To retained earnings
Net profit for the period	-261.1	261.1	-	To profit/loss for the period excluding minority shareholding
Provisions and liabilities according to old statement format				
Deposits from reinsurers	59.0	-59.0	-	To other liabilities
Liabilities to credit institutions, banking Group	410.5	-410.5	-	To financial liabilities
Other provisions and liabilities, banking Group	1,173.1	-3.7		To other liabilities
		-235.8		To other liabilities
		-933.6	-	To deferred income and accrued liabilities
Liabilities pertaining to direct insurance	390.0	-390.0	-	To other liabilities
Liabilities pertaining to reinsurance	365.4	-365.4	-	To other liabilities
Bond loans	2,688.0	-2,688.0	-	To securities issued
Total shareholders' equity, provisions and liabilities	84,772.5	-	84,772.5	

The left-hand column has been divided into items that can be directly inputted into the new statement format and items that cannot be directly inputted into the new statement format (=old statement format). Items reported according to the old statement format have subsequently been transferred to the "new statement format" in their entirety to a new column according to the new statement format. Items in the far right column have been converted from, for example, "Deposits from reinsurers" to "Other liabilities."

FINANCIAL POSITION AT TRANSITION TO IFRS AS OF JUNE 30, 2006, cont'd.

Consolidated balance sheet as of June 30, 2006
IFRS adjustments

SEK M	Total prior to IFRS adjustments	IFRS 3	IAS 16	IAS 27	IAS 28	IAS 39	According to IFRS
Assets							
Goodwill							
Other intangible fixed assets	196.2						196.2
Deferred tax assets	138.5					7.1	145.7
Tangible assets	85.8						85.8
Real estate used in business operations	7.3	1,930.9	217.7				2,156.0
Shares in Länsförsäkringar Liv	452.0						452.0
Shares and participations in associated companies	519.1	-491.8					27.4
Reinsurers' portion of technical reserves	4,509.8						4,509.8
Buildings held for investment purposes	251.0						251.0
Lending	52 432.7					-56.0	52,376.7
Shares and participations	8,103.5					-17.9	8,085.6
Bonds and other interest-bearing securities	13,459.4	105.2				-24.4	13,540.1
Derivatives	564.2					269.4	833.6
Other receivables	1,457.7	4.2					1,461.9
Prepaid expenses and accrued income	490.2			-2.5		42.4	530.2
Cash and bank balances	2,104.9	56.7		-658.8			1,502.8
Total assets	84,772.5	1,605.3	217.7	-661.3	-	220.6	86,154.9
Shareholders' equity, provisions and liabilities							
Shareholders' equity							
Share capital	629.8						629.8
Other contributed capital	4,801.3						4,801.3
Reserves	754.5		54.1			-38.4	770.2
Retained earnings	2,692.2					-10.1	2,682.1
Net profit for the period excluding minority shareholding	-261.1	2.1	-43.1			-11.5	-313.7
Shareholders' equity attributable to Parent Company's shareholders	8,616.6	2.1	11.0			-60.0	8,569.7
Minority shareholding	0.0	12.9	206.7				219.7
Total shareholders' equity	8,616.7	14.9	217.7			-60.0	8,789.3
Provisions and liabilities							
Subordinated debt	139.0						139.0
Technical reserves	18,131.3						18,131.3
Deferred tax liability	752.1					-16.2	735.9
Other provisions	46.1						46.1
Securities issued	30,498.6					73.2	30,571.8
Deposits from the public	22,611.2			-658.8			21,952.4
Financial liabilities	410.5						410.5
Derivatives reported as liabilities	263.2					203.3	466.6
Tax liabilities							-
Other liabilities	1,948.4	1,590.3				1.3	3,540.1
Deferred income and accrued expenses	1,355.4			-2.5		19.0	1,371.9
Total shareholders' equity, provisions and liabilities	84,772.5	1,605.3	217.7	-661.3	-	220.6	86,154.9



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