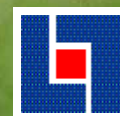
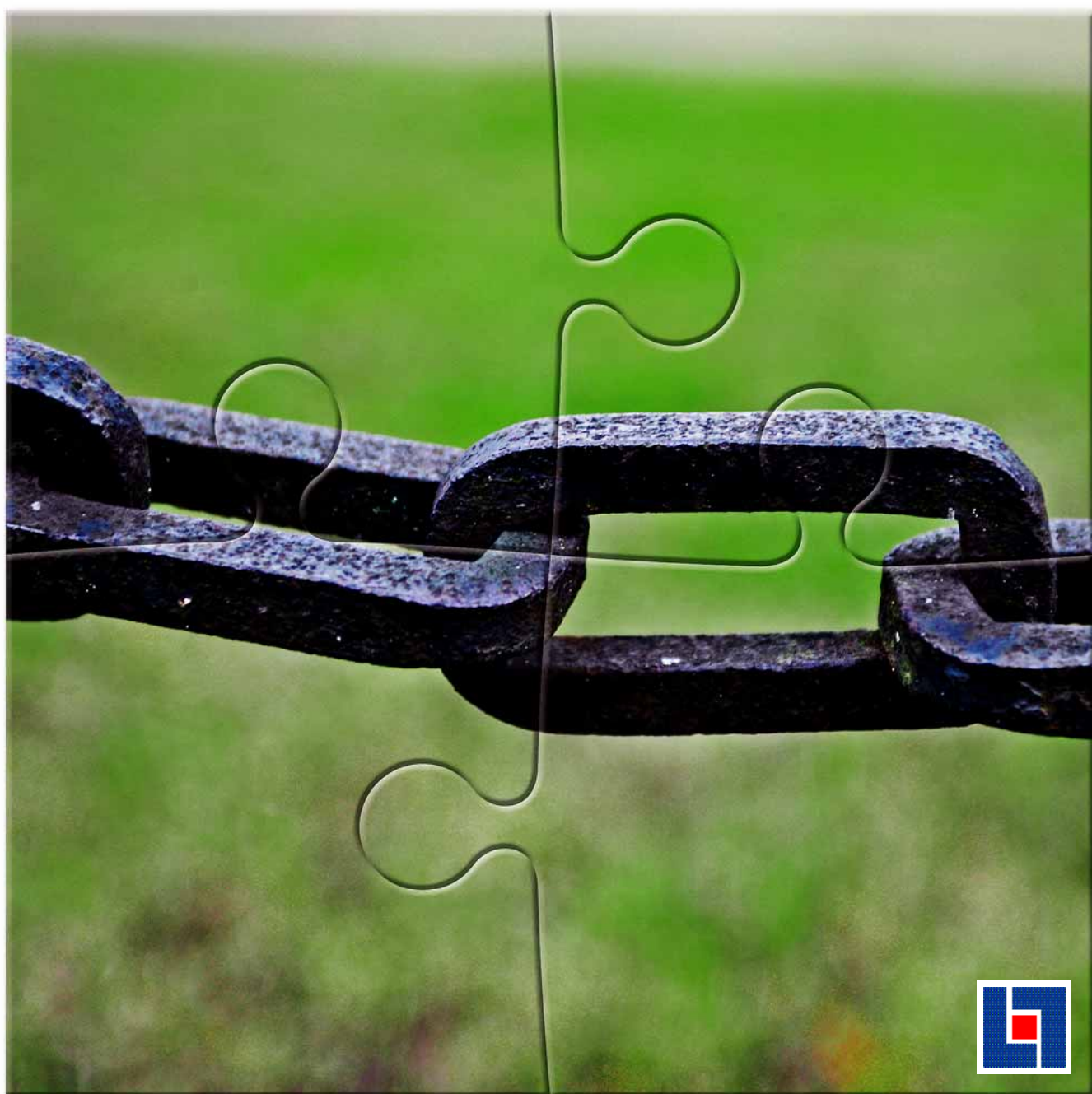


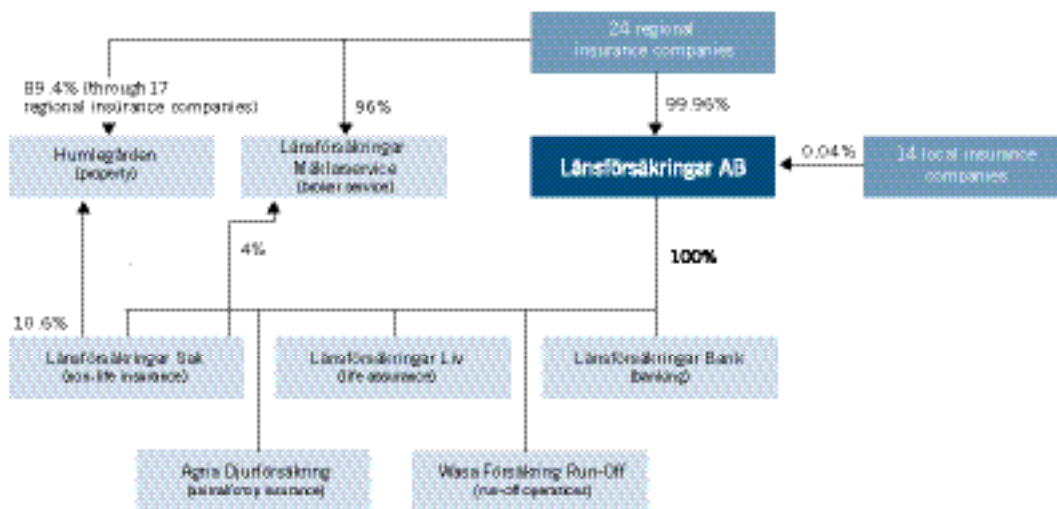
# 2005

Länsförsäkringar AB

ANNUAL REPORT



# Länsförsäkringar AB



**THE 24 INDEPENDENT** regional insurance companies cooperate in the jointly owned Länsförsäkringar AB and its subsidiaries. Länsförsäkringar AB's basic task is to conduct and coordinate the joint strategic and development process within the Länsförsäkringar Alliance. Länsförsäkringar AB is a financially strong hub in the Länsförsäkringar Alliance. The aim is to ensure that the regional insurance companies have the prerequisites for success in their own markets. Operations are conducted via subsidiaries in life assurance, accident, third-party liability, industrial and animal insurance and reinsurance as well as in banking and mutual funds. Länsförsäkringar AB also coordinates the Länsförsäkringar Alliance's IT development.

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# Company terms



## Länsförsäkringar Alliance

The 24 regional insurance companies and the joint companies in cooperation.

## Länsförsäkringar

Länsförsäkringar is a communications concept used in internal and external information as a designation for the entire Länsförsäkringar Alliance.

## Regional insurance companies

24 independent and customer-owned regional insurance companies, each conducting banking and insurance operations in a specific geographical area and responsible for all contacts with customers within all business areas of the Länsförsäkringar Alliance.

## Länsförsäkringar AB

The Parent Company of a financial group owned by the 24 regional insurance companies and 10 local insurance companies. The Group provides services for the regional insurance companies, is responsible for development operations and common strategies for the Länsförsäkringar Alliance and also conducts business operations via subsidiaries.

## Länsförsäkringar Liv

Conducts traditional life assurance and, through its Länsförsäkringar Fondliv subsidiary, unit-linked life assurance. Operations are conducted in accordance with mutual principles, whereby earnings are not consolidated in Länsförsäkringar AB but accrue in their entirety to the customers.

## Länsförsäkringar Bank

Conducts banking operations targeting private individuals and the agricultural sector.

## Länsförsäkringar Sak

Conducts the Länsförsäkringar AB Group's non-life insurance operations, which include medical and accident insurance, various kinds of third-party and other liability insurance, transportation insurance, national customers in the commercial automotive area and producer liability insurance.

## Agria Djurförsäkring

Insures animals and crops.

## Länsförsäkringar Mäklarservice

The company, which is owned jointly by the regional insurance companies and Länsförsäkringar Sak Försäkrings AB, offers brokers a uniform conduct of operations and a reinforced service through regional broker desks.

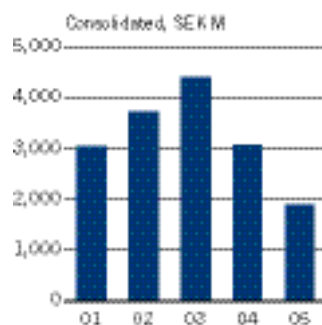
## Humlegården

Humlegården is included in the Länsförsäkringar Alliance and is owned by 17 regional insurance companies and Länsförsäkringar Sak Försäkrings AB. The purpose of the company is to enable its owners to invest jointly in the property market in Stockholm.

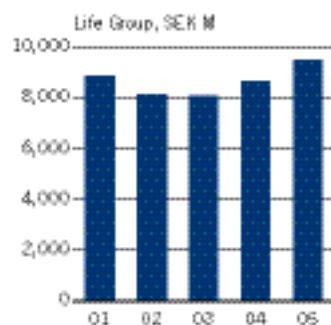
## Wasa Försäkring Run-Off

Wasa Försäkring Run-Off works actively with run-off portfolios, primarily within international reinsurance.

Premiums earned after ceded reinsurance, non-life insurance



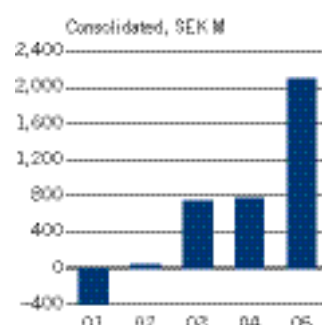
Premium income after ceded reinsurance, life assurance



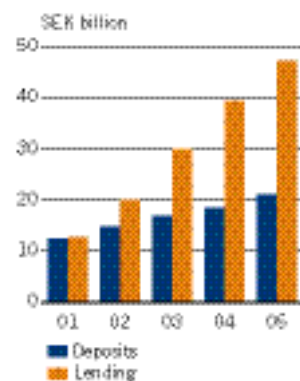
Solvency capital, Länsförsäkringar AB Group



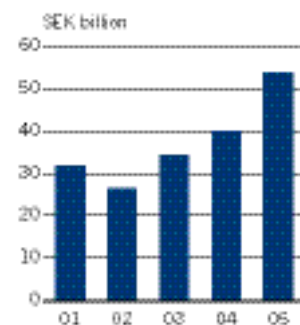
Earnings before tax, excluding Life Group



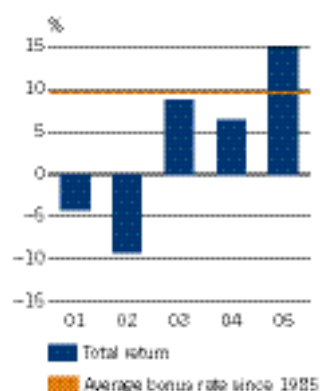
Deposits and lending, Banking Group



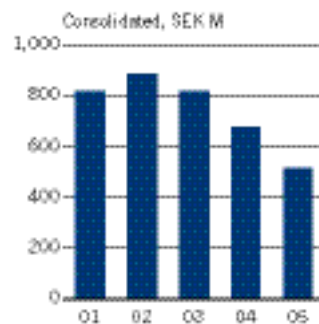
Managed fund volume



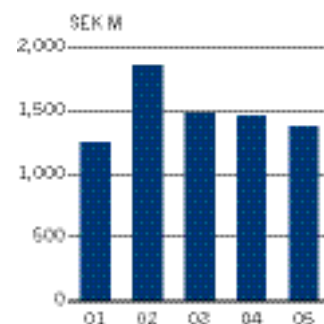
Return and bonus, life assurance



Operating expense trend, excluding life assurance and bank



Operating expenses, Life Group



# 2005 in brief



- Profit after tax for the year improved from SEK 945 M to SEK 1,861 M.
- The technical result for the non-life insurance operations amounted to SEK 316 M (262).
- The bank's operating profit before loan losses and tax amounted to SEK 203 M (171) and after loan losses to SEK 154 M (127).
- Profit after tax for the life assurance operations amounted to SEK 4,584 M (2,348). Total return on investment assets was 14.9% (6.4). On March 1, 2006, the bonus rate was raised to 9%.
- The Länsförsäkringar AB share rose by 27% to SEK 1,410.
- The administration result for life assurance improved by SEK 76 M and the established efficiency targets were achieved.
- Länsförsäkringar has Sweden's most satisfied private customers in non-life insurance, life assurance and in banking.

## Rating

Credit ratings affect both Länsförsäkringar Sak's possibility to write assumed reinsurance and the Länsförsäkringar AB Group's costs of raising funds in the international capital markets. A high rating entails lower financing costs and a greater possibility to write assumed reinsurance. The positive trend in the banking operation was confirmed in January 2006 when Standard & Poor's changed the bank's outlook from "stable" to "positive." A credit rating is assigned to each legal entity separately and not to the Länsförsäkringar AB Group or the Länsförsäkringar Alliance as a whole. However, the ratings reflect the Länsförsäkringar Alliance's financial strength and strong financial results. Each rating is accompanied by a forecast, stating whether the current rating is positive, stable or negative.

### CURRENT RATINGS, FEBRUARY 2006

Company	Institute	Long-term rating	Short-term rating
Länsförsäkringar AB	Standard & Poor's	A-/Stable	–
Länsförsäkringar AB	Moody's	A3/Stable	–
Länsförsäkringar Bank	Standard & Poor's	A-/Positive	A-2
Länsförsäkringar Bank	Moody's	A3/Stable	P-2
Länsförsäkringar Sak	Standard & Poor's	A/Stable	–
Länsförsäkringar Sak	Moody's	A2/Stable	–
Agria Djurförsäkring	Standard & Poor's	A-pi <sup>1)</sup>	–

<sup>1)</sup> pi means that the rating is based on public information such as annual reports.

# Comments by the Managing Director

## Continued efficiency enhancement but with increasingly clearer focus on growth

Focus for the coming years will be increasingly directed toward growth in both existing and new markets. Our ambition is to solve customers' changing needs for security and protection. This involves both private individuals' needs for future pension and companies' needs to reduced absence due to illness among their employees. These requirements shall be met with new methods of approach, products and more effective meetings with customers. Total profit for 2005 was the best ever in Länsförsäkringar Alliance as a whole and it was a highly successful year for the jointly owned operations in Länsförsäkringar AB. We have laid very solid ground for future growth and expansion targets.

In recent years, Länsförsäkringar AB has focused on three tasks: to continue its efficiency-enhancement activities to create economies of scale so that the regional insurance companies can concentrate on developing and nurturing customer relations. The second task is profitability so that the regional insurance companies' investments in the company also generate a return that is in line with, or ideally above, the trend in the financial market. Thirdly, we shall work with strategies and development activities that facilitate growth for the regional insurance companies. All of these three tasks are well established for the forthcoming year. Targets for the first two tasks have been exceeded and therefore we are focusing intently on growth.

### **Balance between strong key ratios and operating expenses**

Major efforts have been made in the Länsförsäkringar Alliance in recent years to further improve operational efficiency. We can report the industry's strongest key ratios in both non-life insurance and pension insurance. Efficiency targets in the life assurance company were met in 2005. We have a balanced operating result and noted further improvements to the administration result. At the same time, investment income improved and is, as is the bonus rate, among the best in the entire industry. Efficiency-enhancement measures have been implemented in line with our growth, which has been a condition for sharpening our growth ambitions for the years ahead.

### **Growth is important to our customers**

Focusing on growth leads to innovative thinking and development – demands are placed on heightened efficiency to meet customers' needs in a more simplified and quicker manner. Our growth shall be profitable since this is in customer interests. The record profit in non-life insurance in 2005 means that many regional insurance companies can provide their customers and owners bonuses totaling nearly SEK 1 billion. In addition, there are premium discounts of approximately SEK 400 M that are awarded to customers with more than one commitment in non-life insurance, pensions or banking. It would not have been possible to pay bonuses and discounts if Länsförsäkringar had not worked with growth as a means of increasing efficiency.

Länsförsäkringar has always had a growth-oriented strategy. Growth began with non-life insurance and has progressed from the countryside to the city, from household insurance to third-party liability insurance, from consumer to company. And we have gradually dominated the market in all non-life insurance areas, with the majority of regional insurance companies having market shares of more than 40%, a figure that is slightly lower in the metropolitan areas. We founded our pension company 20 years ago, and in 1995 we started our bank. We initiated our ventures in banking and pensions to provide better conditions, lower fees and greater security to all of our existing customers. We have not had to wait long to see the reaction from our customers – as in





*“The strategy for growth that has made today’s Länsförsäkringar Sweden’s leading bank and insurance group has been successful. New challenges of the future and the changes experienced by society, with heightened demands on private consumers and on companies, make it obvious for us as a customer-owned company to renew ourselves.”*

*Tommy Persson*

non-life insurance we have the most satisfied customers in banking and pensions. And we have contributed to substantially improving conditions and fees in the Swedish banking market by challenging the four largest banks and pressing their margins.

### **Correct market assessment**

The ability to accurately assess the markets, not just their current status but also their future development, is required to succeed in our growth ambitions. The customers of the future will not have the same requirements as today’s customers for a number of reasons. They will not purchase non-life insurance, pension products or bank services in the same way as previous generations have done. Both individual responsibility and corporate responsibility for employees will also lead to new demands and solutions in the areas of pensions and non-life insurance. The regional insurance companies are continuously expanding their network of offices and there will be a considerable rise in the number of offices

through the focus on property brokerage.

The number of personal meetings with customers will increase at the same time as we conduct a major drive on Internet services. Today, the Internet already represents approximately 10% of new sales in third-party liability insurance and household insurance and approximately 30% of all loan applications. These percentages will substantially increase in forthcoming years.

### **Growth in non-life insurance**

For a number of years, the Swedish non-life insurance market was considered to be a market that can only grow through higher premiums and not via expanded new product offerings. In the next few years, Länsförsäkringar is seeking growth in non-life insurance by, in the first hand, offering companies greater security and improved protection for their employees in areas such as healthcare, rehabilitation and claims prevention measures. The background to this is employers’ responsibility for rehabilitation and the co-financing of sickness benefits

that was introduced in 2005. For almost two years, it has been obligatory for companies to conduct rehabilitation studies for employees who have been on sick leave for more than 28 days. Länsförsäkringar’s investigations show that small and medium-sized companies in particular seldom have the time or the expertise to conduct such studies. In addition, the social insurance offices have too few resources to satisfy all needs on the market. Länsförsäkringar now offers an insurance policy that ensures that all of these studies are performed quickly and that relevant actions are taken without delay. The same idea is behind healthcare insurance. By providing quick access to healthcare, companies avoid long-term absence due to illness. These are products with benefits to both our corporate customers and for private individuals.

Our growth-oriented strategy in non-life insurance will make it easier for companies to effectively comply with new statutory requirements and provides healthcare and rehabilitation to individual employees faster.

## Growth in pensions

In 2006, Länsförsäkringar began its largest ever drive on the pension market. Gradually as the effects on the new general pension systems become clearer, more people will require a new way of “thinking about pensions.” Consequently, in 2006 we are launching “Guarantee Pension.”

To date, savings and pension insurance investments opportunities have only attracted and been sold to those with disposable funds, those with knowledge and interest in financial matters or those who happen to be unusually clever and far-sighted. But now there are more people with completely different interests, completely different conditions and completely different needs, who realize that they themselves need to act.

The change in the general pension system means that almost everyone who has an income requires secure pension savings for the same reason that they need household or car insurance, if they have a home or a car; because it is a “must” and a necessary security.

For the vast majority of people, the new general pension agreement involves a noticeable reduction in pension compared with the older system. A normal income-earner will have a pension corresponding to approximately 50% of their final salary, implying that many people who today pay their bills and have a comfortable living standard from their income will experience a dramatic decline when they retire. And those who today have money left over at the end of the month, which they can use for traveling or something extra, will realize that they will no longer be able to do so.

With “Guarantee Pension,” not one Swedish krona of the funds invested can ever be lost. Not even the fees reduce the amount of invested funds. However, the value of these invested funds can increase.

When the stock market displays a positive trend, the upturn is secured on a regular basis and the increase in value is added to the guaranteed capital. As a result, not only the deposited funds, but also the value increase, are protected from declines in the stock market: “Guarantee Pension” is a growing guarantee.

Our growth strategy for pensions will contribute to solving a major problem for coming generations who would otherwise encounter significant difficulties in managing their finances and sense of security when they retire.

## Bank – the fastest growing business

Banking services are the most recent addition to the regional insurance companies’ offerings and are also the fastest growing business. Knowledge of and interest in purchasing banking products and services from the local regional insurance company has increased significantly in recent years and we expect considerable growth with practically doubled business volumes in the next three years.

## Growth through more customer benefits

Each local regional insurance company today has a broad offering in non-life insurance, pension and banking services. Pension and banking services have been offered for 20 and 10 years respectively while non-life insurance has been an original business line for more than 100 years; the oldest regional insurance company being over 200 years old. It is not strange therefore that the majority of our almost three million customers as yet have only non-life insurance with us.

The number of customers with commitments in non-life insurance, pension insurance and banking services has doubled in recent years. We expect the largest portion

of our growth to take place through increases in the number of existing customers and extending their commitments. As a result, more emphasis will be placed on offering a higher number and more distinct benefits for these customers. The more products in each area, the larger the discounts, although other benefits in addition to discounts will be offered to these customers. However, the most important factor is the simplicity associated with combining all of a customer’s household financing in one regional insurance company. One telephone conversation, one meeting with one advisor or logging on to the Internet, regardless of the matter in hand. It cannot get any easier.

## New growth strategy

The strategy for growth that has made today’s Länsförsäkringar Sweden’s leading bank and insurance group has been successful. New challenges of the future and the changes experienced by society, with heightened demands on private consumers and on companies, make it obvious for us as a customer-owned company to renew ourselves. Consequently, during the year we will put forward a new strategy for growth based on the changes in society, customers’ new demands and the challenges we are facing. This offensive platform creates dynamism and power to develop, which results in enhanced efficiency and which will be the guiding principle for Länsförsäkringar in the years ahead.

Stockholm, March 15, 2006



Tommy Persson  
Managing Director  
Länsförsäkringar AB





# Länsförsäkringar AB

## Cooperation that strengthens the local offering

Länsförsäkringar AB's basic task is to manage and coordinate the joint strategic and development processes within the Länsförsäkringar Alliance and provide services to the regional insurance companies. Länsförsäkringar AB is the strong financial hub that makes it possible for the regional insurance companies to provide their customers with an attractive offering in the areas of non-life insurance, life assurance and banking.

**THE LÄNSFÖRSÄKRINGAR ALLIANCE** of today is the result of a series of development stages. The regional, customer-owned insurance companies have gradually been able to expand their services to meet new demands as these have emerged. Such an area is the development of Internet-based services. At times, there has been a need to create better competition within a specific area, for example within banking services. The goal is customer satisfaction. Profitability and efficiency are important tools in achieving this ultimate goal. One of the advantages of the Länsförsäkringar model, from a customer perspective, is the ability to have non-life insurance, life assurance and banking services all delivered through the same organization – the regional insurance company, which is located close to

customers. All of these services have been gathered under a common brand.

The overriding purpose of the regional insurance companies' involvement in Länsförsäkringar AB is to enable them to benefit from economies of scale where such exist. Länsförsäkringar AB strengthens the regional insurance concept by:

- promoting the Alliance's common strategic development activities
- providing the regional insurance companies with the level and range of services they desire
- supplying the regional insurance companies with products and conducting business operations under its own concession/charter where specifically decided
- being the financial hub of the Länsförsäkringar Alliance



**Solvency capital,  
Länsförsäkringar AB share**



The regional insurance companies own shares in the joint company Länsförsäkringar AB and place the same demands with regard to return for these shares as for listed shares and other investment assets. Since 2005, the value has increased by 27%.

#### SHAREHOLDERS

Company	No. of shares			Proportion of equity, %
	A	B	C	
Länsförsäkringar Skåne	141,849	468,566	–	9.7
Länsförsäkringar Stockholm	129,212	451,139	–	9.2
Östgöta Brandstodsbolag	114,155	304,919	–	6.7
Dalarnas Försäkringsbolag	104,708	312,423	–	6.6
Länsförsäkringar Älvsborg	100,176	311,550	–	6.5
Länsförsäkringar Göteborg och Bohuslän	87,010	294,047	600	6.1
Länsförsäkringar Jönköping	82,812	253,733	–	5.3
Länsförsäkringar Bergslagen	86,351	244,870	–	5.3
Länsförsäkringar Uppsala	73,298	227,613	–	4.8
Länsförsäkringar Skaraborg	64,058	218,295	–	4.5
Länsförsäkringar Södermanland	58,117	172,547	–	3.7
Länsförsäkringar Västerbotten	57,195	167,635	–	3.6
Länsförsäkringar Gävleborg	60,058	162,169	–	3.5
Länsförsäkringar Halland	56,785	160,886	–	3.5
Länsförsäkringar Kalmar län	56,717	157,102	–	3.4
Länsförsäkringar Västernorrland	50,186	147,216	–	3.1
Länsförsäkringar Jämtland	35,795	121,012	–	2.5
Länsförsäkring Kronoberg	36,701	108,423	–	2.3
Länsförsäkringar Värmland	31,160	109,294	–	2.2
Länsförsäkringar Kristianstad	27,258	88,755	–	1.8
Länsförsäkringar Göinge	22,724	85,397	–	1.7
Länsförsäkringar Norrbotten	16,960	91,365	–	1.7
Blekinge Länsförsäkringsbolag	23,088	63,984	–	1.4
Länsförsäkringar Gotland	16,305	38,515	–	0.9
14 local insurance companies	–	–	2,850	0.04
<b>Total number of shares</b>	<b>1,532,678</b>	<b>4,761,455</b>	<b>3,450</b>	<b>100.0</b>

- representing the Länsförsäkringar Alliance externally at the national and international levels.

Business operations at Länsförsäkringar AB shall be conducted with the aim to generate a profit so that the company can provide a good return for its owners. There is also a possibility of paying dividends to the owners. Development and service activities shall be conducted at the cost price.

Länsförsäkringar AB thus serves as the hub of the Länsförsäkringar Alliance and is responsible for shared functions comprising service, strategic development, product development and, where motivated by economies of scale, product supply. One of the first tasks was to create a joint reinsur-

ance system. It was precisely the need for reinsurance that brought about solid business collaboration among the regional insurance companies. In 1936, Landsbyggs Återförsäkrings AB was formed, which subsequently became Länsförsäkringar AB. Today, reinsurance operations continue to be of major strategic importance. This unique structure provides a competitive advantage for Länsförsäkringar and is a key component of the Alliance.

Some of the larger joint development projects undertaken in recent years include business development support for the regional insurance companies (sales process), development of a new customer database system to support discussions

with customers, further development of Internet functionality, improvement of customer communications through the so-called Summary Statement and combined value statements for life assurance and pension insurance policies, and the development of a new system for motor insurance.

#### Development activity in 2005

During 2005, a number of regional insurance companies undertook important development activities through Länsförsäkringar AB. A short presentation of some of the most important of these steps is presented below.

- To ensure the coordination of deliveries continuously made by Länsförsäkringar



AB to the regional insurance companies, and also to simplify cooperation within the Länsförsäkringar Alliance, the heads of the Non-life, Life and Bank divisions were charged with overall responsibility for the operations in their segment. The head of the Life division is responsible for corporate issues, the head of the Bank division for private individual-related issues, and the head of Sak for farming issues. Duties primarily include ensuring that market activities and development plans have been discussed and confirmed in the respective market areas and that deliveries to the regional insurance companies are coordinated.

- The regional insurance companies and Länsförsäkringar AB decided during the year to establish a new joint unit for research and development. This unit,

which is to support all of the Alliance's business areas, will have a research board under the leadership of Hans Jonsson, Chairman of the Board of Länsförsäkringar AB. This new unit shall unite all research and development-related activities within Länsförsäkringar AB. The intention is to generate new business in three to five years.

- A new life assurance product, Guarantee Pension, for the private market was produced in 2005 and will be launched in the spring of 2006.
- A project is under way in non-life insurance for building a new system for automotive insurance, called Rally. In 2005, major resources continued to be invested in constructing and testing the new system. The system is planned to be put into operation in 2006.
- A new insurance act was introduced on January 1, 2006. This new legislation affects all types of insurance agreements and extensive work was undertaken in non-life insurance and life assurance to change and adapt conditions and systems support.
- In 1998, the Basel Committee concluded that current capital requirement regulations needed to be modernized and made more risk sensitive. The final proposal for a new framework of regulations was announced at the end of June 2004. A new Directive on this new framework of regulations has been produced by the EU, and work is currently underway within the Finansinspektionen (Swedish Financial Supervisory Authority) to adapt this legislation to Swedish local regulations and to be applied by banks and credit institutions. The work with implementing the new regulations involving the Banking Group, that is, Länsförsäkringar Bank, Länsförsäkringar Hypotek and Wasa Kredit. The Basel 2004 project was started in 2004 and work with total adjustment process will continue until 2007. The Länsförsäkringar Alliance has chosen to implement the advanced internal rating method that provides the broadest scope with which to strategically and operationally manage its credit risks.
- A decision was made in 2005 to begin pilot operations with banking services for small companies in six regional insurance companies. These companies shall offer small companies a choice of banking services for a number of months. The range of products is limited and will comprise Länsförsäkringar current Agricultural Package, which has been adapted to small companies. The six companies participating in the pilot scheme are Länsförsäkringar Stockholm, Länsförsäkringar Skaraborg, Östgöta Brandstodsbolag, Länsförsäkringar Halland, Länsförsäkringar Älvsborg and Länsförsäkringar Kristianstad.
- IT operations are a substantial and important part of Länsförsäkringar AB's operations. Länsförsäkringar's IT strategy was reviewed and updated during the year. Since there have been rapid IT developments in the external environment, the IT strategy has been examined to ensure that the correct strategic issues have been identified and the correct methods selected.
- Investments were made in a new project control tool in Länsförsäkringar AB during the year. The purpose of such investments is to further improve and strengthen project activities within Länsförsäkringar.



- The HR area was restructured during the year. In conjunction with this reorganization, all processes were reviewed to enhance efficiency in the operations. A new IT support system was put into operation to support these new processes. Both the new processes and new IT support system were also offered to the regional insurance companies.

## DECISION-MAKING AND JOINT CONSULTATION PROCESS

The consortium agreement between the regional insurance companies regulates the procedures for common decision-making. The consortium resolves on matters concerning share ownership in Länsförsäkringar AB and the regional insurance companies' mandate to Länsförsäkringar AB. Since 2002, the consortium has also been responsible for addressing and, where necessary, following up on matters concerning internal affairs within the regional insurance companies and common obligations.

### Interaction at strategic level

At the overall strategic level, interaction occurs between the regional insurance companies and Länsförsäkringar AB in the consortium, through the Meeting of the Chairmen of the regional insurance companies, and through the Joint Council of the Managing Directors in the regional insurance companies. Issues are addressed formally in the consortium. The Joint Council and the Meeting of the Chairmen are not formal decision-making forums but play an important role in securing support for forthcoming decisions, both jointly in the consortium, in the individual boardrooms of the regional insurance companies and within the Boards of Länsförsäkringar AB.



### Interaction at the operational level

The operations of Länsförsäkringar AB are governed by the mandate determined jointly by the regional insurance companies. The regional insurance companies interact closely with Länsförsäkringar AB to ensure that the latter's business plan truly mirrors the wishes communicated in the mandate. Close collaboration is also maintained in terms of Länsförsäkringar AB's performance of its tasks. This cooperation is important to ensure correct delivery but also to confirm the receiving capacity of the regional insurance companies. The products and services that Länsförsäkringar AB develops and delivers normally require measures and activity to be undertaken in the regional insurance companies to derive maximum benefit from the investment.

### Joint decision-making and consultation bodies

#### The Owners Consortium of the regional insurance companies

The consortium addresses matters relating to share ownership in Länsförsäkringar AB as well as internal affairs and common obligations in the regional insurance companies. In the case of the latter, all decisions are reached by consensus. The consortium also acts as the strategic discussion forum for the regional insurance companies. The strategic platform and other common strategies are determined in the consortium, and also the regional insurance companies' mandate for Länsförsäkringar AB. Significant structural matters and other issues of strategic importance to the regional insurance companies are also addressed in the consortium. All of the 24 regional insurance companies are represented

in the Owners Consortium, which convenes at least once per year.

#### Association of Regional Insurance Companies

The members of the Association of Regional Insurance Companies comprise the 24 regional insurance companies and 14 local insurance companies. The majority of the tasks that the Association's previously carried out have been taken over by the consortium and Länsförsäkringar AB's Board of Directors.

#### General Meeting of Länsförsäkringar AB

The General Meeting is Länsförsäkringar AB's highest decision-making body with a

number of formal duties governed by legislation and the company's Articles of Association. The General Meeting's foremost tasks are to adopt the Articles of Association for Länsförsäkringar AB, appoint the Board, adopt the income statement and balance sheet, and discharge the members of the Board from liability. The General Meeting is held once per year.

#### Board of Directors of Länsförsäkringar AB

The Board of Directors is responsible for Länsförsäkringar AB's organization and administration. This responsibility includes adopting organization, goals and strategies, and establishing guidelines for corporate

governance. The Board of Directors must ensure that the goals and strategies established by the Boards of the subsidiaries are coordinated and make optimal use of Group's resources. The Board of Directors of Länsförsäkringar AB can also make recommendations on issues relating to the operations of the regional insurance companies.

#### Boards of divisions/subsidiaries in the Länsförsäkringar AB

Certain divisions within the Länsförsäkringar AB Group are individual companies while others encompass several companies. Unless specifically decided otherwise, the

## Financial overview

#### LÄNSFÖRSÄKRINGAR AB, GROUP

	2005	2004
Profit before tax, SEK M	2,100	781
Average number of employees	1,230	1,225
Solvency margin, %	497	389

Excluding Life Group.

#### LÄNSFÖRSÄKRINGAR AB (PARENT COMPANY OF THE LÄNSFÖRSÄKRINGAR AB GROUP)

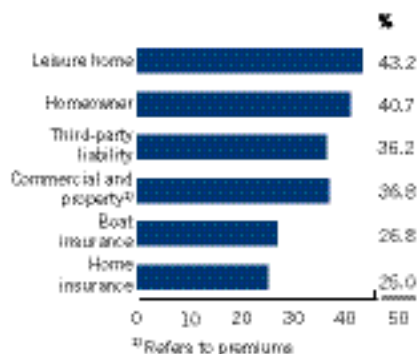
	2005	2004
Profit before tax, SEK M	71	208
Average number of employees	210	211

#### LÄNSFÖRSÄKRINGAR BANK, GROUP

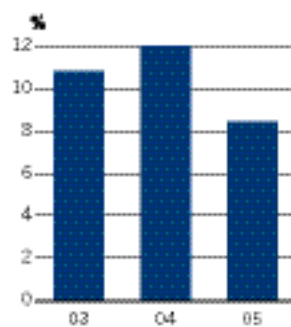
	2005	2004
Deposits from the public, SEK billion	21	19
Lending to the public, SEK billion	47	39
Operating income, SEK M	154	127
Average number of employees	285	275

## MARKET SHARES

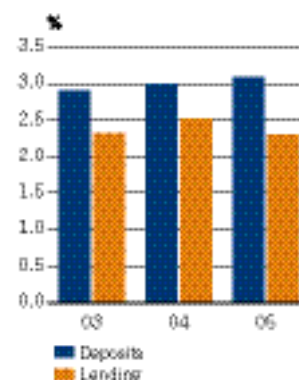
#### Non-life insurance by product area (no. of policies) Länsförsäkringar Alliance



#### Traditional life assurance, new sales



#### Banking





CEO also serves as the Board Chairman in each of the divisions and in the legal entities included in each division. The purpose of this is to prevent the occurrence of divisional goals that are in conflict with the Group's goals. The divisional Boards are responsible for their division's operations and also have a statutory responsibility for the companies included in their particular division.

#### Board of Directors of Länsförsäkringar Liv

As of the 2005 Annual General Meeting, more than half of the Board members in Länsförsäkringar Liv, including the employee representatives, are required to be

independent, meaning that they must not be employees or Board members within the Länsförsäkringar Alliance.

A further step to promote the life assurance policyholders' interests was taken in 2003 when a policyholder association was formed. The association has 48 members, two from each of the 24 geographical regions in which the regional insurance companies operate. The members are appointed directly by the life policyholders. The policyholder association appoints two of the independent members of the Länsförsäkringar Liv Board of Directors.

#### Other joint councils

A number of joint councils have been formed to ensure efficient interaction between the regional insurance companies and Länsförsäkringar AB. These councils are as follows: budget council, market council, IT/development council, staff council and a life assurance council. The councils are not decision forums and can only issue recommendations for decisions in the relevant formal decision-making bodies

#### LÄNSFÖRSÄKRINGAR SAK FÖRSÄKRINGS AB

	2005	2004
Premiums earned after ceded reinsurance, SEK M	1,045	2,260
Profit before tax, SEK M	1,856	641
Average number of employees	315	318
Solvency margin, %	401	273

#### AGRIA DJURFÖRSÄKRING

	2005	2004
Premiums earned after ceded reinsurance, SEK M	844	787
Income before appropriations and taxes, SEK M	197	154
Market share, %	60.7	62.5
Average number of employees	155	142

#### LÄNSFÖRSÄKRINGAR LIV, GROUP

	2005	2004
Premium income, net, SEK M	9,472	8,676
Profit for the year, SEK M	4,584	2,348
Average number of employees	245	299
Collective consolidation, %	114	103
Solvency ratio, %	126	123

Länsförsäkringar Liv is a subsidiary, but operates according to mutual principles and all profits are distributed to policyholders.



# Sustainability

## Fundamental value create a long-term view of operations

An important part of the Länsförsäkringar Alliance's vision is to create great confidence in society and that the operations shall be characterized by a long-term approach. Our vision is actually just as much a reflection of the origin and history of the Alliance as it is a forward-looking views. It could be said that the Länsförsäkringar Alliance has social responsibility "in its blood" since the local customers have always been the owners. The purpose of everything that the local companies have developed, either by themselves or in cooperation with each other, has been to meet the needs of customers and the owners in the long term.

Today, the Länsförsäkringar Alliance is anything but alone in its view of social responsibility as an important element of its business. Corporate social responsibility has more or less "come into fashion." There are general discussions nowadays on issues such as ethics, morals and responsibility, often in relation to the concept of CSR - Corporate Social Responsibility. The concept of CSR was coined in the US as early as the 1930s and the fundamental idea of CSR is still the same – that companies and market players voluntarily contribute to a better society. Quite simply, to achieve balance in the social system, everyone has to take responsibility.

One reason that this area is receiving more attention is that government bodies and activities have in many cases proven to have a limited effect on the development of events in the area of social responsibility. It is hoped that the business world will contribute more visibly to social issues where efforts from only the government are not sufficient, for example in environmental issues.

Corporate scandals of recent years and the consequent demands for a moral conscience in the business community have contributed to heightening the focus on a corporate sense of responsibility. In turn, this has led to many organizations making this area their most important PR and marketing issue. Naturally, it is ultimately positive that many companies consider social responsibility an important issue, but at the same time there must be a serious, long-term approach behind such words. Sustainability is much more than simply campaigns and image.

### **Social responsibility of a regional insurance company – a centuries old history**

The work of today's regional insurance companies follows the idea of indemnity for loss by fire, which originally comes from the Middle Ages and is based on farmers in a district helping each other if there was a fire. Even in its infant years, the operations of the regional insurance companies was based on

inhabitants' and society's needs for supplementary protection and security when laws or the public treasury were not enough. Insurance projection later developed without an interest in profits and with customers as the owners of the company's capital. As an idea-based organization, the business has, even from its very beginning, been based on private power of initiative but with an awareness of society's best interests.

### **Interaction between Länsförsäkringar and society**

There is extensive interaction between the regional insurance company and local society and there is often a strong commitment in the development of the local society. Many regional insurance companies support and actively work in organizations and in the activities of societies and associations, both in the business community and in sports. The Länsförsäkringar Alliance also supports scientific research, primarily for creating benefits for customers. In 2005, approximately SEK 45 M was assigned to various research projects, for example in traffic security and crime prevention. These are important issues that demonstrate our commitment and interests beyond our own and the day-to-day business.

### **Customer influence – guarantee for social responsibility**

In other words, Länsförsäkringar is a part of society – at the same time as society is part of Länsförsäkringar. In legal terms, each regional insurance company is owned by its insurance customers. Customers have the opportunity to influence the choice of repre-



sentatives who are to exercise ownership, known as the Assembly of Representatives.

This means that the regional insurance company's highest decision-making body, the Assembly of Representatives, has representatives from local society and safeguards their interests in shaping the company. It would be difficult to find a better guarantee for social responsibility permeating our operations.

#### **Customer demands govern offering**

One of the areas in which the interaction between Länsförsäkringar and society is at its most distinct is the development of the range of products and services. Since the very beginnings with fire insurance, social trends and new requirements have driven product development. Customer requirements have created today's broad offerings of non-life insurance products but have also led to the start of both the life insurance company and the banking operations.

Commitment and involvement in local society and proximity to inhabitants' needs for security products are natural starting points for everything the Länsförsäkringar Alliance does. Social responsibility is thus very close to the fundamental values that created the success of the local companies and that continue to govern the operations. In addition, work is performed in more well-defined areas, in which the Länsförsäkringar Alliance is considerably closer to the working methods applied by many other organizations, with sustainability issues as a separate program of activity. One example is environmental issues.

## Environment

### Environment in the Länsförsäkringar Alliance

Environmental work within Länsförsäkringar Alliance is based on a joint environmental policy. This policy states that the Alliance shall take consideration of the environment in everything it does in order that the Alliance's impact on the environment is minimized through continuous improvements and that pollution is avoided within the operations. Environmental work shall be formulated in harmony with society's environmental targets and the intention is to continually increase competence in this area. Through its commitment to environmental issues, the Länsförsäkringar Alliance also is attempting to influence its customers and suppliers to contribute to sustainable development in society. All of the regional insurance companies and Länsförsäkringar AB have ISO 14001 Environmental Management Standard certification.

The environmental impact of the Länsförsäkringar Alliance is both direct and indirect. Direct impact on the environment is primarily from business trips and the consumption of electricity and paper. Continuous work is being conducted in this area to change our chosen means of transportation to more environmentally-friendly alternatives and to reduce electricity and paper consumption. An environmental perspective

shall be a natural part of our daily work and our common, long-term environmental targets are to reduce emissions of carbon dioxide and to reduce the consumption of paper.

The indirect environmental impact of the Länsförsäkringar Alliance through the damage incurred by the customers of the regional insurance company is a highly interesting area from an environmental perspective.

Water and fire damage account for the greatest environmental burden. Damage repairs in this area correspond to contract operations with approximately 1,000 employed tradesmen. When damage occurs, the housing, working and external environments are impacted by energy consumption, sanitation, transportation and use of materials. For this reason, Länsförsäkringar follows up the environmental impact of water damage and the Swedish National Testing and Research Institute (SP) has assisted in producing methods for calculating environmental impact. When repairing damage, demands are placed on contractors to use building materials that do not contain hazardous substances or substances that are detrimental to health. Länsförsäkringar also offers sound advice on healthy and safe housing.



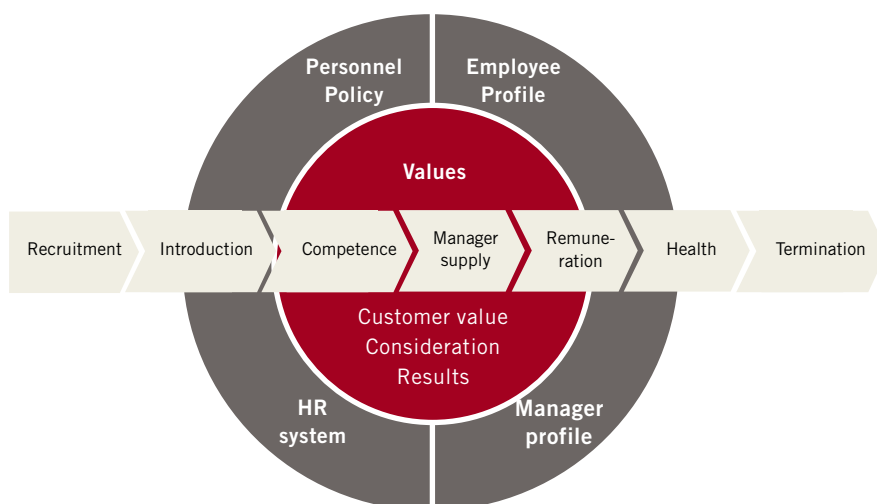
The Länsförsäkringar Alliance is active in the Bygga-Bo-Dialogen project (Building, Living and Property Management for the Future), a co-operation between the business community, municipalities and the Government with the purpose of achieving a development of a sustainable building and property sector in Sweden, in order to influence housing development in Sweden. The Bygga-Bo-Dialogen project has three prioritized areas: healthy indoor environment, effective use of energy and effective resource management. The players participating in the agreement commit themselves to working actively for sustainable development in the construction and property sector.

Another part of the Länsförsäkringar Alliance's environmental work is to seek out and spread knowledge. A number of environmental research projects received subsidies in 2005. During the year a number of climate seminars were held throughout Sweden to clarify the risks associated with climate changes.

## Employees

### Overall approach to human resources

Länsförsäkringar AB's success depends on the commitment, competence and performance of its employees to make the business activities successful and enhance the competitiveness. With a new Personnel Policy, implemented values and well-planned processes in the area of human resources, Länsförsäkringar AB is strengthening its image as an attractive employer.



### **Values are the cornerstones**

Länsförsäkringar AB's core values of Customer Value, Consideration and Results communicate, together with the Personnel Policy, an approach to the daily work. These values provide the basis for the employee profile and the manager profile drawn up in 2005.

The employee profile applies to all employees and describes the role of an employee. For employees this means a responsibility to develop and renew oneself in terms of skills, health, improvements to operations and cost awareness. The manager profile describes characteristics that are important to displaying good leadership skills.

Both the employee and manager profiles are based on four perspectives: External environment, Operations, Employees and Myself. These areas are discussed at performance appraisals twice annually between the employee and his or her superior to facilitate a dialogue on attitudes and behavior based on the profile.

### **Modern and effective processes in human resources**

Comprehensive change work in human resources took place in 2005. Recruiting, introduction, competence, manager supply, remuneration, health, rehabilitation and termination processes were made more effective and a new work method was introduced in the organization. An important invest-

ment was to introduce a new modern IT support system, whereby managers and employees receive support in dealing with human resources issues.

With a successful Personnel Policy, modern corporate culture and excellent career prospects, Länsförsäkringar AB and the regional insurance companies were voted one of Sweden's most attractive employers in recent years. Individual and flexible solutions have been developed for salaries and benefits to employees to continue being an attractive employer.

One of our future challenges is the age structure of managers and other employees. We will be focusing on developing skills and leadership qualities in young employees in the next few years.

### **Business plan – a basis for employees' individual goals**

Business planning carried out prior to the start of each year is one of the processes in which employee participation is practically 100%. In 2005, there were three areas on which employees primarily focused: increase in the number of strategic full-service customers, profitability and diversity. Clear and individual targets for employees are established at performance appraisals, which are annual planning and target-setting discussions, based on the action plans in the business plan. An individual target contract is prepared for every employee.

### **Compensation awarded for attaining targets**

A model produced for performance-oriented reward systems, target-related compensation, is another step in being an attractive employer. The model creates motivation and participation and provides employees with the opportunity to achieve financial stimulus when the company delivers in line with the expectations of owners and when the performance of employees is in line with their individual target contracts. The model covers permanent employees who are not included in any other bonus program. The maximum amount of target-related compensation per employee is determined by the respective Board of Directors based on company results. For 2005, this amount was SEK 12,000. Outcome at individual level first requires outcome at company level. Individual levels are based on achievement of targets by employees and performance in accordance with the target contract.

Länsförsäkringar AB offers bonus salaries as a tool for salary remuneration for managers at senior executive level. This bonus is maximized at two to three monthly salaries at Group management level and one monthly salary at the next managerial level. There are no options or share programs.

### **Competence in ethnic diversity**

Based on a customer perspective, ethnic diversity is an important future issue for the

Länsförsäkringar Alliance and also an important area for Länsförsäkringar AB's business plan. Employee knowledge of the business opportunities found in the ethnic diversity of the population has been raised through seminars and lectures.

Another diversity perspective is Länsförsäkringar AB's need to attract new and qualified employees in the future. The age structure in the company is such that we will need to recruit to replace a third of existing employees in 10 years' time.

From a diversity perspective, 11 university and college students were recruited to the training program, 7 of which are employed at Länsförsäkringar AB. By mixing work periods, training weeks and exchange internships, the trainees obtain an excellent insight into the organization and business activities of Länsförsäkringar AB. In addition, the trainees participate in educational visits to our international partners.

### Committed employees

The result of the annual Engaged Employee Index survey in Länsförsäkringar AB was 75.3. The average result for service-producing companies in the private sector in Sweden is 73.0, indicating that Länsförsäkringar AB, in total, has a favorable position in competition with peer companies. Areas such as work solidarity, work influence and leadership were highly rated. Areas for improvement include work load levels, which is explained by a number of reductions in personnel in 2004 and that adjustments to available resources have not been fully implemented. Absence due to illness in Länsförsäkringar AB showed a marginal increase. A preventative measure to be introduced in 2006 is free healthcare insurance for all employees.

Number of employees	December 31, 2005	December 31, 2004
Länsförsäkringar AB Group, including Länsförsäkringar Liv	1,561	1,561
– Women	871	897
– Men	690	664
Permanent employees who left during the year	121	203
Permanent employees recruited during the year	92	49

Age range	2005	2004
	All employees	All employees
0–30 years	153	167
31–40 years	504	492
41–50 years	435	418
51–60 years	415	443
61 years –	54	41
Average age, women	43	43
Average age, men	44	44

Age range	2005		2004
	Female managers	Male managers	Managers (men and women)
0–30 years	3	1	6
31–40 years	38	34	65
41–50 years	24	47	70
51–60 years	26	45	71
61 years –	2	4	4
Total	93	131	216

Average age, managers	2005	2004
Female managers	44	44
Male managers	47	47

Elected officers	2005		2004	
	Women	Men	Women	Men
Managing Director	2	9	2	9
Management teams	35	63	32	58
Board members	24	73	22	78

Management team: Includes union representatives.

Board: Regular members including union representatives.

Absence due to illness %	2005	2004
Total absence due to illness as a percentage of regular working hours	4.7	4.6
Absence for a continuous period of 60 days or more as a percentage of total absence due to sickness	65.7	65.2

Absence due to illness by gender		
	2005	2004
Men	3.2	3.1
Women	5.8	5.7

Absence due to sickness by age category		
	2005	2004
29 years or younger	3.1	3.6
30–49 years	4.3	4.3
50 years or older	5.8	5.5





## Ownership and governance policy

The ownership and corporate governance policy describes how Länsförsäkringar, in its capacity as the representative of insurance policyholders and fund savers, should exercise its power of ownership for the purpose of contributing to the creation of the highest possible value in its management.

Länsförsäkringar can be a shareholder of a company even though important aspects to Länsförsäkringar in the relationship between the company and the shareholder are not applied in all respects. However, since the understanding is that the policy is intended to increase the value of the individual company, ownership is influenced by the manner in which the principles in the policy are applied. For a smaller company, the costs associated with applying all policies and codes in question can be unreasonably large. Therefore, consideration should be given to the situation of the individual company. Länsförsäkringar's Corporate Governance Policy shall primarily follow the generally accepted codes and policies adopted by the Swedish business community. It is important that we do not fully implement the requirements regulating the composition of the Board of Directors or the operative work of management since this undermines ownership rights.

When exercising its ownership influence, Länsförsäkringar must concentrate its involvement to a limited number of issues, which is achieved by focusing on Swedish companies, in particular those that are of major significance to long-term manage-

ment results, and issues of general importance. Active alliances with other major owners who share Länsförsäkringar's views are sought to gain influence.

Länsförsäkringar does not normally have any ambitions to actively exercise ownership, that is, ownership for the purpose of direct influence on the management of another company. Accordingly, Länsförsäkringar does not engage itself in a company's choice of strategy or commercial orientation. However, such issues are often of topical interest when a company is purchased or when business lines are sold. Taking a position in specific issues of this type is of a commercial nature and as such is usually handled by the asset management organizations engaged by Länsförsäkringar. When it becomes relevant, Länsförsäkringar actively participates in the nomination process prior to the election of a Board of Directors.

An individual company's attitude to the external environment has considerable significance for both the company's own and other parties' long-term welfare. Länsförsäkringar does not become an owner of a company that contravenes international conventions or agreements that Sweden has entered into. Länsförsäkringar primarily invests in public companies which are under the supervision of the stock exchange.

### Important issues in 2005

Summaries of the issues that Länsförsäkringar focused on in 2005 are presented below.

#### 1. Remuneration to the Managing Director and management

Länsförsäkringar's ownership and governance policy states that the total amount of remuneration to the Managing Director shall be reported at the Annual General Meeting and it is this total amount that shall be addressed. Determination of whether the amount of remuneration to the Managing Director and management is realistic and well-balanced, depends on the views with regard to incentive programs and pension benefits.

#### *Incentive programs*

Länsförsäkringar believes that a correctly formulated incentive program can create added value by increasing motivation and commitment to a company. In this manner, it is also possible to ensure that company management and the owners of the company have similar interests. Here are several of Länsförsäkringar's opinions on incentive programs:

- There must be a clear link between remuneration and performance. An upper limit shall also be determined so that the amount of remuneration does not become unreasonably large.
- The individuals included in an incentive program should also be shareholders or in another manner take risks themselves that are related to the value of the program.
- To ensure that the interests of owners are met, share-related incentive programs for management and the Managing Director

should be well-anchored with the owners. The Annual General Meeting shall also make a decision in these issues and the incentive program shall be reported in a clear manner.

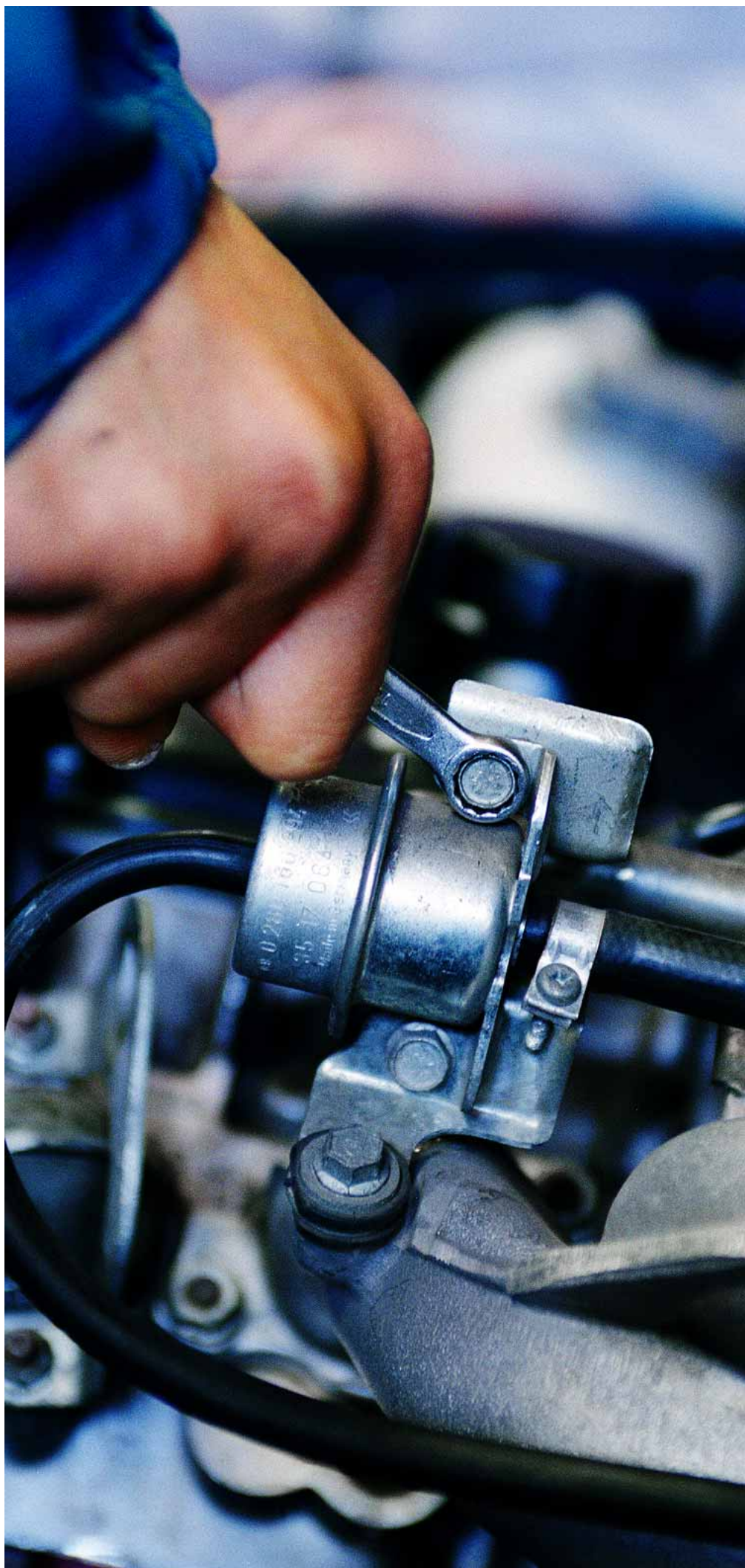
#### *Pension benefits*

A high level of transparency in a company is required to ensure that investors are able to make correct investment decisions. In a defined-benefit pension system, pension costs are not transparent since the total pension cost is not known beforehand. This system can be very costly for the company. In a defined-contribution pension system, the company instead reserves a certain portion of the salary every year, which is managed optimally until payment is made. Costs are directly apparent and consequently this is the preferable method. Länsförsäkringar promotes the introduction of defined-contribution pension systems where such systems do not exist. The responsibility for remuneration to the Managing Director lies with the Board and the total amount of remuneration to the Managing Director shall always be reported at the Annual General Meeting.

#### **2. Board of Directors**

The issues pertaining to the Board of Directors that Länsförsäkringar focused on in 2005 were:

- The Board shall represent the owners and have desirable competencies.
- Nomination Committees should not be appointed at General Meetings but by the largest owners during the fourth quarter.
- The Nomination Committee shall represent all owners.
- It is important that we do not fully implement the requirements regulating the composition of the Board of Directors or the operative work of management since this undermines ownership rights.





# Länsförsäkringar Sak (non-life)

## Major demands for service and coordination

Länsförsäkringar Sak Försäkrings AB conducts development activities in a number of areas and provides support for the regional insurance companies in the form of various services, analysis and development. In addition, Länsförsäkringar Sak conducts business operations of its own in the areas of medical and accident insurance, third-party liability insurance, transportation and various kinds of other liability insurance, national customers in the commercial automotive area, ceded reinsurance and producer liability insurance. Länsförsäkringar Sak also handles internal and external reinsurance on behalf of the regional insurance companies.



The majority of non-life insurance is now conducted via concessions in the local regional insurance company, and from 2004, this also included third-party liability insurance. As a result of this, Länsförsäkringar Sak received a more specific assignment to work with development and service in the non-life insurance area. Primarily development work is conducted in Länsförsäkringar Sak. The change in demography and the conditions of the labor market have meant that the company's organization has been developed to work with more future-oriented studies and projects.

### Continued focus on development and service

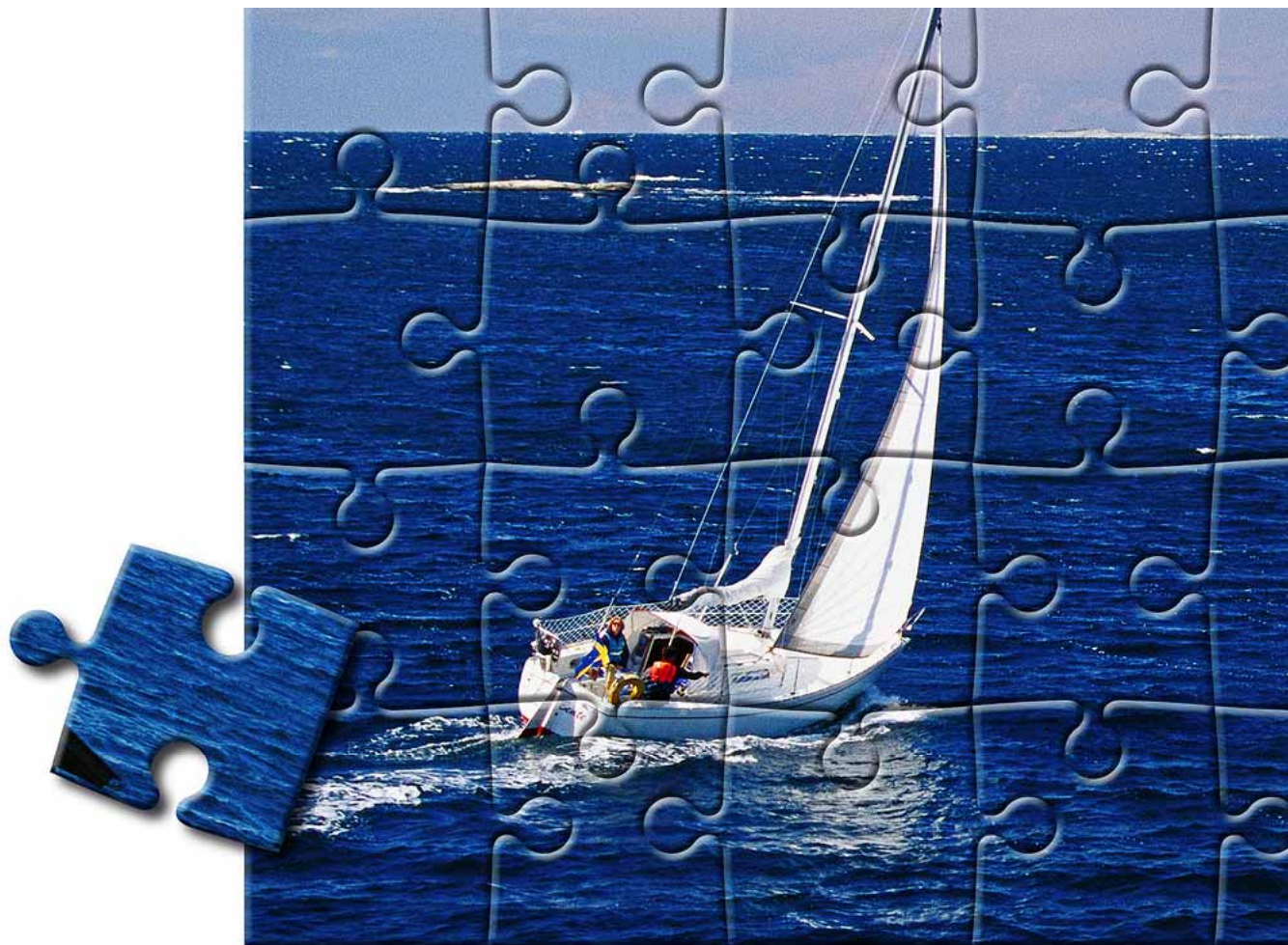
For non-life insurance operations, which are transaction-intensive and involve numerous customer contacts for insurance and claims, the development of a support

system is essential in order to increase customer satisfaction and efficiency. To manage the ever-expanding motor insurance segment, a project is underway to create a new system for motor-vehicle insurance. The system components for quotations and new policies were successfully implemented during 2003 with favorable results. In 2005, substantial resources continued to be spent on constructing and testing the system prior to the planned start of operations in 2006. Another example of extensive development work during the year is the adjustments to the new Insurance Contract Act that came into effect on January 1, 2006.

As of 2004, all regional insurance companies expanded their business operations to also include third-party liability insurance. Länsförsäkringar Sak, which up until the end of 2003 dealt with such policies,

will now limit the issuance of new third-party liability insurance policies to transactions in which customers have vehicles in several regions. The claims reserve at Länsförsäkringar Sak for third-party liability policies written prior to 2003 will be dissolved. Product development and specialist services will continue to be handled jointly, while business responsibility has been transferred over to the regional insurance companies. Premium volumes within the insurance operations in Länsförsäkringar Sak were therefore significantly lower than in 2005 compared with previous years, while the volume of personnel in the operations is approximately the same.

One part of the service offering to regional insurance companies is to also provide support in handling major damage. In 2005, there was special cooperation in conjunction with the work regarding the Asian



tsunami and Hurricane Gudrun. Due to the extent of the damage, these incidents required entirely different resources than those normally needed for incidents involving major damage and Länsförsäkringar Sak offered and contributed support in many different areas.

### Strong profits in insurance operations

Income before appropriations and taxes for Länsförsäkringar Sak amounted to SEK 1,856 M (641). The technical result amounted to SEK 271 M (244). Premiums earned and operating expenses decreased compared with the preceding year due to the fact that third-party liability insurance is now underwritten by the regional insurance companies. Premiums earned for own account amounted to SEK 1,045 M (2,260) and operating expenses were SEK 233 M (357). However, third-party liability insurance (which includes both run-off transactions and active transactions for customers

who take out insurance policies in several counties) remains the largest insurance sector, with a profit of SEK 218 M (146).

The solvency margin increased to 401% (273), primarily due to a strong trend in insurance operations and the reduction in premiums earned. Investment assets had a market value of SEK 18.4 billion (17.4) at year-end. Investment assets generated a total yield of 11.7% (4.5) in 2005, which can be compared with the five-year average of 4.5%. The favorable yield percentage is primarily due to the company's share portfolio, which generated a yield of 26.8%.

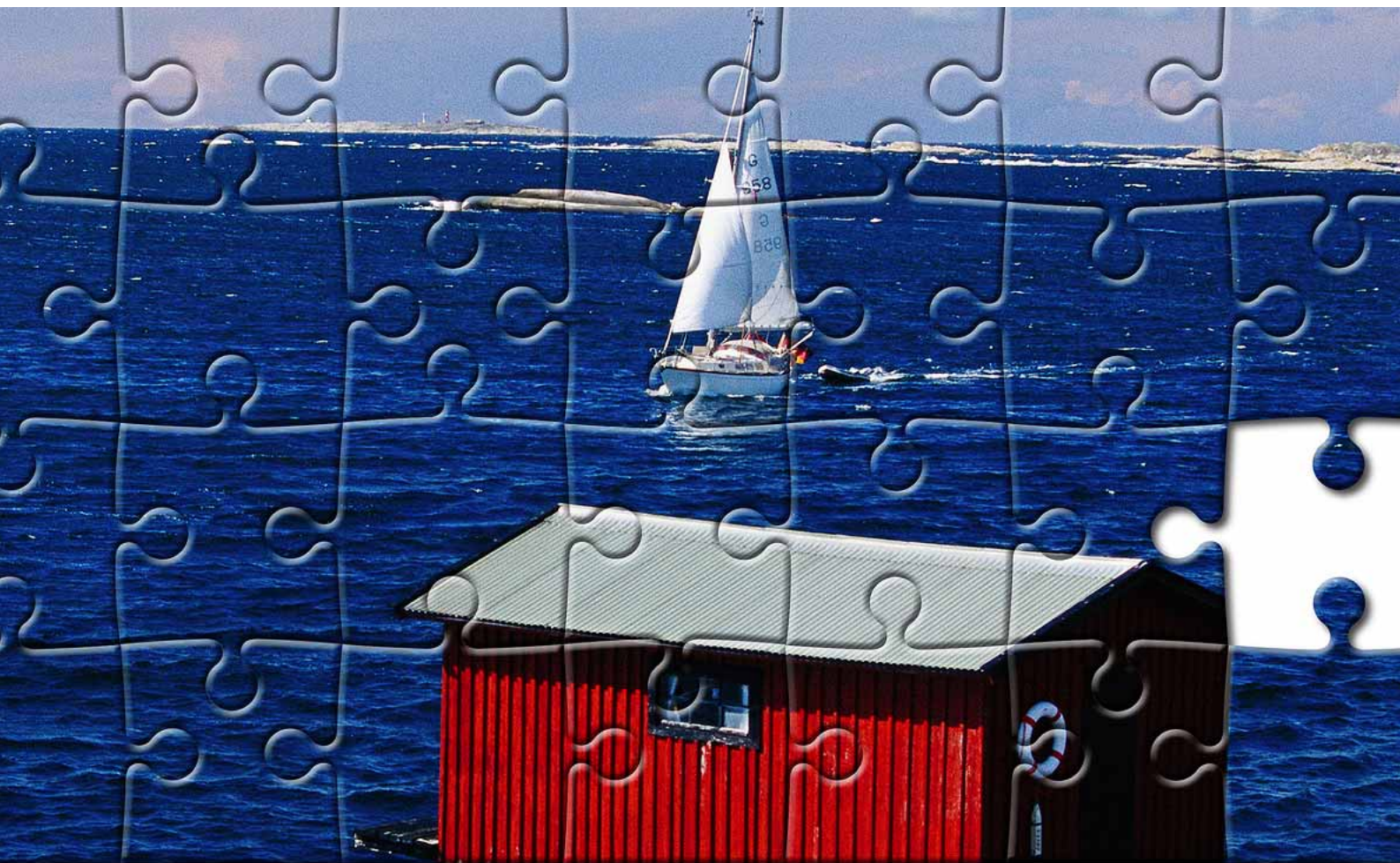
### Future campaigns and new markets

The market for healthcare products is increasingly in focus. As of January 1, 2005, employers are subject to new rules with regard to financing sick leave. This makes it even more important for the Länsförsäkringar Alliance to assume an active role in the market and develop new products.

Resource issues in publicly financed healthcare will impose heightened demands on the development of private alternatives. Support will also be offered with short delivery times, in close proximity to the customer.

The non-Socialist bloc alliance presented a far-reaching proposal on extended responsibility in third-party liability insurance in August 2005. The proposal entails that the third-party liability insurance portfolio shall pay the personal injury expenses arising from traffic accidents, apart from the medical costs related to the emergency care and medical rehabilitation. Extended responsibility whereby the insurance companies assume total responsibility for rehabilitation to working life provides companies with the opportunity to improve their care of the customer. This can be achieved due to the significant conditions for conducting quicker claims adjustment both in the care of the injured party and making





decisions on compensation and measures. This would also create a greater incentive for claims prevention work and in view of this the Länsförsäkringar Alliance is closely following developments.

Depending on the method of finance, a potential reform will require substantial adjustments for the administration of insurance companies. To introduce the reform as efficiently as possible, it is extremely important that Länsförsäkringar, together with the other players in the insurance industry, participates in decisions on the formulation of such a reform and when it will come into effect.

In the environmental area, the conditions for a large future market have improved as a result of an EU Directive regarding individual producer liability. The directive emphasizes recycling insurance as a means of securing a financial guarantee for recycling of electronic products launched in the market. Länsförsäkringar Sak has

finished products ready for launch in the market through Länsförsäkringar Miljö (environment). Environmental certification and the ongoing improvement efforts make Länsförsäkringar more attractive to those customers and suppliers who are also focusing on environmentally-friendly operations.

Claims prevention measures are becoming increasingly important. In having the industry's largest statistical database to facilitate analysis and pricing, Länsförsäkringar has a strategic advantage that needs to be developed further. An action plan with common areas of priority is currently being compiled within third-party liability insurance. Another claims prevention measure involves training traffic safety advisors at Länsförsäkringar's commercial motor insurance customers. The Bygga-Bo-Dialogen project (Building, Living and Property Management for the Future) is in progress involving dialog to promote safer

construction through more efficient use of resources, more efficient energy consumption and a safer indoor environment. An example of Länsförsäkringar's long-term commitment to claims prevention work is the "Third Life" research project conducted jointly with Linköping University, the Blekinge Institute of Technology and the Royal Institute of Technology and other parties. The project conducts research into ideal homes for functionally impaired persons, seniors and the elderly.

Key figures, SEK M	2005	2004
Premiums earned after ceded reinsurance	1,045	2,260
Profit for the year after tax	1,856	641
Technical result	271	244
Solvency margin, %	401	273
Claims ratio, %	89.2	94.4
Expense ratio, %	22.3	15.8
Combined ratio, %	111.5	110.2



## Länsförsäkringar Liv (life)

# Strengthened key ratios and increased bonus rate

Through the 24 regional insurance companies, Länsförsäkringar Liv offers insurance solutions that combine long-term savings with insurance protection, for both corporate and private customers. Länsförsäkringar Liv supplies the regional insurance companies with products and provides support and other services in local customer marketing activities. In addition to new products, entire concepts, processes and systems are developed.



During 2005, Länsförsäkringar Liv continued to focus on efficiency enhancements. The administration result improved by SEK 76 M. An important efficiency area is the meeting with customers where simpler and improved tools will contribute to strengthening the conditions for growth in both occupational pensions and the private market. Profit for the year amounted to SEK 4,584 M (2,348).

### Higher bonus rate and positive value trend

Customers saving in pension insurance or life assurance with Länsförsäkringar are offered one of the highest bonus rates in the market. On October 1, 2005, Länsförsäkringar Liv raised the bonus rate on traditional savings from 4% to 6% before taxes and fees and on March 1, 2006, the bonus rate was increased to 9%. This is the result of very high total return on investment assets in traditional management, which amounted to 14.9% (6.4) in 2005. The large number of shares in investments, both listed and unlisted, was favorable for the level of return since the share market rose during the period.

The good level of return resulted in an 11-percentage point increase in collective consolidation to 114%. The solvency ratio rose by 3-percentage points to 126%.

Despite strengthened key ratios, Länsförsäkringar continued to be forced to reduce pension payments for customers who have too large a difference between the payment level and the capital of the insur-

ance. The reason for the decrease is that payments continue to be too high compared with the value of the insurance policies.

Länsförsäkringar Liv is a mutual insurance company, meaning that all surplus belongs to the policyholders. Maintaining payments at a considerably higher level than the corresponding value of capital customers have in their insurance policies, would then mean that we would be forced to take capital from customers whose insurance policies are not yet being paid out.

The New World management alternative, with a higher equities portion but a lower guarantee than traditional management, rose by 17.1% (9.6). Since its start in 1996, New World has generated an annual average return of 7.9%. All mutual funds in Länsförsäkringar's unit-linked insurance generated positive returns in 2005. The majority of the funds generating the highest returns invest in growth markets and in Japan. In addition to its own mutual funds, Länsförsäkringar's unit-linked insurance offering also includes mutual funds from ABN Amro, Société Générale and Fidelity Investments.

### Life assurance market

Länsförsäkringar's market share in terms of new sales decreased in 2005 from 12.0% to 8.4%. Measured as premium income, Länsförsäkringar's market share declined from 8.9% to 7.6%.

The life assurance market can be divided up into the occupational pension





market, the savings market and private pensions. Länsförsäkringar focuses primarily on the occupational pension market, which includes the collective bargaining sector. Measured as premium income, Länsförsäkringar's market share increased in 2005 from 9.1 to 9.6%.

Sweden's welfare system has undergone sweeping changes over the past ten to fifteen years. Under the new pension system, it is harder for individuals to predict the size of their future pension. At the same time, the new system entails more opportunities to influence the size of the pension by making various pension choices. The changes have resulted in an increased need for saving in private pension schemes and a growing number

of people are being forced to assume greater responsibility for their future pension. Länsförsäkringar offers a complete range of insurance solutions both for companies and private individuals.

### Satisfied customers and more awards

Länsförsäkringar was the most successful according to the Swedish Quality Index and has the most satisfied life assurance customers in the private market. For the third consecutive year, Länsförsäkringar was named "Best Pension Fund in Sweden" by industry magazine *Investment & Pensions Europe*. In addition, Länsförsäkringar was awarded the accolade of "Best Investor in Europe in Private Equity" for the second year in a row.

Key figures, SEK M	2005	2004
Premium income, net	9,472	8,676
Operating expenses	-1,379	-1,456
Profit for the year	4,584	2,348
Return, investment assets, traditional management	14.9	6.4
Return, New World, %	17.1	9.6
Collective consolidation, %	114	103
Solvency ratio, %	126	123

### INVESTMENT INCOME IN 2005 FOR LÄNSFÖRSÄKRINGAR LIV AB INCLUDING THE PROPERTY COMPANY AND NEW WORLD WEIGHTED CAPITAL BASE

Investments Amounts in SEK M	Market value, Jan. 1, 2005	%	Net investment	Change in value	%	Market value, Dec. 31, 2005	%	Direct return	%	Total- return	%
Interest-bearing, Swedish	23,900	26	-2,516	-21	-0.1	21,363	21	842	3.9	821	3.8
Interest-bearing, foreign	22,383	25	13,906	473	1.6	36,762	36	1,219	4.3	1,692	5.9
<b>Interest-bearing, total</b>	<b>46,283</b>	<b>51</b>	<b>11,390</b>	<b>452</b>	<b>0.9</b>	<b>58,125</b>	<b>57</b>	<b>2,061</b>	<b>4.1</b>	<b>2,513</b>	<b>5.0</b>
Shares, Swedish	12,111	13	-7,335	3,313	34.3	8,089	8	363	3.8	3,676	38.1
Shares, foreign	22,081	24	-2,057	4,993	24.6	25,017	24	480	2.4	5,473	27.0
Total shares, excluding AI	34,192	37	-9,392	8,306	27.8	33,106	32	843	2.8	9,149	30.6
Alternative Investments (AI)	6,959	8	-315	-268	-4.4	6,376	6	1,710	27.9	1,442	23.5
Properties	3,497	4	1,442	172	4.7	5,111	5	157	4.3	329	9.0
Financing of investments	-13	0	0	0	0.0	-13	0	-1	-7.8	-1	-7.8
<b>TOTAL</b>	<b>90,918</b>	<b>100</b>	<b>3,125</b>	<b>8,662</b>	<b>9.6</b>	<b>102,705</b>	<b>100</b>	<b>4,770</b>	<b>5.3</b>	<b>13,432</b>	<b>14.9</b>
OTHER <sup>1)</sup>	5,465		-351	627		5,741		-219		408	
<b>TOTAL</b>	<b>96,383</b>		<b>2,774</b>	<b>9,289</b>	<b>9.7</b>	<b>108,446</b>		<b>4,551</b>	<b>4.8</b>	<b>13,840</b>	

<sup>1)</sup> The line "Other" Include the surplus value of shares in Group and associated companies.



# Länsförsäkringar Bank

## Foundation laid for continued growth

Länsförsäkringar Bank is responsible for supplying products to the regional insurance companies and providing support and service within banking and fund management. Länsförsäkringar Bank AB owns the subsidiaries Länsförsäkringar Hypotek AB (mortgage institution), Wasa Kredit AB (financing company) and Länsförsäkringar Fondförvaltning AB (mutual fund company).

**THE STRONG TREND** in recent years means that the bank is well-equipped for future growth. The business volume has increased from SEK 24 billion to SEK 122 billion since 2001, and operating income under-

went a hundredfold increase during the same period: from SEK 1 billion to SEK 154 billion. The banking operations have a strong position on a highly competitive market. For the second year in a row, the Swedish Quality Index showed that the bank's customers are more satisfied than private customers of other banks. The customer stock amounted to 593,000, of which 83,000 are mortgage customers. Lending to the public increased by 19% and deposits amounted to 9%. Mortgage lending in the subsidiary Länsförsäkringar Hypotek increased by 30%.

In January 2006, Standard & Poor's raised the bank's outlook from "stable" to "positive."

### Earnings

Operating income after loan losses amounted to SEK 154 M (127). Profit after tax amounted to SEK 109 M (186), giving a

return on average equity of 4.1% (4.3). Revenues increased by 7% and expenses by 5%.

### Continued growth

There was intense activity in the lending market also in 2005, a major contributory factor being continued low interest-rate levels and the positive trend on the stock market. The increase in price pressure from primarily commercial banks led to even lower interest margins. Despite this, growth was satisfactory and during the year, the market share for private homes and tenant-owned apartments rose to 2.9%. Mortgage loans increased by 30% or SEK 7 billion to SEK 31 billion. Lending to farmers increased by 6% to almost SEK 3 billion.

Despite the low market interest rates in 2005, the volume of deposits rose by almost SEK 2 billion, or 9%, to SEK 21 billion. The market share, measured as deposits from households, amounted to 3.1% (3.0).

An increasing number of customers chose Länsförsäkringar as their main bank and an average (net) of 2,000 personal accounts, 1,300 savings accounts and 170 securities deposits were opened every month in 2005. A total of 30,000 customers joined and regularly use the Internet bank for their banking business, and the total number of Internet customers is 317,000 and the percentage of electronic payments is now 72%. The volume growth in the stock of cards was strong, and the number of cards increased by 24% to 107,000.

## Wasa Kredit

Wasa Kredit is a finance company conducting leasing and financing operations as well as unsecured lending in the Swedish market. The leasing and financing operations focus primarily on the cars, computers and heavy machinery markets as well as the leisure segment, including trailers and boats.

Wasa Kredit's operating income before appropriations and tax amounted to SEK 110 M (98) and the lending volume totaled SEK 8 billion (8). With regard to lending, 43% pertains to car financing, 18% to unsecured loans, 16% to machinery financing and the remainder to supplier financing and leisure.

Banking Group SEK M	2005	2004
Total assets	51,661	43,016
Operating income	154	127
Return on equity, %	4.1	4.3
Investment margin, %	1.85	2.18
Capital adequacy, %	11.28	11.37

## Basel II

The Basel Committee published proposals for new internationally standardized capital adequacy regulations, the Basel II regulations, in June 2004. These regulations are to be implemented in the EU to be applied from year-end 2006. The new regulations make it possible for the banks to either choose to apply the standardized approach, similar to current regulations, or to utilize the internal risk valuation for calculating capital requirements. To do this, the bank is required to prove the reliability and integrity of its internal risk valuation to the Finansinspektionen. The bank has decided to implement the advanced internal ratings-based method known as the IRB approach and will apply the Basel II regulations to over 90% of its credit portfolios in its credit management from year-end 2005.

## Rating

In January 2006 Standard & Poor's changed the banking operations outlook from "stable" to "positive" for its long-term rating. The short-term credit rating of A-2 was confirmed. Standard & Poor's cited the increased strategic significance of the banking operations to the entire Länsförsäkringar Alliance and the commitments of the owners. The high level of capital adequacy and a positive trend in the mutual regional insurance companies' banking business were also noted.



The bank's long-term rating from Moody's is A3 (stable) and the short-term credit rating is P-2.

Rating institute	Short-term rating	Long-term rating
Standard & Poor's	A-2	A- (Positive)
Moody's	P-2	A3 (Stable)

## Funding

The Finance function has undergone a substantial development since 2003 as a consequence of, among other actions, the funding programs that were started. Until 2002 the banking operations had a deposit surplus, meaning that there were no funding require-

ments in addition to the capital market. The bank strives to ensure access to various refinancing programs that attract different geographical markets and different investor groups. In the programs that have been established, the bank intends to be continuously active under the condition that the correct market conditions are in place. Therefore, the expansion in the number of programs is always considered against the bank's assessed ability to be active during the course of the programs.

Funding and issued securities increased by 34% or SEK 7 billion to SEK 26 billion (19).

Funding program	Framework	Utilized Dec. 31, 2005
Certificates	SEK 15 billion	SEK 1.8 billion
MTN (Medium Term Note)	SEK 20 billion	SEK 12.1 billion
EMTN (Euro Medium Term Note)	EUR 2.0 billion	EUR 1.1 billion

## Fund management

Länsförsäkringar Fondförvaltning is a subsidiary of Länsförsäkringar Bank. Länsförsäkringar Fondförvaltning manages SEK 54 billion (40) in 32 (34) mutual funds with different investment orientations.

Net flow in Länsförsäkringar's mutual funds amounted to SEK 2,945 M in 2005, of which approximately half is from Länsförsäkringar Fondliv. Länsförsäkringar Fondförvaltning thereby retains its volumes as Sweden's fifth largest fund

company with a market share of 4.1%. Länsförsäkringar's equity funds generated positive returns of between 22 and 62% during the year. The Small Company Fund and Growth Market Fund generated the highest return of 62% each during the year.

Operating income amounted to SEK 64 M (46). The improvement is primarily the result of an increased volume of assets under management.



# Agria Djurförsäkring (animal and crop insurance) One of the most successful years

Agria Djurförsäkring is a wholly-owned subsidiary of Länsförsäkringar AB and is the Länsförsäkringar Alliance's specialist company in animal and crop insurance. Agria provides Sweden's animal-owners and crop farmers with insurance solutions and promotes good animal husbandry and health in close cooperation with animal-owner organizations and veterinary surgeons.

**AFTER A COMPREHENSIVE** customer survey, Agria launched new flexible insurance policies for small animals that also strengthens its profile as a specialist company and its customer orientation. The results were successful. Never before in the history of Agria has there been such an increase in the number of dog insurance policies as there were in 2005. The trend of insuring cats is also continuing. Since 2000, the cat portfolio has doubled and the smallest animals – rodents, birds and reptiles – are following the same trend.

The Horses market area enjoyed positive volume growth, resulting in increases in annual premiums, despite intensified competition. Claims compensation costs for veterinary care were, however, higher than expected.

The Agriculture market area was also favorable in terms of both insurance and claims. There have only been a few hail and resowing claims for a number of years, which has however negatively affected the tendency to take out insurance. At the end of the year, several slaughter pig producers suffered from food infections. At around the same time, there was a salmonella outbreak on several farms. In other respects, Swedish farmers made relatively few claims.

Agria's market share for all types of animals is 60.7% (62.5), although many animals are not insured, with the degree of insurance being the lowest for dogs and cats, of which 50% and 85%, respectively, are uninsured. Agria also estimates that 24% of horses are uninsured while only approximately 20% of farm animals lack some form of insurance.

At the beginning of the year, the subsidiary Agria Dyreförsäkring began operations in Norway and results surpassed expectations. The Agria concept was also developed in Finland, Iceland and on the Åland.

The focus of a large section of development efforts was on the sales process including the certification of representatives, more effective and customer-adapted sales, improved sales support and registration of representatives. These efforts were carried out to develop the operations in line with customer demands.

The activities of Agera Djurägarutveckling, Agria's development company, created strategic value for Agria and its customers. Agera's consultancy company

Agria M, which provides guidance to companies wishing to study Agria's quality work, sold its expertise to companies both within and outside the Länsförsäkringar Alliance.

In April, Agria received the award for "Best Working Conditions" from the Key Ratio Institute for the second time. The primary reasons were the lower level of illness among employees, the high number of female managers and systematic skills development.

Agria invested SEK 6.3 M in horse health research together with several Swedish horse-owner organizations. A government grant based on this sum, SEK 7 M, was contributed to promote the horse industry in Sweden.

The technical result was SEK 60.8 M (80.9). Premiums earned after ceded reinsurance increased by 7% in 2005, slightly lower than in previous years. The reason for this is the major drive on lower premiums for foals and puppies. Profit before appropriations and tax, SEK 197 M, was the best for many years, primarily due to the high positive investment income.

Key figures, SEK M	2005	2004
Premiums earned after ceded reinsurance	843.8	787.2
Income before appropriations and tax	196.9	154.3
Underwriting result	60.8	80.9
Solvency margin, %	97	84
Expense ratio, %	30.0	29.0
Combined ratio, %	94.0	91.1



# Wasa Försäkring Run-Off

## Offering international customers run-off solutions



Wasa Försäkring Run-Off AB works actively with run-off portfolios, primarily within international reinsurance. In 2005, Wasa Run-Off managed the run-off in four companies included in the Wasa Run-Off operations and in five different portfolios for Länsförsäkringar Sak Försäkrings AB. In addition, Wasa Run-Off sold run-off services to both Swedish and international customers. Wasa Run-Off seeks suitable run-off portfolios for acquisitions and is primarily specialized in small and medium-sized European reinsurance portfolios.

**FOCUS ISSUES IN 2005** were the effective run-off of the Länsförsäkringar Alliance's portfolios and establishing the company as an attractive run-off service provider. Wasa Run-Off is a wholly owned subsidiary of Länsförsäkringar AB and also functions as a knowledge bank and internal consultant for run-off matters and other international insurance issues.

### Positive earnings in insurance operations

Work with negotiation settlement of run-offs for the existing portfolios was again a success. The technical result in 2005 amounted to SEK 10.7 M (18.7), meaning that Wasa Run-Off has reported profits every year since the company was formed from the merger with Wasa. The active run-off activities also generated profits on the portfolios managed by Wasa Run-Off on an assignment basis.

### Market ventures

The share of run-off transactions' total reserves on the market is steadily growing year by year. Therefore, Wasa Run-Off has developed a three-level service concept targeting European customers. The company offers consultancy services in the run-off sector, reinsurance administration and the purchase of run-off portfolios.

### Skills development

Run-off activities require highly specialized expertise in insurance, law, and business in a number of countries. Wasa Run-Off works in a structured manner following a skills development plan, the purpose of which is also to ensure the transfer of knowledge between employees. Transferring knowledge is also a way of safeguarding the broad experience of many of the employees and increasing the organization's ability to switch between different assignments.

### Efforts in IT

Effective management also requires good IT support. For this reason, Wasa Run-Off began replacing its operating systems in 2005, which will substantially simplify administration of both existing transactions and new assignments.

### External environment

It is estimated that the storms in the Gulf of Mexico last year will cost all global insurance and reinsurance companies USD 57.6 billion. The total amount of damage was the most extensive ever witnessed and 1.5 times greater than the damage from the terrorist attacks on September 11, 2001 in New York and Washington. This led to many reinsurance companies being downgraded and in certain cases forcing their operations into run-off.

Despite the storms, the European insurance companies and banks are reporting positive earnings for 2005, which will lead to a number of purchases in Europe in 2006. More portfolios will be discontinued and the need for run-off administrators and purchasers of run-off portfolios will increase.

Key figures, SEK M	2005	2004
Technical result	10.7	18.7
Profits, net	67.3	17.6
Closing reserves	496.5 <sup>1)</sup>	487.6

<sup>1)</sup> Reserves were negatively affected by fluctuations in exchange rates during the year in the amount of SEK 61 M.

# Asset management in the Länsförsäkringar Alliance

The responsibility for asset management within the Länsförsäkringar Alliance lies with the respective regional insurance companies and with a specialist function in Länsförsäkringar AB. The latter is responsible for the management of approximately SEK 170 billion on behalf of the Länsförsäkringar AB Group's life assurance and non-life insurance companies, the mutual fund company, Agria Djurförsäkring (animal and crop insurance) and several smaller Group companies.



## Determining risk level

The task of asset management is to achieve as high a return as possible with respect to each company's willingness to take risks and its financial strength. For this purpose, the level of risk that can be taken in asset management is determined first by performing an ALM (Asset Liability Management) analysis or a balance sheet analysis. Risks and uncertainties are identified and the consequences of a variety of plausible events are tested. The purpose is to obtain an optimal risk level for the asset portfolio that gives a competitive return and that balances the liability with future incoming and outgoing payments to insurance savers.

## Asset allocation

The allocation of assets between different types of assets and markets is then determined. This is called allocation of market risk and is the single most important aspect for controlling the development of the portfolio. As a result, large sections of analyses and major resources are invested in this area. Asset allocation is also subject to legal restrictions and supervisory tools, such as the recently introduced traffic-light method.

Long-term asset allocation is summarized in a reference portfolio or normal portfolio. This indicates a percentage of the allocation between shares and interest rates and other types of assets such as Private

Equity (unlisted companies), real estate and absolute return investments.

## Active risk

When the asset allocation has been decided, if and how active risk is to be taken is determined, that is, to permit an asset manager to deviate from a market index. This takes place on the markets in which there are excellent opportunities to generate excess returns. Länsförsäkringar shall always have active management based on fundamental analysis of less effective markets. It is easier to create added value relative to the index on small companies, real estate and unlisted companies than, for example, on shares in large companies in the US and Europe.

## Life assurance management

### Traditional management

Traditional management has a guarantee interest rate of 3%, meaning that assets must be managed in such a manner that the guarantee is fulfilled. It is Länsförsäkringar's ambition that management shall generate a higher return than 3% and that savers will receive a bonus that exceeds the guarantee. Such a target requires a sophisticated asset management strategy and a well-defined working methodology. Investments shall be of a long-term nature although Länsförsäkringar believes in utilizing extreme valuation rates to create value in the portfolio or to protect it.



### New World

Länsförsäkringar's alternative New World has a higher equities portion but lower guarantee than in traditional management. A total of 70% is invested in equities and 30% in interest-bearing securities. The intention is that the large portion of equities will provide favorable opportunities for high returns in the long term. After five years, or in the case of death, a repayment of paid premiums with deductions for fees and taxes is guaranteed.

Länsförsäkringar Asset Management governs the management of New World. Shareholdings in New World are spread throughout the world so as to minimize the dependence on individual markets as far as possible. Within the share portfolio, 20% shall be invested in North American shares, 15% in Swedish shares, 15% in European shares, 10% in Japanese shares and 10% in Asian shares. There is no active redistribution between the various sub-portfolios.

The daily management is administered by ABN Amro and Goldman Sachs. This management is continually assessed by Asset Management in the same manner as in Länsförsäkringar Liv's traditional management.

### External management

Länsförsäkringar AB has chosen to allow an external asset manager to conduct the daily management of listed assets and real estate. Unlisted shares and absolute returns strategies are managed internally.



ABN Amro handles the management of the larger part of shares and interest-bearing securities. To expose ABN Amro to competition, one additional asset management companies, ING Investment Management, has been selected to manage a small percentage of the assets. In addition, Goldman Sachs Asset Management has the assignment of managing two of Länsförsäkringar's mutual funds. The property portfolio is managed by the Humlegården real estate company.

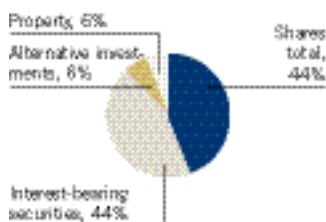
### Assessment and evaluation

Asset Management defines the assignments for the asset managers, specifying distinct risk levels and yield requirements. The managers' task is then to create the best possible

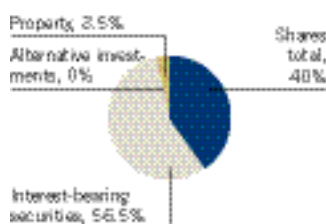
return given the framework and guidelines they have received. This is achieved through a manager choosing a composition of shares that may deviate from that of the portfolio's benchmark index.

The outsourced management assignments are continually evaluated by Asset Management, which regularly analyses the asset managers and management results. This includes continually monitoring changes to ensure that the frameworks prescribed for each management assignment are relevant and that they are complied with. Evaluation also includes meetings between specialists from Asset Management and the assets managers handling the daily management.

**Normal portfolio, life assurance  
December 31, 2005**



**Normal portfolio, non-life insurance  
December 31, 2005**



Total yield on investment assets, %	2005
Life assurance	14.9
Non-life insurance	11.7
Agria	14.0

In time the allocation of the portfolio will be changes since the assets generated different levels of returns. If there is an upturn in the stock exchanges the share portion of the portfolio will grow larger than the portion in the normal portfolio, with the results that the portfolio will need to be rebalanced. Länsförsäkringar does not believe it is effective to make adjustments too often, instead the policy allows certain deviations from the allocation of the normal portfolio. All stages of Asset Management's investment process are evaluated continually. Daily analyses are performed for and feedback provided on these stages, with formal discussions on a weekly and monthly basis. Asset Management's work methodology has proven to be successful in recent years, and this was confirmed in December 2005 when Länsförsäkringar was named "Best Pension Fund in Sweden" by leading industry magazine *Investment & Pensions Europe* (IPE).

#### EXTERNAL ASSET MANAGERS

##### ABN Amro Asset Management

ABN Amro Asset Management is Länsförsäkringar's primary asset manager and handles ongoing management. ABN Amro Asset Management, a separate division of

Dutch ABN Amro, manages assets on behalf of institutional investors and private investors. ABN Amro Asset Management is based in London and Amsterdam but also has large offices in Atlanta, Chicago, Hong Kong and Singapore. Asset Management is also represented through local offices on all continents; in Stockholm its representative is Alfred Berg. Total assets under management amount to approximately EUR 170 billion.

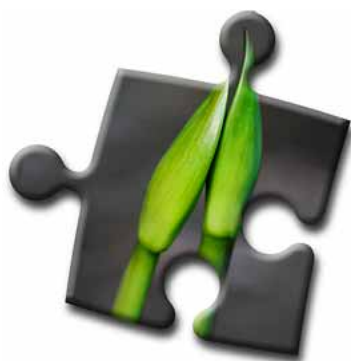
##### ING Investment Management

ING Investment Management manages an equity portfolio on behalf of Länsförsäkringar Liv. ING Investment Management is part of the ING Group, a Dutch company specializing in banking, insurance and asset management.

##### Goldman Sachs Asset Management

Goldman Sachs Asset Management received the assignment to manage Länsförsäkringar's Europe Funds and Länsförsäkringar's Asia Fund in 2005.

The American asset manager T Rowe Price was the former asset manager of the American share portfolio. This cooperation was terminated in 2005 since the nature of T Rowe Price's asset manager was not significantly different to that of ABN Amro.



# Board of Directors' report

The Board of Directors and the Managing Director of Länsförsäkringar AB (publ) hereby submit the annual report and consolidated accounts for fiscal year 2005. The registered office of the company is in Stockholm.

## Ownership

The 24 regional insurance companies and 14 local insurance companies own 100% of Länsförsäkringar AB. The Länsförsäkringar Alliance comprises the 24 regional insurance companies and the Länsförsäkringar AB Group.

## Board of Directors' report

Länsförsäkringar AB (publ) directly owns Länsförsäkringar Sak Försäkringsaktiebolag (publ), Länsförsäkringar Bank AB (publ), Länsförsäkringar IT Center AB (publ), Försäkringsaktiebolaget Agria (publ), Wasa Försäkring Run-Off AB, Länsförsäkringar Dator- och systemservice AB (publ), Länsförsäkringar Liv Försäkringsaktiebolag (publ) and LF Gruppen AB, a dormant limited liability company.

The life assurance sub-Group in which Länsförsäkringar Liv Försäkringsaktiebolag (publ) is the Parent Company and which includes Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) is not consolidated in the accounts since the company's earnings are distributed in their entirety to the policyholders. The income statements and balance sheets for the Länsförsäkringar Liv Group are presented in condensed form on page 79.

## Operations

The Länsförsäkringar AB Group's main task is managing and coordinating the joint strategic and development process within

the Länsförsäkringar Alliance to create possibilities for the regional insurance companies to be successful in their respective markets and to provide the regional insurance companies with service in which economies of scale can be achieved, and to provide the companies with products that they do not produce themselves or for which they do not have a concession. The Länsförsäkringar Alliance offers a broad range of insurance, banking services and other financial services to companies as well as private individuals. Operations are characterized by the local concept, with proximity to customers. Customer contacts are made at the regional insurance companies.

## Further development of the share for Länsförsäkringar AB Group

As shown in the five-year summary on page 38, the Solvency capital of the share for the Länsförsäkringar AB Group rose by 61% since 2001.

## Corporate governance

The Board of Länsförsäkringar AB is responsible for the company's organization and for the administration of the company's affairs. This responsibility includes establishing an appropriate organization, overall goals and strategies for the company's operations as well as guidelines for operational control and management. The Board of Länsförsäkringar AB also has correspond-

ing responsibilities at the Group level. This entails that the Board must ensure that goals and strategies are coordinated and result in optimal utilization of the Group's resources to meet the requirements of the owners, the 24 regional insurance companies. In view of the fact that the different lines of business within the Group operate under somewhat varying legal requirements, the Board has the important task of ensuring that a balance is constantly maintained between the different financial interests that exist within the Group, so that no single grouping of interests is unduly favored at the expense of another.

The Board also prepares and approves a separate Group instruction detailing the Group's organization and clarifying the division of responsibilities between the various governing bodies and officers within the Group. Among other actions, the Board has established the control bodies internal audit, risk management and compliance. The Board has also initiated measures to successively adapt the corporate governance rules applied within the Group to relevant parts of the Swedish Code of Corporate Governance.

## Market developments

### NON-LIFE INSURANCE

According to statistics published by the Swedish Insurance Federation, the total market for non-life insurance in Sweden, measured in terms of premiums paid for individually underwritten policies, grew by 1.8% in 2005 to SEK 54.8 billion. The cost of claims declined in recent years.

The Länsförsäkringar Alliance maintained its market-leading position within non-life insurance. However, the total market share for the Länsförsäkringar Alliance

in terms of premiums paid declined to 30.5% (32.3). Excluding adjustments in the official insurance statistics, the decline was 0.3 percentage points. The local organization with its proximity to customers continued to prove a market success in 2005. The Länsförsäkringar Alliance's strongest market shares are in commercial and property insurance, in which the share of premiums is 37%. Within the farming market (part of commercial and property insurance) the market share is very high. Länsförsäkringar Alliance also holds strong market positions in homeowner, third-party liability and motor vehicle insurance, with about 30% of paid premiums.

#### BANKING OPERATIONS

Länsförsäkringar first provided banking services in 1996. In less than ten years, operations have grown to encompass complete offerings within the areas of saving, lending and payments. The primary target groups are private individuals and farmers. Today, the bank is a full-service bank for these customer groups.

The Banking Group has 593,000 customers. The number of customers in the bank by Internet, which has been in operation for slightly more than five years, has risen 10% to 317,000.

Market share in terms of deposits from households was up 0.1% to 3.1%, while market share in terms of lending to households declined from 2.5% to 2.3%.

Mortgage operations by the Länsförsäkringar Hypotek subsidiary posted strong growth in 2005, with the market share continuing to rise to 2.9%. Mortgage lending grew by 30% to SEK 31 billion.

Wasa Kredit is a financing company conducting leasing and installment payment operations as well as unsecured lending on the Swedish market. The leasing and installment payment operations focus primarily on the markets for cars, computers and heavy machinery as well as the recreational seg-

ment, such as campers and boats. The lending volume amounts to SEK 8 billion (8).

Länsförsäkringar Fondförvaltning AB has been included in the Banking Group since January 1, 2004. Länsförsäkringar Fondförvaltning has increased its share of the total mutual fund market to 4.1% (4.0). Länsförsäkringar has a total of 32 (34) securities funds with different investment orientations.

#### LIFE ASSURANCE AND UNIT-LINKED INSURANCE

Länsförsäkringar Liv enjoyed a successful year in 2005. Total return was favorable and all key ratios were strengthened.

Total return on investment assets in Länsförsäkringar Liv amounted to 14.9% during 2005. As a result, collective consolidation rose 11 percentage points to 114%. Collective consolidation is a measure of a life assurance company's ability to distribute a bonus. On October 1, 2005, Länsförsäkringar Liv increased the bonus rate from 4% to 6% before fees and yield tax and on March 1, 2006, the bonus rate was increased to 9%. Collective consolidation shows the value of the company's assets in relation to the guaranteed commitments and the non-guaranteed bonus to customers, that is, the entire capital assured.

The solvency ratio rose 3 percentage points to 126%. Solvency is a measure of a life assurance company's financial strength. It shows the value of the company's assets in relation to its guaranteed commitments to customers. The lowest permissible solvency ratio is 104%.

Premium income rose by 9% to SEK 9,472 M and the administration result improved by SEK 76 M.

#### Risk management

The risks associated with the operations conducted in the different areas of the Group are handled within that part of the Group in which they arise. Insurance risks are thereby managed within the Group's

insurance companies, risks related to the insurance companies' investment assets are managed by the Groupwide asset management unit on behalf of the insurance companies, and credit risks associated with lending are managed within the Banking Group.

In addition to shares in Group companies and receivables from Group companies, the Parent Company of the Group also has investment assets. However, these investment assets are limited in size relative to the investment assets of the Alliance's insurance companies.

#### RISKS ASSOCIATED WITH INSURANCE OPERATIONS

Risks in the Group's insurance operations derive both from the actual insurance activities and from investment risks in the insurance companies' assets. To limit risk, the Länsförsäkringar Group strives to match investment assets with insurance risks. During the year, work was carried out to improve the analytical data for this matching process using a DFA model (Dynamic Financial Analysis). This work is expected to be applied in investment operations in 2006.

The insurance operations conducted within the Länsförsäkringar AB Group, mainly comprise third-party liability insurance, accident insurance, commercial insurance, animal insurance and assumed reinsurance.

#### INSURANCE RISKS

Where applicable, the Boards of the insurance companies within the Länsförsäkringar AB Group limit insurance risk by setting maximum self-retention levels for various types of insurance risks and by determining which categories of reinsurers may be used for ceded reinsurance.

#### UNDERWRITING RISKS

Underwriting risk is the risk of calculated premiums and other insurance revenue not covering the anticipated claims costs and operating expenses.

Insurance sectors such as third-party liability, accident and animal insurance are associated with a wide range of independent risks, giving a good balance of risk, provided that the tariff premiums reflect the actual differences in risk between the various subgroups in the portfolio. Tariffs are continuously monitored and adjustments made where necessary. In other insurance sectors, risk selection guidelines and risk inspection are the primary instruments, in addition to computation of premiums, for controlling underwriting risk.

#### CLAIMS RISKS

Claims risk is the risk that technical reserves will be insufficient to cover the cost of claims.

The Group's total commitments for current policies and unadjusted claims amount to approximately SEK 18.3 billion. The estimated cost of unadjusted claims, approximately SEK 17.5 billion, is linked to uncertainty regarding the potential cost of claims, possibly extending several years into the future. This effect is particularly marked in the case of third-party liability insurance, which represents the greater part of the Group's commitments. There is considerable uncertainty about future cost trends in this area since legislation and decisions announced by authorities can affect the distribution of costs for third-party liability claims between insurance companies and society, and in many cases the outlook with regard to rehabilitation is difficult to assess.

A 1-percentage point change in the claims inflation assumption – in other words, an assumption of a 1-percentage point higher/lower annual cost increase for claims incurred – affects the provisioning requirement by approximately SEK 600–700 M. The provision requirement is monitored regularly using various key ratios and comparisons with other insurance companies. The actuarial calculations pertaining to technical reserves are continually devel-

oped so that the methods used are well adapted to the conditions for each category or sub-category of insurance.

#### RISK LIMITATION THROUGH REINSURANCE

The very nature of insurance operations means that they are exposed to major fluctuations. To limit risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance. The self-retention, which is the cost of each claim payable by the company, and the reinsurance cover – the limit up to which reinsurance covers the cost of a claim – vary from product to product.

REINSURANCE PER CLAIM		
SEK M	Self retention	Cover
Third-party liability insurance	1.5	300
Liability insurance	10	100
Transportation insurance	5	200
Accident insurance	11	550
Horse insurance	1	15
Livestock insurance (stop loss)	100% of premium	60

Third-party liability cover is adjusted in line with the limitations stipulated in the Motor Traffic Damage Act. Supplementary insurance with unlimited cover is available for motor vehicle damage incurred abroad. For individual risks with a risk amount exceeding the reinsurance cover, reinsurance is purchased on a risk-for-risk basis. The majority of reinsurance contracts are valid per calendar year.

Länsförsäkringar Sak manages joint external reinsurance cover for storms and natural disasters for the Länsförsäkringar Alliance. Hurricane Gudrun demonstrated that the catastrophe modeling carried out then had not sufficiently taken into consideration the exposure for forest damage. The external reinsurance cover, according to what can now be assessed, only by a relatively close margin was adequate to cover the Länsförsäkringar Alliances' costs for the storm. After the storm, new calculations

were made based on the new information. When the storm hit, the coverage was SEK 3 billion, after which it was increased for 2005 to SEK 4 billion. The coverage has been raised to SEK 5 billion for 2006. There is also an inter-company reinsurance policy for the same type of damage, providing additional cover of slightly less than SEK 2 billion and that applies in cases where the size of the claim exceeds the limit of the external reinsurance.

#### REINSURANCE RISKS

Reinsurance risk is the risk of not receiving payment from reinsurers in accordance with reinsurance agreements.

To minimize reinsurance risk, there are rules governing the choice of reinsurance company. The minimum requirement for reinsurers is that they must have at least an A rating from Standard & Poor's for long-term transactions and at least a BBB rating for other transactions. In addition, the aim is to spread ceded reinsurance among a number of reinsurers.

#### ASSET MANAGEMENT RISKS

Asset management on behalf of the insurance companies involves assessments of the level of risk and the potential for generating good returns in order to create long-term investment strategies and to enable more operational investment decisions.

A benchmark portfolio serves as a reference for how investments are to be allocated between asset classes. Decision data for the composition of the benchmark portfolio and short-term investment decisions is compiled through continual analysis of current and expected future yield and risk for the asset classes that may be included in the portfolio.

An active asset management policy has been adopted in order to achieve a higher yield than the benchmark portfolio. The actual mix of assets is thereby permitted to deviate from the composition of the benchmark portfolio. This



means that the yield may also be lower than the yield on the benchmark portfolio during certain periods.

Investment risks within asset management are managed through Board decisions in the relevant insurance companies regarding the benchmark portfolio and the extent to which the actual portfolio is permitted to deviate from the benchmark portfolio. The Board of Directors in each company thereby decides on the risk level for investment activities and on the degree of freedom given to the operational asset management organization in seeking to increase the return by deviating from the benchmark portfolio.

The main asset classes used in portfolio management are shares, interest-bearing securities and real estate.

Derivative instruments are used to enhance the effectiveness of asset management. Normally, only derivative instruments that are settled via a recognized clearing institute are used so as to limit the risk of payment not being made subject to the terms of the contract.

With regard to currency risk, the insurance companies have both assets and liabilities in foreign currency. Decisions are made regarding how much of the net currency exposure is to be retained and the remaining exposure is hedged.

To limit the credit risk associated with investments in interest-bearing securities, issuers are required to have an adequate credit rating. Rules are applied regarding lowest permissible ratings for counterparties and how great a portion of the portfolio may be invested with different issuers. In certain cases, absolute limits are stated for each issuer.

The risk profile for the Group's investment assets was changed during 2005. The share of real estate and hedge funds in the investment portfolio was reduced, while the equities investment were increased. In addition, the exposure to foreign currencies was increased.

## RISKS IN BANKING OPERATIONS

The Group's banking operations are conducted within Länsförsäkringar Bank AB and its subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB.

The banking operations are directed to private individuals and farmers and offer a complete range of bank services in the areas of lending, saving and payments.

## CREDIT RISKS

Credit risk is the risk of incurring losses as a result of a counterparty not being able to fulfill its obligations and any pledged collateral not covering the owed amount.

The lending operations in the bank group are mainly mortgage loans, loans to farmers, installment and leasing operations and unsecured consumer credit. Most of the lending is mortgage loans characterized by a low loan-to-value ratio and favorable geographic spread, which resulted in a low risk profile.

Lending occurs after a detailed and automated credit assessment that as of 2006 is supported by the internal models, systems and processes implemented and that are an effect of the new capital coverage rules that apply for bank as of 2007, the so-called Basel II rules.

The internal models facilitate a more risk-sensitive analysis of the levels and trends in the banking group's lending portfolio, what product and what segments of the portfolio that have relatively high risk and how the combined risk profile develops. Since the models quantification of risks are the basis for assessing future anticipated losses and the statutory capital requirement that can cover future unforeseen losses, this places high demands on the model and how well than can measure and are able to foresee that actual risk for each lender.

The risk control unit in the banking group, which is separate from the business operations, is responsible for identifying, measuring, controlling and reporting risks.

Risk control's responsibility also includes continuously validating the internal models' reliability, accuracy and stability over time, to ensure that they are a support to the credit manager in the total credit assessment.

## FINANCIAL RISKS ASSOCIATED WITH BANKING OPERATIONS

The financial risks within the banking group are related mainly to interest-rate and liquidity risks. Interest-rate risk in the banking operations is the risk that a change in the interest-rate situation affects net interest and the market value of interest-bearing assets, liabilities and derivatives. Liquidity risk is the risk that as a result of a shortage of liquid funds undertakings cannot be fulfilled or can only be fulfilled through borrowing at a considerably high cost.

The financial risks shall be low in accordance with the financial policy adopted by the Bank's Board of Directors.

## OPERATING RISKS

Operating risks pertain to the risk of losses arising due to inappropriate or failing processes, human error, faulty systems or external events. The pending implementation of the EU's regulatory systems regarding capital coverage has resulted in an increased focus on measuring and reporting operating risks. The new rules place demands on how banks manage operating risks in a structured fashion and that the effects on incidents that occur must be quantified in a distinct manner.

Each unit within the Länsförsäkringar AB Group is responsible for preventing operating risks within its particular area of responsibility. Risk analyses are performed annually in each of the Group's units. A common system support intended to standardize the measuring methods for operating risk in the entire Group is being implemented to meet the rising demand for incident management.

The internal audit function, which reports directly to the Boards of Directors of the Parent Company and subsidiaries, audits and evaluates internal control.

The Group's Compliance Officers have the task of monitoring compliance and preventing the risk of non-compliance with laws, regulations and accepted practice due to a lack of knowledge or other reasons. The Compliance Officers report their observations to the Boards of their particular companies in the Group.

## OVERALL RISK SCENARIO

There are many dimensions to the risk scenario for a Group such as Länsförsäkringar AB. There is no easy way to compare different types of risk and balance them against each other.

One means of summarizing the Group's exposure to risk is through a compilation of the size of assets and commitments in different operations as in the accompanying table 1.

Changes in the consolidated balance sheet is attributable largely to the increase in leading for housing, which is financed through deposits from the public and – for the most part – the issue of interest-bearing securities. The increase in items regarding reinsurance is explained by the consequences of Hurricane Gudrun. The increased volume of investments is largely due to higher liquidity in the bank group.

Table 2 shows the net foreign currency exposure of the Länsförsäkringar AB Group's assets and liabilities.

Exposure for charges in market interest rates is shown in table 3 illustrating fixed interest periods for assets and liabilities at fixed interest rates, net.

## Earnings and financial position

### GROUP

Consolidated profit amounted to SEK 2,100 M (781) before tax and SEK 1,861 M (945) after tax. The profit for the year is primarily attributable to the strong technical

**TABLE 1**

#### SUMMARY OF LÄNSFÖRSÄKRINGAR AB GROUP:

##### Assets and liabilities in the various business areas

SEK billion	Change from			Change from	
	Dec. 31, 2005	Dec. 31, 2004		Dec. 31, 2005	Dec. 31, 2004
Investments	23	+3	Shareholders' equity	9	+2
Shares and share-related assets	9	+1			
Interest-bearing assets	14	+3	Insurance reserves, gross	18	+1
Property-related assets	1	–1	Third-party liability	11	
Other investment assets	1		Commercial and property	1	
			Medical and accident	1	
Lending	48	+7	Other direct insurance	1	
Mortgages to private individuals	35	+7	Ceded reinsurance	4	+1
Unsecured loans to private individuals	3				
Agricultural loans	3		Deposits from the public	21	+2
Installments loans and leasing	6				
Other lending	2		Securities issued	28	+7
Reinsurers <sup>1)</sup>	5	+2	Other liabilities	5	–1
Other assets	4	–1			
<b>Total assets</b>	<b>80</b>	<b>+11</b>	<b>Total shareholders' equity and liabilities</b>	<b>80</b>	<b>+11</b>

<sup>1)</sup> Reinsurers' portion of technical reserves and receivables from reinsurers.

**TABLE 2**

#### Net foreign exposure, December 31, 2005

Currency	Equivalent in SEK M
EUR	2,108
GBP	527
USD	344
Other currencies	939
<b>Total</b>	<b>3,918</b>

**TABLE 3**

#### Fixed-interest terms for assets and liabilities, net (including derivatives), Länsförsäkringar AB Group, December 31, 2005

Mkr	<1 year	1–5 years	5–10 years	>10 years	Total
Fixed-interest assets less fixed-interest liabilities	3,443	2,247	612	1,036	7,338

The table shows the nominal term structure.

result for insurance operations and the highly favorable earnings from asset management.

The technical result for non-life insurance operations totaled SEK 310 M (260). For life assurance operations, the technical result amounted to a profit of SEK 5 M (2) and pertained to Svenska Brand Livförsäkring AB.

Consolidated premium income after ceded reinsurance amounted to SEK 1,952 M (1,955) for non-life insurance. Premium income for life assurance totaled SEK 1 M (1).

Total investment income in 2005 amounted to SEK 2,183 M (1,023). An amount of SEK 422 M (505) was transferred to insurance operations. The total yield was 10.3% (4.9).

Other non-technical revenue amounted to SEK 130 M (126). This included SEK 98 M (100) in expenses relating to brand building.

The Solvency capital increased in 2005 by SEK 2,100 M to SEK 9,703 M. The consolidated solvency margin rose to 497% (389), primarily due to the favorable results and lower business volumes, since new third-party liability policies are now taken out through the regional insurance companies, which affects the volume within Länsförsäkringar Sak Försäkrings AB where the policies were previously underwritten.

#### PARENT COMPANY

The Parent Company reported a profit of SEK 71 M (208) before tax and SEK 97 M (260) after tax.

#### NON-LIFE INSURANCE

The technical result for non-life insurance operations amounted to SEK 310 M (260).

Premium income after ceded reinsurance fell sharply compared with a year earlier to SEK 1,889 M (3,057). The

decline is mainly because third-party liability policies, which previously accounted for two thirds of volumes, have been written by the regional insurance companies from January 1, 2004. In the remaining insurance operations, premium income after ceded reinsurance increased by 7%.

Claims payments after ceded reinsurance amounted to SEK 1,504 M (2,625), giving a claims ratio of 80% (86). The claims outcome remained favorable in most product groups during the year. Within reinsurance assumed, the catastrophes that impacted the international reinsurance market had a very limited affect on the result. Investment income transferred from financial operations amounted to SEK 422 M (505). The decline compared is attributable to a reduction in business volumes and a lower interest rate on the transferred investment income.

Operating expenses declined from the preceding year to SEK 514 M (675), mainly due to effect of lower business volume in the insurance operations. The expense ratio rose to 27% (22), since the segments that are continuing to be operated have higher operating expenses that the third-party liability insurance and that IT costs of a nonrecurring nature are included in operating expenses for the year.

The claims reserve for third-party liability business is being phased out within Länsförsäkringar Sak Försäkrings AB. According, third-party liability insurance continues to be a major operation and reported a profit of SEK 217 M (126). Earnings arise partly in the run-off business described above and partly in business conducted across a number of countries that will also continue to be underwritten within Länsförsäkringar Sak Försäkrings AB.

Domestic animal insurance is provided by the Agria subsidiary and reports stable profitability. Within direct insurance outside Sweden, the operations in Norway are reported at a loss related to the start-up costs.

Assumed reinsurance comprising active reinsurance and run-off transactions generated a slight loss during the year. Run-off of reinsurance transactions is conducted within the Wasa Försäkring Run-Off AB Group and Länsförsäkringar Sak Försäkrings AB. The other insurance segments report positive earnings.

#### BANKING OPERATIONS

Profit before tax for the banking operations amounted to SEK 154 M (127), an increase of 21%.

Net interest income rose by 5% to SEK 873 M (830). The increase is mainly attributable to higher volumes. Lending to the public was up 19% to SEK 47 billion (39) and deposits from the public rose 9% to SEK 21 billion (19). Revenue rose by 7% to SEK 1,299 M and expenses by 5% to SEK 1,097 M.

Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by about SEK 7 billion to SEK 31 billion (24).

Wasa Kredit's operating profit rose by slightly more than 12% compared with 2004, despite a sharply intensifying price competition and amounted to SEK 110 M (98).

Länsförsäkringar Fondförvaltning reported operating income of SEK 64 M (46). The improvement is primarily the result of an increased volume of assets under management. A 79% portion of the increase is due to net sales and 21% to value growth. The net inflow to funds during 2005 amounted to SEK 83 billion for the total market in Sweden, which was an increase of SEK 27 billion compared

with 2004. Net inflow into Länsförsäkringar's funds during 2005 amounted to SEK 3 billion (4), which corresponds to a market share of 3% (7).

#### LIFE ASSURANCE

The Länsförsäkringar Liv Försäkrings AB Group is not consolidated since the company operates in accordance with mutual principles. The income statement and balance sheet for the Länsförsäkringar Liv Försäkrings AB Group are presented in condensed form on page 79.

#### ANTICIPATED FUTURE DEVELOPMENTS

The Länsförsäkringar Alliance will continue to focus on achieving profitable growth in its three core areas of non-life insurance, life assurance and banking. Growth will primarily occur through customers experiencing a distinct added value in conducting all of their banking and insurance business with Länsförsäkringar. The Länsförsäkringar Alliance is striving to become even more customer-focused in its approach and attitudes. The core values of customer-ownership, local, accessible, presence and personal service are important within the Länsförsäkringar Alliance. The build-up of increased volumes within the banking operations will continue. Other important areas are the focus on the healthcare area and continued development within the environment area. The goal is to continue to have the most satisfied customers within banking and insurance.

#### TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS)

The IAS Regulation stipulates that listed companies in the EU must apply international accounting principles in their consolidated accounts from 2005. However, companies that only have listed debentures are not required to apply the new accounting

rules until fiscal year 2007. Länsförsäkringar AB belongs to this category of company and, consequently, the Länsförsäkringar AB Group will apply the new regulations as of 2007.

During 2005, the Länsförsäkringar AB Group intensified its work with the transition to the international accounting standards and projects have been initiated within non-life insurance, banking, life assurance and an overall project for the Alliance to adapt accounting and the financial reports and to practically implement the transition to IAS/IFRS.

Work during 2005 was aimed at analyzing the effects resulting from a transition to IAS/IFRS on accounting and the financial reports. A review has been carried out of existing insurance policies to determine if they can be reported as insurance policies in accordance with IFRS 4. Analysis has been made of financial instruments with regard to measurement and recognition in accordance with IAS 39. A consequence analysis was carried out regarding effects of the listed market price shall be recognized as the current bid price. A model for hedge accounting has been developed within the banking business. In addition, a review has been made of which companies should be consolidated. An analysis was made regarding what is involved in the more extensive supplementary information requirements and the format for the income statement and balance sheets is being developed, among many other projects. The work to adapt systems and processes has begun.

The result of the analyses to date has not revealed any significant earnings effects of the transition to the new accounting principles.

Knowledge regarding what IAS/IFRS means and the practical conse-

quences is being spread throughout the organization.

In preparing the 2007 consolidated accounts, the comparative figures for 2006 will be reported in accordance with the IAS/IFRS regulatory system, which means that the opening balances for fiscal year 2006 will be restated. Prior fiscal years will not be adjusted.

#### EMPLOYEES

Information regarding the average number of employees, salary and remuneration for the Group as well as details of salary and other remuneration to senior executives and auditors' fees is provided in Note 41 on pages 59–60.

#### PROPOSED DISTRIBUTION OF EARNINGS

The proposed distribution of the unappropriated earnings is presented on page 77.

The result of the year's operations and the company's position at December 31, 2005 are presented in the following consolidated and Parent Company income statements and balance sheets, and the accompanying notes.

## Five-year summary

Länsförsäkringar AB Group excl. Länsförsäkringar Liv <sup>1)</sup>	2001	2002	2003	2004	2005
<b>INCOME, SEK M</b>					
Premiums earned (after ceded reinsurance)	3,039	3,716	4,417	3,057	1,889
Investment income transferred from financial operations	757	755	699	505	422
Claims payments (after ceded reinsurance)	-3,032	-3,500	-3,750	-2,625	-1,504
Operating expenses	-816	-885	-818	-675	-514
Other technical revenue and expenses	29	25	37	-3	18
<b>Technical result, non-life insurance operations</b>	<b>-23</b>	<b>111</b>	<b>586</b>	<b>260</b>	<b>310</b>
Technical result, life assurance	2	-52	-2	2	5
Remaining investment income	-378	74	199	518	1,760
Income from bank and mutual fund operations	55	34	91	127	154
Other non-technical revenue and expenses	-51	-133	-123	-126	-130
<b>Operating income before tax</b>	<b>-395</b>	<b>34</b>	<b>750</b>	<b>781</b>	<b>2,100</b>
<b>Net profit/loss for the year</b>	<b>-217</b>	<b>2</b>	<b>576</b>	<b>945</b>	<b>1,861</b>
<b>Premium income before ceded reinsurance</b>					
Non-life insurance	5,045	5,401	6,214	3,806	3,905
<b>Premium income after ceded reinsurance</b>					
Non-life insurance	3,270	3,875	4,658	1,955	1,952
Life assurance	2	0	2	1	1

Länsförsäkringar AB Group excl. Länsförsäkringar Liv <sup>1)</sup>	2001	2002	2003	2004	2005
<b>FINANCIAL POSITION</b>					
Investment assets (valued at fair value)	16,648	17,646	18,641	19,247	20,592
Technical reserves	12,926	13,860	15,000	14,015	13,717
<b>Solvency capital</b>					
Shareholders' equity	5,531	5,518	6,086	7,016	8,878
Deferred tax	399	435	614	448	686
Subordinated loans	327	139	139	139	139
<b>Solvency capital</b>	<b>6,257</b>	<b>6,092</b>	<b>6,839</b>	<b>7,603</b>	<b>9,703</b>
<b>Solvency margin, %</b>	<b>191</b>	<b>157</b>	<b>147</b>	<b>389</b>	<b>497</b>
Net worth (SEK M)	5,531	5,518	6,086	7,016	8,878
Number of shares (000s) at par value of SEK 100	6,297	6,297	6,298	6,298	6,298
Net worth per share (SEK)	878	876	966	1,114	1,410
Capital base for the insurance Group <sup>1)</sup>			9,251	10,263	12,777
Required solvency margin for the insurance Group <sup>1)</sup>			4,757	4,450	4,560
<b>KEY RATIOS, %</b>					
<b>Non-life insurance operations</b>					
Claims ratio	100	94	85	86	80
Expense ratio	27	24	19	22	27
Combined ratio	127	118	103	108	107
<b>Asset management</b>					
Direct yield	2.6	2.9	2.2	1.2	1.4
Total yield	1.9	4.3	4.6	4.9	10.3
<b>Banking operations</b>					
Return on equity	0.1	1.3	3.0	4.3	4.1
Investment margin	3.1	3.0	2.6	2.2	1.9
Capital coverage	9.1	8.1	13.0	11.4	11.3

<sup>1)</sup> The Länsförsäkringar Liv Försäkrings AB Group is not consolidated since the company's operations are conducted in accordance with mutual principles. However, the life assurance companies are included in the insurance group.



## Consolidated income statement

SEK M		2005	2004
<b>TECHNICAL ACCOUNTING, NON-LIFE INSURANCE OPERATIONS</b>			
<b>Premiums earned (after ceded reinsurance)</b>			
Premium income	Note 1	3,904.8	3,805.9
Premiums for ceded reinsurance		-1,953.1	-1,850.6
Change in Provision for unearned premiums and unexpired risks		-75.3	1,155.0
Reinsurers' portion of Change in the provision for unearned premiums and unexpired risks		12.3	-53.0
		<b>1,888.7</b>	<b>3,057.3</b>
Investment income transferred from financial operations	Note 2	422.4	504.9
Other underwriting revenue (after ceded reinsurance)	Note 3	17.6	0.7
<b>Claims payments (after ceded reinsurance)</b>			
Claims payments	Note 4		
Before ceded reinsurance		-4,971.1	-3,559.7
Reinsurers' portion		3,046.7	1,075.8
		<b>-1,924.4</b>	<b>-2,483.9</b>
<b>Change in Provision for outstanding claims</b>			
Before ceded reinsurance		-983.2	-215.4
Reinsurers' portion		1,403.3	74.6
		<b>420.1</b>	<b>-140.8</b>
<b>Claims payments (after ceded reinsurance)</b>		<b>-1,504.3</b>	<b>-2,624.7</b>
Operating expenses	Note 5	-513.9	-674.6
Other underwriting expenses (after ceded reinsurance)	Note 6	-	-3.9
<b>TECHNICAL RESULT, NON-LIFE INSURANCE OPERATIONS</b>		<b>310.4</b>	<b>259.8</b>

SEK M		2005	2004
<b>TECHNICAL ACCOUNTING, LIFE ASSURANCE OPERATIONS</b> (Group life and occupational group life)			
<b>Premium income (after ceded reinsurance)</b>			
Premium income	Note 7	0.5	0.6
Premiums for ceded reinsurance		-	-
		<b>0.5</b>	<b>0.6</b>
Investment income	Note 8	3.5	2.3
Unrealized gains on bonds and other interest-bearing securities		2.7	0.1
<b>Claims payments (after ceded reinsurance)</b>			
<b>Claims payments</b>			
Before ceded reinsurance		-2.5	-1.3
Reinsurers' portion		0.5	2.5
		<b>-2.0</b>	<b>1.2</b>
<b>Change in Provision for outstanding claims</b>			
Before ceded reinsurance		4.7	5.4
Reinsurers' portion		-2.8	-6.0
		<b>2.0</b>	<b>-0.6</b>
<b>Claims payments (after ceded reinsurance)</b>		<b>0.0</b>	<b>0.6</b>
<b>Change in life assurance provision (after ceded reinsurance)</b>			
Before ceded reinsurance		0.7	0.4
Operating expenses	Note 9	-1.3	-1.4
Investment charges	Note 10	-0.4	-0.1
Unrealized losses on shares and participations		-0.4	-
<b>TECHNICAL RESULT, LIFE ASSURANCE OPERATIONS</b>		<b>5.3</b>	<b>2.5</b>

### NON-TECHNICAL ACCOUNTING

Technical result, non-life insurance operations		310.4	259.8
Technical result, life assurance operations		5.3	2.5
Investment income	Note 11	1,736.8	1,161.4
Unrealized gains on investment assets	Note 12	1,040.0	396.8
Investment charges	Note 13	-411.4	-477.8
Unrealized losses on investment assets	Note 12	-182.6	-57.4
Investment income transferred to non-life insurance operations		-422.4	-504.9
Other non-technical revenue and expenses	Note 14	-130.3	-126.0
<b>Income from insurance operations</b>		<b>1,945.9</b>	<b>654.4</b>
Net interest income		873.4	829.7
Operating revenue		832.7	726.4
Operating expenses		-1,552.2	-1,429.5
<b>Income from banking operations</b>	Note 15	<b>154.0</b>	<b>126.6</b>
<b>Result before tax</b>		<b>2,099.9</b>	<b>781.0</b>
Tax on income for the year	Note 16	-238.5	163.6
Minority share of earnings		0.0	0.0
<b>NET PROFIT FOR THE YEAR</b>	Note 17	<b>1,861.4</b>	<b>944.6</b>
Number of shares		6,297,583	6,297,583
Earnings per share, SEK		296	150

## Consolidated performance analysis

SEK M	Total	Medical & accident	Household & home-owner	Commercial & property	Motor vehicle	Third-party liability	Marine, aviation & transportation	Industrial injury	Domestic animal	Direct insurance, Swedish risks	Direct insurance, foreign risks	Assumed reinsurance
<b>Technical result, non-life insurance operations</b>												
Premiums earned (after ceded reinsurance) Note A	1,888.6	255.5	–	177.9	161.8	117.9	99.6	–	817.7	1,630.4	7.5	250.7
Investment income transferred from financial operations	422.3	18.5	0.8	32.8	2.4	318.9	3.4	0.0	10.5	387.3	0.1	34.9
Other underwriting revenue (after ceded reinsurance)	17.6	–	–	–	–	–	–	–	–	–	–	17.6
Claims payments (after ceded reinsurance) Note B	–1,504.4	–210.0	–0.5	–160.1	–110.7	–171.1	–76.7	0.0	–526.8	–1,255.9	–3.9	–244.6
Operating expenses	–513.6	–59.0	–	–39.6	–26.3	–49.0	–21.8	–	–250.9	–446.6	–6.5	–60.5
	<b>310.5</b>	<b>5.0</b>	<b>0.3</b>	<b>11.0</b>	<b>27.2</b>	<b>216.7</b>	<b>4.5</b>	<b>0.0</b>	<b>50.5</b>	<b>315.2</b>	<b>–2.8</b>	<b>–1.9</b>
Run-off result, gross	247.7	9.2	2.8	28.8	3.3	–47.6	–5.4	–0.1	7.1	–1.9	0.3	249.3
<b>Technical reserves, before ceded reinsurance</b>												
Provision for unearned premiums and unexpired risks	787.5	65.8	1.1	147.7	82.1	40.5	22.0	–	401.3	760.5	6.1	20.9
Provision for outstanding claims	17,500.9	586.9	39.2	1,219.9	40.8	10,649.8	144.8	0.2	99.5	12,781.1	4.7	4,715.1
	<b>18,288.4</b>	<b>652.7</b>	<b>40.3</b>	<b>1,367.6</b>	<b>122.9</b>	<b>10,690.3</b>	<b>166.8</b>	<b>0.2</b>	<b>500.8</b>	<b>13,541.6</b>	<b>10.8</b>	<b>4,736.0</b>
From life assurance operations, outstanding claims	39.9											
<b>Reinsurers' portion of technical reserves</b>												
Provision for unearned premiums and unexpired risks	66.4	–	–	62.3	–	–	1.8	–	–	64.1	–	2.3
Provision for outstanding claims	4,546.9	25.7	1.1	151.4	–	413.5	9.2	–	23.8	624.7	–	3,922.2
	<b>4,613.3</b>	<b>25.7</b>	<b>1.1</b>	<b>213.7</b>	<b>–</b>	<b>413.5</b>	<b>11.0</b>	<b>–</b>	<b>23.8</b>	<b>688.8</b>	<b>–</b>	<b>3,924.5</b>
From life assurance operations, outstanding claims	3.2											
<b>Note A Premiums earned (after ceded reinsurance)</b>												
Premium income (before ceded reinsurance)	3,904.8	258.7	–	375.9	171.4	138.3	109.9	–	853.2	1,907.4	13.5	1,983.9
Premiums for ceded reinsurance	–1,953.2	–0.6	–	–205.1	–0.8	–17.4	–10.3	–	–7.0	–241.2	–	–1,712.0
Change in Provision for unearned premiums and unexpired risks	–75.4	–1.1	–	–2.1	–8.8	–3.0	0.1	–	–28.1	–43.0	–6.0	–26.4
Reinsurers' portion of Change in the provision for unearned premiums and unexpired risks	12.4	–1.5	–	9.2	–	–	–0.2	–	–0.4	7.1	–	5.3
	<b>1,888.6</b>	<b>255.5</b>	<b>–</b>	<b>177.9</b>	<b>161.8</b>	<b>117.9</b>	<b>99.5</b>	<b>–</b>	<b>817.7</b>	<b>1,630.3</b>	<b>7.5</b>	<b>250.8</b>
<b>Note B Claims payments (after ceded reinsurance)</b>												
<b>Claims payments</b>												
Before ceded reinsurance	–4,971.2	–194.9	–5.0	–210.1	–110.2	–825.5	–45.3	–0.1	–530.9	–1,922.0	–3.8	–3,045.4
Reinsurers' portion	3,046.5	–2.1	0.0	153.4	0.0	76.5	–1.8	–	6.4	232.4	–	2,814.1
<b>Change in provision for outstanding claims</b>												
Before ceded reinsurance	–983.1	–9.7	7.1	–45.3	–0.4	549.6	–21.5	–	–2.1	477.7	0.1	–1,460.9
Reinsurers' portion	1,403.4	–3.3	–2.7	–58.1	–	28.3	–8.1	–	–0.2	–44.1	–	1,447.5
	<b>–1,504.4</b>	<b>–210.0</b>	<b>–0.6</b>	<b>–160.1</b>	<b>–110.6</b>	<b>–171.1</b>	<b>–76.7</b>	<b>–0.1</b>	<b>–526.8</b>	<b>–1,256.0</b>	<b>–3.7</b>	<b>–244.7</b>

## Consolidated balance sheet

SEK M	Dec. 31, 2005	Dec. 31, 2004
<b>ASSETS</b>		
<b>Intangible assets</b>		
Other intangible assets	Note 18	79.4 257.8
<b>Investment assets</b>		
Buildings and land	Note 19	246.6 214.4
Investments in Group and associated companies		
Shares in Länsförsäkringar Liv	Note 20	452.0 452.0
Shares and participations in associated companies	Note 20	460.7 1,184.1
Other financial investments assets		
Shares and participations (see pages 66-76)		8,178.1 6,786.5
Bonds and other interest-bearing securities	Note 21	10,978.2 9,834.7
Other loans		24.8 24.0
Derivatives	Note 22	208.8 731.6
Deposits with companies that have ceded reinsurance		43.1 19.7
<b>Total investment assets</b>		<b>20,592.4 19,247.0</b>
<b>Reinsurers' portion of technical reserves</b>		
Unearned premiums and unexpired risks		66.5 54.6
Outstanding claims		4,550.0 3,144.0
		<b>4,616.6 3,198.6</b>
<b>Assets in the Banking Group</b>		
Bonds and other interest-bearing securities	Note 23	2,602.8 1,197.7
Lending		48,390.2 41,003.7
Other receivables and assets		626.1 733.7
		<b>51,619.1 42,935.1</b>
<b>Receivables</b>		
Receivables pertaining to direct insurance	Note 24	294.2 378.2
Receivables pertaining to reinsurance	Note 25	522.6 420.9
Deferred tax assets	Note 26	30.9 269.3
Other receivables from closely related companies	Note 27	483.3 233.1
Other receivables		300.9 155.9
		<b>1,631.9 1,457.3</b>
<b>Other assets</b>		
Tangible assets and inventories	Note 28	81.0 102.0
Cash and bank balances		1 480.7 1 985.9
		<b>1 561.7 2 087.9</b>
<b>Prepaid expenses and accrued income</b>		
Accrued interest and rental income		228.7 123.8
Prepaid acquisition costs	Note 29	49.4 40.6
Other prepaid expenses and accrued income		98.3 65.6
		<b>376.4 230.0</b>
<b>TOTAL ASSETS</b>		<b>80,477.5 69,413.9</b>

SEK M	Dec. 31, 2005	Dec. 31, 2004
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		
<b>Restricted equity</b>		
	Note 30	
Share capital		629.8 629.8
Share premium reserve		– 4 801.3
Statutory reserve		4,801.3 0.0
Reserve for unrealized gains	Note 31	832.1 93.5
Other restricted reserves		189.6 352.2
<b>Non-restricted equity</b>		
Profit brought forward		563.4 194.8
Net profit for the year		1,861.4 944.6
<b>Total shareholders' equity</b>		<b>8,877.6 7,016.2</b>
<b>Minority interests in equity</b>		
		<b>0.0 0.0</b>
<b>Subordinated debt</b>		
	Note 32	<b>139.0 139.0</b>
<b>Technical reserves (before ceded reinsurance)</b>		
Unearned premiums and unexpired risks	Note 33	787.7 712.1
Life assurance provision		5.1 5.9
Outstanding claims	Note 34	17,540.8 16,495.8
		<b>18,333.6 17,213.7</b>
<b>Liabilities in the Banking Group</b>		
	Note 35	
Liabilities to credit institutions		308.4 705.5
Deposits and borrowing from the public		20,738.9 18,599.4
Securities issued		24,849.8 18,154.6
Other provisions and liabilities		1,003.4 1,062.0
		<b>46,900.6 38,521.5</b>
<b>Provisions for other risks and expenses</b>		
Pensions and similar obligations		42.4 42.8
Current tax		– 1.0
Deferred tax	Note 26	716.9 717.3
Other provisions		– 14.1
		<b>759.3 775.2</b>
<b>Deposits from reinsurers</b>		
		<b>56.0 67.6</b>
<b>Liabilities</b>		
Liabilities pertaining to direct insurance	Note 36	189.5 207.8
Liabilities pertaining to reinsurance	Note 37	623.4 598.7
Bond loans	Note 38	2 688.0 2 693.7
Derivatives	Note 22	334.0 445.7
Other liabilities to closely related companies	Note 39	851.0 1,109.6
Other liabilities		328.1 243.5
		<b>5,014.0 5,299.0</b>
<b>Accrued expenses and prepaid income</b>		
Other accrued expenses and prepaid income		<b>397.4 381.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>80,477.5 69,413.9</b>
<b>Memorandum items</b>		
	Note 40	
Pledged assets		16,639.5 16,034.2
Contingent liabilities		1,117.2 3,453.7
Other commitments		23,752.9 19,650.6

## Changes in shareholders' equity, Group

SEK M	Share capital	Restricted reserves	Non-restricted equity
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>			
Closing balance as stated on balance sheet at Dec. 31, 2003	629.8	5,184.9	271.4
Transfer between non-restricted and restricted reserves		44.4	-44.4
Change in translation difference 2004		17.7	-32.2
Net profit for the year 2004			944.6
<b>Shareholders' equity at Dec. 31, 2004</b>	<b>629.8</b>	<b>5,247.0</b>	<b>1,139.5</b>
Transfer between non-restricted and restricted reserves		579.2	-579.2
Net profit for the year 2005			1,861.4
<b>Shareholders' equity at Dec. 31, 2005</b>	<b>629.8</b>	<b>5,826.2</b>	<b>2,421.7</b>
<b>Of which, accumulated translation differences</b>			
Accumulated translation difference at Dec. 31, 2003		-17.7	32.2
Change in translation difference 2004		17.7	-32.2
Accumulated translation difference at Dec. 31, 2004		-	-
<b>Accumulated translation difference at Dec. 31, 2005</b>		-	-

SEK M	Effect on Value	Tax assets	Shareholders' equity
<b>SENSITIVITY ANALYSIS, EFFECT ON SHAREHOLDERS' EQUITY</b>			
10% decline in share price	-888.8	248.9	-639.9
1% increase in bond rates	-339.4	95.0	-244.4
2% increase in yield requirement for properties	-107.0	30.0	-77.0
Negative 10% foreign exchange fluctuation	-391.8	109.7	-282.1
	<b>-1,727.0</b>	<b>483.6</b>	<b>-1,243.4</b>



## Consolidated cash-flow statement

SEK M	2005	2004
<b>Operating activities</b>		
Profit before tax	2,099.9	781.0
Adjustments for items not included in cash flow, etc	-2,012.7	-1,678.9
	<b>87.2</b>	<b>-897.9</b>
Tax paid	-1.5	-1.1
<b>Cash flow from operating activities before changes in working capital</b>	<b>85.7</b>	<b>-899.0</b>
<b>Cash flow from changes in working capital</b>		
Increase(-)/decrease(+) in inventories	-2.6	0.2
Investments in investment assets, net	-291.6	-213.8
Increase in net assets, banking operations	281.5	-195.1
Increase(-)/decrease(+) in operating receivables	-1,082.2	1,073.4
Increase(+)/decrease(-) in operating liabilities	-349.9	46.2
<b>Cash flow from operating activities</b>	<b>-1,359.1</b>	<b>1,138.5</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	0.0	-1.7
Change in associated companies	732.4	-0.9
Divestment/acquisition of intangible fixed assets	145.4	-104.4
Acquisition of tangible fixed assets	-25.9	-24.4
Divestment of tangible fixed assets	2.0	3.1
<b>Cash flow from investing activities</b>	<b>853.9</b>	<b>-128.3</b>
Cash flow for the year	-505.2	111.2
Liquid funds at the beginning of the year	1,985.9	1 873.1
Exchange rate difference for liquid funds	0.0	1.6
<b>Liquid funds at year-end</b>	<b>1,480.7</b>	<b>1,985.9</b>

## Supplementary information to the cash-flow statement

SEK M	2005	2004
<b>Interest paid and dividend received</b>		
Dividend received	3.9	20.5
Interest received	405.8	722.3
Interest paid	-283.5	-288.6
<b>Adjustments for items not included in cash flow, etc.</b>		
Less: participations in earnings of associated companies	-11.4	-36.7
Depreciation and write down of assets	82.3	111.1
Unrealized exchange rate differences	-847.2	-340.1
Capital gains/losses on assets	-927.5	-446.1
Technical reserves after ceded reinsurance	-298.0	-961.6
Pension provisions	-0.4	-5.2
Other provisions	-14.2	9.6
Other profit/loss items not affecting liquidity	3.7	-9.9
	<b>-2,012.7</b>	<b>-1,678.9</b>
<b>Acquisition of subsidiaries and other business units</b>		
Acquired assets and liabilities		
Intangible fixed assets	-	1.6
Operating receivables	-	0.1
Liquid funds	0.1	-
<b>Total assets</b>	<b>0.1</b>	<b>1.7</b>
Consideration paid	0.1	1.7
Less: acquired liquid funds	-0.1	-0.1
Effect on liquid funds	-	1.6
<b>Liquid funds</b>		
Cash and bank balances	1,480.7	1,985.9

## Parent Company income statement

SEK M		2005	2004
Net sales	Note 42	1,002.4	811.7
<b>Operating expenses</b>			
External costs	Note 43	-920.8	-778.5
Personnel costs	Note 41	-262.6	-293.2
Depreciation/amortization of tangible and intangible fixed assets		-35.8	-39.9
<b>Operating income</b>		<b>-216.7</b>	<b>-299.9</b>
<b>Income from financial items</b>			
Income from participations in Group companies	Note 44	135.8	398.3
Interest income and similar profit/loss items	Note 45	319.9	279.2
Interest expense and similar profit/loss items	Note 46	-167.6	-169.7
<b>Result before tax</b>		<b>71.4</b>	<b>207.9</b>
Tax on income for the year	Note 47	25.4	52.2
<b>Net profit for the year</b>		<b>96.8</b>	<b>260.1</b>

## Parent Company balance sheet

SEK M		Dec. 31, 2005	Dec. 31, 2004
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	Note 48	13.9	-
<b>Tangible fixed assets</b>			
Buildings and land	Note 19	5.6	-
Equipment	Note 49	60.0	78.8
<b>Financial fixed assets</b>			
Shares and participations in Group companies	Note 50	5,810.1	5,408.8
Loans to Group companies	Note 51	2,210.0	2,210.0
Deferred tax assets	Note 52	11.0	25.0
		<b>8,031.1</b>	<b>7,643.8</b>
<b>Total fixed assets</b>		<b>8,110.6</b>	<b>7,722.5</b>
<b>Current assets</b>			
Inventories		4.0	3.7
<b>Current receivables</b>			
Receivables from Group companies		167.7	598.0
Receivables from other closely related companies	Note 53	75.8	41.6
Tax assets		4.6	-
Other receivables		2.8	35.5
Prepaid expenses and accrued income, Group companies	Note 54	12.6	22.2
Other prepaid expenses and accrued income	Note 55	49.1	31.3
		<b>312.6</b>	<b>728.6</b>
Current investments	Note 56	692.9	375.3
Cash and bank balances		527.3	822.6
<b>Total current assets</b>		<b>1,536.8</b>	<b>1,930.1</b>
<b>TOTAL ASSETS</b>		<b>9,647.4</b>	<b>9,652.6</b>

## Parent Company balance sheet, cont.

SEK M		Dec. 31, 2005	Dec. 31, 2004
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity	Note 57		
Restricted equity			
Share capital		629.8	629.8
Share premium reserve		–	4,801.3
Statutory reserve		4,801.3	0.0
		5,431.0	5,431.0
Non-restricted equity			
Profit brought forward		839.7	478.5
Net profit for the year		96.8	260.1
		936.5	738.6
Total shareholders' equity		6,367.5	6,169.7
Provisions			
Pension provisions	Note 58	32.8	42.1
Long-term liabilities			
Subordinated loans from regional insurance companies	Note 59	139.0	139.0
Bond loans	Note 38	2,688.0	2,693.7
		2,827.0	2,832.7
Current liabilities			
Accounts payable		29.1	25.3
Liabilities to Group companies		195.2	375.7
Liabilities to other closely related companies	Note 60	62.8	85.2
Other liabilities		4.1	3.5
Accrued expenses and prepaid income, Group companies	Note 61	39.0	13.0
Other accrued expenses and prepaid income	Note 62	89.8	105.4
		420.0	608.2
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		9,647.4	9,652.6
Closely related transaction in Länsförsäkringar AB			
	Note 63		
Pledged assets			
Chattel mortgages		0.4	None
Contingent liabilities			
Guarantees		10.0	None

## Changes in shareholders' equity, Parent Company

SEK M	Share capital	Restricted reserves	Non-restricted equity
<b>Changes in shareholders' equity in the Parent Company</b>			
Closing balance as stated on balance sheet at Dec. 31, 2003	629.8	4,801.3	297.5
Effects of change in accounting principles, year's result			46.6
<b>Adjusted opening balance at Jan. 1, 2004</b>			<b>344.1</b>
Net profit for the year			260.1
Group contribution			186.7
Tax effect of Group contribution			–52.3
<b>Shareholders' equity at Dec. 31, 2004</b>	<b>629.8</b>	<b>4,801.3</b>	<b>738.6</b>
Net profit for the year			96.8
Group contribution			140.4
Tax effect of Group contribution			–39.3
<b>Shareholders' equity at Dec. 31, 2005</b>	<b>629.8</b>	<b>4,801.3</b>	<b>936.5</b>

It is proposed that non-restricted equity of SEK 936.5 M be carried forward.

## Parent Company cash-flow statement

SEK M	2005	2004
<b>Operating activities</b>		
Income after financial items	71.4	207.9
Adjustments for items not included in cash flow, etc.	-153.4	-484.3
	<b>-82.0</b>	<b>-276.4</b>
Tax paid	-	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>-82.0</b>	<b>-276.4</b>
<b>Cash flow from changes in working capital:</b>		
Increase(-)/decrease(+) in inventories	-0.3	0.9
Increase(-)/decrease(+) in operating receivables	423.9	492.7
Increase(+)/decrease(-) in operating liabilities	-196.1	-2.4
<b>Cash flow from operating activities</b>	<b>145.5</b>	<b>214.9</b>
<b>Investing activities</b>		
Shareholders' contribution paid	-401.3	-300.0
Acquisition of subsidiaries	-	0.0
Acquisition of intangible fixed assets	-14.6	-
Acquisition of buildings and land	-5.6	-
Acquisition of tangible fixed assets	-19.1	-20.6
Divestment of fixed assets	2.7	2.0
Investments in financial assets	-137.6	192.5
<b>Cash flow from investing activities</b>	<b>-575.4</b>	<b>-126.0</b>
<b>Financing activities</b>		
Other changes in loans	-5.7	-
Group contribution received	140.4	134.6
<b>Cash flow from financing activities</b>	<b>134.7</b>	<b>134.6</b>
Cash flow for the year	-295.2	223.5
Liquid funds at the beginning of the year	822.6	599.1
<b>Liquid funds at year-end</b>	<b>527.3</b>	<b>822.6</b>
<b>SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT</b>		
<b>Interest payments and dividend received</b>		
Dividend received from subsidiaries	535.8	99.7
Interest received	135.1	138.3
Interest paid	-166.3	-164.2
<b>Adjustments for items not included in cash flow, etc.</b>		
Depreciation and write down of assets	35.8	45.1
Anticipated dividend from subsidiaries	-	-400.0
Capital gain on the divestment of participations	-30.0	-65.1
Unrealized gains	-150.9	-70.8
Unrealized losses	0.9	-
Exchange losses	0.2	-0.1
Pension provisions	-9.3	6.5
	<b>-153.4</b>	<b>-484.3</b>
<b>Liquid funds</b>		
Cash and bank balances	527.3	822.6
Unutilized credit facilities amount to SEK 50 M (50).		
The dividend received in the preceding year of SEK 499.7 M has been transferred from investing activities to the operating activities.		

## Valuation and accounting principles

The annual report and consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act, the Annual Accounts Act for Insurance Companies (SFS 1995:1560) and the regulations and guidelines in FFFS 2003:13, with the addition of certain rules and general recommendations in FFFS 2004:21 issued by Finansinspektionen. The Parent company and the Group comply with the Swedish Accounting Standards Board's general recommendation BFNR 2000:2 which means continued application of recommendations 1-29 of the Swedish Financial Accounting Standards Council, with the content as of December 31, 2004, and the statements of its Emerging Issues Task Force.

The accounting principles are unchanged compared with those applied to the 2004 Annual Report.

### Segment reporting

The Group's operations are primarily broken down by business segment. Geographical division is not applied in the operational follow-up since the Group operates mainly on a national basis, in contrast to the regional insurance companies, which operate within their respective geographical markets.

For the Insurance, Bank and Other business areas, pricing between the Group's different segments is based on market terms. Internal prices for service operations are based on the full costing method.

### Consolidated accounts

The consolidated accounts cover Länsförsäkringar AB and those companies in which Länsförsäkringar AB directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling influence. The consolidated accounts do not include life assurance operations conducted in accordance with mutual principles via Länsförsäkringar Liv Försäkringsaktiebolag (publ) and whose earnings accrue in their entirety to policyholders.

The consolidated accounts were prepared in accordance with the purchase method and Recommendation RR 1:00 of the Swedish Financial Accounting Standards Council. Untaxed reserves in the consolidated balance sheet were divided into deferred tax liabilities and restricted equity.

Foreign subsidiaries' income statements were translated at the average exchange rate, and balance sheets at the year-end exchange rate. The translation difference arising on comparison with opening shareholders' equity was charged directly against shareholders' equity. All foreign subsidiaries were liquidated during 2004. The remaining translation difference was dissolved in the income statement.



### Associated companies

Holdings in associated companies in which the Group holds a minimum of 20% and a maximum of 50% of the voting rights or otherwise has significant influence over operational and financial control, are reported in accordance with the equity method. This means that a share of profit corresponding to the Group's participation in the associated company's earnings is reported in the consolidated income statement. The Group's acquisition cost of the shares in the associated company is increased or reduced by the net share of profit. Any dividends received are reversed in the consolidated income statement and replaced with the share of the associated company's profit.

Properties owned by the Utile Dulci 2 HB associated company were valued at fair value.

### Closely related companies

Group companies, companies within the Life Group, associated companies and the 24 regional insurance companies and Länsförsäkringar Mäklarservice AB are considered closely related legal entities.

Pricing of business operations is based on market terms. Pricing of service operations within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is prepared in conjunction with the budget process. In general, pricing aims to allocate costs fairly within the Alliance based on consumption. Joint development projects and service are collectively financed and invoiced according to a list. The extent of internal sales is shown in the note on Group operating expenses (Note 5) and the note on Parent Company net sales (Note 42) and note for closely related transactions (Note 63). For a breakdown of the Life Group's transactions with closely related parties, refer to Länsförsäkringar Liv Försäkringsaktiebolag's annual report for 2005.

### Assets, liabilities and profit/loss items in foreign currencies

Assets and liabilities in foreign currencies are translated at year-end rates. Any translation gains or losses that arise are reported net as exchange gains/losses from financial operations. For Swedish companies, profit/loss items in foreign currencies were translated at current rates. Consequently, the income statement is affected by the point during the year at which profit/loss items are reported.

### Goodwill

Goodwill is amortized in accordance with the estimated useful life of acquired operations. An amortization period of five years

has been applied to goodwill. Negative goodwill is amortized in pace with future losses.

### Other intangible assets

Other intangible assets are reported at acquisition value, with a deduction for write-downs and accumulated amortization. The assets comprise mainly development expenditure pertaining to internally developed and acquired software that is assessed to be of considerable economic value to operations in coming years. Amortization begins when the system or system component is placed in operation. The amortization period is based on an estimated useful life varying between three and five years. The value of capitalized assets is continuously reassessed in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR17, "Write-downs".

### Investment assets in the Group

#### VALUATION

Investment assets are reported at the transaction date and are valued at fair value, with the exception of shares and participations in Group and associated companies, which are valued at acquisition value. For listed securities, the most recent market price is used. Foreign investment assets are valued in the original currency and then translated at the year-end rate. Currency differences that arise are reported in the income statement as currency gains/losses.

#### REPORTING OF REALIZED AND UNREALIZED GAINS/LOSSES

All changes in value – both realized and unrealized – are recognized in the income statement. Realized gains and losses consist of the difference between the selling price and the acquisition cost (or accrued acquisition value in the case of bonds and other interest-bearing securities) and are reported in the income statement under investment income and investment charges, respectively. Accrued acquisition value means that acquired premiums or discounts are allocated over the remaining duration of the asset. The change in accrued acquisition value is reported as interest (in accordance with the effective interest method). Unrealized changes in value are the difference between the fair value and the acquisition value of the security. When a security is sold, previously unrealized changes in value are reversed. Unrealized gains that arise as a result of valuation of investment assets over the cost of the acquisition are allocated to a reserve for unrealized gains, reported under shareholders' equity. Unrealized exchange gains and losses are not included in unrealized gains/losses but are reported as exchange gains/losses.

## REPORTING OF BUSINESS TRANSACTIONS

The purchase and sale of securities are settled as per the trade date – that is, on the day the transaction is carried out. Amounts due from or to the counterparty between the trade date and the settlement date are reported gross under other receivables and other liabilities, respectively.

## BUILDINGS AND LAND

Valuation of the property portfolio was conducted by an external assessor. In the valuation, an assessment was first made of local prices based on sales of equivalent properties during the year. The local assessment was supplemented by a cash-flow analysis covering a five-year period and an estimated residual value at period-end computed from the present value. Since properties are valued at fair value, no depreciation is applied.

## SHARES AND PARTICIPATIONS

Shares are valued at fair value. Fair value refers to the market value of the shares on the balance sheet date. For shares listed on an authorized stock exchange or marketplace, the market value is normally the closing price paid for the share on the balance sheet date or, if this is not available, the closing bid price. Shares and participations include “Alternative investments.” This type of asset consists of units in funds that buy, develop and sell unlisted companies (private equity) and hedge funds. Valuation data is obtained from the various funds and valuation of their assets complies with the guidelines of the European Private Equity and Venture Capital Association.

## BONDS AND OTHER INTEREST-BEARING SECURITIES

Bonds and other interest-bearing securities are also valued at fair value using the last listed price. If this is not available, a present value computation is made by taking into account the market rates of comparable securities on the closing day. Capital gains/losses on bonds and other interest-bearing securities are calculated as the difference between the market value and accrued acquisition value. Accrued acquisition value is reported by distributing the difference between the acquisition value and the redemption price across the income statement over the remaining duration. The change in accrued acquisition value is reported net as interest income. Unrealized changes are the difference between fair value and accrued acquisition value.

## DERIVATIVES

All derivatives are valued at fair value and are recognized in the balance sheet. Derivative transactions are undertaken within the specified risk mandate and are used to hedge financial risk and/or render asset management more effective.

## FINANCIAL MANAGEMENT RISKS

An account of market, interest-rate, liquidity, credit and currency risks is provided in the Board of Directors’ report

### Investment assets in the Parent Company

In the Parent Company, financial instruments have been valued at fair value. The Parent Company uses interest-rate swaps to hedge certain loan receivables and borrowings with contractual fixed payment flows against interest-rate risk. The Parent Company applies hedge accounting using the cost method, which means that the hedged and protected positions are reported in the income statement and balance sheet without taking unrealized changes in value into account.

### Receivables

Receivables are valued at fair value at the amounts expected to be received.

### Tangible assets

Tangible assets are reported at historical acquisition value after deduction of accumulated depreciation and possible write-downs. Straightline depreciation is applied over the asset’s estimated useful life, calculated from when the asset is ready to be taken into operation.

### Write-downs

If, in conjunction with the year-end closing, there is any indication of impairment in the value of a tangible or intangible asset, a calculation is made of the asset’s recoverable amount. The recoverable amount is whichever is higher of the asset’s net realizable value or its value in use. If the recoverable amount is lower than the book value, a write-down is made. If a higher value is established at a later date, the earlier write-down can be reversed.

### Prepaid acquisition costs

Selling expenses with a clear correlation to the underwriting of new insurance contracts are reported as assets under prepaid acquisition costs, and are depreciated over their useful life. This, however, requires that the acquisition costs attributable to a particular insurance contract, or to groups of contracts that are homogenous and can be followed up, are considered to generate a margin that at least covers the acquisition costs that are to be capitalized. Selling expenses include commission, marketing costs, salary and costs for sales representatives, which vary according to the acquisition or renewal of insurance contracts and are directly or indirectly related to this. In non-life insurance operations, the capitalized expenditure is periodized in a

manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed twelve months.

### **Reserve for unrealized gains**

Gains that occur as a result of fair value exceeding acquisition value are allocated to a reserve for unrealized gains, after deduction of deferred tax. This reserve does not include unrealized exchange gains. The reserve is broken down by asset type in the notes. The valuation of the reserve is based on a collective valuation by asset type for all investment assets except buildings and land, which are valued per individual property.

### **Group contribution and shareholders' contribution**

Group contribution and shareholders' contribution are reported in accordance with statements issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholders' contribution is reported directly against non-restricted equity in the receiving company's accounts and is capitalized in shares and participations in the accounts of the company making the contribution, to the extent that write-down is not required.

Group contribution is reported according to its financial significance. This means that Group contributions paid to minimize the Group's total tax is reported directly against retained earnings after deduction for the current tax effect.

### **Untaxed reserves**

Untaxed reserves occur only in the individual companies and not in the Group. In the consolidated accounts, 28% of untaxed reserves are reported as deferred tax liability and 72% as restricted equity.

### **Technical reserves**

Technical reserves include a provision for unearned premiums and unexpired risks, a life assurance provision and a provision for outstanding claims. Technical reserves correspond to commitments in accordance with current insurance contracts.

#### **PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS**

The provision for unearned premiums is intended to cover the anticipated claims costs and operating expenses during the remaining term of current insurance contracts. In most cases, provisioning for unearned premiums is made on a "pro rata temporis" basis. In the case of certain products with a limited volume, unearned premiums are not computed as a proportion of premium income.

If it is assessed that the provision for unearned premiums is insufficient to cover the cost of claims and operating expenses pertaining to the remaining term of insurance contracts valid on the balance sheet date, a provision is made for unexpired risks to cover the difference.

#### **LIFE ASSURANCE PROVISION**

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

Calculation of the life assurance provision was based on a gross interest rate assumption in accordance with Finansinspektionen's Regulation FFFS 2005:23 regarding the maximum interest permissible for the calculation of life assurance provisions (2.75–3.25% depending on the insurance date).

#### **PROVISION FOR OUTSTANDING CLAIMS**

The provision for outstanding claims is intended to cover the anticipated cost of claims that have not been definitively adjusted, including claims that have been incurred but have not yet been reported to the company. The provision covers an anticipated cost increase and claims costs, and is created for most types of claims using statistical methods. Larger claims, and claims where the liability scenario is complicated, are assessed individually.

With the exception of medical and accident insurance for children and claims annuities, provisions for outstanding claims are not discounted. Medical and accident insurance for children is discounted based on 3% real interest (4). The active component of these operations is delegated to the regional insurance companies. The provision for claims annuities is discounted in accordance with standard actuarial methods for life assurance.

For third-party liability insurance, a provision is made for claims adjustment costs in accordance with the unit cost principle. For other categories of insurance, provisions for claims adjustment costs are proportional to the provisions for claims incurred.

#### **Provision for other risks and expenses**

A provision is reported in the balance sheet when the company has a commitment as a result of an event that has occurred and when it is probable that an outflow of resources will be required to settle the undertaking and a reliable estimate of the amount can be made.

## Liabilities in the Parent Company

Long-term liabilities are defined as interest-bearing liabilities with a term of at least one year. Other liabilities are classed as current.

## Premium income

For non-life insurance, all premiums for which liability has commenced – that is, when the insurance period has begun or the premium is due – are reported as premium income.

Within life assurance operations, premium income is reported on a cash basis.

## Investment income transferred from financial operations

The non-life insurance operations have been allocated interest equal to half the premiums earned after ceded reinsurance plus the average of the opening and closing provisions for outstanding claims after ceded reinsurance. The interest is risk-free interest and is set to equal the 60-day interest rate. For technical reserves in foreign currencies, the 30-day interest rate applied in the particular country has been used as risk-free interest. For third-party liability insurance with long settlements, the average interest on a four-year treasury bill over four years is taken as risk-free interest with a 1 percentage point risk deduction. For companies in run-off, the entire investment income is transferred to the insurance operations.

## Operating expenses

Operating expenses in the insurance operations include the costs of acquiring insurance contracts, periodization of prepaid acquisition costs and administration. Operating expenses for claims adjustment are reported under Claims payments. Investment income pertains to the operating surplus for buildings and land after deduction of property management costs. Operating expenses for financial management are reported under Asset management costs.

## Pensions

According to a statement (URA 42) by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, the retirement and family pension plan for salaried employees, arranged through insurance with Alecta, is to be classified as a defined-benefit plan covering several employers. The ITP pension plan, on the other hand, is to be reported as a defined-contribution plan since it has not been possible to gain access to such information for fiscal year 2005 to enable this plan to be reported as a defined-benefit plan.

The FTP pension plan for the insurance sector works in the same way as the ITP plan and is therefore reported as a defined-contribution plan.

Pension obligations under the FTP plan are secured through insurance arranged through FPK and SPP Liv.

In addition there are a number of individual defined-benefit pension agreements. These have been reported in accordance with the Swedish Financial Accounting Standards Council's recommendation RR29. Employee benefits.

## Taxes

The Parent Company and the Group apply Recommendation RR9 "Income taxes" issued by the Swedish Financial Accounting Standards Council. Tax for the year comprises current tax and deferred tax. Taxes are reported in the income statement, except for when the underlying transaction is charged directly against shareholders' equity, in which case the associated tax effect is reported under shareholders' equity.

Current tax is tax that is due to be paid or received pertaining to the current year. This also includes adjustments of current tax pertaining to prior periods.

Deferred tax is computed in accordance with the balance sheet method, based on temporary differences between the book value of assets and liabilities and the value for tax purposes. The computation is based on how these temporary differences are expected to be offset, using the tax rates and tax rules applied or announced on the closing date. Untaxed reserves including deferred tax liabilities are reported for legal entities. In the consolidated accounts, however, untaxed reserves are divided into deferred tax liabilities and restricted equity. Deferred tax assets in tax-deductible temporary differences and loss carryforwards are only reported if they are likely to result in lower tax payments in the future.

## Cash-flow statement

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

## Credit institutions and securities companies

The Group's banking, credit and fund management companies are included in the consolidated accounts of Länsförsäkringar AB. These companies prepare annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). The consolidated balance sheet includes assets and liabilities for the Banking Group, reported separately after Group eliminations on separate lines. For the



items that follow, a more specific description of the Banking Group's accounting principles is provided.

#### FIXED ASSETS AND CURRENT ASSETS

Fixed assets are classified as assets intended to be held permanently and continuously used in operations until they become obsolete, or over the long term. All other assets are classified as current assets.

The main valuation principle is that fixed assets are valued at their acquisition value and current assets at their fair value, even when this exceeds the acquisition value.

#### FINANCIAL INSTRUMENTS

The bank's portfolio of bonds and other interest-bearing securities intended to be held until maturity are classified as fixed assets and carried at accrued acquisition value. Bonds that are not meant for long-term holding are classified as current assets and carried at fair value.

The fair value of the financial instrument on the balance sheet date corresponds to the most recent price paid.

The acquisition value of the instrument is defined as the accrued acquisition value, which means that any premium or discount on the price at the time of acquisition is distributed (according to the effective interest-rate method) over the instrument's remaining maturity.

Payments received and adjustments in financial instruments' accrued acquisition value during the period are reported as Interest income.

Unrealized and realized exchange gains and losses on financial instruments are reported as Net income from financial transactions.

#### HEDGE ACCOUNTING

The bank uses interest-rate swaps to hedge certain loan receivables with established payment flows against interest-rate risks. Hedged and protected positions have been identified individually and show a high correlation during changes in value, which means that unrealized gains and losses on hedged positions are offset by unrealized losses and gains on hedging positions.

The bank applies hedge accounting with acquisition valuation, which means that the hedged and protected positions are reported in the income statement and balance sheet without taking unrealized changes in value into account.

#### LENDING

Loan receivables are initially reported in the balance sheet at their acquisition value, that is, in the amount lent to the bor-

rower. Thereafter, loan receivables are reported continuously at their acquisition value after deductions for write-offs and specific and group-wise provisions for loan losses.

All loan receivables in the bank are classified as fixed assets and are reported at the highest value expected to be received.

Lending is reported in the balance sheet after deductions for confirmed and probable loan losses. Confirmed loan losses during the year and allocations to provisions for probable loan losses, less recoveries and reversals on previous confirmed and probable loan losses, are reported as loan losses, net.

Confirmed loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal or through other claim remissions. Non-performing receivables are loans for which interest payments, amortization or overdrafts are more than 60 days past due. A doubtful receivable is a non-performing receivable or a receivable for which payments are unlikely to be made in accordance with the terms of the claim, and for which the value of the collateral is not adequate to cover both the principal and accrued interest rates, including penalties for possible late payments.

As a provision for probable loan losses, the receivable is reported at an amount corresponding to the difference between its reported value and the amount that the bank expects to recover.

The bank applies either an individual or a group-wise valuation of credits in determining a provision for probable loan losses. The group-wise valuation is used for homogenous groups of loan receivables with similar credit risk. A standard provision is made, based on an assessment of a potential loss trend in the future. Group-wise provisions of individually appraised loan receivables have not been deemed necessary.

Recovered funds for doubtful receivables on which provisions have been made are, in the first instance, settled against the principal and in the second, against the interest rate. Interest rates on doubtful receivables are reported according to the cash principle, which means they are not reported as income until payment has been received.

#### LEASING

The leasing operations of the Banking Group mainly comprise financial leasing. In reporting financial leasing transactions, the leasing item is reported as lending to the lessee. Lease payments net of amortization are reported as interest income.

# Notes to the consolidated financial statements

Amounts in SEK M unless otherwise stated

## NOTE 1 PREMIUM INCOME, NON-LIFE INSURANCE OPERATIONS

	2005	2004
Direct insurance, Sweden	1,907.5	1,959.0
Direct insurance, EES	13.5	–
Accepted reinsurance	1,983.9	1,846.9
	<b>3,904.8</b>	<b>3,805.9</b>

## NOTE 2 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS TO NON-LIFE INSURANCE OPERATIONS

	2005	2004
Investment income transferred	422.4	504.9

### Interest rates

Third-party liability insurance	3.40	3.50
Claims annuities	1.71	3.50
Other Swedish liabilities	2.01	2.70
Liabilities in USD	1.67	1.10
Liabilities in GBP	4.85	3.65
Liabilities in EUR	2.08	2.10
Other foreign liabilities	2.87	2.40

The investment income transferred has been calculated on the basis of half the premiums earned after ceded reinsurance plus the average of the opening and closing provisions for outstanding claims after ceded reinsurance during the year at the above interest rates. For companies that are conducting run-off business, the entire investment income is transferred to insurance operations.

## NOTE 3 OTHER UNDERWRITING REVENUES (AFTER CEDED REINSURANCE), NON-LIFE INSURANCE OPERATIONS

	2005	2004
Dissolution of reserve for doubtful receivables	17.6	0.7

## NOTE 4 CLAIMS PAYMENTS, NON-LIFE INSURANCE OPERATIONS

	2005	2004
Claims paid	–1,674.0	–2,284.6
Operating expenses for claims adjustment	–250.5	–199.3
	<b>–1,924.4</b>	<b>–2,483.9</b>

## NOTE 5 OPERATING EXPENSES, NON-LIFE INSURANCE OPERATIONS

Total operating expenses by type of expense	2005	2004
Personnel costs	–905.5	–913.2
Cost of premises	–157.9	–151.8
Depreciation	–66.1	–82.8
Other expenses <sup>1)</sup>	337.9	206.3
	<b>–791.5</b>	<b>–941.5</b>

### Total operating expenses by function

	2005	2004
Operating expenses for asset management	–26.7	–67.2
Operating expenses for property management	–0.5	–0.5
Operating expenses for claims adjustment	–250.5	–199.3
Operating expenses for acquisitions and administration	–513.9	–674.6
	<b>–791.5</b>	<b>–941.5</b>

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## NOTE 5 OPERATING EXPENSES, NON-LIFE INSURANCE OPERATIONS, cont.

Operating expenses	2005	2004
Acquisition costs <sup>2)</sup>	–403.9	–337.1
Change in prepaid acquisition costs	8.7	–12.8
Administration expenses	–300.1	–499.7
Commissions and profit sharing – ceded reinsurance	181.3	175.1
	<b>–513.9</b>	<b>–674.6</b>

### <sup>1)</sup> Including service revenues, of which from related companies

Life assurance Group	419.9	435.8
Associated companies	–141.6	–153.7
Regional insurance companies	418.8	716.7

<sup>2)</sup> Of which, commissions on direct insurance	–108.3	–108.1
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## NOTE 6 OTHER UNDERWRITING EXPENSES (AFTER CEDED REINSURANCE), NON-LIFE INSURANCE OPERATIONS

	2005	2004
Write-down of receivables	–	–3.9

## NOTE 7 PREMIUM INCOME (AFTER CEDED REINSURANCE), LIFE ASSURANCE OPERATION

	2005	2004
Premium income for group insurance underwritten in Sweden	0.5	0.6

Premium income is entirely attributable to premiums for contracts that carry no bonus entitlement.

## NOTE 8 INVESTMENT INCOME, LIFE ASSURANCE OPERATIONS

	2005	2004
Dividends received	0.2	–
Realized gains, net, shares and participations	0.8	–
Currency gains, net	0.4	–

### Interest income

Bonds and other interest-bearing securities	2.2	2.2
Other interest income	0.0	0.1
	<b>3.5</b>	<b>2.3</b>

## NOTE 9 OPERATING EXPENSES, LIFE ASSURANCE OPERATIONS

Total operating expenses by type of expense	2005	2004
Other expenses	–1.4	–1.5

### Total operating expenses by function

Operating expenses for asset management	–0.1	–0.1
Operating expenses for acquisitions and administration	–1.3	–1.4
	<b>–1.4</b>	<b>–1.5</b>

### Operating expenses

Administration expenses	–1.3	–1.4
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**NOTE 10 INVESTMENT CHARGES, LIFE ASSURANCE OPERATIONS**

	2005	2004
Asset management costs	-0.1	-0.1
Interest expense, bonds and other interest-bearing securities	-0.0	-
<b>Capital loss, net</b>		
Interest-bearing securities	-0.3	-
	<b>-0.4</b>	<b>-0.1</b>

**NOTE 11 INVESTMENT INCOME**

	2005	2004
<b>Operating surplus, buildings and land</b>		
Rental income	12.1	11.7
Operating expenses	-7.6	-5.5
	<b>4.5</b>	<b>6.1</b>

Dividends on shares and participations	145.1	121.4
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**Interest income, etc**

Bonds and other interest-bearing securities	356.2	376.9
Other interest income	162.2	190.0
Exchange gains, net	73.5	-

**Capital gains, net**

Buildings and land	0.8	-
Shares and participations	741.7	467.0
Bonds and other interest-bearing securities	252.8	-
<b>Investment income</b>	<b>1,736.8</b>	<b>1,161.4</b>

**NOTE 12 UNREALIZED GAINS/LOSSES ON INVESTMENT ASSETS**

	Unrealized gains		Unrealized losses	
	2005	2004	2005	2004
Buildings and land	31.2	21.1	-	-
Shares and participations	979.1	201.8	-	-
Bonds and other interest-bearing securities	-	173.9	-182.3	-
Interest rate derivatives	27.0	-	-	-57.4
Other financial investment assets	2.7	-	-0.3	-
	<b>1,040.0</b>	<b>396.8</b>	<b>-182.6</b>	<b>-57.4</b>

**NOTE 13 INVESTMENT CHARGES**

	2005	2004
Asset management costs	-113.5	-157.1
<b>Interest expense, etc</b>		
Bonds and other interest-bearing securities	-72.3	-76.4
Property loans	-	-1.4
Other interest expense	-190.7	-219.3
Exchange losses, net	-13.7	-2.6
<b>Depreciation and write-downs</b>		
Shares and participations	-3.4	-

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**NOTE 13 INVESTMENT CHARGES, cont.**

	2005	2004
<b>Capital losses, net</b>		
Shares and participations	-17.8	-
Bonds and interest-bearing securities	-	-20.9
<b>Investment charges</b>	<b>-411.4</b>	<b>-477.8</b>

**NOTE 14 OTHER NON-TECHNICAL REVENUES AND EXPENSES**

	2005	2004
Expenses related to brand building	-98.3	-100.0
Other expenses, Länsförsäkringar AB	-34.9	-25.1
Other expenses, Länsförsäkringar Sak Group	4.6	-
Other expenses, Agria	-1.7	-0.9
	<b>-130.3</b>	<b>-126.0</b>

**NOTE 15 INCOME FROM BANKING OPERATIONS**

	2005	2004
Interest income	2,105.8	2,051.1
Interest expense	-1,232.4	-1,221.3
<b>Net interest income</b>	<b>873.4</b>	<b>829.7</b>
Commission revenue	683.1	556.2
Commission expense	-406.7	-342.5
Net income from financial transactions	10.3	14.8
Other operating revenues	139.3	155.4
<b>Total operating revenues</b>	<b>1,299.5</b>	<b>1,213.7</b>
General administration expenses	-1,009.7	-976.0
Depreciation/amortization and write-downs of tangible and intangible fixed assets	-33.4	-37.1
Other operating expenses	-53.8	-29.2
<b>Total expenses before loan losses</b>	<b>-1,096.9</b>	<b>-1,042.2</b>
<b>Income before loan losses</b>	<b>202.6</b>	<b>171.4</b>
Loan losses, net	-48.5	-44.8
<b>Income from banking operations</b>	<b>154.0</b>	<b>126.6</b>

**NOTE 16 TAX ON INCOME FOR THE YEAR**

	2005	2004
<b>Current tax</b>		
Tax expense for the period	-0.6	2.3
Adjustment of tax expense pertaining to prior years	0.8	-4.0
<b>Total current tax</b>	<b>0.2</b>	<b>-1.7</b>
<b>Deferred tax</b>		
Change in deferred tax expense pertaining to temporary differences	-242.9	82.6
Change in deferred tax revenue/cost of tax value in loss carryforwards capitalized during the year	4.9	83.3
<b>Total deferred tax</b>	<b>-238.0</b>	<b>165.9</b>
Tax on profit share in associated companies	-0.7	-0.5
<b>Total reported tax expense</b>	<b>-238.5</b>	<b>163.6</b>

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**NOTE 16 TAX ON INCOME FOR THE YEAR, cont.**

	2005	2004
<b>Reconciliation of effective tax rate</b>		
Result before tax	2,099.9	781.0
Tax at applicable rate for Parent Company	-588.0	-218.7
Tax, non-deductible costs	-9.7	-233.0
Tax, non-taxable revenue	30.2	306.7
Increase in loss carryforwards without corresponding capitalization of deferred tax	-0.1	-1.5
Utilization of non-capitalized loss carryforwards	328.9	313.9
Tax pertaining to prior years	1.2	-3.6
Other	-1.1	-0.2
<b>Total tax on result for the year</b>	<b>-238.5</b>	<b>163.6</b>
Applicable tax rate, %	28	28
Effective tax rate, %	11	-21

**NOTE 17 NET SALES BY BUSINESS SEGMENT**

Net sales by business segment	2005	% total sales	2004	% total sales
Insurance	4,456.4	54	4,279.4	60
Bank and Mutual Funds	1,929.3	23	1,322.8	19
Other	1,836.0	22	1,523.7	21
<b>Total</b>	<b>8,221.8</b>	<b>100</b>	<b>7,125.9</b>	<b>100</b>
Elimination	-1,083.4		-854.5	
<b>Group total</b>	<b>7,138.4</b>		<b>6,271.4</b>	

Net sales for the Insurance business segment are defined as premium income after ceded reinsurance and service revenue from insurance operations. For Mutual funds, net sales are defined as fund management revenue. For the Bank segment, net sales are defined as operating revenue (net interest income, net commission income and other revenue). For Other, net sales are defined as revenue from services. Commission to the regional insurance companies from banking and mutual fund operations less compensation for costs amounts to SEK 261.0 M (265.0). The corresponding amount paid to the Länsförsäkringar Liv Group amounts to SEK 165.2 M (121.2).

**Information about business segments (primary segment)**

	Insurance		Bank & Mutual funds		Other	
	2005	2004	2005	2004	2005	2004
<b>Revenue</b>						
External sales	4,208.5	4,153.9	1,925.4	1,318.5	1,004.5	799.0
Internal sales	248.0	125.4	3.9	4.3	831.5	724.8
	<b>4,456.4</b>	<b>4,279.4</b>	<b>1,929.3</b>	<b>1,322.8</b>	<b>1,836.0</b>	<b>1,523.7</b>
Technical result, life assurance operations	5.3	2.5	0.0	-	-	-
Technical result, non-life operations	278.2	194.1	-	-	-	-
Investment income, gross	2,065.9	979.4	-	-	285.1	488.5
Investment income transferred to non-life insurance operations	-422.4	-504.9	-	-	-	-
Other expenses/revenue	2.8	18.0	-	-	-133.1	-125.1
Operating income before tax	1,929.8	689.1	154.0	126.6	151.9	363.4
Minority interest	0.0	0.0	-	-	-	-
<b>Net profit for the year</b>	<b>1,716.9</b>	<b>745.2</b>	<b>109.3</b>	<b>186.0</b>	<b>171.0</b>	<b>411.6</b>

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**NOTE 17 NET SALES BY BUSINESS SEGMENT, cont.**

	Eliminations		Total	
Revenue	2005	2004	2005	2004
External sales	-	-	7,138.4	6,271.4
Internal sales	-1,083.4	-854.5	-	-
<b>Total revenue</b>	<b>-1,083.4</b>	<b>-854.5</b>	<b>7,138.4</b>	<b>6,271.4</b>
Technical result, life assurance operations	-	-	5.3	2.5
Technical result, non-life operations	32.2	65.6	310.4	259.8
Investment income, gross	-168.0	-444.9	2,182.9	1,023.0
Investment income transferred to non-life insurance operations	-	-	-422.4	-504.9
Other expenses/revenue	-	-18.9	-130.3	-126.0
Operating income before tax	-135.8	-398.2	2,099.9	781.0
Minority interest	-	-	0.0	0.0
<b>Net profit for the year</b>	<b>-135.8</b>	<b>-398.2</b>	<b>1,861.4</b>	<b>944.6</b>

**Other disclosures**

	Insurance		Bank & Mutual funds		Other	
	2005	2004	2005	2004	2005	2004
Assets excluding deferred tax	27,181.5	24,606.1	51,647.5	42,957.4	4,458.4	4,855.3
Share of equity	23.3	21.6	-	-	-	-
Liabilities excluding deferred tax	2,185.9	2,148.5	48,776.4	40,543.2	3,061.8	3,239.2
Investment in tangible assets	14.0	12.9	12.2	17.3	60.0	72.8
Investment in intangible assets	65.5	257.8	101.4	82.0	13.9	-
Depreciation for the year	30.3	43.0	33.4	37.1	35.8	39.9
Other items not affecting cash flow, revenue(-)/expenses(+)	-261.1	-746.2	22.1	186.0	-57.9	4.7

	Eliminations		Total	
	2005	2004	2005	2004
Assets excluding deferred tax	-2,840.8	-3,274.3	80,446.5	69,144.6
Share of equity	-	-	23.3	21.6
Liabilities excluding deferred tax	-2,786.7	-2,827.7	51,237.4	43,103.2
Investment in tangible assets	-	-	86.1	102.9
Investment in intangible assets	-	-	180.8	339.8
Depreciation for the year	-	-	99.4	119.9
Other items not affecting cash flow, revenue(-)/expenses(+)	-54.9	-123.2	-351.9	-678.7

The Group's operations are primarily broken down by business segment. Geographical division is not applied in the operational follow-up since the Group operates mainly on a national basis, in contrast to the regional insurance companies, which operate within their respective geographical markets. The Insurance business segment covers non-life insurance, life assurance and related asset management, in addition to services provided primarily for the regional insurance companies. The segment also includes internal and external reinsurance for the Länsförsäkringar Alliance and the run-off of international reinsurance ceded previously. The Bank and Mutual funds business segment conducts deposit and lending operations and administers mutual funds. Other Operations includes service provision and asset management services within Parent Company, IT Center and Dator- och Systemservice.

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**NOTE 17 NET SALES BY BUSINESS SEGMENT, cont.****Division of net sales**

Group	2005	2004
<b>Net sales by significant type of revenue</b>		
Premium income after ceded reinsurance	3,904.8	3,805.9
Operating revenue, net, Banking Group	1,299.5	1,213.6
Service revenue	1,934.1	1,251.9
<b>Total external sales</b>	<b>7,138.4</b>	<b>6,271.4</b>

Parent Company	2005	2004
<b>Net sales by type of revenue</b>		
Service revenue	667.7	369.8
Leasing of premises and equipment	18.3	33.5
<b>Total external sales</b>	<b>686.0</b>	<b>403.3</b>
Internal sales	316.4	408.4
<b>Total revenue</b>	<b>1,002.4</b>	<b>811.7</b>

**NOTE 18 OTHER INTANGIBLE ASSETS****Capitalized expenditure pertaining to the internal development and acquisition of computer systems**

	Internally developed	Acquired	Total
Opening acquisition value	340.2	24.0	364.2
Disposals	-1.6	0.0	-1.6
Acquisitions during the year	135.7	13.1	148.8
Write-downs during the year	-13.1	0.0	-13.1
Reclassifications	-294.2	-	-294.2
<b>Closing accumulated acquisition values</b>	<b>166.9</b>	<b>37.1</b>	<b>204.0</b>
Opening accumulated amortization	-104.0	-2.5	-106.4
Amortization during the year	-17.5	-0.6	-18.1
<b>Closing amortization</b>	<b>-121.5</b>	<b>-3.1</b>	<b>-124.5</b>
<b>Closing residual value according to plan</b>	<b>45.4</b>	<b>34.0</b>	<b>79.4</b>

Accumulated write-downs in prior years amounts to SEK 56.1 M.

**NOTE 19 BUILDINGS AND LAND**

	Apartment buildings	Leisure homes	Total
Number	6	6	12
Acquisition value, SEK M	29.3	5.6	34.9
Fair value, SEK M	241.0	5.6	246.6
Fair value, SEK/m <sup>2</sup>	18,669		
Floor space vacancy rate, %	0.0		
Direct yield, %	1.9		
Value for taxation purposes, SEK M	161.3	5.2	166.6

During the year, leisure homes were transferred by Länsförsäkringar Sak to Länsförsäkringar AB. In the Parent Company's balance sheet, the properties were recognized at the acquisition value of SEK 5.6 M. Direct yield is calculated as net operating income for the properties owned at year-end 2005 in relation to the fair value as per the balance sheet date.

**Geographical distribution**

All residential properties are located in the municipality of Stockholm.

**Valuation methods**

Valuation of the property portfolio was conducted by an external assessor.

In the valuation, an assessment was first made of local prices based on sales of equivalent properties during the year. The local assessment was supplemented by a cash-flow analysis covering a five-year period and an estimated residual value at period-end computed from the present value. The yield requirement applied is approximately 3.1% for residential properties.

**Risk exposure**

An increase of 2% in the yield requirement has a negative impact of SEK 107 M on the value of the properties. A reduction of 2% has a positive impact of SEK 567 M.

**Proportion of properties used for own operations**

All properties are leased to external tenants. No part of the property floor space is used in the operations of the Länsförsäkringar AB Group.

## NOTE 20 SHARES AND PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

All shares are unlisted

Company name	Corporate registration number	Head office	Number of shares	Proportion of equity, %	Book value Dec 31, 2005	Book value Dec 31, 2004
<b>Group companies</b>						
Länsförsäkringar Liv Försäkrings AB (publ)	516401-6627	Stockholm	8,000	100	452.0	452.0
<b>Associated companies</b>						
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	204,888	29.1	0.0	744.8
Utile Dulci 2 HB	916601-0067	Stockholm	350	12.5	437.4	417.7
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	9.3	8.7
Eureko Property Captive	B61147	Luxembourg	5,000	16.7	2.1	2.1
European Alliance Partners Company AG	CH-0203026423-1	Zürich	12,331	16.7	8.3	8.6
Svenska Elitskon AB	556549-7012	Umeå	500	29.8	2.2	–
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.1	0.1
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	50.0	1.3	2.1
<b>Total associated companies</b>					<b>460.7</b>	<b>1,184.1</b>

Svenska Elitskon AB was reclassified from subsidiary to associated company.

## NOTE 21 BONDS AND OTHER INTEREST-BEARING SECURITIES

Dec. 31	Accrued acquisition value 2005	Market value 2005	Accrued acquisition value 2004	Market value 2004
<b>Listed bonds and other interest-bearing securities</b>				
Issued by the Swedish government	7,006.9	7,019.8	2,923.9	3,019.7
Swedish mortgage institutions	661.2	676.5	1,960.3	2,015.6
Other Swedish issuers	267.0	285.6	278.0	290.4
	<b>7,935.1</b>	<b>7,981.9</b>	<b>5,162.2</b>	<b>5,325.7</b>
Foreign governments	2,745.4	2,835.9	4,041.0	3,876.8
Other foreign issuers	154.0	160.5	641.6	588.3
	<b>2,899.5</b>	<b>2,996.4</b>	<b>4,682.6</b>	<b>4,465.1</b>
<b>Listed interest-bearing securities</b>	<b>10,834.6</b>	<b>10,978.2</b>	<b>9,844.8</b>	<b>9,790.8</b>
<b>Unlisted bonds and other interest-bearing securities</b>				
Issued by other Swedish issuers	–	–	44.0	43.9
<b>Total bonds and other interest-bearing securities</b>	<b>10,834.6</b>	<b>10,978.2</b>	<b>9,888.7</b>	<b>9,834.7</b>

## NOTE 22 DERIVATIVES

Dec. 31	Interest-rate derivatives Fair value 2005	Interest-rate derivatives Nominal amount 2005	Exchange-rate derivatives Fair value 2005	Exchange-rate derivatives Nominal amount 2005
<b>Derivative instruments with positive values</b>				
Swaps	24.9	3,213.6	–	–
Futures	–	–	183.9	15,282.9
	<b>24.9</b>	<b>3,213.6</b>	<b>183.9</b>	<b>15,282.9</b>
<b>Derivative instruments with negative values</b>				
Futures	–	–	333.4	1,440.1
Dec. 31	Equity derivatives Fair value 2005	Equity derivatives Nominal amount 2005	Total Fair value 2005	Total Nominal amount 2005
<b>Derivative instruments with positive values</b>				
Swaps	–	106.4	24.9	3,320.0
Futures	–	–	183.9	15,282.9
	<b>0.0</b>	<b>106.4</b>	<b>208.8</b>	<b>18,602.9</b>
<b>Derivative instruments with negative values</b>				
Futures	0.6	461.4	334.0	15,901.5

**NOTE 23 ASSETS IN THE BANKING GROUP**

	Dec. 31, 2005	Dec. 31, 2004
Cash and central bank account balances	75.6	146.4
Lending to credit institutions	1,296.7	1,577.2
Lending to the public	47,093.5	39,426.5
Shares and participations	7.5	5.2
Bonds and other interest-bearing securities	2,602.8	1,197.7
Intangible assets	101.4	82.0
Tangible assets	12.2	17.3
Other assets	241.2	241.8
Prepaid expenses and accrued income	188.3	240.9
	<b>51,619.1</b>	<b>42,935.1</b>

**NOTE 24 RECEIVABLES PERTAINING TO DIRECT INSURANCE**

	Dec. 31, 2005	Dec. 31, 2004
Receivables from policyholders	281.4	298.3
Receivables from insurance brokers	0.7	0.0
Receivables from other insurance companies	12.1	79.9
	<b>294.2</b>	<b>378.2</b>

**NOTE 25 RECEIVABLES PERTAINING TO REINSURANCE**

	Dec. 31, 2005	Dec. 31, 2004
Receivables from regional insurance companies	32.4	37.6
Other receivables	490.2	383.2
	<b>522.6</b>	<b>420.9</b>

**NOTE 26 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES**

Deferred tax assets and deferred tax liabilities may be classified as follows:

Dec. 31	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Buildings and land	–	0.0	60.5	229.3	60.5	229.3
Other financial investment assets	–	–0.4	641.2	220.4	641.2	220.0
Other assets	–4.7	–	–	12.2	–4.7	12.2
Liabilities	–5.3	–18.1	–	–	–5.3	–18.1
Utilization of loss carryforwards	–508.8	–498.8	–	0.0	–508.8	–498.8
Untaxed reserves	–	–	503.3	503.3	503.3	503.3
<b>Deferred tax assets (–)/deferred tax liability (+)</b>	<b>–518.9</b>	<b>–517.3</b>	<b>1,204.9</b>	<b>965.3</b>	<b>686.1</b>	<b>448.0</b>
Offset	487.9	248.0	–487.9	–248.0	–	–
<b>Net deferred tax assets (–)/deferred tax liability (+)</b>	<b>–30.9</b>	<b>–269.3</b>	<b>716.9</b>	<b>717.3</b>	<b>686.1</b>	<b>448.0</b>

The Parent Company and Group have no temporary differences with a tax effect on Group and associated companies.

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**NOTE 26 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES, cont.****Deferred tax assets not reported**

Deferred tax assets have not been reported in the income statements and balance sheets for the following items:

	Dec. 31, 2005	Dec. 31, 2004
Tax losses carried forward	2.5	314.6

Change in deferred tax in temporary differences and loss carryforwards

	Amount at beginning of the year	Reported in income statement	Reported directly shareholders' equity	Amount at year-end
Buildings and land	229.3	–168.8	–	60.5
Other financial investments assets	220.0	421.1	0.1	641.2
Other assets	12.2	–16.9	–	–4.7
Liabilities	–18.1	12.7	–	–5.3
Utilization of loss carryforwards	–498.8	–10.1	–	–508.8
Untaxed reserves	503.3	–	–	503.3
<b>Deferred tax assets (–)/tax liability (+)</b>	<b>448.0</b>	<b>238.0</b>	<b>0.1</b>	<b>686.1</b>

**NOTE 27 OTHER RECEIVABLES FROM AFFILIATED COMPANIES**

	2005	2004
Länsförsäkringar Liv Group	88.9	167.8
Regional insurance companies	384.7	64.2
Associated companies	9.7	1.1
	<b>483.3</b>	<b>233.1</b>

**NOTE 28 TANGIBLE ASSETS AND INVENTORIES**

	Dec. 31, 2005	Dec. 31, 2004
Opening acquisition value	456.0	571.7
Acquisitions during the year	25.7	25.3
Scrapping	–95.0	–91.5
Acquisition value of equipment sold	–23.3	–49.6
<b>Closing accumulated acquisition value</b>	<b>363.4</b>	<b>456.0</b>
Opening accumulated depreciation	–358.4	–450.4
Accumulated depreciation on acquisitions	–	–0.7
Accumulated depreciation on sold equipment	35.2	46.4
Scrapping	74.0	91.5
Depreciation for the year	–40.3	–45.2
<b>Closing depreciation</b>	<b>–289.4</b>	<b>–358.4</b>
<b>Closing residual value according to plan</b>	<b>74.0</b>	<b>97.6</b>
Inventory of advertising items and printed materials	7.0	4.4
<b>Tangible assets and inventories</b>	<b>81.0</b>	<b>102.0</b>

No write-downs were made during the year. Accumulated write-downs from prior years amount to SEK 11.1 M.

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**NOTE 28 TANGIBLE ASSETS AND INVENTORIES, cont.**

	Dec. 31, 2005	Dec. 31, 2004
<b>Leasing charges</b>		
<b>Financial leasing</b>		
Assets held through financial leasing contracts are reported as tangible assets in the Group.		
Opening acquisition value	5.9	19.2
Disposals	-5.9	-13.2
<b>Closing acquisition value</b>	<b>-</b>	<b>5.9</b>
Opening accumulated depreciation	-4.5	-13.2
Divestment of accumulated depreciation	4.5	10.7
Depreciation for the year	-	-2.0
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-4.5</b>
<b>Closing residual value</b>	<b>-</b>	<b>1.5</b>
<b>Leasing expense for the year</b>	<b>-</b>	<b>-5.2</b>
<b>Future payment commitments in the Group</b>		
Within one year	-	4.5
Within one to five years	-	3.3
<b>Operational leasing</b>		
<b>Payment commitments pertaining to rent</b>		
Within one year	141.6	141.6
Within one to five years	566.4	554.3
Later than five years	-	138.6
<b>External rental expense in the Parent Company</b>	<b>143.5</b>	<b>183.5</b>

**NOTE 29 PREPAID ACQUISITION COSTS**

	Dec. 31, 2005	Dec. 31, 2004
Opening prepaid acquisition costs	40.6	53.5
Provision for the year	49.4	40.6
Depreciation for the year	-40.6	-53.5
<b>Closing prepaid acquisition costs</b>	<b>49.4</b>	<b>40.6</b>

All acquisition costs have a depreciation period of not more than one year.

**NOTE 30 SHAREHOLDERS' EQUITY**

A specification of changes in shareholders' equity is provided after the balance sheet.

**Restricted reserves**

Restricted reserves may not be reduced through profit distribution.

*Statutory reserve*

The statutory reserve is intended for saving a portion of the net profit that is not used to cover losses carried forward.

*Share premium reserve*

When shares are issued at a premium, i.e. at a price above their par value, an amount corresponding to the amount received above the par value of the shares is to be transferred to the share premium reserve.

**Non-restricted equity***Profit/loss brought forward*

Consists of the non-restricted equity from the preceding year after transfer to the statutory reserve and payment of dividends. The profit brought forward and the net profit for the year jointly make up the total non-restricted equity, i.e. the amount that is available for distribution to the shareholders.

**NOTE 31 RESERVE FOR UNREALIZED GAINS**

	Dec. 31, 2005	Dec. 31, 2004
Shares and participations	832.1	93.5

**NOTE 32 SUBORDINATED DEBT**

The terms of the debenture loans from the regional insurance companies are fixed until December 15, 2006. The interest on the loans corresponds to the interest on treasury bills with a corresponding maturity, plus 0.65%. During the year, the interest rate was fixed at 5.63%.

**NOTE 33 UNEARNED PREMIUMS AND UNEXPIRED RISKS**

	Dec. 31, 2005	Dec. 31, 2004
Opening balance	712.1	1,867.1
Exchange-rate fluctuations	0.1	-0.1
Change for the year	75.5	-1,155.0
	<b>787.6</b>	<b>712.1</b>

**NOTE 34 OUTSTANDING CLAIMS**

	Claims incurred and reported	Claims incurred, not reported	Claims adjustment costs	Total 2005	Total 2004
Opening balance	13,712.4	2,109.0	674.3	16,495.8	16,308.4
Transfer of portfolio	-0.8	0.8	-	0.0	-1.6
Exchange-rate fluctuations	16.0	50.0	-	66.0	-21.1
Change for the year	388.3	597.5	-6.7	979.1	210.0
	<b>14,115.9</b>	<b>2,757.3</b>	<b>667.6</b>	<b>17,540.8</b>	<b>16,495.8</b>

**NOTE 35 LIABILITIES IN THE BANKING GROUP**

	Dec. 31, 2005	Dec. 31, 2004
Liabilities to credit institutions	308.4	705.5
Deposits and borrowing from the public	20,738.9	18,599.4
Issued securities	24,849.8	18,154.6
Other liabilities	284.4	345.6
Accrued expenses and prepaid income	714.7	710.0
Provisions	4.3	6.4
	<b>46,900.6</b>	<b>38,521.5</b>

Not including SEK 830.5 M (976.6) of the Banking Group's liabilities to the Life Group reported in Note 39, Other liabilities to closely related companies.

**NOTE 36 LIABILITIES PERTAINING TO DIRECT INSURANCE**

	Dec. 31, 2005	Dec. 31, 2004
Liabilities to policyholders	33.6	38.3
Liabilities to insurance brokers	12.4	5.9
Liabilities to other insurance companies	143.5	163.7
	<b>189.5</b>	<b>207.8</b>

**NOTE 37 LIABILITIES PERTAINING TO REINSURANCE**

	2005	2004
Liabilities to regional insurance companies	449.8	388.7
Other	173.6	210.0
	<b>623.4</b>	<b>598.7</b>

**NOTE 38 BOND LOANS**

	Dec. 31, 2005	Dec. 31, 2004
Bond loans	2,688.0	2,693.7

The loan, which is listed on the Luxembourg exchange, is for EUR 300 M and carries a fixed rate of interest at 4.625%. The loan matures on December 15, 2008. The entire exchange rate exposure is hedged.

**NOTE 39 OTHER LIABILITIES TO CLOSELY RELATED COMPANIES**

	Dec. 31, 2005	Dec. 31, 2004
Liabilities to the Länsförsäkringar Liv Group	841.6	995.3
Liabilities to associated companies	0.6	35.7
Liabilities to regional insurance companies	8.8	78.6
	<b>851.0</b>	<b>1,109.6</b>

**NOTE 40 MEMORANDUM ITEMS**

	Dec. 31, 2005	Dec. 31, 2004
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**Pledged assets**

Total registered investment assets on policyholders' account	15,811.6	15,189.6
of which pertain to preferential commitments	2,870.0	2,745.8
Bonds	775.6	789.5
Shares	5.0	5.0
Bank balances	47.0	50.1
Properties	0.4	–
	<b>16,639.5</b>	<b>16,034.2</b>

**Contingent liabilities**

Guarantees	61.4	78.2
Credit guarantee for staff loans	0.0	0.9
Surety	12.0	12.0
Partnership in Länsförsäkringsbolagens Fastighets HB Humlegården	29.2	2,343.1
Partnership in Utile Dulci 2 HB	1,013.4	1,018.4
Other contingent liabilities	1.2	1.2
	<b>1,117.2</b>	<b>3,453.7</b>

**Other commitments, banking operations**

Granted but undispersed loans and credits	402.2	1,135.3
Unutilized portion of credits	902.1	–
Exchange-rate-related contracts	11,428.5	5,465.4
Interest rate swaps	11,020.0	13,050.0
	<b>23,752.9</b>	<b>19,650.6</b>

The following guarantees also apply:

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

Premature cancellation of the contract with ABN Amro or failure to renew the contract after ten years for a further five years could, in some cases, render Länsförsäkringar Sak liable to repay a portion of the consideration. The size of the repayment that Länsförsäkringar Sak could become liable to make in the event of premature cancellation would vary depending on the grounds for cancellation and the point in the contract term at which cancellation took place – the earlier the cancellation, the larger the repayment amount. There are several scenarios for premature cancellation of the contract, primarily by Länsförsäkringar Sak. The contract was signed in 2002.

**NOTE 41 PERSONNEL, SALARIES AND REMUNERATION IN THE GROUP AND AUDITORS' FEES**

	Group		Parent Company	
Average number of employees	2005	2004	2005	2004
<b>Salaried employees, Sweden</b>				
Men	592	591	103	102
Women	636	634	107	109
	<b>1,228</b>	<b>1,225</b>	<b>210</b>	<b>211</b>
<b>Salaried employees, Norway</b>				
Men	1	–	–	–
Women	1	–	–	–
	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total number of employees</b>	<b>1,230</b>	<b>1,225</b>	<b>210</b>	<b>211</b>

**Salaries, remuneration and social security costs**

<b>Salaried employees, Sweden</b>				
Salaries and remuneration	596.7	546.4	123.1	114.7
of which, variable	38.4	16.0	10.6	6.4
Social security costs	386.9	422.1	88.5	118.0
of which, pension contributions	147.1	191.8	37.2	62.5
	<b>983.6</b>	<b>968.5</b>	<b>211.6</b>	<b>232.7</b>

**Salaried employees, Norway**

Salaries and remuneration	1.1	–	–	–
Social security costs	0.1	–	–	–
of which, pension contributions	0.0	–	–	–
	<b>1.2</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Board, MD and Deputy MDs, Sweden**

Salaries and remuneration	29.7	26.5	7.6	6.2
of which, salaries to MD and Deputy MDs	25.2	23.9	5.5	4.4
of which, variable remunerations to MD and Deputy MDs	3.6	4.1	0.9	1.7
Social security costs	21.6	19.9	6.0	5.5
of which, pension contribution	10.2	10.2	2.8	2.8
	<b>51.3</b>	<b>46.4</b>	<b>13.6</b>	<b>11.7</b>

**Total salaries and remunerations**

Salaries and remuneration	626.4	572.9	130.7	120.9
of which, variable	42.0	20.1	11.5	8.1
Social security costs	408.5	442.0	94.5	123.5
of which, pension contribution	157.2	202.0	40.0	65.3
<b>Total</b>	<b>1,034.9</b>	<b>1,014.9</b>	<b>225.2</b>	<b>244.4</b>

**Variable remuneration**

Variable remuneration is paid to managers who have a bonus agreement. The remuneration is based on achieved goals in accordance with the business plan, index in employee survey, leadership index and other individual goals. Variable remuneration is paid in a maximum of one month's salary, for senior executives, however, two to three month's salary.

During 2005 an incentive program was established encompassing all employees not covered by another bonus agreement. A condition for payment of this remuneration is that the owner's demands for return on shareholders' equity in the Group is met. The maximum amount that can be due per employee, if the conditions are fulfilled, is determined by each Board of Directors in December each year. One third of the determined amount is paid to all irrespective of individual performance. Payment of two thirds of the determined amount is based on the degree of fulfillment of the individual goals in the goal contract.

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**NOTE 41 PERSONNEL, SALARIES AND REMUNERATION IN THE GROUP AND AUDITORS' FEES, cont.**

Absence due to illness, %	Group		Parent Company	
	2005	2004	2005	2004
Total of total working time	4.4	4.4	6.0	4.8
Total of total working time, men	3.1	3.1	5.3	4.8
Total of total working time, women	5.5	5.5	6.6	4.8
Absence due to illness for employees 29 years or younger	3.2	2.8	3.8	3.2
Absence due to illness for employees 30-49 years	4.0	4.1	4.8	3.6
Absence due to illness for employees 50 years or older	5.3	5.3	8.6	7.1
Portion of absence pertaining to absence during an unbroken period of 60 days or more	63.5	65.5	74.1	66.7

**Pension plans**

Retirement and family pensions for salaried employees are arranged through insurance with The Försäkringsbranschens Pensionskassa (FPK). Charges during the year for pension insurance arranged through FPK and amounted to SEK 127.7 M (127.8) in the Group and SEK 27.9 M (25.0) in the Parent Company.

**Remuneration to senior executives**

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

Remuneration to the Managing Director and other senior executives comprises basic salary, variable salary, other benefits and pension. Senior executives are the nine persons who, together with the Managing Director, comprise the executive management team.

According to policy, variable remuneration is maximized to three months' salary for the Managing Director and two months' salary for the deputy managing director and other senior executives.

Pension benefits and other benefits for the Managing Director and other senior executives are included in the total remuneration.

No other remuneration or benefits are paid to senior executives other than for work as senior executives. In addition to Board fees, Board members have received remuneration for committee work.

**Remuneration and other benefits during the year**

Parent Company 2005	Basic salary	Variable remuneration	Other benefits	Pension expense	Total	Pension expense in relation to pensionable salary, %
Managing Director	4.6	0.9	–	2.8	8.3	65
Board Chairman	0.5	–	–	–	0.5	–
Board members	1.6	–	–	–	1.6	–
Other senior executives (9)	14.3	2.4	0.6	8.1	25.4	47
<b>Total 2005</b>	<b>21.0</b>	<b>3.3</b>	<b>0.6</b>	<b>10.9</b>	<b>35.8</b>	

**Parent Company 2004**

Managing Director	3.6	1.7	0.1	2.8	8.2	68
Board Chairman	0.5	–	–	–	0.5	–
Board members	1.3	–	–	–	1.3	–
Other senior executives (9)	13.6	3.5	0.6	7.4	25.1	48
<b>Total 2004</b>	<b>19.0</b>	<b>5.2</b>	<b>0.7</b>	<b>10.2</b>	<b>35.1</b>	

**Variable remuneration**

Variable remuneration for the 2005 financial year comprises bonuses. Variable remuneration for the Managing Director and other senior executives is based on achieved goals in accordance with the business plan, index in employee survey, leadership index and other individual goals. Other benefits include company car, subsidized lunches and beneficial interest. Pensions costs are those costs that affect the year's earnings.

**Pensions**

The retirement age for the Managing Director is 60 years. Between the ages of 60 and 65, pension is to correspond to 75% of pensionable salary. This portion is secured through pension provisions (SEK 9.7 M). Pension payable from the age of 65 is entirely defined-contribution, with the pension premium corresponding to 29% of pensionable salary. Pensionable salary is defined as basic salary plus the average variable remuneration paid over the past three years.

For other senior executives, the retirement age varies between 60 and 62. Retirement pension between the ages of 60 and 65 is defined-contribution and corresponds to approximately 70% of pensionable salary. Pension payable from the age of 65 is in accordance with pension agreements with FAO (the insurance sector's employers' organization) and the Union of Insurance Employees (FTF).

**Severance pay**

Termination of employment by the company entitles the Managing Director and other senior executives in the management group to two years' salary. Termination of employment by the employee is subject to a period of notice of three months and no severance pay is payable.

**Review and decision process with regard to remuneration to the most senior management**

Remuneration to the Managing Director for 2005 was determined by the Board after review by the Board Chairman. Remuneration to other senior executives was determined by the Managing Director.

Loans to senior executives	Group		Parent Company	
	2005	2004	2005	2004
Board members	78.1	51.3	13.7	11.4
of which, loans from Bank	32.2	19.8	2.7	2.3
of which, loans from Hypotek	45.9	31.4	11.0	9.1
of which, loans from Wasa Kredit	–	0.1	–	–
Managing Director and deputy directors	11.0	6.4	2.9	3.7
of which, loans from Bank	3.0	2.6	0.5	0.8
of which, loans from Hypotek	8.0	3.8	2.4	2.9
<b>Total</b>	<b>89.1</b>	<b>57.7</b>	<b>16.6</b>	<b>15.1</b>

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

The Group has not pledged assets, other collateral or assumed any liability undertaking for the benefit of any senior executive.

Number of women among senior executives, %	Group		Parent Company	
	2005	2004	2005	2004
Board members	23	20	36	25
Other senior executives	35	37	8	27

**Auditors' fees**

The following fees were paid to the auditors

KPMG	Group		Parent Company	
	2005	2004	2005	2004
– audit assignments	5.2	5.8	2.0	1.6
– other assignments	5.7	3.0	3.4	1.9
<b>Ernst &amp; Young</b>				
– audit assignments	–	0.2	–	0.1
<b>SET Revisionsbyrå</b>				
– audit assignments	0.6	0.7	0.1	0.2
– other assignments	0.0	–	–	–
	<b>11.6</b>	<b>9.8</b>	<b>5.5</b>	<b>3.8</b>

## Notes to the financial statements for the Parent Company

### NOTE 42 NET SALES

Parent Company sales comprise service revenues and rental income for premises and equipment leased to companies within the Länsförsäkringar Alliance. The company's sales are reported under "Other." Of the company's sales, 31% (50) derive from companies within the Länsförsäkringar AB Group, 18% (24) from the Länsförsäkringar Liv Group, 49% (26) from the regional insurance companies and 2% (0) from external customers.

### NOTE 43 EXTERNAL COSTS

	2005	2004
Cost of premises	-167.6	-180.4
Marketing	-225.5	-194.4
Consultants	-55.7	-63.7
IT costs	-141.9	-130.9
Printed matter, telephony and postage	-46.8	-35.8
Assets under management	-4.3	-21.2
Other	-278.8	-152.1
	<b>-920.8</b>	<b>-778.5</b>

Cost of premises refers primarily to rent for premises used by the Group for its operations. Länsförsäkringar AB in turn leases premises to Group companies and external customers. Rental costs amounted to SEK 143.5 M (144.7) and leasing revenue to SEK 103.2 M (108.1).

The company has no assets held under operational leases.

Marketing costs include SEK 98.3 M (100.0) paid to the regional insurance companies for marketing activities focusing on broadening the brand.

### NOTE 44 INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

	2005	2004
Write-downs	-	-1.7
Dividend	135.8	400.0
	<b>135.8</b>	<b>398.3</b>

### NOTE 45 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2005	2004
Interest income, Group companies	101.0	113.9
Interest income, other	35.8	28.5
Capital gain on interest-bearing securities	-	1.4
Capital gain on shares and participations	30.0	63.7
Unrealized gain on interest-bearing securities	-	0.0
Unrealized gain on shares and participations	150.9	70.7
Other	2.3	0.9
	<b>319.9</b>	<b>279.2</b>

### NOTE 46 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2005	2004
Interest expense Group companies	-4.4	-7.0
Interest expense, debenture loans	-7.8	-7.8
Interest expense, other	-154.4	-154.8
Unrealized losses on interest-bearing securities	-0.9	-
Other	-0.2	-0.1
	<b>-167.6</b>	<b>-169.7</b>

### NOTE 47 TAX ON INCOME FOR THE YEAR

	2005	2004
<b>Current tax revenue</b>		
Tax revenue for the period	39.3	52.3
<b>Deferred tax expense (-)/tax revenue(+)</b>		
Deferred tax pertaining to temporary differences	-44.6	-24.1
Deferred tax revenue in tax value in loss carryforwards capitalized during the year	30.6	24.0
<b>Total reported tax revenue</b>	<b>25.4</b>	<b>52.2</b>
<b>Reconciliation of effective tax</b>		
Reported result before tax	71.4	207.9
Tax at applicable tax rate	-20.0	-58.2
Non-tax-deductible costs	-3.5	-2.4
Tax attributable to prior years	10.8	-
Non-taxable revenue	38.0	112.8
<b>Reported effective tax</b>	<b>25.4</b>	<b>52.2</b>
Current tax rate	28%	28%
Effective tax rate	-35%	-25%
<b>Tax items charged directly against shareholders' equity</b>		
Current tax on Group contribution received	39.3	52.3

### NOTE 48 INTANGIBLE FIXED ASSETS

Capitalized expenditures from acquired computer system	Dec. 31, 2005	Dec. 31, 2004
At the beginning of the year	-	-
New acquisitions	14.6	-
	<b>14.6</b>	<b>-</b>
<b>Amortization according to plan</b>		
At the beginning of the year	-	-
Amortization according to plan	-0.6	-
	<b>-0.6</b>	<b>-</b>
<b>Reported value at year-end</b>	<b>13.9</b>	<b>-</b>

### NOTE 49 EQUIPMENT

Accumulated acquisition values	Dec. 31, 2005	Dec. 31, 2004
At the beginning of the year	399.5	557.5
Disposals	-16.2	-43.8
Scrapping	-74.0	-134.8
New acquisitions	19.1	20.6
	<b>328.4</b>	<b>399.5</b>
<b>Accumulated acquisition values according to plan</b>		
At the beginning of the year	-320.8	-457.4
Disposals	13.5	41.7
Scrapping	74.0	134.8
The year's depreciation according to plan	-35.1	-39.9
	<b>-268.4</b>	<b>-320.8</b>
<b>Reported value at year-end</b>	<b>60.0</b>	<b>78.8</b>

Equipment includes SEK 4.6 M (4.2) representing works of art that are not depreciated.

Länsförsäkringar AB leases equipment to Group companies. The book value of leased equipment amounts to SEK 22.2 M (26.7) and rental income was SEK 14.1 M (16.4). The rental income corresponds to the depreciation of the leased equipment.

**NOTE 50 SHARES AND PARTICIPATIONS IN GROUP COMPANIES**

Accumulated acquisition values	Dec. 31, 2005	Dec. 31, 2004
At the beginning of the year	9,022.1	8,722.1
Purchases	–	115.0
Shareholders' contribution	401.3	300.0
Divestments	–	–115.0
	<b>9,423.4</b>	<b>9,022.1</b>
<b>Accumulated write-downs</b>		
At the beginning of the year	–3,613.3	–3,611.6
Write-downs during the year	–	–1.7
	<b>–3,613.3</b>	<b>–3,613.3</b>
<b>Reported value at year-end</b>	<b>5,810.1</b>	<b>5,408.8</b>

SEK 1,7 M of write-downs during the year pertains to dividends received from subsidiaries.

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

Company name	Corporate reg. no	No. of shares and participations	Share of equity %	Book value 2005	Book value 2004
Agria Försäkrings AB (publ)	516401-8003	40,000	100	463.3	362.0
LF Gruppen AB (dormant)	556420-8535	1,000	100	0.1	0.1
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	2,639.6	2,339.6
Länsförsäkringar Dator- och systemservice AB (publ)	556356-0670	1,400	100	1.7	1.7
Länsförsäkringar Liv Försäkrings AB (publ)	516401-6627	8,000	100	452.0	452.0
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	6,265,252	100	1,998.7	1,998.7
Länsförsäkringar IT Center AB	556549-7004	10,000	100	6.0	6.0
Wasa Försäkring Run-Off AB	556563-9456	1,000	100	248.8	248.8
<b>Shares and participations in Group companies</b>				<b>5,810.1</b>	<b>5,408.8</b>

All subsidiaries have their head office in Stockholm.

Share of equity refers to ownership proportion of capital, which also corresponds to the proportion of votes in relation to the total number of shares

**NOTE 51 LOANS TO GROUP COMPANIES**

Accumulated acquisition values	Dec. 31, 2005	Dec. 31, 2004
Debenture loans to Länsförsäkringar Bank	1,050.0	1,050.0
Promissory note to Länsförsäkringar Sak	1,160.0	1,160.0
<b>Reported value at year-end</b>	<b>2,210.0</b>	<b>2,210.0</b>

The loan to Länsförsäkringar Sak runs from December 16, 2003 to December 16, 2008 with an interest rate of 5.735%.

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

SEK 180.0 M, due May 31, 2012. Interest is fixed at the 3-month STIBORFIX rate plus 1.00% until May 31, 2007.

SEK 580.0 M, due December 15, 2013. Interest is fixed at the 3-month STIBORFIX rate plus 1.125% until December 15, 2008.

SEK 290.0 M, perpetual. Interest is fixed at the 3-month STIBORFIX rate plus 1.99% until December 15, 2013.

**NOTE 52 DEFERRED TAX ASSETS**

	Dec. 31, 2005	Dec. 31, 2004
Machinery and equipment	3.6	6.6
Financial fixed assets	–78.4	–36.4
Pension provisions	2.5	2.1
Loss carryforwards	83.3	52.7
<b>Net deferred tax assets</b>	<b>11.0</b>	<b>25.0</b>

**NOTE 52 DEFERRED TAX ASSETS, cont.****Change in deferred tax in temporary differences and loss carryforwards**

	Amount at beginning of the year	Reported via income statement	Amount at year-end
Machinery and equipment	6.6	–3.0	3.6
Financial fixed assets	–36.4	–42.0	–78.4
Pension provisions	2.1	0.4	2.5
Utilization of loss carryforwards	52.7	30.6	83.3
	<b>25.0</b>	<b>–14.0</b>	<b>11.0</b>

**NOTE 53 RECEIVABLES FROM OTHER RELATED COMPANIES**

	Dec. 31, 2005	Dec. 31, 2004
Länsförsäkringar Liv Group	14.5	9.5
Regional insurance companies	60.8	31.0
Associated companies	–	1.1
Other	0.5	–
	<b>75.8</b>	<b>41.6</b>

**NOTE 54 PREPAID EXPENSES AND ACCRUED INCOME, GROUP COMPANIES**

Prepaid rent	3.9	4.0
Other	8.7	18.2
	<b>12.6</b>	<b>22.2</b>

**NOTE 55 OTHER PREPAID EXPENSES AND ACCRUED INCOME**

Accrued interest	1.8	4.0
Prepaid rent	33.6	25.6
Other	13.6	1.7
	<b>49.1</b>	<b>31.3</b>

**NOTE 56 CURRENT INVESTMENTS**

	Dec. 31, 2005		Dec. 31, 2004	
	Acquisition value	Market value	Acquisition value	Market value
Unlisted	0.6	1.0	–	–
Listed shares	46.8	308.5	56.8	191.5
Interest-bearing securities	154.2	153.5	152.0	152.2
Mutual fund units	211.2	230.3	30.7	25.8
Derivatives	–	–	–	5.7
	<b>412.8</b>	<b>692.9</b>	<b>239.5</b>	<b>375.3</b>

Länsförsäkringar AB changed accounting principles for financial assets to fair value after the change in the Annual Accounts Act made this possible in 2004.

**Specification of securities**

Unlisted participations 2005	Number	Acquisition value	Market value
Brf Kalvheden	1	0.6	1.0

**Listed participations 2005**

Kaupthing Búnadarbanki hf	3,317,166	46.8	308.5
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**Mutual fund units**

Alfred Berg Sverige Referens	3,287,071	180.0	196.9
Länsförsäkringar Europe Fund	771	0.3	0.3
Länsförsäkringar Fund-in-fund Low risk	104,256	10.4	11.4
Länsförsäkringar Fund-in-fund Normal risk	103,390	10.3	11.0
Länsförsäkringar Fund-in-fund Offensive/High risk	102,678	10.2	10.7
		<b>211.2</b>	<b>230.3</b>

	Accrued acquisition value	Market value
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**Interest-bearing securities 2005**

Listed bonds issued by Swedish mortgage institutions	154.2	153.5
<b>Total</b>	<b>412.8</b>	<b>692.9</b>

**NOTE 57 SHAREHOLDERS' EQUITY**

A specification of changes in shareholders' equity is provided after the Parent Company balance sheet.

		Dec. 31, 2005	Dec. 31, 2004
Shares at SEK 100 par value	No. of votes per share	Number of shares	Number of shares
Series A	10	1,532,678	1,532,678
Series B	1	4,761,455	4,761,455
Series C	1	3,450	3,450
<b>Number of outstanding shares</b>		<b>6,297,583</b>	<b>6,297,583</b>

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**NOTE 57 SHAREHOLDERS' EQUITY, cont.****Restricted reserves**

Restricted reserves may not be reduced through profit distribution.

*Statutory reserve*

The statutory reserve is intended for saving a portion of the net profit, which is not used to cover loss carried forward.

*Share premium reserve*

The share premium reserve of SEK 4,801.3 M from 2004 was transferred to the statutory reserve on December 31, 2005 as a result of changes in the Annual Accounts Act effective January 1, 2006.

**Non-restricted equity***Profit/loss brought forward*

Consists of the non-restricted equity from the preceding year after transfer to the statutory reserve and payment of dividends. The profit brought forward and the net profit for the year jointly make up the total non-restricted equity, i.e. the amount that is available for distribution to the shareholders.

**NOTE 58 PENSION PROVISIONS**

	Dec. 31, 2005	Dec. 31, 2004
Amount expected to be paid from provision:		
within 12 months	4.5	4.0
after more than 12 months	28.3	38.1
	<b>32.8</b>	<b>42.1</b>

**NOTE 59 DEBENTURE LOANS FROM REGIONAL INSURANCE COMPANIES**

	Dec. 31, 2005	Dec. 31, 2004
The terms of the debenture loans from the regional insurance companies are fixed until December 15, 2006. The interest on the loans corresponds to the interest on treasury bills with a corresponding maturity, plus 0.65%. During the year, the interest rate was fixed at 5.63% (5.63).	139.0	139.0

**NOTE 60 LIABILITIES TO OTHER RELATED COMPANIES**

	Dec. 31, 2005	Dec. 31, 2004
Länsförsäkringar Liv Group	5.8	1.8
Regional insurance companies	54.3	47.7
Associated companies	1.3	35.7
Other	1.4	–
	<b>62.8</b>	<b>85.2</b>

**NOTE 61 ACCRUED EXPENSES AND PREPAID INCOME, GROUP COMPANIES**

	Dec. 31, 2005	Dec. 31, 2004
Service expenses	27.4	–
Other	11.6	13.0
	<b>39.0</b>	<b>13.0</b>

**NOTE 62 OTHER ACCRUED EXPENSES AND PREPAID INCOME**

	Dec. 31, 2005	Dec. 31, 2004
Restructuring costs	–	44.7
Holiday pay liability	10.7	9.7
Social security costs	14.1	17.5
Accrued interest expense	5.8	5.5
Operating expenses provision	13.0	12.4
Accrued bonus	12.7	5.1
Reserves for other personnel expenses	20.2	–
Other	13.3	10.4
	<b>89.8</b>	<b>105.4</b>

#### NOTE 63 TRANSACTIONS WITH CLOSELY RELATED PARTIES IN GROUP AND PARENT COMPANY

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

Closely related legal entities to the Länsförsäkringar AB Group are considered to be the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB and the 24 regional insurance companies with subsidiaries. Closely related key persons are the Board members and senior executives and family members of these persons.

#### Principles for transactions

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

Transactions of a nonrecurring nature comprise the acquisitions and divestment of assets and similar transactions, in limited scope. In nonrecurring transactions, the transactions are based on written agreements that comply with the agreement instructions for Länsförsäkringar AB Group's external agreements.

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

#### Pricing

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

#### Preparatory work

There are a number of Service Committees within the Länsförsäkringar AB Group whose task is to deal with all intra-group transactions involving various goods and services. The committees discuss the service levels and costs for all goods and services.

Based on these discussions, the internal supplier develops a budget and price list for the year ahead.

#### Decisions

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

#### Documentation

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

#### Closely related transactions in the Group 2005

Länsförsäkringar AB Group manages and reconciles the Länsförsäkringar Alliance's internal and external reinsurance. The Group also carried out development projects and service for the regional insurance companies in a number of areas, such as individual claims adjustment, legal affairs and actuarial services and development of IT support. The Group also has outsourcing with the 24 regional insurance companies.

SEK M	Purchased services	Sold services	Receivables	Liabilities
Associated companies	149.1	107.1	142.7	1.4
Länsförsäkringar Liv Group	37.0	546.1	88.9	841.6
Regional insurance companies	424.8	916.2	417.2	458.6
Other closely related	3.4	24.0	–	–

#### Interest income and interest expenses from closely related

SEK M	Interest income	Interest expense
Länsförsäkringar Liv Group	–	50.0
Regional insurance companies	0.8	31.1

#### Closely related transactions in the Parent Company 2005

SEK M	Purchased services	Sold services	Receivables	Liabilities
Group companies	433.8	281.1	167.7	195.2
Associated companies	146.6	–	–	1.3
Länsförsäkringar Liv Group	2.6	227.5	14.5	5.8
Regional insurance companies	1.9	490.6	60.8	54.3
Other closely related	–	5.6	0.5	1.4

The Parent Company's balance in Länsförsäkringar Bank amounts to SEK 409.3 M.

#### Interest income and interest expenses from closely related

SEK M	Interest income	Interest expense
Group companies	109.0	4.4
Regional insurance companies	–	7.8

Länsförsäkringar AB rents its office premises from the property owner Utile Dulci 2 HB. The property owner is an associated company in which Länsförsäkringar Sak and Länsförsäkringar Liv AB each own one eighth.

The Parent Company Länsförsäkringar AB purchases and owns equipment that is leased to the Group companies.

For information about remunerations to closely related key persons such as Board members and senior executives refer to Note 41 Employees and personnel costs.

For the Länsförsäkringar Liv Group transaction with closely related, reference is made to the Länsförsäkringar Liv Försäkringsaktiebolag's 2005 Annual Report.

Commissions paid to regional insurance companies and the Länsförsäkringar Liv Group from Länsförsäkringar Bank and Länsförsäkringar Fondförvaltning are reported in the comments on net sales, Note 17.

Note 5, Operating expenses, presents the extent of transactions with closely related companies regarding operating expenses including service revenues. Also refer to Note 42, Net sales.



## Supplementary information regarding insurance operations

### Supplementary information regarding insurance operations in the Group in 2005

Breakdown of income statement items by insurance class:

SEK M	Total	Medical & Accident	Motor vehicle, third party	Motor vehicle, other classes	Marine, Aviation & Transportation	Fire & other property damage	General liability	Legal expenses cover	Other insurance classes	Total direct insurance	Assumed reinsurance
Premiums earned, gross	3,829.5	257.6	135.3	162.6	110.1	198.0	155.4	0.8	852.3	1,872.1	1,957.4
Claims payments, gross	-5,954.1	-204.4	-275.9	-110.6	-65.8	-126.0	-118.2	-0.9	-546.1	-1,447.9	-4,506.2
Operating expenses, gross	-695.2	-59.1	-49.1	-26.3	-22.0	-17.7	-25.2	-0.1	-263.0	-462.5	-232.7
Income from ceded reinsurance	2,690.6	-7.9	87.4	-0.8	-20.2	-62.7	-28.6	0.0	-3.7	-36.5	2,727.1
<b>Result</b>	<b>-129.2</b>	<b>-13.8</b>	<b>-102.3</b>	<b>24.9</b>	<b>2.1</b>	<b>-8.4</b>	<b>-16.6</b>	<b>-0.2</b>	<b>39.5</b>	<b>-74.8</b>	<b>-54.4</b>
Premium income, gross	3,904.8	258.7	138.3	171.4	109.9	203.2	152.3	0.8	886.4	1,921.0	1,983.8

## Investment in shares and participations

	Number	Market value SEK M
<b>SWEDEN</b>		
<b>Listed shares</b>		
<b>Convenience goods</b>		
Axfood	10,200	2.3
Oriflame (SDB)	16,000	3.7
Swedish Match	57,400	5.4
<b>Total, convenience goods</b>		<b>11.3</b>

<b>Financial</b>		
Carnegie	18,700	2.2
Castellum	8,080	2.3
Fabege AB	14,400	2.2
Föreningssparbanken, A	139,000	30.1
Industrivärden, A	50,800	11.0
Investor, B	180,700	25.1
Kinnevik, B	65,600	4.9
Lundbergföretagen, B	2,250	0.8
Nordea Bank AB	786,800	64.9
OMX AB	31,600	3.5
Salusansvar, B	745,500	26.8
SEB, A	160,300	26.2
Skandia	307,600	14.6
Svenska Handelsbanken, A	144,650	28.5
<b>Total, financial</b>		<b>243.1</b>

<b>Healthcare</b>		
AstraZeneca SDB	118,400	46.0
Capio	24,700	3.5
Elekta, B	28,500	3.4
Gambro, A	79,100	6.9
Getinge, B	52,600	5.8
<b>Total, healthcare</b>		<b>65.5</b>

<b>Industry</b>		
ABB (SDB)	176,990	13.6
Alfa Laval AB	30,200	5.2
Assa Abloy, B	164,100	20.5
Atlas Copco, A	156,420	27.7
Gunnebo	13,000	1.0
JM AB	3,070	1.1
Sandvik	46,068	17.0
SAS	27,500	2.9
Scania, B	30,500	8.8
Securitas, B	95,200	12.6
Skanska, B	150,000	18.2
SKF, B	118,480	13.2
Volvo, B	100,700	37.7
<b>Total, industry</b>		<b>179.4</b>

	Number	Market value SEK M
<b>IT</b>		
Ericsson LM, B	4,593,200	125.4
Nokia (SDB)	105,800	15.3
Teleca, B	50,800	1.8
TietoEnator (SDB)	23,700	6.8
WM-Data, B	234,300	6.0
<b>Total, IT</b>		<b>155.2</b>

<b>Raw materials</b>		
Boliden	124,800	8.1
Holmen, B	16,700	4.4
SCA, B	63,000	18.7
Stora Enzo R SDB	83,800	9.0
<b>Total, raw materials</b>		<b>40.2</b>

<b>Durable goods</b>		
Electrolux, B	109,420	22.6
Eniro	54,800	5.5
Hennes & Mauritz, B	192,350	51.9
Modern Times Group, B	17,500	5.8
Trelleborg, B	28,200	4.5
<b>Total, durable goods</b>		<b>90.3</b>

<b>Telecommunications</b>		
Tele2, B	93,250	7.9
TeliaSonera	345,652	14.8
<b>Total, telecommunications</b>		<b>22.7</b>
<b>Total, shares</b>		<b>807.7</b>

<b>Mutual funds</b>		
<b>Finance</b>		
Alfred Berg Sverige Referens	3,287,071	197.0
Europafonden LF	771	0.3
Fond-i-fond försiktig LF	104,256	11.4
Fond-i-fond normal LF	103,390	11.0
Fond-i-fond offensiv LF	102,678	10.7
LF Asienfond	418,489	33.8
LF Globalfond	102,568	24.4
LF Hjärfond	100,644	11.7
LF Internetfond	500,879	17.3
LF Japanfond	902,327	93.8
LF Nordamerikafond	173,063	30.8
LF Pension 2045	527,733	47.3
LF Småbolagsfond	1,481,449	386.9
LF Tillväxtmarknadsfond	585,722	144.3
<b>Total, finance</b>		<b>1,020.2</b>
<b>Total, listed shares</b>		<b>1,827.9</b>

	Number	Market value SEK M
<b>Unlisted shares</b>		
<b>Convenience goods</b>		
Optimum Utveckling A	25,047,476	0.0
Optimum Utveckling B	340,378	0.0
<b>Total, convenience goods</b>		<b>0.0</b>

<b>Finance</b>		
HealthCap Coinvest	9,118,780	9.1
HealthCap KB III	4,808,674	4.8
Humlegården Holding I AB (publ)	52,955	84.8
Humlegården Holding II AB (publ)	52,955	94.5
Humlegården Holding III AB (publ)	52,955	27.7
Industrial Development & Invest	2,552,860	2.6
Länsförsäkringar Mäklarservice AB	200	0.3
Länsteknik	500	0.0
SBC Bo Ekon.Förening	150	0.0
Sjöassuradörerna	84	0.0
Trinova, B	500	0.0
<b>Total, finance</b>		<b>223.5</b>

<b>Industry</b>		
Besqab, B	21,000	7.4
Byggtjänst	25	0.0
Svensk Bilprovning	560	7.2
<b>Total, industry</b>		<b>14.6</b>

<b>IT</b>		
Jonic	100	0.0
Mips AB	250	3.0
<b>Total IT</b>		<b>3.0</b>

<b>Durable goods</b>		
Öljared Company & Country Club AB	8	0.1
<b>Total, durable goods</b>		<b>0.1</b>
<b>Total, shares</b>		<b>241.2</b>

<b>Tenant-owner associations</b>		
Brf Kalvheden		1.0
Brf Jaktvarvet 7		1.6
<b>Total, tenant-owner associations</b>		<b>2.6</b>
<b>Total, unlisted shares</b>		<b>244.1</b>
<b>Total, Sweden</b>		<b>2,072.3</b>

<b>AUSTRALIA</b>		
<b>Listed shares</b>		
Alumina Ltd	62,381	2.7
Amcor Ltd, Ord	65,526	2.9

	Number	Market value SEK M
AMP Ltd	175,957	7.9
ANZ Bank	170,261	23.8
BHP Billiton	253,543	33.7
Brambles Industries	58,584	3.5
Cochlear Ltd	15,858	4.2
Coles Myer Ltd	74,448	4.4
Commonwealth Bank	112,079	28.0
COMMONWEALTH PPTY OFFICE	418,899	3.1
Computershare	90,503	3.6
Corporate Express	39,798	1.4
CSL	14,938	3.7
CSR	217,460	4.4
Fosters Group	149,632	4.9
Lend Lease	26,870	2.3
Macquarie Bank Ltd	17,836	7.1
Maquire Infrastructure	202,404	4.2
National Australia Bank	93,804	17.7
Pacific Brands	167,234	2.6
Perpetual Trustees Aust.	10,293	4.1
QBE Insurance Group	58,739	6.7
Resmed Inc CDI	75,419	2.3
Rinker Group	71,915	6.9
Rio Tinto Ltd (AU)	25,627	10.3
SFE	44,364	3.6
SPAUSNET	451,780	3.5
Telstra Corp	117,467	2.7
Westfield Group	147,548	15.6
Westpac Banking	172,114	22.9
Woodside Petroleum	38,389	8.8
Woolworths Ltd	97,341	9.6
Zinifex Ltd	40,653	1.6
<b>Total , Australia</b>		<b>264.7</b>

## BELGIUM

### Listed shares

Agfa Gevaert	1,460	0.2
Barcon NV	191	0.1
Bekaert	233	0.2
Belgacom SA	2,164	0.6
CMB	300	0.1
Cofinimmo	79	0.1
Colruyt	240	0.3
Delhaize Freres	944	0.5
Dexia (Bryssel)	44,575	8.2
D'Ieteren	45	0.1
Euronav	300	0.1
Groupe Bruxelles Lambert	7,692	6.0
Inbev	2,372	0.8

	Number	Market value SEK M
KBC Bancassurance	2,397	1.8
Mobistar	429	0.3
Omega Pharma S.A	341	0.1
Solvay	828	0.7
UCB (Groupe)	1,164	0.4
Union Miniere	365	0.3
<b>Total, Belgium</b>		<b>20.8</b>

## CAYMAN ISLANDS

### Listed shares

Ace Limited Ordinary SHS	1,220	0.5
<b>Total, Cayman Islands</b>		<b>0.5</b>

## DENMARK

### Listed shares

AP Moller Maersk A/S	32	2.6
Bang & Olufsen Holding, B	333	0.3
Carlsberg, B	836	0.4
Coloplast A/S	802	0.4
D/S STORM	445	0.2
Danisco	1,310	0.8
Den Danske Bank	11,692	3.3
DSV DE Sammenslut Vogn A/S	546	0.5
FLS Midth & Co B	828	0.2
GN Store Nord	5,751	0.6
Lundbeck H	1,486	0.2
NKT Holding	525	0.2
Novo Nordisk, B New	6,295	2.8
Novozymes, B	1,309	0.6
Ost Asiatiske Kompagnis	503	0.4
TDC	5,135	2.4
Topdanmark	549	0.4
Vestas Wind Systems	4,348	0.6
William Demant Holding	745	0.3
<b>Total, listed shares</b>		<b>17.1</b>

### Unlisted shares

SOS International A/S	1,652	3.7
<b>Total, unlisted shares</b>		<b>3.7</b>
<b>Total, Denmark</b>		<b>20.8</b>

## PHILIPPINES

### Listed shares

Ayala Land	1,251,000	1.9
Bank of Philippine Islands	113,900	0.9
First Philippine Holdings	148,500	1.1
Manila Water Co Inc	709,000	0.7
Petron Corp	1,761,000	1.2

	Number	Market value SEK M
Philippine Long Distance Tel	9,740	2.7
<b>Total, Philippines</b>		<b>8.4</b>

## FINLAND

### Listed shares

AAmer-Yhtymäe, A	1,869	0.3
Cargotec B	1,157	0.3
Elisa Com	4,338	0.6
Fortum Corp	11,335	1.7
KCI Konecranes Oyi	408	0.2
Kesko, B	1,681	0.4
Kone Corporation	3,145	1.0
Metso Corp (Valmet-Rauma)	2,780	0.6
Neste Oil OYJ	3,330	0.7
Nokia	116,024	16.8
Nokian Renkaat	2,688	0.3
Orion-Yhtymäe, B	1,937	0.3
Outokumpu, A	2,609	0.3
Rautaruukki K	2,181	0.4
Sampo Insurance Co, A	10,308	1.4
Stora Enzo, R	15,652	1.7
TietoEnator Corp (EUR)	2,061	0.6
UPM-Kymmene	13,703	2.1
Uponor	1,598	0.3
Wärtsilä, B	1,546	0.4
Yit Yhtmä Oy	1,626	0.6
<b>Total, Finland</b>		<b>30.9</b>

## FRANCE

### Listed shares

Accor	2,561	1.1
Air France	1,832	0.3
Air Liquide	1,421	2.2
Alcatel Alstom CGE	16,180	1.6
Alstom	1,433	0.7
Arcelor	6,675	1.3
Atos Origin	894	0.5
Aut. Paris Rhin Rhone	513	0.3
Autoroutes du Sud de la France	768	0.4
AXA	19,049	4.9
Bicc	464	0.2
BNP Paribas, Paris	10,500	6.7
Bouygues, Ord	15,200	5.9
Business Objects S.A	1,018	0.3
Cap Gemini, Paris	1,659	0.5
Carrefour Supermarkets	7,499	2.8
Casino, Guichard-Perrachon	603	0.3
CNP Assurance	524	0.3

	Number	Market value SEK M
Credit Agricole	7,713	1.9
Danone (Groupe)	3,161	2.6
Dassault Systemes	857	0.4
Essilor Intl	1,280	0.8
Euronext	1,122	0.5
European Aeronautic	26,087	7.8
France Telecom	99,788	19.7
Gecina	159	0.1
Hermes	140	0.3
Imetal	480	0.3
Klepierre	349	0.3
L Oreal	3,866	2.3
Lafarge (France)	2,334	1.7
Lagardere	1,573	1.0
Louis Vuitton Moet Henessy	3,195	2.3
Michelin B	14,481	6.5
Neopost	482	0.4
Pagesjaunes	1,896	0.4
Pernod Ricard	918	1.3
Peugeot	12,273	5.6
PPR	864	0.8
Publicis	1,834	0.5
Renault S.A	11,237	7.3
Sagem	2,217	0.4
Saint-Gobain	4,131	1.9
Sanef	305	0.2
Sanofi-Aventis	13,915	9.7
Schneider Electric	2,951	2.1
Scor	12,686	0.2
Societe Generale	4,686	4.6
Sodexo Alliance	1,268	0.4
ST Microelectronics	8,261	1.2
Suez (Lyonnais des Eaux)	14,887	3.7
Suez Strip VVPR	1,660	0.0
Technip	1,155	0.6
TF 1	1,785	0.4
Thales	1,028	0.4
Thomson Multimedia S.A	3,398	0.6
Total	34,226	68.2
Unibail	593	0.6
Valeo	1,054	0.3
Vinci	12,160	8.3
Vivendi Environnement	19,509	7.0
Vivendi Universal	61,512	15.3
Zodiac	576	0.3
<b>Total, France</b>		<b>220.9</b>

	Number	Market value SEK M
<b>GREECE</b>		
<b>Listed shares</b>		
Alpha Bank	7,185	1.7
Bank of Piraeus	4,488	0.8
Cosmote Mobile	3,664	0.6
Duty Free Shops	553	0.1
Efg Eurobank Ergasias	4,893	1.2
Emporiki Bank of Greece	2,387	0.6
Folli-Follie	445	0.1
Germanos	1,442	0.2
Hellenic Bottling Co, B	2,784	0.7
Hellenic Exchanges	1,412	0.1
Hellenic Petroleum	3,218	0.4
Hellenic Technodomiki	2,695	0.1
Hyatt Regency Hotel	1,260	0.1
Intracom, Common	2,551	0.1
National Bank Of Greece	6,977	2.4
Opap	5,799	1.6
OTE Hellenic Telecom	7,703	1.3
Public Power Corp	2,732	0.5
Technical Olympic	2,384	0.1
Titan Cement Co, Common	1,503	0.5
Viohalco Copper Co, B	3,291	0.2
<b>Total, Greece</b>		<b>13.3</b>
<b>HONG KONG</b>		
<b>Listed shares</b>		
Anhui Expressway Co - H	278,000	1.1
Cheung Kong Holdings	89,000	7.3
Cheung Kong Infrastructure Holdings Ltd	40,000	1.0
China Merchants Holdings	124,000	2.1
CLP Holdings	110,000	5.1
CNPC Hong kong Ltd	620,000	1.1
Esprit Holding	30,000	1.7
GZI Real Estate Investment Trust	65,000	0.2
Hang Seng Bank	56,500	5.9
Hong Kong & China Gas	356,000	6.0
Hong Kong Electric	89,500	3.5
Hong Kong Exchanges and Clearing Ltd	114,000	3.8
Hutchison Whampoa	115,000	8.7
MTR Corp Ltd	331,000	5.2
Shanghai Electric Grp Corp - H	784,000	2.1
Sun Hung Kai Properties	66,000	5.1
Swire Pacific, A	80,500	5.8
Techtronic Industries Co	196,000	3.7
Wharf Holdings	97,000	2.7
<b>Total, Hong Kong</b>		<b>72.1</b>

	Number	Market value SEK M
<b>INDONESIA</b>		
<b>Listed shares</b>		
Aneka Tambang	1,113,000	3.2
Medco Energi Int'L	920,000	2.5
<b>Total, Indonesia</b>		<b>5.7</b>
<b>IRELAND</b>		
<b>Listed shares</b>		
Allied Irish Banks	22,624	3.8
Bank of Ireland	25,111	3.1
C&C Group	7,208	0.4
CRH	14,056	3.3
DCC	2,104	0.4
Depfa Bank	4,693	0.6
EirCom Group	20,890	0.4
Elan Corp	11,080	1.2
Fyffes	9,337	0.2
Grafton Group, Unit	5,583	0.5
Greencore Group	4,535	0.1
IAWS Group	2,779	0.3
Independent News	14,656	0.3
Irish Life & Permanent	7,123	1.2
Kerry Group, A	3,427	0.6
Kingspan Group	3,081	0.3
Paddy Power	1,375	0.2
Ryanair Holdings	4,994	0.4
<b>Total, Ireland</b>		<b>17.2</b>
<b>ICELAND</b>		
<b>Listed shares</b>		
Kaupthing	1,465,445	137.6
Kaupthing (SEK)	6,492,681	603.2
<b>Total, Iceland</b>		<b>740.9</b>
<b>ITALY</b>		
<b>Listed shares</b>		
Alleanza Assic	11,155	1.1
Assicurazioni Generali	24,857	6.9
Autogrill	2,996	0.3
Autos Trade SPA 1	7,425	1.4
Banca Antonveneta	2,424	0.6
Banca Fideuram	7,696	0.3
Banca Monte dei Paschi di Siena SpA	29,046	1.1
Banca Nazionale del Lavoro	27,427	0.7
Banca Popolare Milano	10,394	0.9
Banche Popolari Unite Scrl	8,927	1.6
Banco di Verona e Novara	9,625	1.5
Benetton Group	1,634	0.1

	Number	Market value SEK M
Bulgari	3,893	0.3
Capitalia Spa	37,422	1.7
Enel	112,634	7.0
ENI	68,113	15.0
Fiat, Ord	11,433	0.8
Fineco Group	4,130	0.3
Finmeccanica	7,608	1.2
Gruppo Edit L'Espresso	4,579	0.2
IntesaBci, Common	86,116	3.6
IntesaBci, Rnc	24,827	1.0
Italcementi, Ord	1,854	0.3
Lottomatica (NewGames)	951	0.3
Luxtottica Group SpA	3,601	0.7
Mediaset	21,631	1.8
Mediobanca	12,375	1.9
Mediolanum	6,661	0.3
Mondadori, Ord	3,055	0.2
Pirelli & Corp	74,561	0.5
San Paolo IMI	28,735	3.6
Seat Pagine Gialle	106,181	0.4
Snam Rete Gas	25,392	0.8
Telecom Italia Ord	279,876	6.5
Telecom Italia, Media	36,930	0.2
Telecom Italia, Rnc	156,516	3.1
Terna Trasmissione Elettricità Rete Nazionale SpA	32,417	0.6
Tiscali	5,592	0.1
Unicredito Italiano (Credito Italiano)	148,826	8.1
<b>Total, Italy</b>		<b>77.2</b>

## CHINA

### Listed shares

Angang New Steel H	406,000	1.7
China Construction Bank Corp	1,470,000	4.1
China Life Insurance	572,000	4.0
China Mobile	304,500	11.5
China Petroleum & Chemical Corp	2,300,000	9.1
China Shipping Contain, H	480,000	1.3
China Telecom Corp	1,206,000	3.5
CNOOC 0883	911,000	4.9
Cofco International	652,000	2.3
Digital China Holdings	677,000	1.5
Jiangxi Copper Co H	339,000	1.3
<b>Total, China</b>		<b>45.2</b>

	Number	Market value SEK M
<b>LUXEMBOURG</b>		
<b>Listed funds</b>		
ABN AMRO Östeuropa	11,473	34.4
ING L Selected Strategies	6,677	278.1
<b>Total, Luxembourg</b>		<b>312.4</b>

## MALAYSIA

### Listed shares

Digi Com BHD	195,800	3.2
Genting BHD	35,400	1.6
Malayan Banking	86,900	2.0
Malaysia Airports Holdings	377,700	1.5
Malaysian Oxygen	48,100	1.2
Malaysian Pacific Ind	44,700	0.9
Oriental Holdings	143,400	1.2
Perlis Plantations	165,300	1.4
Petronas Dagangan	223,100	1.9
Pos Malaysia & Services	175,000	1.5
Puncak Niaga Holdings	460,500	2.4
<b>Total, Malaysia</b>		<b>19.0</b>

## NETHERLANDS

### Listed shares

ABN Amro Holding	23,748	4.9
Aegon	77,779	10.0
Ahold	20,338	1.2
Akzo Nobel	3,545	1.3
ASM Lithography Holding	6,311	1.0
Buhrmann	1,549	0.2
Corio	610	0.3
DSM	18,676	6.0
Elsevier	9,178	1.0
Fortis Dutch trading	59,753	15.1
Getronics	1,965	0.2
Hagemeyer	7,987	0.2
Heineken NV	3,196	0.8
ING Groep	96,070	26.4
KPN	27,433	2.2
Numico	2,271	0.7
OCE	1,273	0.1
Philips Electronics	17,495	4.3
Qiagen NV	2,134	0.2
Randstad Holding	615	0.2
Rodamco Europe	596	0.4
Royal Dutch Shell ANL	248,372	60.1
SBM Offshore	507	0.3
TNT Post Groep	5,498	1.4

	Number	Market value SEK M
Unilever NV Cert	7,598	4.1
Vedior	2,519	0.3
Wereldhave	314	0.2
VNU	3,144	0.8
Wolters Kluwer	3,844	0.6
<b>Total, listed shares</b>		<b>144.8</b>

### Unlisted shares

Eureko BV Placeringsaktie	1,761,294	578.7
<b>Total, shares</b>		<b>578.7</b>

### Funds

ABN AMRO International Derivatives Fund	2,708,279	497.8
<b>Total, funds</b>		<b>497.8</b>
<b>Total, unlisted shares</b>		<b>1,076.5</b>
<b>Total, Netherlands</b>		<b>1,221.3</b>

## NORWAY

### Listed shares

Den Norske Bank	17,362	1.5
Frontline	1,371	0.4
Norsk Hydro	3,700	3.0
Norske Skogindustrier, A	4,231	0.5
Orkla, A	4,963	1.6
Petroleum Geo-Services	1,492	0.4
Prosafte	1,041	0.4
Schibsted	1,269	0.3
Smedvig, A	1,073	0.2
Statoil	17,061	3.1
Stolt Nielsen	1,162	0.3
Stolt Offshore	5,018	0.5
Storebrand	6,188	0.4
Tandberg	4,042	0.2
Tandberg Television ASA	1,863	0.2
Telenor	20,459	1.6
Tomra Systems	5,353	0.3
Yara International	5,473	0.6
<b>Total, Norway</b>		<b>15.5</b>

## NEW ZEALAND

### Listed shares

Fletcher Building	54,268	2.2
Telecom Corp New Zealand	73,374	2.4
Vector	117,780	1.7
<b>Total, New Zealand</b>		<b>6.3</b>



	Number	Market value SEK M
<b>POLAND</b>		
<b>Listed shares</b>		
Agora	12,892	2.2
Bank Pekao	31,970	13.6
Bank Przemyslowo Handlowy PBK SA	3,645	6.7
Bank Zachodni WBK	3,981	1.4
Computerland Poland S.A	2,902	0.7
Globe Trade Centre SA	2,954	1.2
KGHM Polska Miedz	45,747	7.0
PKO Bank Polski	146,136	10.4
Polski Koncern Naf Orlen	149,793	22.9
Prokom	5,154	1.7
Telekomunikacja Polen	326,031	18.6
TVN	17,348	3.3
<b>Total, Poland</b>		<b>89.7</b>

<b>PORTUGAL</b>		
<b>Listed shares</b>		
Banco Espirito Santo	2,748	0.4
BCP Banco Comercial Nom	50,762	1.1
BPI SGPS Nom	9,286	0.3
BRISA Auto-Estradas Port	8,636	0.6
Cimpor Cimentos de Port	5,276	0.2
EDP Electricidade Portugal	47,486	1.2
Jeronimo Martins Sgps	1,133	0.1
Multimedia Servicos de Telecom e Multimedia SGPS	2,496	0.2
Portugal Telecom	19,693	1.6
Sonae Investimentos Sgps	23,551	0.3
<b>Total, Portugal</b>		<b>6.0</b>

<b>SWITZERLAND</b>		
<b>Listed shares</b>		
ABB (CH)	25,654	2.0
Adecco	1,709	0.6
Ciba Specialty Chemicals AG	894	0.5
Clariant AG	3,479	0.4
Compagnie Financiere Richemont	6,468	2.2
Credit Suisse	16,136	6.5
Geberit	60	0.4
Givaudan	89	0.5
Holcim, Namen	14,999	8.1
Kudelski Inhaber	530	0.1
Kuehne & Nagel International	144	0.3
Kuoni Reisen, B	46	0.2
Logitech Intl	1,082	0.4
Lonza Group	572	0.3
Micronas Semiconductor	515	0.1

	Number	Market value SEK M
Nestle	5,364	12.7
Nobel Biocare Holding	308	0.5
Novartis	30,950	12.9
Phonak Holding AG	689	0.2
PSP Swiss Property	499	0.2
Rieter Holdings	74	0.2
Roche Holding, Genusscheine	9,339	11.1
Schindler, Part	78	0.2
Schweiz Rueckversicherung	19,197	11.2
Serono Porteur B	72	0.5
SGS Surveillance	57	0.4
Sig Holding	82	0.1
Straumann	126	0.2
Sulzer	59	0.2
Swatch Group	717	0.2
Swatch Group, Inhaber	439	0.5
Swisscom	2,138	5.4
Syngenta (CH)	1,399	1.4
Synthes-Stratec Inc	611	0.5
UBS	13,739	10.4
Unaxis Holding, Namen	103	0.1
Valora Holding	65	0.1
Zurich Finl Services	8,569	14.5
<b>Total, Switzerland</b>		<b>106.4</b>

<b>SINGAPORE</b>		
<b>Unlisted shares</b>		
DBS Group	78,000	6.2
HK Land Holdings Ltd	45,000	1.1
Keppel Corp, Local	39,000	2.1
Samudera Shipping Line	870,000	2.4
SembCorp Marine Ltd	226,000	3.0
Singapore Airlines	39,000	2.3
Singapore Press Holdings, Local	115,000	2.4
Singapore Telecom, Local	491,000	6.1
Singapost	461,000	2.5
Starhub	352,000	3.5
United Overseas Bank	121,000	8.5
<b>Total, Singapore</b>		<b>40.0</b>

<b>SPAIN</b>		
<b>Listed shares</b>		
Abertis	5,612	1.1
Acciona	754	0.7
Acerinox	4,753	0.5
ACS Activ. Const. Y Svcs	6,416	1.6
Aguas de Barcelona	1,544	0.3
Altadis	7,356	2.6

	Number	Market value SEK M
Antena 3 Television	2,035	0.4
Banco Bilbao Vizcaya Argentaria	88,733	12.6
Banco Popular	22,246	2.2
BSCH Banco Santander	155,481	16.3
Cintra Concesiones De Infrae	5,141	0.5
Ebro Puleva	2,215	0.3
Empresa Nacional de Elec	24,749	5.2
Fomento Const y Contr	1,196	0.5
Gamesa Grupo Auxiliar Metalurgico	4,457	0.5
Gas Natural SDG	4,797	1.1
Grupo Ferrovial	1,664	0.9
Iberdrola 1	21,074	4.6
Iberia Lineas Aereas	14,068	0.3
Inditex	5,667	1.5
Indra Sistemas, A	3,408	0.5
Inmobiliaria Colonial	781	0.4
Mapfre	2,813	0.4
Metrovacesa	1,454	0.7
NH Hoteles S.A	2,059	0.3
Promotora de Informaciones S.A (PRISA)	2,004	0.3
Repsol	23,782	5.5
Sacyr Vallehermoso	2,873	0.6
Sogecable	1,049	0.3
Telefonica de Espana	116,718	13.9
TPI Amarillas	4,889	0.3
Union Electrica Fenosa	5,539	1.6
Zeltia	3,991	0.2
<b>Total, Spain</b>		<b>78.5</b>

<b>UK</b>		
<b>Listed shares</b>		
Aegis Group Plc	16,926	0.3
Aggreko	4,126	0.2
Alliance Unichem	3,361	0.4
Amec	5,029	0.2
Amvescap	9,714	0.6
Anglo American Plc ADR	18,864	5.1
ARM Holdings	20,406	0.3
Arriva	2,951	0.2
Associated British Ports Holdings Plc	4,584	0.4
Astrazeneca	21,349	8.3
Aviva (fd CGU)	139,580	13.4
BAA	86,659	7.4
BAE Systems	41,870	2.2
Balfour Beatty	6,416	0.3
Barclays	398,339	33.0
Barratt Developments	3,217	0.4

	Number	Market value SEK M
BBA Group	6,855	0.3
Bellway	1,505	0.2
Berkeley Group Holdings	1,445	0.2
BHP Billiton GB	32,809	4.2
BOC Group	45,380	7.4
Boots Group Co	9,422	0.8
Bovis Homes Group	1,583	0.2
BP Plc Amoco	940,818	79.4
Brambles	9,630	0.5
British Airways	8,183	0.4
British American Tobacco	20,793	3.7
British Gas	47,073	3.7
British Land Co	6,760	1.0
British Sky Broadcasting	15,929	1.1
Brixton	3,396	0.2
BT Group	479,051	14.5
Bunzl	4,561	0.4
Burberry Group PLC	4,128	0.2
Cable & Wireless	363,397	6.0
Cadbury-Schweppes	27,144	2.0
Capita Group	8,794	0.5
Carnival Plc	2,226	1.0
Cattles	4,370	0.2
Centrica	48,370	1.7
Close Brothers Group Plc	1,730	0.2
Cobham	16,938	0.4
Compass Group	148,028	4.5
Cookson Group	3,067	0.2
Corus Group	59,119	0.5
Daily Mail & General Trust	3,991	0.4
Davis Service Group	2,721	0.2
De La Rue	2,658	0.2
Diageo	39,238	4.5
DSG International	264,700	5.9
Electrocomponents	5,786	0.2
Emap	3,431	0.4
EMI Group	11,934	0.4
Enterprise Inns	4,645	0.6
First Choice Holidays	5,966	0.2
Firstgroup Plc	5,951	0.3
FKI	9,432	0.1
Friends Provident	24,595	0.6
Gallaher Group PLC	8,545	1.0
GKN	9,544	0.4
Glaxo Smithkline	77,560	15.5
Goldman Sachs Group Inc	7,600	7.7
Great Portland Estates Ord 0.50	2,960	0.2
Great Universal Stores	11,640	1.6

	Number	Market value SEK M
Group 4 Securicor	17,206	0.4
Hammerson	3,785	0.5
Hanson	68,074	5.9
Hays	21,175	0.4
Hbos Group	216,603	29.3
HMV Group	5,330	0.1
HSBC Holdings	150,199	19.1
Icap	7,312	0.4
IMI	5,275	0.4
Imperial Chemical (ICI)	164,290	7.4
Imperial Tobacco Group	9,447	2.2
Inchcape Plc	1,121	0.3
Intercontinental Hotels	5,771	0.7
International Power	171,719	5.6
Intertek Group	2,064	0.2
Invensys	92,219	0.2
ITV (fd. Granada GB0008275660)	419,837	6.4
Johnson Matthey	2,918	0.6
Kelda Group	67,210	7.1
Kesa Electricals	8,003	0.3
Kingfisher	30,621	1.0
Ladbroke Group (Hilton Group)	124,967	6.2
Land Securities Group	6,121	1.4
Legal & General Group	84,847	1.4
Lloyds TSB Group	328,753	21.9
LogicaCMG	17,025	0.4
LogicaCMG NL	7,066	0.2
London Stock Exchange	3,848	0.3
Man Group	3,814	1.0
Marconi	2,867	0.2
Marks & Spencer	21,596	1.5
Meggitt	6,499	0.3
MFI Furniture Group	10,064	0.1
Misys	7,320	0.2
Mitchells & Butlers	6,661	0.4
National Express Group	2,073	0.2
National Grid Group	166,689	12.9
New Liberty Intl Plc (GB)	3,207	0.4
Next Plc	3,376	0.7
Pearson	10,468	1.0
Pen & Oriental Steam	9,956	0.6
Persimmon	3,694	0.6
Pilkington	15,618	0.3
Premier Farnell	5,885	0.1
Provident Financial	3,859	0.3
Prudential	31,092	2.3
Punch Taverns	3,362	0.4
Rank Group	8,300	0.3

	Number	Market value SEK M
Reckitt Benckiser	8,116	2.1
Reed Elsevier PLC	16,635	1.2
Rentokil Initial	24,066	0.5
Resolution Plc. (f.d.Britannic Gr.)	3,001	0.3
Reuters Group	18,746	1.1
Rexam	7,340	0.5
Rio Tinto	14,213	5.1
Rolls Royce	20,388	1.2
Rolls Royce B	789,041	0.0
Royal Bank of Scotland	151,332	36.3
Royal Dutch Shell B	36,680	9.3
Royal Sun Alliance	39,669	0.7
SabMiller Plc (South African Breweries, GBP)	11,935	1.7
Sage Group	17,073	0.6
Sainsbury, J	17,760	0.8
Schroders	2,016	0.3
Scott & South Ener (Scot Hyd)	11,202	1.5
Scottish & Newcastle	9,916	0.7
Scottish Power	109,057	8.1
Serco Group	7,003	0.3
Severn Trent	44,561	6.6
Signet Group PLC	26,234	0.4
Slough Estates	5,622	0.5
Smith & Nephew	12,249	0.9
Smiths Industries	7,343	1.0
Soft Group	2,899	0.2
SSL Intl	3,070	0.1
Stagecoach Holdings	12,717	0.2
Tate & Lyle	6,472	0.5
Taylor Woodrow	8,603	0.4
Tesco	369,679	16.7
TGI plc	10	0.0
Three I Group	7,543	0.9
Tomkins	10,277	0.4
Travis Perkins	1,755	0.3
Trinity Mirror	4,402	0.3
Unilever	36,767	2.9
United Utilities	72,684	6.7
UTD Business Media	4,186	0.4
Whitbread PLC	3,422	0.4
William Hill	5,228	0.4
Wimpey (George)	5,935	0.4
Vodafone	3,757,397	64.8
Wolseley	7,704	1.3
WPP Group	15,553	1.3
Yell Group Plc	9,218	0.7
<b>Total, listed shares</b>		<b>574.2</b>

	Number	Market value SEK M
<b>Unlisted shares</b>		
Altius Assoc	13,218	3.0
Scan Re	7,500,000	0
<b>Total, unlisted shares</b>		<b>3.0</b>
<b>Total, UK</b>		<b>577.1</b>

## SOUTH KOREA

<b>Listed shares</b>		
Charm E&T Co Ltd	22,630	1.0
Cheil Industrial	17,620	3.9
CJ Internet Corp	9,052	1.2
Daehan Steel Co Ltd	4,010	0.8
Daesang Corp	26,540	3.0
Doosan Heavy Ind	6,550	2.0
Halla Climate Control Corp	11,190	1.1
Hansol Paper	13,430	1.9
Hanwha Corp	15,630	4.2
Hyundai Development Co	16,170	5.8
Hyundai Elevator Co	2,970	1.8
Hyundai Motor Co	9,940	7.6
KEPCO (Korea Electric Power)	15,350	4.6
Kook Soon Dang Co Ltd	5,842	0.8
Kookmin Bank New	21,530	13.0
Korea Tobacco & Ginseng Corp	9,550	3.4
LG Electronics	5,640	4.0
LG Telecom	66,221	3.5
People Telecom Inc	9,779	0.8
Pohang Iron & Steel	4,211	6.7
Pusan Bank	33,470	3.5
Samchully Co Ltd	2,161	2.0
Samsung Electronics Common Stock	8,176	42.4
Samsung Electronics Preferred Stock	937	3.6
Samsung Securities Co	7,620	3.7
Shinhan Financial Group	28,580	9.2
Shinsegae Dept Store Co	1,341	4.7
SK Corporation	6,660	2.7
SK Telecom	2,403	3.4
Snu Precision Co Ltd	4,420	1.7
Sonokong Co Ltd	9,847	0.9
Techno Semichem Co Ltd	25,750	2.6
Telcowa Co Ltd	7,395	1.3
Woong Jon Coway Co Ltd	12,290	2.3
Woori Investment & SECS-PFD	21,730	3.0
<b>Total, South Korea</b>		<b>158.0</b>

	Number	Market value SEK M
<b>TAIWAN</b>		
<b>Listed shares</b>		
Accton Technology Corp	495,000	2.2
Acer Inc	129,920	2.6
Advanced Semicond. Engineer	347,000	2.5
Advantech Co	103,908	2.3
Asia Cement Corp	348,840	1.6
Asustek Computer Inc (TW)	224,800	5.5
AU Optronic Corp	299,890	3.6
Capital Securities Corp	488,000	1.5
Cathay Financial Holdings	359,000	5.2
China Trust Financial Holding Company	204,489	1.3
Chungwa Telecom	107,000	1.5
Compai Electronics	265,136	1.9
Evergreen Marine (TW)	248,600	1.4
Far Eastone Telecommunication	152,000	1.4
Formosa International Hotels Corp	64,000	1.0
Formosa Plastic	567,890	6.9
Formosa Taffeta Co	469,200	1.9
Foxconn Technology Co	43,000	1.7
Genius Electronics Optical Co Ltd	12,000	1.3
Giant Manufacturing	140,000	2.2
Hon Hai Precision Industry	312,096	13.6
Lite-On Electronics	287,180	3.1
Mediatek	55,000	5.2
Mega Financial Holdings	883,000	4.6
Mitac International	254,019	3.0
Nan Ya Plastic	130,380	1.4
Nien Made Enterprise Co	168,025	1.7
Phison Electronics Corp	42,000	1.4
Powertech Technology Inc	111,550	2.9
Premier Image Technology	199,820	2.1
Quanta Computer	147,000	1.6
Silitech Technology Corp	41,000	1.5
Taishin Intl Bank	269,291	1.1
Taiwan Cellular Corp	198,000	1.4
Taiwan Semiconductor	1,073,146	16.3
Taiwan Styrene Monomer	248,040	0.9
United Microelectronics	569,394	2.6
Wistron Corp	235,000	2.4
Ya Hsin Industrial Co	421,020	3.4
<b>Total, Taiwan</b>		<b>119.7</b>

## THAILAND

<b>Listed shares</b>		
Bangkok Bank, Foreign	141,800	3.2
Kiatnakin Bank	194,700	1.1

	Number	Market value SEK M
Krung Thai Bank F	712,400	1.5
Ptt Chemical Pcl -F	68,756	1.1
PTT Public Company, foreign	63,600	2.8
Thoresen Thai Agencies NVDR	153,100	0.8
<b>Total, Thailand</b>		<b>10.4</b>

## CZECH REPUBLIC

<b>Listed shares</b>		
CEZ CESKE ENERG. ZAVODY	102,331	24.3
Komerční Banka	5,462	6.1
SPT Telecom AS	25,071	4.3
Tabak-AS	336	2.0
Unipetrol AS	34,135	2.6
Zentiva	9,707	3.6
<b>Total, Czech Republic</b>		<b>42.8</b>

## GERMANY

<b>Listed shares</b>		
Adidas-Salomon	671	1.0
Allianz	22,074	26.5
Altana AG	933	0.4
BASF	28,604	17.4
Bayer	8,738	2.9
Beiersdorf	223	0.2
Commerzbank	41,565	10.2
Continental	1,707	1.2
Daimler-Chrysler	47,313	19.2
Deutsche Bank	6,559	5.0
Deutsche Boerse	1,313	1.1
Deutsche Post	36,668	7.0
Deutsche Telekom	159,681	21.1
Douglas Holding	539	0.2
E.ON (Veba)	8,279	6.8
Epcos	794	0.1
Fresenius Medical Care	465	0.4
Fresenius Medical Care AG	349	0.3
GEHE	578	0.4
Heidelberger Druck	685	0.2
Henkel, Pref	789	0.6
Hochtief	899	0.3
Hypo Real Estate Holding	1,701	0.7
Hypovereinsbank	8,537	2.1
Infineon Technologies, Namen	8,288	0.6
IVG Immobilien	925	0.2
Karstadt	890	0.1
Linde	1,093	0.7
Lufthansa	3,460	0.4
Man	10,461	4.4

	Number	Market value SEK M
Marschollek Lautenschlaeger & Partner	1,057	0.2
Merck Kgaa	645	0.4
Metro	1,902	0.7
Muenchener Rueckversicherung, Namen	2,289	2.5
Porsche Prefs	103	0.6
Premiere	822	0.1
Prosieben Sat1 Media VZ	1,330	0.2
Puma AG	220	0.5
Rhein-Westfalen EI-Werk	5,566	3.3
Rhein-Westfalen EI-Werk, Pref	589	0.3
SAP	2,943	4.2
Schering	2,153	1.1
Siemens	10,661	7.2
Suedzucker	920	0.2
Thyssen Krupp	4,697	0.8
Tui AG	2,994	0.5
Wincor Nixdorf	209	0.2
Volkswagen	13,594	5.7
Volkswagen, Pref	1,399	0.4
<b>Total, Germany</b>		<b>160.7</b>

## TURKEY

### Listed shares

Ak Bank	331,075	21.4
Anadolu Efes Biracilik	28,209	6.3
Arcelik	42,633	2.4
Dogan Sirketler Grubu	102,422	2.7
Dogan Yayin Holding	179,405	5.7
Eregli Demir Celik Fab.	83,071	4.4
Hurriyet Gazeteci	131,910	4.1
KOC Holding AS	64,815	2.4
Migros Turk Ticaret	41,991	3.2
Sabanci Holding	128,044	5.8
Trakya Cam Sanayii	58,725	1.8
Tupras Turkiye Petrol	52,842	7.7
Turk Sise VE CAM Fabrikalari	91,819	2.5
Turkcell Iletisim Hizmet	190,228	9.2
Turkiye Garanti Bankasi	514,804	14.9
Turkiye Is Bankasi C100%	350,840	24.2
Turkiye Vakiflar Bankasi	160,755	6.8
Yapi Kredi Bankasi	140,885	5.2
<b>Total, Turkey</b>		<b>130.6</b>

## HUNGARY

### Listed shares

Borsod Chemical	26,158	2.2
EGIS	1,206	1.0
Magyar Telekom	106,861	3.8

	Number	Market value SEK M
Mol Magyar Olaj Gazipari	31,825	23.6
OTP Bank	101,168	26.2
Richter Gedeon	7,411	10.6
<b>Total, Hungary</b>		<b>67.4</b>

## US

### Listed shares

3M Company	30,900	19.1
Abbott Laboratories	12,400	3.9
Adobe Systems	4,300	1.3
Aes Co	4,900	0.6
Aetna	5,600	4.2
Affiliated Computer Services	500	0.2
Aflac	4,200	1.6
Agilent Technologies	5,500	1.5
Air Products & Chemicals	900	0.4
Alberto-Culver	700	0.3
Allegheny Energy	1,500	0.4
Allergan Inc	500	0.4
Allstate Corp	5,400	2.3
Alltel Corp	300	0.2
Altera Corp	300	0.0
Altria Group	16,400	9.8
Amazon.com Inc.	2,700	1.0
Ambac Financial Group	100	0.1
Amerada Hess Corp	700	0.7
Ameren Corp	200	0.1
American Electric Power	3,500	1.0
American Express	49,600	20.3
American Intl Group	35,500	19.3
American Standards Cos	1,600	0.5
Ameriprise Financials Inc	2,280	0.7
Amerisource Bergen	4,000	1.3
Amgen	42,000	26.4
AmSouth Bancorporation	1,400	0.3
Anadarko Petroleum Corp	1,900	1.4
Analog Devices	2,700	0.8
Anheuser-Busch	6,200	2.1
AON Corp	2,700	0.8
Apache Corp	1,300	0.7
Apartment Invest & Mgmt	700	0.2
Apple Computer	13,400	7.7
Applera-Applied Biosystems	1,500	0.3
Applied Materials	13,000	1.9
Archer-Daniels-Midland	12,900	2.5
Archstone Smith Trust	1,700	0.6
AT&T Inc (Tidigare SBC)	43,079	8.4
Autodesk Inc	3,000	1.0

	Number	Market value SEK M
Automatic Data Process	7,600	2.8
Autonation Inc	200	0.0
AutoZone Inc	300	0.2
Avaya Inc	300	0.0
Baker Hughes	23,900	11.6
Ball Corp	900	0.3
Bank of America Corp	39,900	14.7
Bank of New York Co	6,500	1.6
Bard (CR) Inc	700	0.4
Bausch & Lomb Inc	400	0.2
Baxter Intl	5,000	1.5
BB & T Corp	7,379	2.5
Bear Stearns Cos	1,000	0.9
Becton, Dickinson	2,300	1.1
Bed Bath & Beyond	33,400	9.6
Bellsouth Corp	14,900	3.2
Best Buy Co Inc	5,550	1.9
Biogen Idec	300	0.1
Black & Decker Corp	700	0.5
Block (H&R)	2,800	0.5
BMC Software	3,700	0.6
Boeing Co	13,600	7.6
Boston Scientific Corp	4,800	0.9
Bristol Myers Squibb	1,600	0.3
Broadcom Corp	2,400	0.9
Brown Forman Corp	700	0.4
Brunswick Corp	600	0.2
Burlington Nthn Santa Fe	5,000	2.8
Burlington Resources Inc	7,200	4.9
Campbell Soup Co (US)	1,500	0.4
Capital One Financial	200	0.1
Cardinal Health	3,700	2.0
Caremark RX Inc	22,245	9.2
Carnival Corp	3,600	1.5
CEDC	6,376	2.0
Cendant Corp	9,200	1.3
Centerpoint Energy Inc	2,200	0.2
Central European Media A	9,718	4.5
Century Telephone	1,000	0.3
ChevronTexaco Corp	19,553	8.8
Chiron Corp	900	0.3
Chubb Corp	2,800	2.2
Cigna Corp	1,100	1.0
Cincinnati Financial Corp	1,200	0.4
Cintas Corp	600	0.2
Circuit City Stores Inc	1,400	0.3
Cisco Systems	66,800	9.1
CIT Group	1,800	0.7

	Number	Market value SEK M
Citigroup	40,200	15.5
Citrix Systems Inc	2,300	0.5
Clear Channel Comm	2,200	0.6
Clorox Company	100	0.0
CMS Energy	3,000	0.3
Coach USA	7,100	1.9
Coca Cola Enterprises	2,800	0.4
Coca-Cola Co	23,400	7.5
Colgate Palmolive	31,100	13.6
Comcast Corp, Class A	8,700	1.8
Comerica Inc	2,100	0.9
Compass Bancshares	500	0.2
Computer Assoc Intl	4,200	0.9
Computer Science Corp	100	0.0
Compuware Corp	7,700	0.5
Converse Technology Inc	1,400	0.3
Conagra Foods Inc	2,100	0.3
Conocophillips	44,000	20.4
Consolidated Edison	2,000	0.7
Constellation Brands A	1,500	0.3
Constellation Energy Grp	1,700	0.8
Cooper Industries Ltd	600	0.3
Corning	11,900	1.9
Costco Wholesale Co	17,700	7.0
Countrywide Financial Corp	500	0.1
Coventry Health Care Inc	3,150	1.4
CSX Corp	1,900	0.8
Cummins Engine Co	300	0.2
Cumulus Media Inc	7	0.0
Danaher Corp	2,100	0.9
Darden Restaurants	2,700	0.8
Dell	27,200	6.5
Devon Energy Corp	6,100	3.0
Dollar General	2,400	0.4
Dominion Resources	300	0.2
Donnelley (RR) & Sons Co	1,700	0.5
Dow Chemical Co	7,600	2.7
Dover Corp	1,600	0.5
DTE Energy	1,500	0.5
Duke Energy Corp	8,000	1.7
Dupont de Nemours E I & Co	7,600	2.6
Eastman Chemical Company	600	0.2
Eaton Corp	1,100	0.6
eBay Inc	58,600	20.2
Ecolab Inc	1,700	0.5
Edison Intl	6,300	2.2
Electronic Arts	200	0.1

	Number	Market value SEK M
Electronic Data Systems	400	0.1
EMC Corp	33,100	3.6
Emerson Electric Co	5,600	3.3
Engelhard Corp	1,000	0.2
Entergy Arkansas Corp	200	0.1
EOG Resources	3,100	1.8
Equifax	2,600	0.8
Equity Office Properties Trust	3,300	0.8
Estee Lauder	30,600	8.2
eTrade Financial Corp	2,900	0.5
Express Scripts Common	2,800	1.9
Exxon Mobil Corp	65,600	29.3
Family Dollar Stores	100	0.0
Fannie Mae (Fed Nat Mtg)	7,700	3.0
Federal Investors	800	0.2
Federated Department Stores Inc	2,316	1.2
Fedex Corp	1,200	1.0
First Data Corp	6,200	2.1
First Horizon Ntl	500	0.2
Firstenergy Corp	2,900	1.1
Fiserv Inc	1,400	0.5
Fluor Corp	1,200	0.7
Ford Motor Co	25,000	1.5
Forest Laboratories Inc	2,700	0.9
Fortune Brands Inc	1,200	0.7
FPL Group	3,200	1.1
Franklin Resources Inc	1,200	0.9
Freeport McMoran Cp & Gld	3,600	1.5
Freescale B	5,400	1.1
Galagen Inc	27,083	0.0
Gannett Corp	1,000	0.5
GAP	5,800	0.8
Genentech	29,800	21.9
General Dynamics Corp	2,691	2.4
General Electric Co	148,500	41.4
General Mills Inc	5,000	2.0
Genuine Parts Co	2,400	0.8
Genworth Financial Inc	3,000	0.8
Genzyme Corp	2,100	1.2
Gilead Sciences	3,600	1.5
Golden West Financial Corp	1,000	0.5
Goodrich Corp	100	0.0
Goodyear Tire & Rubber	3,400	0.5
Grainger (WW)	600	0.3
Guidant Corp	2,800	1.4
Halliburton Co	54,900	27.1
Harley-Davidson	3,700	1.5

	Number	Market value SEK M
Hartford Financial Services	4,000	2.7
Hasbro Inc	2,200	0.4
Heinz (H.J) Co	3,000	0.8
Hershey Foods Corp	100	0.0
Hewlett-Packard Co	75,600	17.2
Hilton Hotels Corp	3,100	0.6
Home Depot	16,900	5.4
Honeywell Inc	7,000	2.1
Hospira	2,974	1.0
Humana Inc	3,000	1.3
Huntington Bancshares Inc	1,400	0.3
IBM Corp	13,600	8.9
Illinois Tool Works	15,500	10.9
IMS Health	1,500	0.3
Ingersoll Rand Corp	2,900	0.9
Intel Corp	73,000	14.5
International Paper Co	3,900	1.0
Interpublic Group of Cos	300	0.0
Intl Flavors Fragrances	600	0.2
Intl Game Technology	2,700	0.7
Intuit	2,500	1.1
ITT Industries Inc	700	0.6
J P Morgan Chase & Co	27,800	8.8
Jabil Circuit Inc	1,800	0.5
Jefferson Pilot Corp	1,100	0.5
Johnson & Johnson	56,600	27.1
Johnson Controls	1,700	1.0
Jones Apparel Corp	500	0.1
Juniper Networks	71,100	12.6
Kellogg Co	2,100	0.7
Kerr-McGee Corp	900	0.7
Key corp	3,752	1.0
Kimberly Clark	3,900	1.9
Kinder Morgan Inc	700	0.5
King Pharmaceuticals Inc	3,200	0.4
KLA Tencor Corp	800	0.3
Kohls Corp	33,200	12.8
Kroger Co	5,800	0.9
L-3 Communications Hldgs Inc	500	0.3
Laboratory Corp of Amer Holdings	100	0.0
Lehman Brothers Holding	5,100	5.2
Lexmark Intl Inc	500	0.2
LG Philips LCD Ltd ADR	8,200	1.4
Lilly (Eli) & Co	41,600	18.7
Limited Brands Inc	300	0.1
Lincoln National Corp	3,400	1.4
Linear Technology Corp	2,100	0.6



	Number	Market value SEK M
Liz Claiborne	1,100	0.3
Lockheed Martin	7,100	3.6
Loews Corp	1,200	0.9
Louisiana-Pacific Corp	900	0.2
Lowe's Co's	6,800	3.6
LSI Logic Corp	3,100	0.2
M & T Bank Corp	800	0.7
Marathon Oil Corp	3,200	1.6
Marriott Intl, A	1,300	0.7
Marshall & Ilsley Corp	1,600	0.5
Masco Corp	3,600	0.9
Mattel	1,600	0.2
Maxim Integrated Products	42,400	12.2
MBIA Inc	1,200	0.6
MBNA Corp	10,100	2.2
Mc Cormick & Co	1,100	0.3
McDonald's Corporation	80,800	21.7
Mcgraw-Hill Inc	7,100	2.9
McKesson	6,100	2.5
Meadwestvaco Corp	1,600	0.4
Medco Health	2,400	1.1
Medtronic	46,600	21.4
Mellon Financial Corp	3,500	1.0
Merck Co	34,200	8.7
Mercury Interactive Corp	600	0.1
Meredith Corp	300	0.1
Merrill Lynch & Co	11,200	6.0
MetLife Inc	14,700	5.7
MGIC Investment Corp	800	0.4
Microsoft Corp	152,100	31.7
Millipore Corp	300	0.2
Monsanto Co	2,200	1.4
Monster Worldwide	1,000	0.3
Moody's Corp	1,000	0.5
Morgan Stanley	9,500	4.3
Motorola	29,300	5.3
Murphy Oil Corp	1,300	0.6
Nabors Industries Inc	1,100	0.7
National City Corp	5,100	1.4
National Semiconductor	6,400	1.3
NCR Corp	1,600	0.4
Network Appliance Inc	3,200	0.7
New York Times Co	1,000	0.2
Newell Rubbermaid	3,700	0.7
Newmont Mining Corp	2,200	0.9
News Corp A	20,200	2.5
Nike, B	22,300	15.4

	Number	Market value SEK M
NiSource Inc	1,200	0.2
Nordstrom	4,400	1.3
Norfolk Southern Corp	3,600	1.3
Northern Trust Corp	1,500	0.6
Northrop Grumman	2,900	1.4
Novell	6,847	0.5
Nucor Corp	3,100	1.6
Nvidia Corp	700	0.2
Occidental Petroleum	3,400	2.2
Office Depot	2,800	0.7
Omnicom Group	18,600	12.6
Oracle Systems Corp	30,200	2.9
Pactiv Corp	1,000	0.2
Parametric Technology	5,000	0.2
Parker Hannifin Corp	1,000	0.5
Paychex	48,900	14.8
Penney (JC)	4,800	2.1
Pepsi Bottling Group	1,500	0.3
Pepsico	60,600	28.5
PerkinElmer Inc	1,000	0.2
Pfizer	58,900	10.9
PG&E Corp	3,000	0.9
Phelps Dodge Corp	1,400	1.6
Pinnacle West Capital	800	0.3
Pitney Bowes	1,700	0.6
Plum Creek Timber Co	200	0.1
PNC Financial Services Group	5,500	2.7
PPG Industries	3,500	1.6
PPL Resources	3,400	0.8
Praxair	3,000	1.3
Principal Financial Group	4,000	1.5
Procter & Gamble Co	83,007	38.2
Progress Energy Inc	1,100	0.4
Progressive Corp	1,800	1.7
Prologis	200	0.1
Prudential Equity Group	9,800	5.7
Public Storage Common	800	0.4
Public SV Enterprise Co	1,900	1.0
Qlogic Corp	1,200	0.3
Qualcomm	47,200	16.2
Quest Diagnostics Inc	100	0.0
Raytheon Company	8,600	2.7
Reebok Int'l Ltd	700	0.3
Regions Financial Corp	3,700	1.0
Reynolds Amricn Common	1,100	0.8
Robert Half Int'l	1,500	0.5
Rockwell Automation	1,500	0.7

	Number	Market value SEK M
Rockwell Collins	2,515	0.9
Rohm & Haas Co	1,700	0.7
Rowan Cos	800	0.2
Sabre Holdings Corp	1,000	0.2
Safeco Corp	2,400	1.1
Safeway Inc	2,900	0.5
Sara Lee Corp	6,200	0.9
Schering-Plough	12,900	2.1
Schlumberger	38,000	29.4
Schwab (Charles) Corp	8,200	1.0
Scientific-Atlanta Inc	1,400	0.5
Sealed Air Corp	900	0.4
Sears Holdin Corp	900	0.8
Sempra Energy	3,500	1.2
Sherwin-Williams	1,000	0.4
Siebel Systems	3,200	0.3
Sigma-Aldrich	600	0.3
Simon Property Group	1,400	0.9
SLM Corporation	3,400	1.5
Snap-On	400	0.1
Soletron Corp	13,200	0.4
Southern Co	6,200	1.7
Southwest Airlines Co	13,104	1.7
Sovereign BanCorp	2,800	0.5
Sprint Nextel Corp (FON Group)	23,814	4.4
St Jude Medical Inc	3,200	1.3
St Paul Travelers Co's	5,900	2.1
Stanley Works	900	0.3
Staples	10,100	1.8
Starbucks Corp	6,000	1.4
Starwood Hotel & Resort World	1,500	0.8
State Street Corp	4,400	1.9
Stryker Corp	41,100	14.5
Sunoco Inc	2,600	1.6
Suntrust Banks	3,000	1.7
Supervalu Inc	2,600	0.7
Symantec Corpration	8,385	1.2
Synovus Financial	272	0.1
T Rowe Price Group	1,000	0.6
Target Corp	6,800	3.0
Teco Energy	3,000	0.4
Tellabs Inc	4,300	0.4
Temple Inland	800	0.3
Texas Instruments	27,200	6.9
Textron	1,200	0.7
Thermo Electron Corp	1,200	0.3
Tiffany & Co	1,200	0.4

	Number	Market value SEK M
Time Warner	37,000	5.1
TJX Co's Inc	1,900	0.4
Torchmark Corp	700	0.3
Transocean Inc	2,200	1.2
Tribune Co	1,100	0.3
TXU Corp	9,400	3.8
Tyco Intl	1,000	0.2
Tyson Foods IncTyson Foods Inc	2,000	0.3
Union Pacific Corp	1,100	0.7
Unisys Corp	300	0.0
United Health Grp	11,900	5.9
United Parcel Service	35,500	21.2
United States Steel Corp	100	0.0
United Technologies Corp	8,100	3.6
UNUMProvident Corp	2,300	0.4
US Bancorp	15,200	3.6
UST Inc	1,400	0.5
Wachovia Corp	12,500	5.3
Wal Mart Stores	19,900	7.4
Valero Energy Corp	11,600	4.8
Walgreen Co	8,200	2.9
Walt Disney Co	1,600	0.3
Washington Mutual	8,082	2.8
Waste Management	4,500	1.1
Waters Corp	800	0.2
Watson Pharmaceuticals	1,500	0.4
Wellpoint Inc	11,100	7.0
Wells Fargo & Co	6,700	3.4

	Number	Market value SEK M
Wendy's International	1,000	0.4
Verizon Communications	22,400	5.4
Weyerhaeuser Co	1,900	1.0
VF Corp	1,200	0.5
Whirlpool Corp	500	0.3
Viacom, B	12,800	3.3
Williams Co's	4,700	0.9
Vornado Realty Trust	100	0.1
Wrigley (WM) JR	1,600	0.8
Vulcan Materials Co	900	0.5
Wyeth	10,900	4.0
Xcel Energy	1,700	0.2
Xerox Corp	8,400	1.0
XTO Energy	900	0.3
Yahoo	1,000	0.3
Yum! Brands	2,500	0.9
Zions Bancorp	700	0.4
<b>Total, listed shares</b>		<b>1,259.9</b>
<b>Unlisted shares</b>		
Hyperion Inc	35,496	0
<b>Total, unlisted shares</b>		<b>0</b>
<b>Funds</b>		
Ferox Fund Limited Class C	51,716	56.1
Narragansett Offshore Ltd, Class B, Series 2	4	0.0
Oz Overseas Fund Ltd, Class A, Series	803	7.8

	Number	Market value SEK M
Oz Overseas Fund Ltd, Class C, Series 2	121	1.0
Styx International Ltd	3,239	71.2
<b>Total, unlisted funds</b>		<b>136.2</b>
<b>Total, US</b>		<b>1,396.0</b>

## AUSTRIA

### Listed shares

Andritz	278	0.2
Boehler-Uddeholm	267	0.4
Erste Bank Oester	3,449	1.5
Flughafen Wien	315	0.2
Immofinanz Innobilien	8,938	0.7
Mayr-Melnhof Karton	126	0.1
Meinl European Land	2,512	0.4
OMV AG	4,315	2.0
RHI	571	0.1
Telekom Austria	9,091	1.6
Verbund Oesterr Elek, A	202	0.6
Wienerberger Baustoffindustrie	1,650	0.5
Voest-Alpine	518	0.4
<b>Total, Austria</b>		<b>8.7</b>

<b>TOTAL LÄNSFÖRSÄKRINGAR AB GROUP</b>	<b>8,178.1</b>
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## Proposed treatment of the unappropriated earnings

Non-restricted equity as stated in the consolidated balance sheet amounts to SEK 2.422 M. There is no requirement for transfer to restricted reserves in the Group. According to the balance sheet for Länsförsäkringar AB, non-restricted equity totaling SEK 936,505,469 is at the disposal of the Annual General Meeting.

Profit brought forward	738,608,678
Group contribution received, net	101,108,880
Net profit for the year	96,787,911
Non-restricted equity	936,505,469

The Board of Directors and the Managing Director propose that the above unappropriated earnings in the Parent Company be carried forward.

Stockholm, March 15, 2006

Hans Jonsson  
*Chairman*

Bengt Ljungqvist  
*Vice Chairman*

Ulf W Eriksson

Olav Hytta

Anna-Greta Lundh

Tommy Persson  
*Managing Director*

Gösta af Petersens

Anne-Marie Pålsson

Karin Starrin

Fredrik Waern

Carl Johan Gezelius  
*Employee representative*

Tomas Jönsson  
*Employee representative*

Sven-Erik Martinell  
*Employee representative*

Our audit report was submitted on March 15, 2006

Stefan Holmström  
*Authorized Public Accountant*

Lars-Ola Andersson  
*Authorized Public Accountant*  
*Appointed by Finansinspektionen*

The consolidated and Parent Company income statement and balance sheet are subject to approval by the Annual General Meeting.

## Audit report

To the Annual General Meeting of shareholders in Länsförsäkringar Aktiebolag (publ)

Corporate reg. no. 556549-7020

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Aktiebolag (publ) for 2005. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high, but not absolute, assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability,

if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts for the Parent Company have been prepared in accordance with the Annual Accounts Act and the consolidated accounts in accordance with the Annual Accounts Act for Insurance Companies, and thereby give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 15, 2006

Stefan Holmström  
*Authorized Public Accountant*

Lars-Ola Andersson  
*Authorized Public Accountant*  
*Appointed by*  
*Finansinspektionen*

## Condensed income statement and balance sheet for the Länsförsäkringar Liv Group

### INCOME STATEMENT

SEK M	2005	2004
Premium income, gross	9,609	8,869
Premium income, net	9,472	8,676
Investment income, net	20,165	6,882
Claims payments	-5,291	-4,359
Change in life assurance provisions	-17,527	-6,496
Operating expenses	-1,379	-1,456
Other technical revenue	-	5
<b>Technical result, life assurance operations</b>	<b>5,440</b>	<b>3,252</b>
Non-technical items	-177	-162
<b>Income before appropriations and tax</b>	<b>5,263</b>	<b>3,090</b>
<b>NET PROFIT FOR THE YEAR</b>	<b>4,584</b>	<b>2,348</b>

### BALANCE SHEET

SEK M	Dec. 31, 2005	Dec. 31, 2004
<b>Assets</b>		
Intangible assets	1,822	1,873
Investment assets	100,817	89,679
Investment assets for which policyholders bear the investment risk	31,033	22,070
Reinsurers' portion of technical reserves	730	732
Receivables	401	660
Other assets	2,917	3,149
Prepaid expenses and accrued income	2,961	2,805
<b>Total assets</b>	<b>140,681</b>	<b>120,968</b>
<b>Shareholders' equity, provisions and liabilities</b>		
Share capital	8	8
Other equity	18,777	15,969
Technical reserves	87,053	78,739
Provisions for life assurance for which policyholders bear the investment risk	31,034	22,074
Provisions for other risks and expenses	93	109
Deposits from reinsurers	750	754
Liabilities	2,508	2,816
Accrued expenses and prepaid income	458	498
<b>Total shareholders' equity, provisions and liabilities</b>	<b>140,681</b>	<b>120,968</b>





# Corporate Governance Report

## Länsförsäkringar AB

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

It is Länsförsäkringar AB's intention to follow the Swedish Code of Corporate Governance (referred to below as the Code) in the applicable parts, with consideration of the fact that the company is not a stock market company. Adaptations to the Code are intended to take place successively during 2006. The major deviations from the provision of the Code and explanations for such deviations are presented below.

- Notice and holding of a general meeting of shareholders. Deviation from the provisions of the Code with respect to the fact that the company is not a stock market company and has only a limited number of shareholders.
- Composition of the Board of Directors. Deviation from the provisions of the Code that at least two Board members shall be independent in relation to the company's largest shareholders. The intention is to increase the number of independent directors.
- The mandate period for Board members is, as a general rule, two years. Deviation from the provisions of the Code of a maximum mandate period of one year due to the supremacy of the general meeting of shareholders to dismiss and appoint a director irrespective of mandate period. A mandate period that is longer than one year contributes to ensuring con-

tinuity and establishing competence within the Board.

- It is intended that the Board of Directors' Internal Control Report will be included in the Annual Report as from the 2006 financial year. In 2006, procedures and documentation pertaining to the internal control will be supplemented as the basis of the auditors' examination of the Board's Report.
- A special section of the Länsförsäkringar's website pertaining to corporate governance will be established in 2006.

### General Meeting

The shareholder exercises its voting rights at the Annual General Meeting of shareholders. Decisions are made at the general meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remunerations to directors and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration to Board members presented at the Annual General Meeting is specified by Chairman, Deputy Chairman and other directors, and includes remuneration for extra Board meetings and committee work, unless remuneration for such meetings and work is determined separately. In accordance with the Code, it is proposed that the 2006 Annual General Meeting approve the principles for remuneration and other terms of employments for company management.

### Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee that is charged with the duty of presenting proposals for members of the Board of Directors and auditors of Länsförsäkringar AB and its subsidiaries, and fees to these members. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2005 Annual General Meeting, the Nomination Committee comprised Axel von Stockenström (Chairman) (Länsförsäkringar Södermanland), Lars Karbin (Deputy Chairman) (Länsförsäkringar Norrbotten), Bengt Wolffram (Länsförsäkringar Göteborg och Bohuslän), Rutger Arnesson (Länsförsäkringar Västerbotten) and Anders Stigers (Dalarnas Försäkringsbolag).

### External auditors

In accordance with the Articles of Association, Länsförsäkringar AB shall have one auditor and one deputy auditor. Auditors are appointed for a mandate period of four years. At the 2004 Annual General Meeting, Stefan Holmström, KPMG Bohlins AB, was appointed auditor and Johan Bäckström, KPMG Bohlins AB, was appointed deputy auditor. Finansinspektionen appointed Lars-Ola Andersson, SET Revisionsbyrå AB, as auditor.

## Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar AB shall comprise 9–12 members, with or without deputies, elected at the Annual General Meeting. Board members are elected for a mandate period of two years. The Managing Director shall be a member of the Board. In addition, members and deputies appointed by trade unions are also members of the Board. The company has no time limit for the length of time for which a member may sit on the Board. The upper age limit is 70 years. The Board currently comprises 13 members and one deputy. Ten of the members were elected by the Annual General Meeting and three members and one deputy were appointed by the trade unions. Nine of the members are independent in relation to the company and company management. One of those members is independent even in relation to the company's larger shareholders. The Chairman and Deputy Chairman of the Board were appointed by the Annual General Meeting. More detailed presentations of the Board members can be found on pages 84–85 of the report.

At the statutory Board meeting following election, held after the 2005 Annual General Meeting, the Board adopted a formal work plan and instructions for the Managing Director. The Board has appointed members to the Finance Committee and the Audit Committee. At its meeting in December 2005, the Board established a Remuneration

Committee. The formal work plan includes regulations on the duties and responsibilities of the Board and its Chairman, the number of Board meetings, procedures for financial report and reporting on the operations as well as procedures for Board meetings, notice of meetings, presentation of material, distribution of work duties within the Board, conflicts of interest and disqualification. In a Group instruction, the Board determined the company's and the Group's organization and clarified the division of responsibilities between the company's and the Group's various bodies and officers. Furthermore, the Board adopted a large number of policies, instructions and guidelines for the operations.

During the year, the Board regularly reviewed the earnings and sales trends, return on capital, the financial position, etc., in relation to the budget and business plan. The Board conducts annual strategic seminars and evaluations of its own work. The Board also annually assesses the work of the Managing Director and terms of employment. The Board meets the company's auditors at least once per year (see also Audit Committee below).

## Chairman

According to the formal work plan, the Chairman shall lead the Board's work and ensure that the Board fulfills its duties. Accordingly, the Chairman shall ensure that the Board meets as required, that the Board is provided with the opportunity to participate in meetings or receive satisfactory

information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with the Managing Director, the Chairman shall keep informed of significant events and developments within the company even between Board meetings, and shall support the Managing Director in his work.

## Internal audit

The Board appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations agrees with the guidelines issued by the Board and that the operations are being conducted toward the targets established by the Board. The internal audit function is also to examine and assess the organization of the company, its procedures, governance and control of the operations. The Board has adopted a separate instruction for the internal audit function.

## Divisions of Board duties

The Board established a Finance Committee, an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in specific instructions. None of the Committees has a general mandate to make decisions. Each Committee is to regularly report its work to the Board.

## Finance Committee

The Board of Länsförsäkringar AB has appointed three of a total of eight members on a Finance Committee shared by the Länsförsäkringar AB Group. The purpose of the committee is to serve as a forum for financial and macroeconomic analysis of the market, and to prepare matters relating to asset management that shall be presented to the Board for a decision. The Finance Committee is also charged with ensuring that goals, placement guidelines, delegation regulations, etc. are achieved and followed. Until the Board meeting following election in 2006, Länsförsäkringar AB is represented on the Finance Committee by Hans Jonsson (chairman), Bengt Ljungqvist, Anne-Marie Pålsson and Tommy Persson.

	Board of Directors	Finance Committee	Audit Committee
Total number of meetings	6	4	2
Gösta af Petersens	6	–	2
Lillian Bergendorff (deputy)	0	–	–
Ulf W Eriksson	6	–	–
Carl Johan Gezelius <sup>1)</sup>	2	–	–
Olav Hytta	5	–	–
Agneta Johansson <sup>2)</sup>	3	–	–
Hans Jonsson	6	4	2
Tomas Jönsson	4	–	–
Bengt Ljungqvist	5	3	2
Anna-Greta Lundh	6	–	–
Sven-Erik Martinell	6	–	–
Tommy Persson	6	4	–
Anne-Marie Pålsson	6	4	–
Karin Starrin	5	–	–
Fredrik Waern	6	–	–

<sup>1)</sup> Board member since October 1, 2005.

<sup>2)</sup> Board member until September 30, 2005.

## Audit Committee

The Audit Committee is responsible for preparing the Board's work involving quality assurance of the bank's internal control of financial reporting, risk management, compliance with regulations, other internal control issues and for matters referred by the Board to its Committees. The Audit Committee comprises three Board members. A majority of members, including the Chairman, are independent in relation to the company and management. The internal and external auditors, along with the Managing Director and CFO usually participate in the Committee's meetings. Until the Board meeting following election in 2006, the Audit Committee comprises Bengt

This Corporate Governance Report is unaudited.

Ljungqvist (Chairman), Gösta af Petersens and Hans Jonsson.

## Remuneration Committee

The Remuneration Committee shall prepare issues on remuneration and other terms of employment for the Managing Director and the principles for remuneration and other terms of employment for company management. Until the Board meeting following election in 2006, the Remuneration Committee comprises Hans

Jonsson, Bengt Ljungqvist and Anna-Greta Lundh. The Remuneration Committee was established in December 2005 and therefore began its work in 2006.

## Meetings and attendance

The table shows the number of meetings held within the respective bodies since the 2005 Annual General Meeting until February 2006, and the attendance by each Board member.



# Board of Directors and auditors



*Hans Jonsson and Tommy Persson*



*Fredrik Waern and Gösta af Petersens*



*Bengt Ljungqvist, Anne-Marie Pålsson and Tomas Jönsson*

## BOARD OF DIRECTORS

### Hans Jonsson

Born 1949. Elected 2001  
Farm manager, Chairman of the Board  
Other Board appointments: Chairman of Länsförsäkringar Skaraborg, Bergvik Skog AB.  
Previous experience: Chairman of the Federation of Swedish Farmers (LRF), President of the European Confederation of Agriculture, President of the European Union Advisory Committee on CAP, Chairman of the Marine Environment Protection Commission.

### Gösta af Petersens

Born 1947. Elected 2004  
Farm manager  
Other Board appointments: Chairman of Länsförsäkringar Gotland, Länsinvest AB, Gotlandsägg AB, Slite Stenhuggeri AB.  
Previous experience: Managing Director of Guteprodukter AB and Gotlands Trädgårdsprodukter.

### Olav Hytta

Born 1943. Elected 2003  
Other Board appointments: Chairman of DnB NOR ASA and DnB NOR Bank ASA.  
Previous experience: Head of Operations for Region Oslo/Akershus Sparebanken NOR, Vice President of Sparebanken NOR, CEO of Gjensidige NOR ASA and Gjensidige NOR Sparebank ASA.

### Bengt Ljungqvist

Born 1937. Elected 2003  
Attorney  
Other Board appointments: Chairman of Länsförsäkringar Stockholm and Hargs Egendom AB. Deputy Chairman of Skogssällskapet. Board member of the Danviks Hospital Foundation. Solicitor to HM the King.  
Previous experience: Chairman of the Danderyd local authority, Board Chairman of JPbank, Chairman of the Swedish Property Federation and the Swedish Bar Association. Board member of the International Bar Association.

### Anna-Greta Lundh

Born 1955. Elected 2001  
Managing Director of Länsförsäkringar Södermanland  
Other Board appointments: Klöver AB, Södermanlands Nyheter, Setra Group AB.  
Previous experience: Marketing Director of Länsförsäkringar AB, Business Area Manager of Länsförsäkringar Uppsala.

### Ulf W Eriksson

Born 1952. Elected 2004  
Managing Director of Länsförsäkringar Värmland  
Other Board appointments: Board member of Länsförsäkringar Värmland, Länsförsäkringar Värmland Fastigheter AB and Stiftelsen Värmländska Provinsiallogens Frimurarehus.  
Previous experience: Bank attorney and Chief Legal Officer, Mellersta Sveriges Föreningsbank, Bank Manager, Föreningsbanken Karlstad.

### Anne-Marie Pålsson

Born 1951. Elected 2005  
Associate Professor, Department of Economics, Lund University, member of Parliament  
Other Board appointments: G L Beijer AB, Hagströmer & Qviberg Fondkommission AB, Swedish National Audit Office, Institute for Future Research, deputy member of the Bank of Sweden's Tercentenary Foundation, Flyinge Foundation, Deputy Chairman Länsförsäkringar Skåne.  
Previous experience: Research and teaching at Lund University, committee assignments, Board appointments at Stadshypotek AB, 2 AP-fonden, Investment AB Öresund, Samhall Gripen, Färs and Fresta Sparbank.



*Olav Hytta and Ulf W. Eriksson*



*Carl Johan Gezelius, Sven-Erik Martinell and Anna-Greta Lundh*



*Karin Starrin*



*Olle Törnell*

#### **Fredrik Waern**

Born 1943. Elected 2004  
Agrologist.  
Other Board appointments: Chairman of Länsförsäkringar Älvsborg. Board member of Tvåstads Tidnings AB and Östad Foundation and others.  
Previous experience: Länsförsäkringar Bank, Älvsborg and other mortgage societies.

#### **Tommy Persson**

Born 1948. Elected 1996  
Managing Director and CEO of Länsförsäkringar AB  
Other Board appointments: Chairman of FAO, the Swedish Insurance Federation and EurAPCo A.G.  
Board member of Kaupthing Búnadarbanki, Eureko B.V., Confederation of Swedish Enterprise and the Stockholm Chamber of Commerce.  
Previous experience: Vice President of Posten AB. Managing Director of Holmen Hygien and others.

#### **Karin Starrin**

Born 1947. Elected 2000  
Director General of Customs  
Other Board appointments: Chairman of Swedish Customs, Länsförsäkringar Halland. Board member of Swedish Agency for Government Employers, Swedish Board of Agriculture and Hallands Akademi.  
Previous experience: Governor of Hallands County, Consulting Accountant at Driftsbyrå, Bollnäs, Municipal Commissioner in Ovanåker, Member of Parliament, Member of the European Parliament.

#### **Olle Törnell**

Born 1958  
Board Secretary  
Head of Legal Affairs, Länsförsäkringar AB  
Previous experience: Chief Assistant, Legal Affairs, Länsförsäkringar AB; Chief Counsel, Wasa Försäkring.

#### **Carl Johan Gezelius**

Born 1948. Elected 2005  
FTF branch at Länsförsäkringar AB  
Other Board appointments: Försäkringsbranschens Pensionskassa (FPK).

#### **Tomas Jönsson**

Born 1951. Elected 2001  
Swedish Confederation of Professional Associations branch at Länsförsäkringar AB. Claims adjuster Non-life Division.  
Other Board appointments: Länsförsäkringar Sak Försäkrings AB, Länsförsäkringar IT Center AB, Bank and Insurance Section of Jusek.  
Previous experience: Bank attorney, Föreningsbanken.

#### **Sven-Erik Martinell**

Born 1943. Elected 1994  
Regional insurance companies' staff association.  
District Manager, Länsförsäkringar Bergslagen.  
Other Board appointments: Board member of Länsförsäkringar Bank, Deputy Chairman of the Union of Insurance Employees (FTF) Unemployment Benefit Fund, MMS AB, and the Uppsala branch of the Voluntary Flying Corps (FFK).

#### **Lillian Bergendorff**

Born 1958. Elected 2005  
FTF branch at Länsförsäkringar AB, deputy board member.

Representatives of all companies in Länsförsäkringar convene every year at the Annual General Meeting and elect the Board of Directors of the jointly owned Länsförsäkringar AB, which in turn appoints the Boards of Directors of the subsidiaries. According to the Articles of Association, the Board shall consist of not less than nine and not more than twelve members.

#### **Auditor Elected By The Annual General Meeting**

Stefan Holmström  
Authorized Public Accountant, KPMG Bohlins AB.

#### **Deputy Auditor**

Johan Bäckström  
Auktoriserad revisor, KPMG Bohlins AB

#### **Auditor Appointed by Finansinspektionen**

Lars-Ola Andersson  
Authorized Public Accountant, SET Revisionsbyrå AB



# Group management



*Tommy Persson*



*Christer Baldhagen*



*Henrietta Hansson*



*Håkan Danielsson and Tobias Malmgren*

## **Tommy Persson**

Born 1948. Employed since 1996  
Managing Director and CEO  
Previous experience: Vice President of Posten AB, Managing Director of Holmen Hygien and others.  
Board appointments: Chairman of EurAPCo A.G., the Swedish Insurance Federation, and FAO. Board member of Länsförsäkringar AB, Kaupthing Búnadarbanki hf, Eureka B.V., Swedish Confederation of Enterprise and the Stockholm Chamber of Commerce.

## **Christer Baldhagen**

Born 1957. Employed since 1994  
Director of Corporate Communications  
Previous experience: Director of Corporate Communications at Wasa Försäkring, Consultant at JKL.

## **Håkan Danielsson**

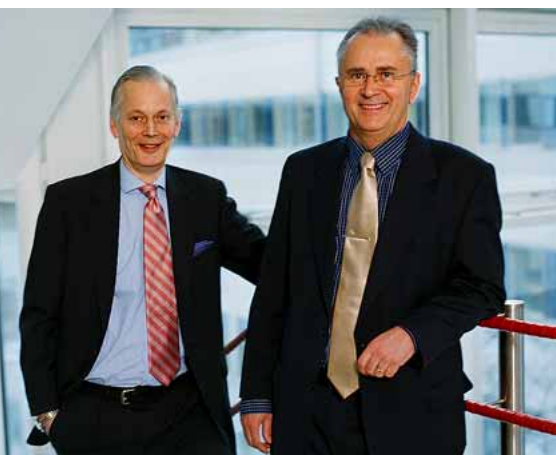
Born 1961. Employed since 2005  
Deputy Managing Director, Managing Director of Länsförsäkringar Liv.  
Previous experience: Managing Director of Stockholm Re, Deputy Managing Director Länsförsäkringar AB, President Holmia, President Trygg-Hansa.  
Board appointments: Chairman of Länsförsäkringar Fondliv AB.

## **Sten Dunér**

Born 1951. Employed since 1982  
Group Controller  
Previous experience: Deputy Managing Director of Stockholm Re.  
Board appointments: Chairman of Wasa Försäkring Run-Off AB.

## **Henrietta Hansson**

Born 1964. Employed since 1999  
President IT Center  
Previous experience: Business development manager for Private business area at Länsförsäkringar Liv and IT manager at Länsförsäkringar Liv, Customer representative Postgirot, region Jönköping, Business controller for the regional offices of Posten Försäljning.



*Sten Dunér and Jan Lundmark*



*Tomas Johansson*



*Ann Sommer*



*Hans Sterte*

#### **Tomas Johansson**

Born 1950. Employed since 2000  
Deputy Managing Director, Managing Director of Länsförsäkringar Bank  
Previous experience: Deputy Managing Director at Föreningsbanken, Deputy Managing Director FöreningsSparbanken AB, Deputy Managing Director of Länsförsäkringar Bank.  
Board appointments: Chairman of Länsförsäkringar Fondförvaltning AB, Länsförsäkringar Hypotek AB, Wasa Kredit AB. Member of Länsförsäkringar Bank AB and Swedish Bankers' Association.

#### **Jan Lundmark**

Born 1955. Employed since 2002  
Director of Human Resources  
Previous experience: Director of Human Resources at Kraft Foods AB, GB Glace AB, Ericsson Radio Systems AB.

#### **Tobias Malmgren**

Born 1959. Employed since 2003  
CIO  
Previous experience: Managing Director of IT Center, Managing Director of Scandinavian IT Group Sweden AB, Head of Operations at Digital Consulting.

#### **Ann Sommer**

Born 1959. Employed since 1988  
Deputy Managing Director, Managing Director of Länsförsäkringar Sak  
Previous experience: Managing Director of WASA International, WASA Special Försäkrings AB, Wasa International UK, Stockholm Re.  
Board appointments: Länsförsäkringar Mäklarservice AB, Länsförsäkringar Miljö AB, TFF, Swedish Forest Agency. Chairman of Agria.

#### **Hans Sterte**

Born 1961. Employed since 1998  
Director of Finance  
Previous experience: Chief Economist for the Länsförsäkringar Alliance, Equity Strategist at Handelsbanken Markets Equity Research, Chief Economist at Erik Penser Fondkommission AB.  
Board appointments: Humlegården Fastigheter HB and Östgöta Brandstodsbolag Kapitalförvaltning AB.

#### **OTHER SENIOR EXECUTIVES**

##### **Charlotte Boij**

Born 1969  
Managing Director, Wasa Försäkring Run-Off AB  
Employed since 1990

##### **Catharina Henkow**

Born 1954  
Accounting Director  
Employed since 2000

##### **Torbjörn Hultgren**

Born 1955  
Manager, Corporate Development  
Employed since 1991

##### **Anders Mellberg**

Born 1948  
Managing Director, Agria  
Employed since 1990

##### **Lennart Nyberg**

Born 1946  
Chief internal auditor  
Employed since 1979

##### **Johan Sojde**

Born 1962  
Manager, Market Development  
Employed since 2003

##### **Örian Söderberg**

Born 1952  
Managing Director, Länsförsäkringar Fonder  
Employed since 1985

##### **Olle Törnell**

Born 1958  
Head of Legal Affairs  
Employed since 1992

# Terms and expressions

## Administration result, Life

Fees paid by customers minus operating expenses.

## After ceded reinsurance

The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company.

## Alternative Investments

Assets that are not currently regarded as traditional. Alternative Investments currently comprise Private Equity funds and Absolute Return. Absolute Return has, as its goal, to deliver a positive return regardless of the movements of various underlying markets. Absolute Return is based on investments in hedge funds, but has a lower correlation to underlying markets and a lower downside risk than average for hedge funds.

## Asset allocation

Selection of allocation between various types of assets in a portfolio, for example the desired proportion of equity and fixed-income investments.

## Business volume, Bank

The sum of deposits and loans.

## Capital adequacy, Bank

The capital base in relation to risk-weighted amount. The capital base consists of equity plus subordinated loans less goodwill. The risk-weighted amount is defined as the sum of assets in the balance sheet and off-balance sheet commitments valued in accordance with the Capital Adequacy and Large Exposures (Credit Institutions and Securities Companies) Act. Pursuant to the Act, capital adequacy must be at least 8%.

## Capital base

The group-based capital base is calculated as the sum of shareholders' equity minus shares in subsidiaries and associated companies in those insurance companies and their parent companies that are included in the Länsförsäkringar AB Group. The required solvency margin for the Life Group is then added to this value.

## Claims payments

The cost during the fiscal year of claims incurred, whether reported to the company or not. The costs also include run-off result.

## Claims ratio

Cost of claims as a percentage of premiums earned.

## Collective consolidation (Life)

The value of the company's assets in relation to the guaranteed commitments to customers and the preliminary bonus allocation.

## Computed interest (Non-life)

Premiums are paid in advance, while operating expenses and claims are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the computed interest – is transferred from investment income to insurance operations.

## Direct insurance

Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

## Direct yield

The balance of interest income, interest expense, dividends on shares and participations, operating expenses in asset management, and the surplus (deficit) on company-owned real estate.

## Earnings per share

Net profit for the year divided by the average number of shares during the year.

## Expense ratio

Operating expenses as a percentage of premiums earned.

## Hedge fund

Fund that, via investments in traditional markets, seeks positive yield regardless of the general trends in these markets.

## Interest-bearing (fixed-income) securities

Loans issued in the market by a borrower (such as the government). Long-term securities are normally termed "bonds," while short-term loans are in the form of what are commonly called "bills."

## Interest margin, Bank

Difference between average interest on all assets and average interest on all liabilities.

## Investment assets

Investment assets are current or long-term assets that take the form of an investment, including real estate and securities in the case of an insurance company.

## Investment income

The net of the following income and expenses: interest income, interest expense, dividends on shares and participations, surplus (deficit) on company-owned real estate, change in the fair value of properties, shares, interest-bearing securities and derivatives, gains (losses) on the sale of investment assets, currency exchange gains (losses), less operating expenses in asset management.

## Investment margin

Net interest as a percentage of average total assets.

## Loan losses, Bank

Probable loan losses are the difference between the amount of credit granted and the amount expected to be recovered, taking into account the borrower's ability to pay and the value of collateral. Actual losses are ascertained, for example, in bankruptcy proceedings or a settlement.

## Net interest, Bank

Interest income on lending to the public and credit institutions and income on fixed-income securities less costs for deposits and borrowing from the public and credit institutions and the costs for fixed-income securities.

## Net investment

The difference between total purchases and sales of assets during the fiscal year.

**Net worth**

Taxed equity.

**Operating expenses**

Costs of marketing, sales and administration.

**Operating profit**

Operating profit before appropriations and taxes.

**Premiums earned**

The proportion of premium income attributable to the fiscal year.

**Premium income**

Premiums paid in during the year or recognized as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance business.

**Private Equity fund**

Fund that buys, develops and sells unlisted companies. The bulk of investment is made in mature, profitable companies.

**Reinsurance**

If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of its policies with other companies. In this connection, the reinsurance is said to be “ceded” by the first company and “assumed” (indirect insurance) by the second company.

**Return on shareholders' equity**

Earnings for the period after standard tax in relation to average equity, adjusted for new share issues and dividends.

**Run-off result**

Profit or loss arising at accounting year-end in the provision for outstanding claims made in the preceding year-end accounts. The profit/loss arises since some of the claims in the provision are either settled during the financial year at amounts differing from those allocated or are revalued pending final settlement.

**Net interest income/expense, Bank**

Interest income from lending to the public and credit institutions and revenue from interest-bearing securities minus expenses for deposits and lending from the public, credit institutions and expenses for interest-bearing securities.

**Solvency capital**

The sum of shareholders' equity, deferred tax liability/assets, subordinated loans, untaxed reserves and surplus/deficit values of assets.

**Solvency margin**

The lowest permitted level of the capital base for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in Chapter 7, Paragraphs 22–55 of the Insurance Business Act.

**Solvency margin (Non-life)**

Solvency capital as a percentage of premium income after ceded reinsurance.

**Solvency ratio (Life)**

Value of the company's assets compared with the guaranteed commitments to customers and the preliminarily distributed bonus to customers.

**Technical reserves**

Reserves for unearned premiums and outstanding risks, life assurance reserves and reserves for unsettled claims and comparable commitment in accordance with signed insurance contracts. For life assurance, this shall correspond to the company's guaranteed insurance commitment.

**Technical result, non-life insurance operations**

Premiums earned less claims payments and operating expenses plus income from reinsurance ceded and investment income transferred from financial operations.

**Total investment income ratio**

The sum of direct yield, realized gains and losses, and unrealized changes in the value of assets in relation to the average value of investment assets, defines and classified in accordance with the investment income table.



# Addresses

## **Länsförsäkringar AB**

SE-106 50 Stockholm  
Visitors: Tegeluddsvägen 11–13  
Tel: +46 8-588 400 00  
Fax: +46 8-670 48 23  
E-mail: [info@lansforsakringar.se](mailto:info@lansforsakringar.se)

## **Länsförsäkringar Liv**

SE-106 50 Stockholm  
Visitors: Tegeluddsvägen 21  
Tel: +46 8-588 400 00  
Fax: +46 8-588 408 51  
E-mail: [info@lansforsakringar.se](mailto:info@lansforsakringar.se)

## **Länsförsäkringar Sak**

SE-106 50 Stockholm  
Visitors: Tegeluddsvägen 11–13  
Tel: +46 8-588 400 00  
Fax: +46 8-588 418 10  
E-mail: [info@lansforsakringar.se](mailto:info@lansforsakringar.se)

## **Länsförsäkringar Bank**

SE-106 50 Stockholm  
Visitors: Tegeluddsvägen 11–13  
Tel: +46 8-588 416 00  
Fax: +46 8-670 48 37  
E-mail: [info@lansforsakringar.se](mailto:info@lansforsakringar.se)

## **Agria Djurförsäkring**

Box 70306  
SE-107 23 Stockholm  
Visitors: Tegeluddsvägen 11–13  
Tel: +46 20-88 88 88  
Fax: +46 8-588 421 80  
E-mail: [info@agria.se](mailto:info@agria.se)

# Financial calendar

## First quarter:

Interim report, Länsförsäkringar Bank	April 25, 2006
Interim report, Länsförsäkringar Hypotek	April 25, 2006
Solvency report, life assurance	April 25, 2006

## Second quarter:

Solvency report, life assurance	August 18, 2006
Semi-annual report, Länsförsäkringar Bank	August 29, 2006
Semi-annual report, Länsförsäkringar Hypotek	August 29, 2006
Semi-annual report, Länsförsäkringar Alliance	August 29, 2006

## Third quarter:

Interim report, Länsförsäkringar Bank	October 23, 2006
Interim report, Länsförsäkringar Hypotek	October 23, 2006
Interim report, Länsförsäkringar Alliance	October 23, 2006
Solvency report, life assurance	October 24, 2006





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Additional copies of this annual report can be ordered from  
Communications Unit, Länsförsäkringar AB, tel. +46 8-588 415 38  
or at [www.lansforsakringar.se](http://www.lansforsakringar.se), [info@lansforsakringar.se](mailto:info@lansforsakringar.se)

The annual report of Länsförsäkringar Alliance and Länsförsäkringar Bank  
can be ordered from the addresses listed on page 90.

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