

# 2007

Länsförsäkringar AB  
ANNUAL REPORT



# Länsförsäkringar AB

The regional insurance companies own Länsförsäkringar AB, which through its subsidiaries conducts operations in such areas as non-life insurance, life assurance and unit-linked insurance, banking services, fund management,

reinsurance, medical and special insurance, as well as animal insurance. Another main task is to provide service to the regional insurance companies and assume responsibility for the Länsförsäkringar Alliance's joint strategic development activities.

## **Vision**

- Länsförsäkringar is the customer's natural choice for non-life insurance, life assurance and banking services.
- Länsförsäkringar's financial position enables sustainability, development and value-for-money.
- Länsförsäkringar is widely trusted in Swedish society.

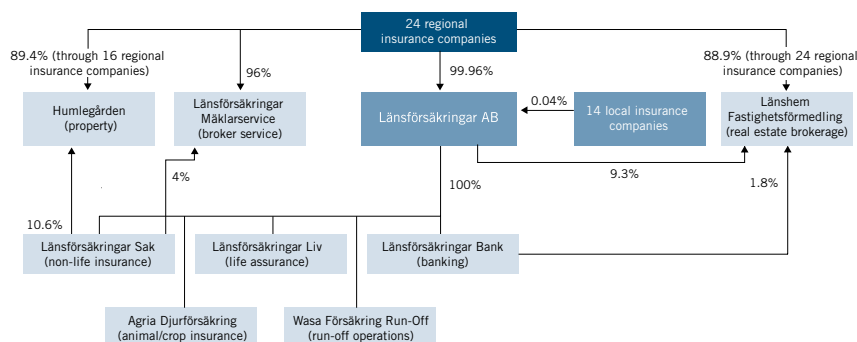
## **Business concept**

The Länsförsäkringar Alliance offers private individuals, companies and farmers reasonably priced services in non-life insurance, life assurance and banking. The operations are characterized by customer-ownership, a local presence, availability and personal service.



## Table of contents

Länsförsäkringar AB 2007 .....	1
Comments .....	2
Länsförsäkringar AB .....	4
Länsförsäkringar Sak (non-life) .....	8
Länsförsäkringar Liv (life) .....	10
Länsförsäkringar Bank .....	12
Agria Djurförsäkring (animal/crop) .....	15
Wasa Run-Off .....	16
Asset Management .....	17
Reinsurance .....	19
Owner control in the Länsförsäkringar Alliance .....	21
Sustainability .....	24
Environment .....	26
Employees .....	28
Board of Directors' Report .....	32
Five-year summary .....	38
Consolidated financial statements and notes .....	39
Financial statements and notes for the Parent Company .....	90
Audit report .....	107
Summary of the Life Assurance Group's income statement and balance sheet .....	109
Corporate Governance Report .....	110
Board of Directors and auditors .....	114
Group Management .....	116
Terms and expressions .....	118
Financial calendar .....	120
Addresses .....	121



**THE LÄNSFÖRSÄKRINGAR ALLIANCE** comprises 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB, with subsidiaries in non-life insurance, life assurance and unit-linked insurance, banking and animal insurance. The organization is based on a strong belief in local presence and customer contacts are made at the regional insurance companies. Economies of scale are achieved through Länsförsäkringar AB and through service and strategic development, work opportunities are created for the regional insurance companies to be successful in their respective markets.

Länsförsäkringar offers a wide range of insurance, pension solutions, banking services and other financial solutions for corporate customers and private individuals. The number of customers amounts to more than 3 million and the Länsförsäkringar Alliance has a joint total of 5,700 employees.

### 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 Länsförsäkringar Alliance as a whole.

### Regional insurance companies

24 local, independent and customer-owned insurance companies, each conducting banking and insurance operations in a specific geographic area and responsible for all customer contacts within each business area.

### Länsförsäkringar AB

The regional insurance companies own Länsförsäkringar AB, which through its subsidiaries conducts operations in such areas as non-life insurance, life assurance and unit-linked insurance, banking services, fund management, reinsurance, medical and special insurance, as well as animal insurance. Another main task is to provide service to the regional insurance companies and assume responsibility

for the Länsförsäkringar Alliance's joint strategic development activities.

### Länsförsäkringar Liv\*

Conducts traditional life assurance and, through Länsförsäkringar Fondliv, 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 offering private individuals and the agricultural sector reasonably priced banking services.

### Länsförsäkringar Sak\*

Conducts the Länsförsäkringar AB Group's non-life insurance operations, which include medical and accident insurance, some third-party liability insurance and liability insurance, cargo insurance, nationwide customers in the commercial automotive area and producer liability insurance. The company also handles the Länsförsäkringar Alliance's internal and external reinsurance.

### Agria Djurförsäkring

Insures animals and crops.

### Länsförsäkringar Mäklarservice

Offers brokers a uniform conduct of operations and reinforced service through regional broker desks.

### Humlegården

Property company with holdings concentrated in the Stockholm market.

### Wasa Försäkring Run-Off

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

### Länshem Fastighetsförmedling

Länshem Fastighetsförmedling is Länsförsäkringar's real-estate brokerage that offers customers total solutions in conjunction with mortgage transactions.

\* All customer contact takes place through the local regional insurance companies for life assurance, non-life insurance and banking services.

## Five-year summary

### LÄNSFÖRSÄKRINGAR AB, GROUP\*

	2003	2004	2005	2006	2007
Profit before tax, SEK M	750	781	2,100	821	1,270
Solvency capital, SEK M	6,839	7,603	9,703	10,713	11,652
Solvency margin, %	147	389	497	498	429
Total assets, SEK M	59,061	69,414	80,478	91,184	116,243
Return on shareholders' equity, %	9.3	8.6	19.0	7.7	10.0

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

### LÄNSFÖRSÄKRINGAR SAK

	2003	2004	2005	2006	2007
Premiums earned after ceded reinsurance, SEK M	3,697	2,260	1,045	1,158	1,340
Profit before appropriations and tax, SEK M	617	641	1,856	591	1,045
Solvency margin, %	72	273	401	339	364

### LÄNSFÖRSÄKRINGAR BANK

	2003	2004	2005	2006	2007
Deposits from the public, SEK M	18,154	20,048	21,535	24,379	29,735
Lending to the public, SEK M	30,044	39,426	47,094	53,884	67,040
Operating profit, SEK M	65	127	154	198	238

### LÄNSFÖRSÄKRINGAR LIV

	2003	2004	2005	2006	2007
Premium income, SEK M <sup>1)</sup>	8,069	8,676	9,472	10,141	10,794
Net profit for the year, SEK M	3,808	2,348	4,584	7,646	11,361
Collective consolidation, %	92	103	114	114	114
Solvency ratio, %	122	123	126	136	152

<sup>1)</sup> In accordance with the Swedish Insurance Federation's definition.

### AGRIA DJURFÖRSÄKRING

	2003	2004	2005	2006	2007
Premiums earned after ceded reinsurance, SEK M	717	787	844	948	1,089
Profit before appropriations and tax, SEK M	154	197	197	122	139

### CREDIT RATING

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

<sup>1)</sup> Pertains to the company's covered bonds.

<sup>2)</sup> pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.



# Länsförsäkringar AB

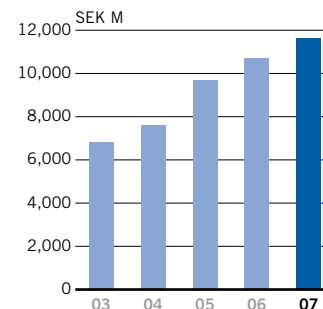
## 2007

- Net profit for the year\* amounted to SEK 1,270 M (821) before tax and SEK 922 M (618) after tax. Return on shareholders' equity amounted to 10.0% (7.7).
- The technical result for the non-life insurance operations amounted to SEK 294 M (304).
- Net profit for the year in the Life Assurance Group amounted to SEK 11,361 M (7,646). Investment income, net amounted to SEK 8,066 M (11,610). Operating expenses declined slightly to SEK 1,441 M (1,532). The total return for customers with traditional management amounted to 6.7% (8.0), the highest return in the industry.
- The bank's profit before loan losses and tax amounted to SEK 290 M (236) and operating profit amounted to SEK 238 M (198).
- Solvency capital in the Länsförsäkringar AB Group rose to SEK 11,652 M (10,713). The solvency margin declined to 429% (498).
- The net worth of the Länsförsäkringar AB share rose by 9.8% to SEK 1,648.

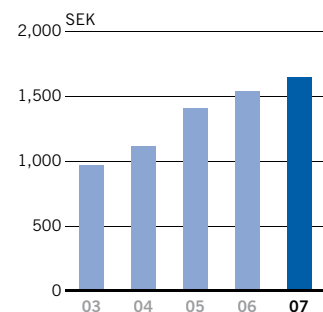
\* Excluding Länsförsäkringar Liv, which is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.



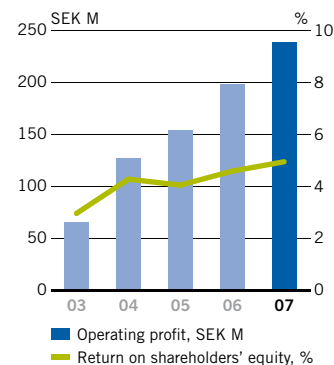
### Solvency capital



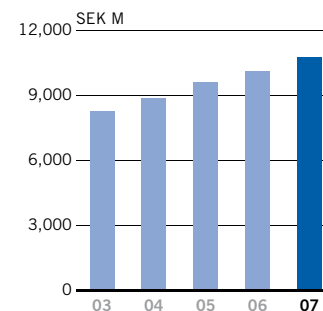
### Trend in the Länsförsäkringar AB share



### Operating profit and return on shareholders' equity, bank



### Premium income, life assurance





## New operations and strengthened key figures

**2007 WAS BOTH** an innovative and successful year for Länsförsäkringar AB in its role as the development engine and financial hub of the Länsförsäkringar Alliance and the business activities reported highly favorable earnings. Our life-assurance company had the best investment income of all players in the Swedish life-assurance and pension market, and we are one of the companies with the strongest growth. The growth of the banking operations is surpassing expectations, as are our operations in health products. A decision was made during the year to open the company's own mortgage operations for the agricultural and forestry market, and another venture in the agriculture sector was the acquisition of the Federation of Swedish Farmer's pension-insurance business. A decision was made to establish insurance operations in the Baltic States. The basis of the Länsförsäkringar Alliance's operations, non-life insurance, continued its stable performance, reporting competitive key figures, which in turn are an important prerequisite for the stability of Länsförsäkringar AB's operations.

### Continued favorable results

The Länsförsäkringar AB Group's profit before tax improved from SEK 821 M to SEK 1,270 M. We are pleased with the stable development with continued improvements to earnings in both the insurance and banking operations, and strong earnings from asset management.

The technical result for non-life insurance operations totaled SEK 294 M (304). The profit for Länsförsäkringar Bank was SEK 238 M (198), corresponding to an increase of 20%. Länsförsäkringar Liv's profit of SEK 11.4 billion is not consolidated in the company since these operations are conducted in accordance with mutual principles.

A milestone was achieved when the Länsförsäkringar AB Group's solvency capital passed SEK 10 billion in 2006 and solvency capital was further strengthened in 2007 rising from SEK 10.7 billion to SEK 11.7 billion. In 2007, dividends corresponding to 30% of profits in 2006 were paid to owners, the regional insurance companies. The proposal to be presented to the Annual General Meeting in May 2008 is that the same dividend be distributed based on profit for 2007. The Group's solvency margin declined slightly to 429% (498). This was due to the substantial increase in business volumes in non-life insurance, although the solvency margin remains highly favorable.

We also reported positive results in the asset management of our life-assurance and pension-insurance customers' savings and in the non-life insurance operations. The end of the year was characterized by the major turmoil on the global capital markets. However, Länsförsäkringar has not had any exposure to this turbulent credit market.

### Service and development

One of Länsförsäkringar AB's main tasks is performing service and development activities for the regional insurance companies. A number of important issues were pursued in 2007. Demand for insurance solutions for companies in the healthcare area is growing rapidly and we are focusing intently on this area. Extensive activities were conducted during the year to develop the Länsförsäkringar Alliance's website to better support different customer behavior and make it simpler to purchase services. We are now also seeing the effects of the large-scale activities to improve the stability of IT operations – a prerequisite for generating positive earnings. For 2007, we established a target of a maximum of 13 permitted incidents occurring in our business-critical systems per month – and only ten incidents occurred.

### Sweden's strongest life-assurance company

It took 20 years since the company was founded in 1986 to establish what today is one of the most financially strong and rapidly growing life-assurance companies. The returns we generated for our customers in traditional management in 2007 were the best of all pension companies in Sweden. As a result of successful management, we also reported successful sales, with sales of new products rising by almost 50% and market shares increasing significantly.

Between July and November, 44,000 salaried employees chose their collective agreement occupational pension – the ITP choice. Länsförsäkringar was one of the two companies selected as a manager for both traditional insurance and unit-linked insurance and 14% of salaried employees making an active choice chose Länsförsäkringar. A contributing factor to this is that we currently offer Sweden's strongest fund range. Another success was the significant increase in sales through insurance brokers. Efficient administration and support resulted in the "Best Broker of the Year" award and at the time of writing Söderberg & Partners had just announced that we are Sweden's best unit-linked life assurance company.

Many years of far-reaching efforts in rationalization, product development and new asset-management methodology have now yielded results and 2007 as a whole was the best year ever in the company's history. All indications are that growth will continue and we can seriously pursue our path toward the vision of achieving the same market position in life assurance as the position we currently enjoy in non-life insurance.

### Record year for banking operations

Volume growth for Länsförsäkringar Bank in 2007 was the strongest ever. Lending rose by 24% and deposits by 22%. In the fiercely competitive mortgage market,

lending rose by a full 30% and we captured 7% of market growth. In 2007, we also decided to open our own mortgage operations. At the beginning of 2008, after our agreement with Landshypotek had expired, we launched an improved bank and insurance offering to the agricultural sector.

### **Non-life insurance**

#### **– foundation of our growth**

The majority of non-life insurance business is now underwritten in the local, regional insurance companies with local concessions. In 2007, the Länsförsäkringar Alliance became the market leader with a market share of almost 30%. Earnings in the insurance operations remain strong. Due to the robust earnings in 2007, 18 regional insurance companies will pay bonuses in various forms to their customers, at a joint total of more than SEK 900 M.

Länsförsäkringar AB conducts business activities in such areas as medical insurance and other healthcare products, environmental insurance, as well as animal insurance through Agria, on behalf of the regional insurance companies. In addition, Länsförsäkringar AB is charged with a comprehensive assignment regarding service and development activities. Non-life insurance operations in Länsförsäkringar AB also performed positively during the year, with healthy earnings and strong key figures. Agria reported very strong growth and premium volumes surpassed SEK 1 billion. The market for insurance in the healthcare area is developing rapidly, with sales of group healthcare insurance rising by 30%. In this market featuring increasingly intense competition, we consolidated our strong position with a market share of about 40%. Growth is also generating favorable earnings. Demand for insurance solutions in the healthcare area will only continue to rise. The good health of individuals is simply a way to achieve the company's targets.

#### **Focus on the agriculture sector**

We furthered our focus on the agriculture sector. In addition to the decision to establish the company's own agricultural mortgage operations for the forestry and agriculture market, we expanded our partnership with the Federation of Swedish Farmers (LRF) when we acquired the Federation's pension

insurance operations during the year. In doing this, we have now strengthened our offering to this specific target group. The acquisition is part of Länsförsäkringar's continued growth strategy. In our partnership with LRF we will develop new, improved products and also offer LRF's members customized banking services.

#### **Establishing operations abroad**

In 2007, we decided to launch non-life insurance operations in Latvia and Lithuania, and the first insurance policy was sold at the beginning of 2008. We are establishing operations in these two strong growth markets as we are convinced that we will be able to create a highly competitive offering, particularly in terms of service and claims adjustment. Agria also took further steps toward the international market and successfully established operations in the UK and Norway. Agria has experienced highly favorable growth since it became established in Norway three years ago. The UK company PetPartners was acquired in 2007 with an underlying premium volume of approximately SEK 300 M.

#### **Twelve fantastic years**

Almost twelve years ago I took office as the President of Länsförsäkringar AB. The group of 24 local and customer-owned companies that comprise the Länsförsäkringar Alliance is simultaneously different and exactly the same as it was back in 1996. The Alliance's total assets have risen from SEK 40 billion to SEK 300 billion. Market shares in non-life insurance have almost doubled to today's level of 30%, and the life-assurance operations have tripled to slightly more than 11%. The then recently started banking services have advanced from deposits of slightly more than SEK 300 M to SEK 30 billion and lending has risen from slightly more than SEK 100 M to almost SEK 70 billion. We did not have any international operations then, and had no real-estate brokerage or broker desks.

But now, as then, the Länsförsäkringar Alliance comprises local and customer-owned companies that base their operations on the customer as the sole client and on the conviction that business and contacts with customers best takes place wherever customers are.

The Länsförsäkringar AB Group also experienced major changes over these years. Growth has been strong and we are now one of Sweden's largest financial groups. The financial relations between Länsförsäkringar AB and the 24 regional insurance companies are also entirely different today. In 1996, Länsförsäkringar AB had solvency capital of slightly less than SEK 500 M. Today the figure exceeds SEK 11 billion, meaning that solvency capital is now a significant part of the regional insurance companies' investment assets. Contributions from owners in the form of share issues have amounted to approximately SEK 2 billion, the remainder of the company's capital is value development. In addition, dividends have been paid to the owners of the regional insurance companies since 2007. Returns on the Länsförsäkringar AB share amounted to approximately 10% in 2007, including dividends and returns, and have totaled an average of 14% in the past five years. Other examples of these strengthened financial relations are that in 2007, Länsförsäkringar AB paid more than SEK 1 billion in remuneration to the regional insurance companies for the sale of products where concessions or licenses are found in the joint companies; and that during the year the regional insurance companies purchased services from Länsförsäkringar AB for the same amount.

To have been involved in these developments as President of the financial hub, Länsförsäkringar AB, has been a pleasure. At the Annual General Meeting in May, I will step down from this role to take up Board assignments in the Länsförsäkringar Alliance and become the Chairman of the CEA, the European insurance and reinsurance federation in Brussels, to pursue issues that benefit European insurance companies and their customers. ■

Stockholm, March 2008

On behalf of the  
24 regional insurance companies



Tommy Persson  
*President of Länsförsäkringar AB*



# Länsförsäkringar AB

## Strong financial hub of the Länsförsäkringar Alliance



Länsförsäkringar AB with its subsidiaries is jointly owned by the 24 regional insurance companies. Through its subsidiaries, operations are conducted in such areas as non-life insurance, life assurance and unit-linked insurance, banking services, fund management, reinsurance, medical and special insurance as well as animal insurance. Another main task is to lead and coordinate joint strategic activities and development work in the Länsförsäkringar Alliance and to provide service to the regional insurance companies. Länsförsäkringar 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.

### LÄNSFÖRSÄKRINGAR AB GROUP\*

	2007	2006
Profit before tax, SEK M	1,270	821
Solvency capital, SEK M	11,652	10,713
Solvency margin, %	429	498
Total assets, SEK M	116,243	91,184
Return on shareholders' equity, %	10.0	7.7

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

### Ownership structure

Länsförsäkringar AB is 100% owned by the regional insurance companies and 14 local insurance companies. The shareholding is included in the solvency capital of the regional insurance companies and the companies impose the same market-level return requirements on these shares as on listed shares and other investment assets. The growth in the value of the share was 9.8% in 2007. The ownership of Länsförsäkringar AB by the regional insurance companies, as

well as the internal obligations as owners, is handled within the framework of a consortium, regulated by a consortium agreement.

In addition to the Parent Company Länsförsäkringar AB, the Group encompasses Länsförsäkringar Sak Försäkringsaktiebolag, Länsförsäkringar Bank AB, Försäkringsaktiebolaget Agria, Wasa Försäkring Run-Off AB, Länsförsäkringar Liv Försäkringsaktiebolag and the subsidiaries of these companies. The subgroup with Länsförsäkringar Liv Försäkringsaktiebolag (publ) as the Parent Company, which includes Länsförsäkringar Fondliv Försäkringsaktiebolag, is not consolidated in the consolidated accounts since the company's results accrue in their entirety to the policyholders.

Länsförsäkringar AB is one of Sweden's largest financial groups. By encompassing non-life insurance and life assurance as

well as banking operations, it has no specific Swedish equivalent. The business operations in the three core areas are one task, but far from the only one. Länsförsäkringar AB shall also provide service to the 24 regional insurance companies within the areas where evident economies of scale are to be found. The third task is to develop the Länsförsäkringar Alliance's joint strategies and methods to more effectively interact with customers. The fourth task is development of businesses aimed at transferring these to the regional insurance companies when having matured. The need for reinsurance was what had originally brought about a concrete businesslike cooperation between the regional insurance companies in 1936. Today, reinsurance operations remain of considerable strategic importance.



### **Considerable importance for each regional insurance company**

The operations within Länsförsäkringar AB are of considerable importance to all 24 of the regional insurance companies. Within, for example, IT, product development, brand communication and methods for developing and strengthening customer relations, the regional insurance companies can assume the costs jointly instead of building up these resources locally. The cooperation between the three core operations also creates economies of scale through the costs being borne jointly for such activities as safety platforms, payment handling and output-data platforms. By such means, resources are freed up, enabling the regional insurance companies to develop their own local market know-how and to enhance the personal customer relations.

This division of work duties among the 24 regional insurance companies and Länsförsäkringar AB creates a clear focus for all. Länsförsäkringar AB shall create the prerequisites for the regional insurance companies to be more effective in their primary roles: to cultivate the local markets and to create and promote customer relations. A basic precondition for this to be possible is economic efficiency. This is the reason why life assurance and banking operations are conducted jointly. This interface shall not affect, nor does it affect, customer relations which always develop through the respective regional insurance company, as if it were a local bank or life assurance company. The division of work duties remains in place over time and is itself the basis for the Länsförsäkringar concept. Business operations within Länsförsäkringar AB are to be conducted for profit motive to provide returns to the owners. There is also the possibility of providing a dividend to the owners. Development and service operations shall be conducted at cost price.

### **Earnings**

The Länsförsäkringar AB Group's profit before tax amounted to SEK 1,270 M (821) and after tax to SEK 922 M (618). Net profit for the year is primarily attributable to the encouraging earnings in the insurance and banking operations and the favorable earnings from asset management. The technical result for the non-life insurance operations totaled SEK 294 M (304).

Profit for Länsförsäkringar Bank was SEK 238 M (198), an increase of 20%. Länsförsäkringar Liv is not consolidated in the Group since the company is conducted according to mutual principles.

### **Solvency**

Solvency capital rose in 2007 to SEK 11,652 M (10,713). The Länsförsäkringar AB Group's solvency margin amounted to 429% (498).

### **Joint development activities in 2007**

The Länsförsäkringar Alliance's joint issues are conducted through Länsförsäkringar AB, which is also where resources are grouped to meet the service requirements of the 24 local, regional insurance companies. A number of important development issues were pursued in 2007. The list is long but a selection of examples is provided here:

#### **Changed third-party liability insurance**

One of the major issues for the Länsförsäkringar Alliance and the insurance industry is the changes proposed to third-party liability insurance.

The Länsförsäkringar Alliance is closely following developments and has appointed a project to investigate and safeguard the opportunities presented by an extended third-party liability. These changes entail adjustments for the operations of the insurance companies and it is vital that the Länsförsäkringar Alliance, often together with other players in the sec-

tor, is actively involved in the formulation of the new rules, in order to find the best possible solution for the customers. Read more under Länsförsäkringar Sak, page 8.

### **Healthcare area**

The market for insurance within the healthcare area is rapidly expanding. Demand for insurance solutions among companies is increasing substantially in the areas of healthcare, rehabilitation, preventive healthcare and other solutions that supplement the protection of the public. The key reason for this is that companies' operations are exposed to substantial disruptions if employees are absent due to illness. Healthy employees increase profitability. With medical insurance, Länsförsäkringar shows how private healthcare can supplement public healthcare. The market for these products is growing and about 6% of the Swedish population currently has medical insurance, privately or as a fringe benefit.

### **Development of the Internet channel**

Extensive activities were carried out in 2007 to develop the Länsförsäkringar Alliance's website. The new concept for how Länsförsäkringar interacts with its customers was launched in 2008. The new website supports various customer behaviors and makes it simpler to purchase services and perform self-service errands. Länsförsäkringar is now the only player in Sweden to offer customers the opportunity of logging onto a single site to gain an overview of their bank and insurance commitments. In addition to administering their bank and life-assurance errands, customers logging onto the site will also be able to manage their non-life insurance products and report claims. Offers customized to target groups and individuals are presented to logged-in customers, enabling cross-sales. The general aim is to create an attractive meeting place where customers can conduct many transactions. To a far greater extent than

previously, the Länsförsäkringar AB website shall be transformed into a more transaction-based Internet pages instead of information pages. The local experience on the Internet will also be strengthened.

#### Environmental insurance

The recycling insurance that is now available in agricultural insurance has received a very positive reception from customers. Once a year, Länsförsäkringar collects environmentally harmful waste and scrap free of charge from agricultural operations. Taking out recycling insurance reduces the risks of damage and negative environmental impact at the same time as customers solve their waste problems in a secure and environmentally correct manner.

#### Establishing operations abroad

The Länsförsäkringar Alliance decided in 2007 to establish non-life insurance operations in the Baltic States (Latvia and Lithuania). The first insurance policy was sold at the beginning of 2008. A further step was taken on to the international market in 2007 via Agria International. Agria's insurance policies are being sold in an increasing number of countries, through the company's own operations in Norway and the UK and through partners in Finland, Iceland and the Åland Islands.

#### Expanded partnership with the Federation of Swedish Farmers

Insurance operations were acquired from the Federation of Swedish Farmers (LRF) in 2007. Establishing our own agricultural mortgage operations is the next venture in the agricultural sector. The insurance operations comprise individual insurance policies and group insurance in life assurance, medical insurance and accident risks for LRF Försäkring's approximately 205,000 customers. The aim of this partnership is to enhance the value for LRF's members in the agricultural market at the same time as the

#### SHARE TREND, LÄNSFÖRSÄKRINGAR AB

Year	2002	2003	2004	2005	2006	2007
Shareholders' equity per share	876	966	1,114	1,410	1,523	1,648*

The regional insurance companies are shareholders in the jointly owned company Länsförsäkringar AB. It is one of the cornerstones of the Alliance. Simultaneously, the regional insurance companies impose the same return requirements as they do for listed shares and other investment assets.

\* A dividend totaling SEK 239.3 M was paid to the owners, the regional insurance companies, in 2007.

#### SHAREHOLDERS

Company	Number of shares			Share 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
Länsförsäkringar Blekinge	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>

Länsförsäkringar Alliance's customer offering is strengthened in this customer group.

#### Dividend policy

The owners, the 24 regional insurance companies, have commissioned Länsförsäkringar AB to carry out development operations, service operations and business activities. The business activities shall be conducted for the purpose of profit-making so that the company can pay competitive returns through growth in value and dividends to the owners. The return on Länsförsäkringar AB's shareholders' equity

shall be a market-based level and include a risk premium.

All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the regional insurance companies in the form of dividends. Normally, 30% of net profit for the year after tax in the Group shall be paid on the condition that a credit rating of A can be justified for the Group's credit-rated units. Länsförsäkringar AB endeavors to maintain a balance between capital strength and risk taking such that the lowest credit rating of A can be justified.









# Länsförsäkringar Sak (non-life)

## Strong earnings and new growth areas

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

Key figures	2007	2006
Premiums earned after ceded reinsurance, SEK M	1,340	1,158
Technical result for insurance operations, SEK M	231	277
Profit before tax, SEK M	795	591
Solvency margin, %	364	339
Claims ratio	82	79
Expense ratio	30	29
Combined ratio	112	108

**THE MAJORITY OF** non-life insurance in the local regional insurance company is now conducted via local concessions. Non-life insurance operations are conducted in development areas in Länsförsäkringar Sak on behalf of the regional insurance companies. An example of this is medical insurance and other healthcare products for which the market and development are being developed. Another example is the environmental areas in which new insurance solutions are being developed. Also, changes in such factors as demography and labor-market conditions have led to a greater focus on more future-oriented studies and projects.

### Business development and future challenges

A challenge in the development operations is to meet the intensifying competition, particularly from several of the large banks that are now beginning sales of non-life insurance. Given the future competition, new products and product packages are being developed, which are some of Länsförsäkringar Sak's tasks for the regional insurance companies. Focusing on a total concept and tailoring offerings to customers' lifestyles and companies' operations are becoming increasingly important.

#### Rapid development in the healthcare area

The market for insurance in the healthcare area is developing rapidly and Länsförsäkringar's operations in this field are surpassing expectations. The economic boom has led to heightened demand for qualified labor, which in turn has increased interest in reducing and shortening the periods of sickness absence among many employers. In addition, employers wish to enhance their attractiveness in a situation with the beginnings of labor shortages in certain sectors,

meaning that the interest in insurance policies as a fringe benefit has risen. Society's costs for sickness absence remain high and despite the introduction of the healthcare guarantee, 130,000 people still had to wait for more than 90 days on a waiting list to receive medical care in August 2007, which is 25,000 more than in the same period in 2006. All of these factors influence companies and employees who are becoming increasingly aware of the protection offered by medical insurance. Developments toward meeting companies' healthcare needs have resulted in the production of a package for good health, including sickness-absence services, medical and rehabilitation insurance and preventive activities. This package will be launched in 2008.

#### Changed third-party liability insurance

One of the major issues for the Länsförsäkringar Alliance and the insurance industry is the proposed changes to third-party liability insurance. It was proposed in a Budget Bill in autumn 2006 that third-party liability insurance assume all the costs for occupational rehabilitation and future loss

of income in the event of a third-party liability claim. This change is to be implemented in two stages.

The first step was the introduction of a 32% selective tax on third-party liability insurance premiums as of July 1, 2007. The tax is intended to cover the state's costs for claims already received and claims that are received up to the time when the extended liability comes into effect. The insurance industry was negative to the introduction since the tax involved a double financing of costs that are already financed by employer's contributions. Despite these misgivings, the tax was implemented and the insurance companies were afforded the right to offset the tax levy by raising third-party liability insurance premiums, including those for current insurance contracts. This resulted in a one-off levy whereby Länsförsäkringar Sak sent 1.4 million notices and received slightly more than SEK 500 M in tax compensation.

The second step involves investigating the possibility of transferring all of the costs for those with third-party liability claims. An expert investigation to which the Länsförsäkringar Alliance contributed an expert was appointed in April 2007 and the results of the investigation are to be presented on April 30, 2008. Implementation can take place on January 1, 2009 at the earliest. Due to the comprehensive nature of the investigation, an extended investigation period until June 2009 was requested in December 2007.

The Länsförsäkringar Alliance is closely following developments to investigate and safeguard the opportunities presented by an extended third-party liability. These changes entail adjustments to the operations of the insurance companies and it is vital that the Länsförsäkringar Alliance, often together with other players in the sector, is actively involved in the formulation of the new rules to find the best possible solution for our customers.

#### Focus on the environment

In the environmental area, the conditions for a large future market were improved due to an EU Directive that imposes demands on individual producer liability. The Direc-

tive highlights recycling insurance as a way of ensuring the economic guarantee for recycling electrical products placed on the market. In 2007, practically all regional insurance companies launched extended agricultural insurance that includes recycling insurance. Agricultural customers have access to a solution offering a simple, cost-efficient and environmentally compatible way of safely solving the problem of waste products from agriculture.

Environmental certification and the improvement activities conducted make Länsförsäkringar Sak more attractive to the customers and suppliers that are also focusing on environmentally conscious operations. After Hurricane Gudrun ravished Sweden at the beginning of 2005, the Länsförsäkringar Alliance generated much goodwill for how it treated its customers. One of the results of the work after Hurricane Gudrun was that forestry insurance was revised in 2007 to better match customer requirements. Länsförsäkringar has a crucial future task to enhance knowledge of climate issues.

#### New businesses and operations

A group life assurance portfolio (group life assurance, group medical insurance and accident transactions) and medical and accident insurance for adults were acquired from Länsförsäkringar Liv in 2007. Customer meetings and handling processes are now very closely aligned with the insurance policies offered in the healthcare area, which was the reasoning behind the acquisition. The acquisition contributed business volumes of SEK 370 M.

Länsförsäkringar Sak also acquired insurance operations from the Federation of Swedish Farmers (LRF) at the end of 2007. The insurance operations comprise individual insurance policies and group insurance in life assurance, medical insurance and accident risks for LRF Försäkring's approximately 205,000 customers. These customers mainly consist of LRF's approximately 165,000 members, but also other customers connected with agriculture and forestry.

In 2007, the Länsförsäkringar Alliance decided to establish non-life insurance operations in the Baltic States (Latvia and

Lithuania). The first insurance policy was sold at the beginning of 2008. This international venture is being conducted within the framework of a wholly owned, newly formed, public limited liability company with the business name Länsförsäkringar International Försäkringsaktiebolag.

#### Stable earnings in insurance operations

Profit before appropriations and tax for Länsförsäkringar Sak amounted to SEK 1,045 M (591). The technical result for the insurance operations amounted to SEK 231 M (277). Premiums earned after ceded reinsurance rose by 16% compared with 2006 and amounted to SEK 1,340 M (1,158). This increase is primarily explained by higher volumes for medical insurance and acquisitions. Operating expenses rose and amounted to SEK 406 M (333). Net profit for the year was charged with expenses for establishing operations in Latvia and Lithuania, and for costs in conjunction with acquisitions of insurance operations. Claims payments after ceded reinsurance amounted to SEK 1,094 M (916). Third-party liability insurance (which includes both run-off transactions and active transactions for customers who take out insurance policies in several counties) remains a large insurance sector, with a profit of SEK 151 M (166).

The solvency margin rose to 364% (339). The market value of investment assets amounted to SEK 18.5 billion (18.0) at year-end. The total return for 2007 was 8.4% (6.4), while the five-year average was 7.3% (5.3). ■





# Länsförsäkringar Liv (life)

## Financial strength and strong growth

Through the 24 independent and customer-owned regional insurance companies, Länsförsäkringar Liv offers insurance solutions that combine long-term savings with insurance protection, for both corporate and private customers. Customer contact takes place through the regional insurance companies and insurance brokers and franchisees.

### LÄNSFÖRSÄKRINGAR LIV, GROUP

Key figures	2007	2006
Premium income, SEK M*	10,794	10,141
Net profit for the year, SEK M	11,361	7,646
Collective consolidation, %	114	114
Solvency ratio, %	152	136

\* According to the Swedish Insurance Federation's definition.

**FISCAL 2007** was a highly successful year for Länsförsäkringar's life-assurance operations. Savers with traditional management were delighted with the industry's best total return, while at the same time the market shares rose and the finances were further strengthened.

In 2007, focus was again directed to growth, and ventures in the private and occupational pension markets continued during the year. The efforts in the pension area generated results during the year, for example, in the major pension choice for private-sector salaried employees, the ITP choice. Between July 1 and November 15, 44,000 salaried employees selected their collective agreement pensions. A total of 14% of salaried employees between the ages of 25 and 29 who made an active choice selected Länsförsäkringar, which corresponded to a third place among the pension company alternatives.

Another significant success was the substantial increase in sales via insurance brokers. New sales records were set, which means that Länsförsäkringar is now second largest in Sweden in terms of brokered occupational pensions and has the highest proportion of current premiums.

In the private market, sales success continued for Insured Pension, which was launched in the summer of 2006.

The work to strengthen the fund offering continued in 2007. On November 1, Länsförsäkringar's unit-linked insurance offering was expanded with five new equity funds. Three emerging-market funds, a US fund and a global fund were selected. An entirely new partnership commenced with the American fund manager BlackRock Merrill Lynch. In addition to its own funds, Länsförsäkringar's unit-linked insurance offering includes funds from such companies as ABN Amro, Carlson, Catella, Fidelity, FIM, Lannebo, Skagen and SEB. The cooperation with SGAM ended at the beginning of 2008.

Growth shall take place while maintaining profitability and efforts to enhance the efficiency of the operations and reduce operating expenses continued. Extensive

activities have been conducted since 2006 to reduce IT costs and the number of product systems. The administration result further improved during the year.

### Continued strong key figures

Länsförsäkringar has generated positive returns for many years, which has strengthened finances and key figures.

Total return in traditional management amounted to 6.7% on December 31, which was the best of all pension insurance companies in Sweden in 2007. This competitive return level is a result of Länsförsäkringar Liv introducing a new management model in 2007, the aim of which is to ensure that the implementation of different risks is conducted in the most efficient, flexible and inexpensive manner possible. This successful management generated a bonus rate of a full 10% for customers at year-end. On January 1, 2008, the bonus rate was reduced to 7% and on March 1 to 4% before taxes and fees, due to the turmoil in the financial markets. The competitive return despite this financial turmoil is confirmation of the company's strength and paves the way for a continued positive trend for customers. The average annual bonus rate since 1985,



when the life-assurance operations were founded, is 9.4%.

In order to have a large equities portion at a limited risk, hedge strategies are applied in the form of equity and interest-rate hedges. Based on these strategies, savers' funds are protected against stock market falls or increases in interest rates. Returns in the New World management alternative, with a higher equities portion than traditional management, amounted to 4.2% (11.1). Since it was started in 1996, New World has generated an average annual return of 7.6%.

Many customers saving in Insured Pension witnessed the insured value of their pension substantially increase in 2007. For the average saver, the insured value, meaning the expected value on pension date, was 37% higher at the year-end compared with the beginning of the year. Savings in Insured Pension are tailored to the age of the saver and trends vary depending on how close the saver is to retirement. The pension value in 2007 increased the most for those savers who are furthest from retirement.

### Life-assurance market

Sales growth in the Swedish life-assurance and pension-insurance market rose in 2007 compared with the decline in the preceding year. Measured in sales value, the market rose by 25% compared with 2006 and amounted to SEK 156 billion. The life-assurance and pension-insurance market can be divided into the savings market, the occupational pension market and private pensions.

The sales value of the occupational pension market was SEK 111 billion, which is an increase of 31%. A total of 83% of Länsförsäkringar Liv's sales value is found in the occupational pension market and in 2007, the sales value rose 53% to SEK 14 billion.

The private pension sub-market, with a sales value of SEK 7.4 billion, remained unchanged compared with 2006. Länsförsäkringar Liv's continued ventures in the

private market yielded results in 2007 with a sales rise of 66% and market shares increasing from 6.9% to 11.5%. The key to success in this sub-market is that the new Insured Pension product is well suited to the regional insurance companies' offerings.

In the savings market, growth rose to 15%. Länsförsäkringar Liv reported growth of 14% and the sales value amounted to SEK 2 billion, while market shares remained unchanged.

### Pension choices increasingly important

Occupational pensions and their agreements have changed in the same way that the national pension system has. One change is that pension agreements have transferred from being defined-benefit based to defined-contribution plans. In a defined-benefit pension agreement, employees are guaranteed a certain portion of their salary when they retire. In a defined-contribution-based system, a reserved amount is invested in various asset managers until retirement. The size of the pension is then partly controlled by how successful the managers have been in their investment strategies.

The procurement process surrounding the new and changed collective pension agreements is becoming increasingly important since the changes have led to a gradual increase in the portion of the total occupational-pension premium that the individual can choose. Two major procurement processes took place in 2007 and a third was postponed.

The new ITP plan affects a large section of the occupational-pension market exposed to competition in terms of volumes, distribution and cost structure. In the new plan, half of the premium is directed to management with a guarantee, while other premiums are more freely invested in funds.

### FTP

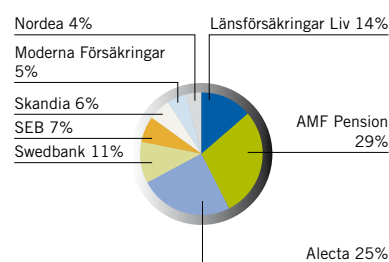
The FTP agreement encompasses approximately 15,000 individuals in the insurance industry. Länsförsäkringar is one of two companies who are eligible managers for both traditional insurance and unit-linked insurance in the new FTP plan.

Similar to the ITP plan, only Länsförsäkringar and AMF were selected as suppliers for both forms of management. Alecta and Skandia have been selected for traditional insurance, and Danica and Swedbank for unit-linked insurance.

### SAF-LO

In May 2007, the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation reached agreement on a new pension agreement for almost 1.5 million private-sector employees. The agreement entails that the pension conditions for blue-collar employees and salaried employees will be the same in the future. As was the case for ITP, a procurement process for insurers was scheduled to take place in autumn 2007, but the parties could not reach an agreement on how the offers received were to be assessed. Therefore, the committee decided to break off the procurement process. A new process will take place in 2008 to have the selection of procedure insurance companies finalized for 2009. ■

Division of pension companies for the ITP choice, July–November





# Länsförsäkringar Bank

## Challenger on the banking market

Länsförsäkringar is a full-service bank and the sixth largest retail bank on the Swedish market. The Banking Group includes Länsförsäkringar Hypotek, Länsförsäkringar Fondförvaltning and Wasa Kredit. The bank directs its services primarily to private individuals and farmers and offers a full range of services. Customer contact always takes place at the local regional insurance company.

Key figures	2007	2006
Total assets, SEK M	85,094	62,538
Operating profit, SEK M	238	198
Return on equity, %	5.0	4.6
Investment margin, %	1.4	1.6
Capital adequacy ratio according to Basel II transition rules, %	10.63	–
Capital adequacy ratio according to Basel I, %	–	10.59
Tier 1 capital according to Basel II transition rules, %	8.85	–
Tier 1 capital according to Basel I, %	–	8.61

**THE BANKING OPERATIONS** play a key role in strengthening Länsförsäkringar's customer relations.

The business concept for the banking operations is to offer reasonably priced banking services to private individuals and farmers. Länsförsäkringar aims to be a challenger in the bank market, offering a high-quality bank offering and a coordinated banking and insurance offering for customers.

### Highest ever growth

Growth in volumes was the highest ever reported in 2007. Both earnings and profitability improved during the year. Volumes rose to SEK 162 billion (140), an increase

of 16%. Operating profit rose by 20% to SEK 238 M (198) and the number of customers rose from 640,000 to 665,000.

Total lending rose 24% to SEK 67 billion (54). Mortgage lending rose 30% to SEK 48 billion (37). This increase in mortgage lending was primarily due to market growth, but also to the increasing number of customers who learned that Länsförsäkringar's offering enables customers to gather their household insurance, salary accounts and mortgages in Länsförsäkringar. The market share for mortgage lending rose to 3.4%\* from 3.0% and Länsförsäkringar captured almost 7% of market growth. Deposits increased by 22% to SEK 30 billion (24), primarily due to market growth and, in particular, customer requirements for more secure investments, particularly during the second half of the year.

Fund volumes amounted to SEK 65 billion (62), an increase of 5%.

### Earnings and profitability

Operating profit amounted to SEK 238 M (198), corresponding to a 20% improvement. This rise in profit is primarily explained by increased lending and deposit

volumes. Profit after tax amounted to SEK 176 M (139), corresponding to strengthened return on equity amounting to 5.0% (4.6).

### Income

Net interest income rose 10% to SEK 1,017 M (927), an increase attributable to higher lending volumes to the public. An amount of SEK 12 M (10) for mandatory government deposit insurance was charged against net interest income. The Group's investment margin amounted to 1.4% (1.6). Commission revenue, net, declined to negative SEK 45 M (neg: 33), attributable to higher compensation to the regional insurance companies. Other operating income amounted to SEK 132 M (115). Income rose by a total of 8% to SEK 1,106 M (1,023).

### Expenses

Operating expenses rose by 4% or SEK 29 M to SEK 816 M (787). The increase is due to higher lending and deposit volumes, which led to increased expenses for marketing and sales. The cost/income ratio was 0.74 (0.77) before loan losses and 0.78 (0.80) after loan losses.

\* Market share calculated according to statistics from the Swedish Bankers' Association

### Loan losses

Depending on the product, provisions were mostly made after group-wise appraisal and only to a limited extent after individual review. Net loan losses for the Group amounted to SEK 51 M (38).

### Capital adequacy

The new capital adequacy rules, Basel II, were introduced in February 2007. Accordingly, Länsförsäkringar applies the Internal Ratings-based Approach (IRB approach), in accordance with the permit from the Swedish Financial Supervisory Authority. The aim of the new rules is to achieve enhanced transparency and risk management, and thereby greater stability in the financial system. The advanced risk classification method provides the most opportunities to strategically and operationally manage credit risks and is used for all household exposure. The standardized approach is at present applied to agriculture and other exposures to calculate the capital requirement for credit risk. The changes in the capital base will emerge gradually since the transition rules involve a three-year adaptation period. In 2007, the Group applied a 5% reduction.

In accordance with the applicable transition rules, the Group's capital adequacy ratio amounted to 10.63%, while the Tier 1 ratio amounted to 8.85%. The target level for capital adequacy is 10.5% and for the

Tier 1 ratio 8.5%. A deviation of  $\pm 0.5$  percentage points is allowed for both targets. The capital requirement for the portion of the portfolio that is now calculated in accordance with the IRB Approach and that will apply when the Basel II provisions are fully implemented, declined by 57%, from SEK 3,154 M to SEK 1,356 M.

Unconditional shareholders' contributions totaling SEK 525 M were received from the Parent Company Länsförsäkringar AB during the year.

### Most satisfied customers

Very strong proof of Länsförsäkringar's success at establishing strong relations with bank customers in 2007 was the recognition that Länsförsäkringar had Sweden's most satisfied customers in the private market and for the third consecutive year, the most satisfied mortgage customers, according to the Swedish Quality Index survey. Länsförsäkringar also has Sweden's most satisfied Internet bank customers. Länsförsäkringar received these accolades amid very fierce competition in the bank market.

### Borrowing operations

Due to the substantial expansion in lending in recent years, the bank has advanced from deposit surplus to capital-market issues both in the Swedish and international markets. Deposits remain a key element of financing.

Most of the banking operations' borrowing occurs through the subsidiary Länsförsäkringar Hypotek. The aim of the borrowing operations is to cover short and long-term capital requirements. The objective is to do so at a price in line with competitors' best prices.

Accordingly, on June 18, 2007, Länsförsäkringar Hypotek began issuing covered bonds to diversify borrowing sources and to minimize liquidity risks. The issuance was executed through an exchange offer directed toward holders of bonds issued under Länsförsäkringar Bank's programs.

Borrowing with covered bonds takes place in accordance with the Swedish Act on Issuance of Covered Bonds (2003:1223) and imposes strict requirements on the operations, particularly on the issuing institution's cover pool. Issued securities rose to SEK 46 billion (32), of which covered bonds amounted to SEK 37 billion.

### Rating

In February 2007, Länsförsäkringar Bank's credit rating was raised from A- to A (stable) by Standard & Poor's and from A-3 (stable) to A-2 (stable) by Moody's. In February, Standard & Poor's also raised the rating for short-term borrowing from A-2 to A-1. Moody's raised the rating for short-term borrowing from P-2 to P-1 and Länsförsäkringar Bank's financial strength





rating was raised from C- to C. The increase was a confirmation of the banking operations' positive trend and strategic significance for the Länsförsäkringar Alliance. The high capital adequacy, high credit quality and continued positive improvements in the performance of the banking operations were also cited as reasons for the raise. On May 29, 2007, Länsförsäkringar Hypotek's covered bonds received the highest credit rating, Aaa, from Moody's. On June 7, 2007, the covered bonds also received the highest credit rating, AAA, from Standard & Poor's. Accordingly, the bank is one of three players in the market for covered bonds with the highest rating from both rating institutes.

### Parent Company

Deposits and lending are conducted by the Parent Company. Lending to the public amounted to SEK 11 billion (9) and deposits from the public amounted to SEK 30 billion (24). Funding amounted to SEK 9 billion (32).

The subsidiary Länsförsäkringar Hypotek began issuing covered bonds in June 2007 and, accordingly, the largest portion of borrowing took place since that time. Mortgage lending takes place in Länsförsäkringar Hypotek and to a certain extent in Wasa Kredit.

Most of the administration expenses of the Banking Group are in the Parent Company. The Parent Company's operating loss amounted to SEK 4 M (neg: 30). Operating income amounted to SEK 382 M (337). Expenses, excluding loan losses, amounted to SEK 378 M (352). Loan losses amounted to SEK 8 M (15).

### Subsidiaries

#### Länsförsäkringar Hypotek AB

Mortgage lending in the bank's mortgage institution increased by 30% to SEK 48 billion (37) during the year. The goal is to be among the major players in the mortgage loan market within three years. Up to 75% of the market value of mortgage loans are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company.

The market share in lending for private homes and tenant-owned apartments amounted to 3.4% (3.0). The number of mortgage customers increased by 18% and amounted to 106,300 (90,400) at December 31, 2007. Operating profit amounted to SEK 58 M (36).

Key figures	2007	2006
Total assets, SEK M	48,332	36,883
Lending volume, SEK M	47,555	36,550
Operating profit, SEK M	58	36

#### Wasa Kredit AB

Wasa Kredit is a finance company whose operations focus on the markets for cars, computer financing, and campers, etc. Wasa Kredit's operating profit amounted to SEK 98 M (117). The lending volume totaled SEK 9 billion (8).

Key figures	2007	2006
Total assets, SEK M	9,245	8,438
Lending volume, SEK M	8,501	8,070
Operating profit, SEK M	98	117

#### Länsförsäkringar Fondförvaltning

Länsförsäkringar Fondförvaltning manages SEK 65 billion (62) in 31 (30) mutual funds with different investment orientations. Länsförsäkringar's mutual funds are available as direct fund saving, as various unit-linked products and through the PPM system.

Länsförsäkringar's equity funds generated returns between positive 29.2% and negative 16.5% during the year. The Asia Fund and Growth Market Fund generated the highest returns of 29.2% and 25.7%, respectively, during the year. The market share measured as net sales amounted to 6.8% (3.6). Operating profit amounted to SEK 83 M (76).

Key figures	2007	2006
Total assets, SEK M	263	218
Assets under management, SEK M	64,562	61,652
Net inflow, SEK M	1,796	3,024
Operating profit, SEK M	83	76



# Agria Djurförsäkring (animal and crop insurance)

## Responsible animal-owners insure their animals

The clear trend in 2007 was the widespread desire to give animals veterinary care when required. Agria achieved the best results in its history, measured in the number of customers, number of insured animals and premium volumes.

Key figures	2007	2006
Premiums earned after ceded reinsurance, SEK M	1,089	949
Profit before appropriations and tax, SEK M	140	122
Technical result from insurance operations, SEK M	99	45
Solvency margin, %	75	89
Expense ratio	27,0	29,6
Combined ratio	95,5	96,0

**PREMIUM INCOME** for Agria's Swedish animal and crop insurance surpassed SEK 1 billion in 2007 and amounted to SEK 1,089 M (949). Insurance for cats and dogs represented the largest increase, although horse owners also showed that awareness of having suitable insurance cover is increasing. These factors, combined with Agria's intense efforts to reduce administrative expenses, contributed to the technical result in the Swedish insurance operations totaling SEK 99 M (45). This result includes a nonrecurring income item for the repayment of value-added tax on claims expenses from 1995.

More developed and sophisticated veterinary care is resulting in increasingly high claims costs. There is immense confidence in the future in the veterinary care sector and many animal hospitals and clinics are expanding their operations and investing in equipment and personnel, and can therefore provide more advanced treatment. This trend has affected costs that have continually risen for many years. The increase in costs declined slightly in 2007, while the

trend among animal owners of visiting veterinary surgeons more often and at an earlier stage is having an impact on the Horse and Small Animal business area where claims frequencies remain high.

Relatively few major claims occurred in the Livestock and Crop business area, despite the widespread coverage of the threat of avian flu, BSE, blue tongue and other diseases in the media. In the latter half of the year, cattle and sheep insurances were expanded and also include infectious disease cover for blue tongue.

### Largest on the market

Statistics from the Swedish Insurance Federation show that no other insurance policies are increasing as quickly as domestic-animal insurance. Between 1996 and 2006, annual premiums from all insurance companies insuring animals rose from SEK 561 M to SEK 1,572 M. Agria continues to hold the dominating market share of 60.4%. Agria's brand as a specialist animal and crop company is strongly anchored among animal owners. The logotype signals the link to Länsförsäkringar through its color and form.

### New company Agria International

A further step was taken onto the international market in 2007 when the Agria International business area was incorporated. Agria has been established in several countries, through the company's own operations



in Norway and the UK and through partners in Finland, Iceland and the Åland Islands. Agria Dyreförsäkring was established in Norway in 2005 and insurance policies are sold through Norwegian representatives and Norwegian sales personnel in Sweden. British sales company PetPartners was acquired in May 2007. Competition in the British market is fiercer, but the market is the largest in Europe and less saturated.

The international operations and partnerships will be transferred to Agria International Försäkring AB and more establishments of operations abroad can be expected.

### Development activities

During the year, Agria worked with developing its operations in other manners, for example by acquiring certification as an Investor in People company, which shows that investments in employees have been successful and they have developed alongside the company.

An automated telephony service was developed during the year where customers themselves can carry out simple errands. Agria is also further developing automated claims adjustments, enabling claims to be handled more simply. The work with developing automated services and services requiring more detailed handling will continue in 2008. ■

# Wasa Run-Off

## Strong position on the international run-off market

Wasa Run-Off is the Länsförsäkringar Alliance's company for run-off transactions. The company owns its own run-off portfolios, purchases run-off portfolios from external companies and manages run-off transactions on an assignment basis for both the Länsförsäkringar Alliance and external customers. Wasa Run-Off is a wholly owned subsidiary of Länsförsäkringar AB and also functions as a consultant for run-off matters and other international insurance issues.

Key figures	2007	2006
Technical result, SEK M	11,6	15,4
Net profit for the year, SEK M	7,1	11,3
Technical reserves, SEK M	314,5	413,5

**FOCUS IN 2007** was directed to the run-offs of asbestos cases and continuing the work on advancing the company's position in the international run-off market. In addition, major investments were made in improved IT support. The technical result in 2007 amounted to SEK 11.6 M (15.4) and means that Wasa Run-Off has reported profits every year since it was founded in 1998 through the merger with Wasa Försäkring. The active run-off operations also generated gains on the portfolios managed by Wasa

Run-Off on an assignment basis. A trend is that the capital market is now interested in run-offs. Earlier in 2007, Enstar Group Inc, whose largest shareholder is JC Flowers & Co, was listed on the Nasdaq Stock Exchange. This listing was followed in July by Tawa Group, which was listed on the London Stock Exchange's Alternative Investment Market (AIM), and in December, it was announced that Randall & Quilter is to follow Tawa to the London Stock Exchange. In March, Equitas completed a reinsurance deal with National Indemnity Company, which is part of the Warren Buffett's Berkshire Hathaway Group. Deutsche Bank entered the market through the company Aifia. Previously in 2007, George Soros

launched RITC Syndicate Management, with the aim of taking over Lloyd's new run-off, which is double the size of Equitas and in the summer Fortress Investment Group's offer for Alea was accepted. Standard & Poor's is launching a new rating system for companies in run-off. Run-off transactions' share of total reserves in the market is growing year by year. A total of 41% of Europe's run-off reserves are found in Germany. The European market is expected to amount to EUR 204 billion this year and the administration for run-off business amounts to a full EUR 5 billion per year. Solvency II is expected to lead to increased demand for efficient run-off solutions, which presents attractive opportunities for Wasa Run-Off. ■



# Asset management

## New management model contributes to strong earnings

The responsibility for asset management lies within a specialist function in Länsförsäkringar AB. Asset Management is responsible for the management of approximately SEK 140 billion on behalf of the Länsförsäkringar AB's life assurance and non-life insurance companies, the mutual fund company, Agria Djurförsäkring (animal and crop insurance) and several smaller Group companies.



**LÄNSFÖRSÄKRINGAR IS** to create a stable and high return on investment assets over time. This is to take place through a new efficient and competitive management model, taking risk levels into consideration. The new management model was introduced in 2007 which, in brief, is based on ensuring that the implementation of various risks takes place as efficiently, flexibly and inexpensively as possible. These factors are deemed to be the key components to successful overall results. The strategy involves reducing active management mandates in markets that are broad, transparent and efficient and instead implement simple and inexpensive passive solutions for capturing market exposure. This approach is supple-

mented with actively taking risk in areas in which it is deemed that managers can generate added value. This applies to both less efficient listed and non-listed markets. Successes can already be seen in the earnings for 2007, where Länsförsäkringar is the life-assurance and pension company in Sweden that has the best returns on investment assets of all companies. Länsförsäkringar is also reporting highly favorable results in non-life insurance.

### Optimizing risk levels

A balance sheet analysis is performed to assess the scope of the risk that can be taken in management. The analysis studies the life-assurance companies' liabilities to

policyholders and the assets that exist. Risks and uncertainties are identified and the consequences of a variety of plausible and implausible events are tested. The purpose is to obtain an optimal risk level that gives a high and competitive return.

This has imposed rigorous demands on designing a well-tailored portfolio.

For more detailed information regarding risk management, refer to Note 2 for the Group.

### Management model

Länsförsäkringar's portfolio structure for market exposure focuses on selecting the asset allocation desired in the portfolios. Great importance is attached to identifying





the best method of achieving the desired market exposure. Länsförsäkringar has comprehensive expertise in identifying other efficient solutions to obtain passive market exposure than via traditional management mandates. For example, this can take place via various derivative instruments, which generate added value through low management costs and simplified administration of transactions. In addition, pro-active measures are being taken to protect the portfolios against different types of risks.

These efforts yielded highly favorable returns and strong solvency for Länsförsäkringar in 2007 and also meant that the company easily meets the Swedish Financial Supervisory Authority's traffic-light test. Länsförsäkringar has also obtained portfolio management that enables more rapid action to be taken when market conditions change, and all at lower management costs.

Management in the life-assurance operations is also heavily focused on Alternative Investments, such as Private Equity, property and diversified strategies (mostly forestry and infrastructure). These investments are best suited to the life-assurance company with the long-term durations of its commitments. Investments make a signifi-

cant contribution to total return (more than 3.5% in 2007).

### **Control and follow-up of risk**

The Boards of each subsidiary are responsible for the management of their investment assets. This responsibility includes establishing management policies and instructions, continuously remaining updated on the progress of the operations and, in the event of unsatisfactory trends, deciding on remedial action, and providing the Swedish Financial Supervisory Authority with information to enable it to perform its supervisory duties. The President is responsible for the management of each company's assets according to the guidelines and instructions provided by the Board and in accordance with law and regulations from authorities.

The Group-wide Asset Management unit in Länsförsäkringar AB has the task of handling asset management on behalf of the subsidiaries of the Länsförsäkringar AB Group. The most important task is Länsförsäkringar Liv with approximately SEK 115 billion in investment assets, followed by Länsförsäkringar Sak with approximately SEK 19 billion. This assignment includes the responsibility for preparing proposals for strategic allocations, propos-

ing managers for asset management and, after decisions are made by the Board, assuming responsibility for implementing and following up on decisions that have been made.

Asset Management defines these assignments for the active managers, specifying distinct risk levels and yield requirements. Länsförsäkringar primarily has active managers in the Asian and emerging markets. The managers' task is then to generate the best possible return given the framework and guidelines they have received. This may mean that managers choose a composition of equities that may deviate from that of the portfolio's benchmark index. A large portion of the equity portfolio is index management, which means that the manager may not deviate from the benchmark index.

The outsourced management assignments are evaluated by Asset Management, which regularly analyzes the asset managers and management results. The full implementation of a new management model has meant that Länsförsäkringar now works with a number of external managers. There is now a total of 14 external managers for the active and passive mandates in equities and fixed-income management. ■





# Reinsurance

## The unifying link

One of Länsförsäkringar AB's main tasks is to provide the regional insurance companies with opportunities to develop without foregoing their flexibility or independence, even when large-scale solutions are required to maintain competitiveness. Perhaps the very best – and oldest – example is the joint reinsurance system, which over the years has provided stable reinsurance to the regional insurance companies at a low cost.

**ALL INSURANCE COMPANIES** need to protect their operations from expenses for large, individual claims and natural disasters. An insurance company often turns to specialist reinsurance companies on the international market to alleviate part of their risks in areas in which risk balancing is required. However, the companies in the Länsförsäkringar Alliance have a natural opportunity to share risks between themselves. By an insurance company obtaining reinsurance cover, it is also able to take out significantly larger insurance policies, have a strong market share in a limited geographic area and take other insurance risks that would not otherwise be possible without risking the existence of the company, for example in the event of a natural disaster.

The need for well-functioning reinsurance has risen in line with the regional insurance companies having undertaken more commitments. The Alliance's system with its mixture of commonality and solidarity and individual responsibility for results has become a competitive advantage. It affords each of the regional insurance companies the possibility of also insuring large companies, for example, in competition with larger, nationwide companies. This would be practically impossible if

the company itself were to purchase its reinsurance cover on the open market.

### Reinsurance – the first joint interest

The significance of being able to purchase high-quality reinsurance was one of the most important factors that led to the formation of Landsbygdens Ömsesidiga Försäkringsbolags Förening in 1917. At this time, cooperation was limited to the exchange of experiences from procuring reinsurance cover, but in 1936 the forerunner to today's Länsförsäkringar AB was founded as a reinsurance company.

### Financially advantageous cover

Reinsurance with Länsförsäkringar AB takes place with the retention chosen by each regional insurance companies. The advantage is that Länsförsäkringar AB, in turn, purchases reinsurance on the international market but with significantly higher retention. The transaction protected in this manner is then reinsured by the 24 regional insurance companies. Accordingly, the capital base of the entire Länsförsäkringar Alliance can be used and a substantially higher number of transactions can be retained within the Alliance. This number does not total more than 3% net of the non-life

insurance premiums used to purchase reinsurance.

The total cost for the Länsförsäkringar Alliance as a result of Hurricane Gudrun in 2005 was slightly more than SEK 3 billion. Based on reinsurance on the international market, the Länsförsäkringar Alliance received SEK 2.9 billion in reinsurance reimbursement. Without this reinsurance cover, the hurricane would have had a considerably negative impact on the regional insurance companies in southern Sweden. ■



## Structure of the reinsurance system

Although the technical solutions have developed over time, the fundamental principles remain the same:

- Each regional insurance company is reinsured by Länsförsäkringar AB. Each company selects its own net commitment, known as retention (which corresponds to a standard insurance deductible).
- The system's finesse is that Länsförsäkringar AB, which reinsures the regional insurance companies, in turn purchases reinsurance on the international market, but with significantly higher retention. The transaction protected in this manner is then reinsured

by the 24 the regional insurance companies. Accordingly, the capital base of the entire Alliance can be used and a substantially higher number of transactions can be retained within the Länsförsäkringar Alliance. As a result, premiums, viewed over many years, may be at cost price level and the profit margin requested by an external reinsurer can instead be retained within the Alliance.

- The price of reinsurance is determined by the size of the retention and the number and scope of the claims charged against the reinsurance. Although chance may play a role in certain years, the system

rewards a well-chosen selection of risk and claims-prevention measures.

- The regional insurance companies also have full insight into reinsurance and thereby have knowledge of each company's exposure.
- The possibility of retaining large commitments within the Alliance gives lower reinsurance expenses in the long term. Since the reinsurance market is sometimes highly volatile, with large fluctuations in market premiums, the regional insurance companies can make use of their joint capacity and retain more or fewer transactions.



# Owner control in the Länsförsäkringar Alliance

The internal owner control in the Länsförsäkringar Alliance is part of the multi-faceted interaction between the regional insurance companies. The regional insurance companies are simultaneously members of a federation, principals and users of Länsförsäkringar AB's services, distributors of Länsförsäkringar AB's products and owners of Länsförsäkringar AB.



**IN THE INTERACTION BETWEEN** the regional insurance companies, owner control not only involves controlling the joint operations, but also ensuring that all regional insurance companies assume their part of the responsibility for the development of the operations in which they have jointly invested. The development of joint business and the growth plans in recent years have led to the owner control of the regional insurance companies vis-à-vis Länsförsäkringar AB increasingly becoming a focus issue. The internal owner control has become an increasingly important element of the interaction between the regional insurance companies.

## Foundations of owner control

Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, with shares owned individually in various holdings by the 24 regional insurance companies. Each of the regional insurance companies is, as owner, responsible for ensuring that well-functioning owner control is in place vis-à-vis Länsförsäkringar AB. The Boards of Directors of the regional insurance companies are formally responsible for owner control.

Based on the federal organization and the purpose of the ownership of Läns-

försäkringar AB, the regional insurance companies have together created joint forms for owner control. Forms that comply with the requirements usually imposed on owner control and that at the same time take into account the federal conditions of the cooperation between the companies.

If the regional insurance companies are regarded as institutional owners of Länsförsäkringar AB, a comparison would give a number of advantages: in-depth knowledge of the operations, the aim of being an active owner, a clear purpose with ownership and collectively, there is sufficiently large financial capacity to ensure long-term ownership. It is not uncommon for institutional owners to have both different purposes with their holding and different conditions for being able to take an active role. Accordingly, such owners have different incentives for acting as owners, for example, institutional owners may have different ambitions regarding the long-term perspective of their ownership.

## Development of owner control

Owner control has become increasingly more important in line with the development of Länsförsäkringar AB's business activities. The basis of owner control in the regional insurance companies has changed

over time, particularly in the past 10–15 years. Since the beginning of the 1990s, the regional insurance companies' capital tied up in Länsförsäkringar AB has increased substantially. Growth in value together with a number of share issues have increased total net wealth from almost zero to slightly more than SEK 10 billion. Today, the Länsförsäkringar AB share comprises a significant portion of the regional insurance companies' investment assets, for some companies as much as 30–35%. The Länsförsäkringar AB share must yield market-level returns for the individual regional insurance companies on a par with other alternative investments.

From the mid 1960s to 1994, Länsförsäkringar AB was owned via the Association of Regional Insurance Companies. The regional insurance companies' owner influence and responsibility was then exercised through membership of this federation. The joint business in Länsförsäkringar AB at this time was primarily motor-vehicle insurance.

During the latter half of the 1980s and the beginning of the 1990s, the Länsförsäkringar Alliance's joint business experienced major changes. Two of the largest changes were the formation of a joint life-assurance company and transfer of insurance against material damage to a motor vehicle to local



concessions. The life-assurance company was founded by the regional insurance companies and the then Länsförsäkringar AB together. At the beginning of the 1990s, the regional insurance companies decided to organize their ownership and control of the joint operations. In the first phase in 1992, all joint operations were brought together in one Group. In the second phase in 1994, the Länsförsäkringar AB share was divided up between the regional insurance companies, who became the direct shareholders. The division of the ownership of the share was based on the number of participations held in the federation, which was essentially proportional to the business that the regional insurance companies brought in to Länsförsäkringar AB.

Centralizing all joint operations in a coherent Group enable more unified control of the operations. The structure with the federation as an intermediary between the regional insurance companies and Länsförsäkringar AB was considered to lead to a lack of clarity and dual control, all of which was eliminated when the share became directly owned. The regional insurance companies' incentive to invest in the joint operations also strengthened through the direct ownership of the Länsförsäkringar AB share. In this manner, the share became part of the regional insurance companies' investment assets and returns accrued to the regional insurance companies.

Voting rights were limited, such that no party was entitled to vote for more than 9.9% of shares represented at the General meeting to ensure that the structure of the federation was maintained. This remains a requirement condition stipulated in Länsförsäkringar AB's Articles of Association. Some trading in shares was enabled through the introduction of Class A and Class B shares with different voting rights. This is still considered to be a condition for the

regional insurance companies classifying the Länsförsäkringar AB shares as an investment asset, which is deemed desirable.

The original intention was that some trading would take place in the Länsförsäkringar AB share, such that the participating interest over time could be adjusted to the portion of business brought in to Länsförsäkringar AB. The structural transactions implemented at the end of the 1990s, primarily the acquisition of Wasa Försäkring, have led to the limitation of the connection between the participating interest and the portion of shared business. No trade has been conducted in the Länsförsäkringar AB share in recent years.

#### **Owner agreement**

To regulate the regional insurance companies' ownership of Länsförsäkringar AB shares after the dividing up in 1994, a consortium agreement was prepared and signed between the regional insurance companies. In other words, this agreement was an owner agreement. Formally, a consortium was established as the forum charged with the task of administering the agreement and handling owner issues as a supplement to the General Meeting.

The consortium agreement describes such issues as the conditions for Länsförsäkringar AB's shares, regulations for share distribution, transfer of shares, contract period and termination, right of redemption to the shares if the agreement is terminated, regulations for amendments to the agreement and resolving disputes. The consortium agreement is a jointly agreed framework for the regional insurance companies' ownership of Länsförsäkringar AB shares.

#### **Owner-control logic**

Today, the logic of the internal owner control concerns the relationship between the Boards of the regional insurance compa-

nies, Länsförsäkringar AB's General Meeting, the regional insurance companies' owner consortium and Länsförsäkringar AB's Board of Directors.

Länsförsäkringar AB's General Meeting and the regional insurance companies' owner consortium jointly comprise the forum for the regional insurance companies' owner control of Länsförsäkringar AB. The duties of the General Meeting are formally regulated in laws and the Articles of Association. The duties of the consortium are regulated in the regional insurance companies' consortium agreement.

Strictly speaking, there are of course natural boundaries between owner control on the one hand and administration of the company between the General Meeting/consortium and Länsförsäkringar AB's Board on the other. The federal structure of the Länsförsäkringar Alliance and the task that Länsförsäkringar AB has in the Länsförsäkringar Alliance provide particular conditions and possibilities for owner control.

In addition to this, Länsförsäkringar AB's Group structure entails that the regional insurance companies' owner control of the subsidiaries of Länsförsäkringar AB is handled de facto through Länsförsäkringar AB's Board. As a result, the regional insurance companies' owner control not only takes place through the General Meeting and the consortium but also through the regional insurance companies' representation on the Board of Länsförsäkringar AB.

Länsförsäkringar AB's Board of Directors is appointed by the General Meeting comprising representatives of all owners of Länsförsäkringar AB shares. The appointment of Board members is prepared through a process that is controlled by the owners and a Nomination Committee provides support in this process. The members of the Nomination Committee are elected by

the General Meeting in accordance with the regulations stipulated in Länsförsäkringar AB's Articles of Association. The Chairman of the consortium is responsible for the process of renewing the composition of the Nomination Committee.

The primary task of the Nomination Committee is to propose the election of members to the Board of Directors of Länsförsäkringar AB. Accordingly, the Nomination Committee lays the foundation of owners' control of the operations in Länsförsäkringar AB. As part of its role, the Nomination Committee is to represent the owners and the intentions of the owners with Länsförsäkringar AB, and to ensure that the best competencies in the Alliance are utilized in the composition of Länsförsäkringar AB's Board.

The owners' task to the Nomination Committee is described in a separate, documented instruction that is adopted by the General Meeting. It is important that there is a clear boundary between the

Nomination Committee and the Board.

The Nomination Committee works independently from the Board on behalf of the owners. At the same time, it is vital that the Nomination Committee and Board Chairman work closely together, in order to maintain the quality of the process and to avoid polarization. One example of this is the Board's annual evaluation of its work. The evaluation is documented and provided to the Nomination Committee and thereby also comprises the basis of the Nomination Committee's evaluation of the Board.

Länsförsäkringar AB's Board serves as the representative of the owners in the framework given by the owners' intentions with the operations. In other words, Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on at any time and performs the regional insurance companies' assignments. At the same time, Länsförsäkringar AB's Board is highly responsible for safeguarding the capital invested by the regional insurance

companies in Länsförsäkringar AB.

The regional insurance companies' assignment to Länsförsäkringar AB's Board is decided in the consortium and is documented in, for example, the Länsförsäkringar Alliance's steering documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners. As a supplement to the assignment to Länsförsäkringar AB's Board, the consortium annually adopts the owner's areas of priority for the forthcoming year. Preparations take place within the framework of the regional insurance companies' President Council and commence in the spring, and revert to the President Council in the autumn after discussions in the management teams of each regional insurance company. The President Council subsequently presents proposals to the consortium, which adopts the owners' areas of priority for the forthcoming fiscal years. ■





# Sustainability

## Social responsibility – a natural part of the operations

Social responsibility for Länsförsäkringar means contributing to the economical, social and ecologically sustainable development of society as far as possible. This work shall be characterized by a long-term approach, whereby the products and the services provided by the regional insurance companies are to be compatible with this endeavor.

**LÄNSFÖRSÄKRINGAR'S** social responsibility work has been established for many years and is closely linked to our fundamental values – mutual principles and local presence. Today, cooperation between the regional insurance company and the local society is extensive. There is also strong involvement in the development of the local community. Many regional insurance companies support and actively work together with organizations, clubs, associations and sports clubs, as well as the business sector.

Security is the very foundation of Länsförsäkringar's operations. We have long held the aim of creating individual security by offering insurance. In parallel with this, an important part of our work has involved minimizing risks and creating security in the environments in which people live and work. These are efforts that not only benefit our own customers, who are also our owners, but society as a whole. Specific examples of this work are traffic-safety activities, preventive healthcare measures and active environment and climate activities in local areas and across Sweden. Länsförsäkringar has a highly credible reputation in environmental issues. Climate seminars are held, Länsförsäkringar was first on the market with recycling insur-

ance and was also the first insurance company to receive environmental certification.

Long-term activities are also underway to contribute to research in areas that aim to increase individual security and reduce risks in society. In 2007, SEK 10 M was reserved for research in such areas as traffic safety, healthcare, rehabilitation, climate and the environment. Also in 2007, particular focus was directed to enhancing knowledge of how damage caused by climate change can be prevented and how the effects of damage can be minimized.

### Five good examples

Below are some examples of activities carried out by regional insurance companies in different parts of Sweden in 2007. The format and content of the activities may differ, yet a common theme is that these activities are held not only for the benefit of Länsförsäkringar's own customers, but also for society as a whole.

#### The cleanest countryside in the world

A total of 12,000 tons of scrap, 1,381 liters of waste oil, 89 tons of liquid pesticides and 53 tons of non-liquid pesticides. This is what Länsförsäkringar and Keep Sweden

Tidy collected in 2007. These efforts are a globally unique venture conducted by Länsförsäkringar and Keep Sweden Tidy within the framework of recycling insurance.

Länsförsäkringar was the first insurance company in the world to introduce recycling insurance. This policy is included as part of the basic cover package for insurance of agricultural, forestry and horse operations. It means that those people living in the 175,000 agriculture and countryside properties across Sweden have their environmentally harmful waste and scrap removed for recycling, once a year free of charge. Keep Sweden Tidy is responsible for transportation coordination and ensures that recycling takes place in the correct manner.

The large amount of hazardous waste found in the countryside is a threat to both people and nature. Reducing the risks of damage and negative environmental impact to the ground, water and air are natural parts of Länsförsäkringar's work. Every shipment leaving a farm, horse farm or a forest property with scrap and environmentally harmful waste takes us one step closer to a sustainable society. The aim is that Sweden is to have the cleanest countryside in the world in the near future.

Excellent results were achieved during this first year of the venture. Demand proved to be higher than expected and therefore the organization has been expanded for 2008. This work has received international attention and meetings will be held with a number of different interested parties in Norway, Denmark and the Baltic States in spring 2008.

#### **Sunbathe smartly – bathing sense, sunbathing sense, boating sense**

Together with Halland County Council and Tylösand Lifeguards, Länsförsäkringar Halland started the beach project Sunbathe smartly. Every summer, ten activity days are held on the same number of beaches and camping sites in Halland. Participants get to practice life-saving, throwing lifebuoys and lifelines, and take part in an open-air walking, quiz competition about bathing, sunbathing and boating sensibly. In addition to the chance of winning prizes, the participants each receive a sun hat from Länsförsäkringar.

According to recent research, people from Halland are at the greater risk of developing skin cancer than anyone else in Sweden. This increase is attributed to our sunbathing habits. The aim of Sunbathe smartly is to increase awareness of how people from Halland can control their exposure to the sun. Since the County of Halland boards the coast, it is also appropriate for the inhabitants to know how to act in the event of accidents in the water or on land. People should feel safe living in Halland.

#### **Sandbags to stop flooding**

Large parts of western Sweden were threatened with flooding in January 2007. Länsförsäkringar Älvsborg enlisted the help of sports associations and volunteers in this war on water.

Länsförsäkringar and the municipalities provided bags, with the associations receiving SEK 6 for each filled bag, and the municipalities were responsible for providing sand. The bags were then filled with

sand and used to build embankments around houses and along waterways where flooding could cause severe damage.

“We tested this model on the extensive flooding in the Lake Vänern area six years ago and we prevented more than SEK 10 M worth of damage,” explains Roland Karlsson, Head of Information at Länsförsäkringar Älvsborg.

About 8,000 sandbags were filled in 2007 and in the past seven years approximately 20,000 sandbags have been used as protection against floods through the old County of Älvsborg.

#### **Night patrols in Uppsala**

Länsförsäkringar Uppsala is participating in the “Safer County of Uppsala” project initiated by the county’s Police Service. The overall objective is to prevent and minimize crime and increase safety in the County of Uppsala together with various other organizations.

Night patrols are an important measure to counteract street and nightclub-related violence and to create a safe environment. Personnel from Länsförsäkringar Uppsala go on night patrols once a month and are offered additional holiday time in return. Sports clubs have also been invited to participate and the next step is to invite other companies and customers to take part in night patrols.

Länsförsäkringar Uppsala has also actively participated as one of the arrangers of the annual Safety Day in Uppsala. The theme for the 2007 Safety Day was young people and violence against young people. Ambulance personnel showed images and provided information at Länsförsäkringar’s mobile showroom on what happens when someone is assaulted and the injuries that people can suffer. Information was also provided on how to drive mopeds safely and reflex jackets were handed out.

#### **Security solutions for people and dog**

Agria developed the concept of Activera Dog Center, which offers security solutions

for both dogs and people. Activera is essentially a dog daycare center supplemented with a wide range of services and courses to provide support for secure animal ownership. At the same time, Activera offers a stimulating and secure workplace for people who require work training, internships/work experience, habilitation, rehabilitation or a place customized to the individual’s specific needs. These services are offered in cooperation with local partners, such as the Swedish Public Employment Service, the Municipality, the Swedish Social Insurance Agency and various school organizations. A unit took shape in Karlskoga in 2006 and 2007 and it will be ready to be run by one of the employees in 2008.

The aim of the Activera Dog Center is to develop financially feasible and self-developing alternatives to publicly owned and financed organizations for such sectors of society as people with functional disabilities, long-term unemployed persons and long-time recipients of social benefits, and provide them with the opportunities to gain work experience for studies in animals.

Society has high costs for medical care and rehabilitation. The positive effect of pets on the health of humans leads to financial savings, both for the individual and society. The costs for animal therapy are relatively low compared to other health-care treatments available. ■







## Environment

# Internal and external partnerships protect the environment

Environmental work is a key part of Länsförsäkringar AB's operations and is based on a joint Environmental Policy with the regional insurance companies. This Policy entails that the environment is taken into consideration in the decisions made and the actions taken, such that the impact on the environment is reduced through continuous improvements. The Policy also emphasizes the importance of skills development and influencing customers and suppliers to contribute to the sustainable development of society.

**LÄNSFÖRSÄKRINGAR AB** HAS both an indirect and direct impact on the environment. Emissions of carbon dioxide and paper consumption are significant environmental aspects for Länsförsäkringar AB. The direct impact on the environment derives primarily from business travel and the consumption of electricity, heating and paper. The indirect impact arises from the use of Länsförsäkringar's products and services, mainly from water and fire damage that affects the regional insurance companies' customers. Länsförsäkringar AB contributes to strengthening the work of the regional insurance companies to reduce the number of claims and reduce the effects of incurred damage. Another important area is spreading knowledge of the link between insurance and environmental impact to customers.

To reduce this direct impact on the environment, train travel is increasingly used for business trips. The company-car policy approves only environmentally friendly cars and offers the option of the early

replacement of company cars. Half of all company cars have been exchanged for environmentally friendly cars since 2006. In addition, an increasing number of meetings now take place in the form of telephone, video or web conferences as a means of reducing total accumulated travel. One of the targets of the developments carried out in Länsförsäkringar AB is to reduce the flow of paper both within the company and sent to customers. To reduce the consumption of paper, digital solutions and efficient printing and copying solutions are being developed. The expansion of the Internet channel offers more opportunities to reduce sending paper to customers. For example, all terms and conditions for commercial insurance are now available in digital form on the Internet and are no longer sent to customers. Customers are also offered the choice of receiving account statements and loan notices on the Internet instead of being sent home and as many paper dispatches to customers as possible are packaged together to reduce the flow of

paper. Enhancing the efficiency of heating and cooling systems and the use of low-energy lamps to minimize the use of energy are also important in lowering the direct impact of the company on the environment.

Every claim that can be avoided is important to the indirect environmental impact, and therefore claims-prevention activities are crucial from an environmental perspective. To reduce the impact on the environment from damage suffered by the regional insurance companies' customers, active development measures are conducted to reduce the number of claims and to reduce the consequences of occurred damage.

To expand knowledge in the area of the environment, Länsförsäkringar Sak supports scientific research. A number of projects commenced in 2007 relating to the climate and environment. One example is the project on "Flooding in the city's water system: causes and measures to reduce the consequences."

The Building/Living Dialogue Project is a cooperative venture between the Swedish



Government and business sector aimed at fostering sustainable community development, in which both non-life insurance and banking operations in Länsförsäkringar are included. Areas of priority are energy and resource-efficient buildings with healthy indoor environments. The new Government has extended the ByggaBo Dialogue by another three-year period to 2009. The financial grant has also been increased to ensure continued work on the well-received skills-development program. Länsförsäkringar has actively participated in such projects as the environment-classification project for new and existing buildings, which encompasses use of energy, environmental impact and indoor environment.

In cooperation with Tyréns Temaplan and IVL Swedish Environmental Research Institute, Länsförsäkringar has produced a tool to assess the environmental impact of damage repairs. The aim is to influence contractors to make sound environmental choices and for them to follow up and report their environmental impact from primarily water damage. Many parameters can be used, one is the amount of carbon dioxide generated by water damage. From these environmental statistics, we know that normal water damage emits 300 kg of carbon dioxide and we can now work on reducing these emissions.

On Länsförsäkringar's behalf, the SP Technical Research Institute of Sweden

performed tests on mold growth on the most common sheet materials in a wet room. The tests revealed that both common plasterboard and chipboard, as well as wet-room board, have mold growth that is hazardous to health and the environment and is therefore unsuitable to use in a wet room. This investigation led to carton plasterboard being phased out and replaced by mold-proof boards. The annual review of the PVC industry was conducted to continue to influence the industry to make further environment changes to its manufacturing process and to increase the level of recycling of demolition and installation waste.

The environment handbook is a tool for systematically making environmental adaptations to a building or facility throughout its entire lifecycle. One of the uses of the environment handbook is to impose demands in procurement processes and to provide guidance for better choices of materials and design solutions. Länsförsäkringar is a member of the steering committee for the environment handbook, alongside the Swedish National Fortifications Administration, Locum, Peab, Skanska, the Swedish National Property Board, Vasakronan and WSP.

An environmental and quality rating tool for the assessment of building contractors and plate and spraying shops has been developed and is used to an increasing extent

by the regional insurance companies. The tool is an effective method for ensuring that contractors work with the issues of environment and quality in their own operations.

VASKA provides tips on how to avoid water damage in conversions and constructing new buildings. Länsförsäkringar has been involved in a construction research project that has formulated the VASKA tips. A total of 80% of the tips for water-damage secured construction produced within the activities of VASKA have become official requirements in the Swedish National Board of Housing, Building and Planning's construction regulations.

Länsförsäkringar is also a member of BLICC (Business Leaders' Initiative on Climate Change) in which it joins with other companies in providing sound examples for pursuing active climate initiatives.

Länsförsäkringar AB has held ISO 14001 environmental management systems certification for four years. This certification is a guarantee that systematic environmental activities are conducted with the aim of continuously reducing the impact on the environment, something that imposes rigorous demands on the exchange of experiences and advanced training. This certification is maintained through continuous audits by the SP Technical Research Institute of Sweden certification company. ■



# Employees

## Competition through skills development

By focusing on growth, Länsförsäkringar AB's managers and employees can meet a series of existing challenges in the future, and therefore skills-development efforts have been emphasized in the organization.

**CONTINUED GROWTH**, competition in the market and the possibility of attracting employees with the right competencies are shared business objectives in Länsförsäkringar AB and factors that influence the operations' needs for skills development. All skills development is to support the operations and form the basis of employee development. For this reason, existing professional roles with associated areas of expertise have been identified. Professional skills have been introduced to employees' target contracts in order to identify skills-development measures.

Working in a structured manner and following a common method provide the conditions for employees to attain the individual goals in their target contracts. It also enhances the clarity of managers' expectations of employees. Clarity increased motivation and commitment and leads to improved performance, as shown by the results of this year's employee survey.

Excellent performance is rewarded with target-based remuneration paid to employees. Target-based remuneration for 2007 could be paid at an amount of SEK 4,000, based on Länsförsäkringar AB's earnings, with the possibility of an additional SEK 8,000 based on individual goals.

When the target-based remuneration is paid, employees can choose to exchange all or a portion of the remuneration for occupa-

tional pension insurance. In this exchange, the employee receives a higher pension premium compared with savings in private pension insurance since Länsförsäkringar AB contributes a premium enumeration corresponding to approximately 6.5%.

### Long-term leadership development

Länsförsäkringar AB invested heavily in leadership development in the past year. Since 2005, when the program and planning of long-term leadership development commenced, employee opinions of leadership have become more and more positive. A leadership index survey is carried out every year and includes the same questions about management, targets and results orientation and career-development discussion with target contracts. The leadership index rose from 75.5 to 79.2 between 2005 and 2007.

Regular meetings with managers from different divisions are arranged for employees to meet manager colleagues, exchange experiences and further strengthen the holistic approach and cooperation. Managers with human resources duties are invited to these meetings, of which 230 were held in 2007. One of these meetings during the year provided detailed information on the topic of healthcare when the company's new focus on healthcare activities was

introduced. A continued program and manager-development ventures were also produced for 2008.

To ensure the supply of future leaders, talented young employees are selected to attend an Assessment Center. After undergoing analysis, motivation and personality tests, and various simulation and role-play exercises, the right candidates are offered a place on a specially tailored Young Talent Program. The Program includes personal development and leadership style, implementing change, personal efficiency, motivation and driving forces.

In addition, a female manager is nominated every year for the Ruter Dam one-year management development program for women. This has been a focus area for many years in a bid to have more women take on senior managerial roles. Länsförsäkringar also contributes as a mentor and lecturer on the management development program and hosts company visits.

### Development in an international environment

Länsförsäkringar participates in international partnerships to develop products and services. The most extensive insurance partnership takes place with EurAPCo (European Alliance Partners Company). Training courses for managers

and specialists are held within the framework of EurAPCo, via the Eureko Academy.

Eurekans and Ashridge are two development programs to which Länsförsäkringar can annually nominate employees to attend. Eurekans is a program that is primarily targeted to younger employees between the ages of 25 and 35 who will grow into a managerial role in three to five years' time. Ashridge is a program that is mainly targeted to company presidents and senior-level managers or members of managerial groups. Two female employees were nominated to these training programs in 2007.

### **Exchange program**

In addition to more traditional training courses, a model for the Länsutbyte exchange program has been introduced which provides different opportunities for skills development. This can be a creative outlet for employees to develop their own competencies by working in a different environment in the Länsförsäkringar Alliance to their normal environment for a certain period of time.

### **Scholarship holder exchange program through Nordic cooperation**

A new program for scholarship holders has been produced together with Länsförsäkringar AB's Finnish partner, Tapiola. The program is held annually and aims at facilitating the exchange of experiences between companies in employees' own fields of activity.

### **Valuable expertise retained through new partial pension**

The offer of an attractive partial pension solution for employees over the age of 62 is a measure utilized to address future retirement. Employees are offered a solution whereby they work at 80% and receive a salary at 90% and a full occupational pension. This working-hours structure follows the 80-90-100 principle.

The partial pension solution provides the possibility of retaining employees with

valuable expertise and facilitates the transfer of competencies. A partial pension agreement is a supplement to the age-62 rule of the industry's pension agreement.

### **More efficient training**

Länsförsäkringar's own training activities have been made more efficient by introducing an entirely new training system. The quality of the training courses has been enhanced by freeing up more time and allocating it to the development of courses instead of to administration. More efficient training methods that are flexible and cost-efficient have also been developed through new training methodology in the form of Blended Learning, whereby traditional training courses are mixed with, for example, e-learning, online lectures and tests. This enables a more individual learning process for employees, who assume greater responsibility for their own training program. Costs are saved by reducing the number of class-room days and costs for travel.

### **Committed employees**

This year's employee survey showed that employees consider Länsförsäkringar AB to be an equal opportunities and pleasant workplace with many development opportunities. Previous surveys have revealed the same opinions among employees, but the results of this year's survey strengthened the view. The total rating for Länsförsäkringar AB as an attractive employer has risen for the third consecutive year to 76.6 compared with 75.6 in 2006.

The survey also shows that 85% of employees feel committed to and motivated to perform their work duties. Relations between managers and superiors are key to the level of commitment felt. Interesting work duties that develop employees and where employees have the authority to take responsibility create a sense of commitment. Well-defined goals, encouragement and trust are stimulating factors. At the same time, challenges must be manageable and reasonably intense.

### **Attractive employer**

In order to secure the conditions for Länsförsäkringar to compete for business-critical expertise, a long-term project has commenced to promote Länsförsäkringar's attractiveness as an employer. Länsförsäkringar's strong brand and many different awards and accolades won during the year form a stable platform for this work. Länsförsäkringar intends to be clearer in communicating what the company stands for as an employer and the opportunities open for various professions. One of the methods for achieving this is by having a more modern website for job applicants. The brand shall also be more clearly communicated to students through labor market days and trainee programs.

Continuing to develop individual and flexible solutions for forms of remuneration and benefits to employees is also an important part of being an attractive employer. The benefits available will be clarified using the support system that is to be installed in spring 2008. This investment will increase employees' flexibility in the choice of benefits.

### **Industry best among students again**

Länsförsäkringar achieved its best ever ranking in the 2007 Företagsbarometer survey. For the fifth consecutive year, Länsförsäkringar is the most attractive employer in the insurance industry. Students of business administration and economics who took part in the survey raised Länsförsäkringar's ranking to 49 from last year's 52nd place, meaning that Länsförsäkringar is considered to be one of the 50 most attractive employers. Länsförsäkringar's aim is to be one of the ten most attractive employers among Swedish students of business administration and economics by 2010.

### **Trainee program and contact with students**

The trainee program with 11 trainees was completed in 2007. The trainees' educational backgrounds were in law, economics specializing in marketing, and civil engi-



neering, and some of the trainees had a double degree in economics. One of the requirements was that the trainees should have international experience with good insight into other cultures. Knowledge of other languages was an advantageous skill and English was a requirement. All trainees were offered permanent employment with Länsförsäkringar. A total of 11 trainees will be recruited to the 2008 program.

Students of business administration and economics were identified as the target group that Länsförsäkringar wants and needs to attract in the future. To further increase contact with this target group, Länsförsäkringar entered into an agreement with the Swedish Foundation for Enterprise Education which is behind the launch of a revised economics program, Diploma in Upper-Secondary Business Course. This cooperation agreement enables Länsförsäkringar to establish contacts with qualified upper-secondary schools across Sweden.

Also in 2007, Länsförsäkringar was one of the partners in Academic Search's Diversity Challenge competition. The aim of the competition was to offer work experience to university and college studies with multicultural experience. Länsförsäkringar AB's Asset Management department offers six-month placements. Länsförsäkringar will also participate in the 2008 Diversity Challenge and will offer more internships.

### **Reduced sickness absence and better health**

Total sickness absence, which was at 4.7% in 2005, declined to 3.8% in 2007. A contributing factor is the measures targeted to employees with long-term sickness absence. Another factor was the medical and rehabilitation insurance that was taken out for employees in 2006. This insurance provides the opportunity for fast and personal medical advice and rehabilitation.

In addition to decreasing sickness-absence figures, the annual employee

survey showed a slightly better health index compared with 2006.

- 71.1 for women (70.7)
- 76 for men (75.3).

Using a health index, managers can prioritize measures that will result in better health for their organization. A number of health-service offers are available, such as exercise classes, weight-training and massage. Subsidized weight-loss programs, individual coaching and personal training can be offered to employees experiencing an imbalance in their lives, high levels of stress at work or in their lifestyle in general. In addition, a number of different health activities were implemented to increase health awareness in the organization:

- Inspiring health-related lectures focusing on the link between diet and exercise and mental health.
- Offers for smokers to participate in a subsidized program for motivating coaching and antidotal smoking treatments.
- Tailored exercise activities for all Life Assurance division employees where sickness absence is above average.
- Introduction to the health process for managers and lectures on stress and sleep.
- Regulations for meeting were prepared for the entire organization in a bid to create an improved meeting culture and generate more working hours.

### **Diversity and equal opportunities**

The issue of diversity is being afforded greater attention in the organization. The annual personnel meetings included various lectures on this subject to serve as a personal thought-provoker and to highlight prejudices that do not correspond to reality. Many divisions also worked on highlighting this matter by holding various seminars at which diversity issues were discussed from an ethical and cultural perspective.

Ethnic diversity among employees is 13%. The aim is to increase this figure by 1% annually in the next few years. A num-

ber of development areas have been identified to proactively work with this issue in the recruitment process, for example, advertising in other channels with a more distinct diversity profile and broader requirement profile. The aim is that the organization will reflect and be attractive to everyone in the multicultural society that is emerging.

The 2005–2007 diversity plans were reviewed. The review also looked at the Act on Equality between Men and Women, discrimination legislation and these regulations are to be applied.

Employees' views that Länsförsäkringar AB is an equal workplace that works to achieve diversity have risen from 72 to 77 among women and from 84 to 86 among men.

A new diversity plan has been prepared for 2008.

### **New employees through structural transactions**

Länsförsäkringar and the Federation of Swedish Farmers (LRF) signed an agreement to increase their cooperation. Approximately 50 employees in LRF Försäkring were offered new employment with Länsförsäkringar.

The venture in new non-life insurance activities in Latvia and Lithuania with operations established in January 2008 creates opportunities for new international contacts for employees. Two branches under the company's own brand with local country managers and about 15 employees in each country were recruited. Using Länsförsäkringar's expertise and resources, a project was carried out for 270 days to produce products, sales routines, strategies and the procurement of IT systems. Employees in Latvia and Lithuania have participated in training courses focusing on service excellence, emphasizing the importance of service.

The international operations and expansion of Agria Djurförsäkring will create further international contacts. ■



## EMPLOYEE STATISTICS

Sickness absence, %	2007	2006
Total absence as percentage of total working hours	3.8	4.3
Absence exceeding 60 consecutive days, as percentage of total working hours	61.2	61.5

Sickness absence by gender, %	2007	2006
Men	2.3	2.8
Women	5.1	4.8

Sickness absence by age category, %	2007	2006
Up to age 29	2.7	2.2
Age 30 to 49	3.4	3.7
Age 50 or older	5.0	6.1

	December 31, 2007	December 31, 2006
<b>Number of employees</b>		
Länsförsäkringar AB	1,657	1,618
– Women	912	881
– Men	745	737
Permanent employees who left during the year	109	108
Permanent employees recruited during the year	109	144

## ALL EMPLOYEES

Age range	2007	2006
0–30 years	150	127
31–40 years	522	508
41–50 years	488	475
51–60 years	421	417
61–	73	91
Average age, women	44	44
Average age, men	44	45

## MANAGEMENT STATISTICS

Age range	2007		2006	
	Female managers	Male managers	Female managers	Male managers
0–30 years	1	1	0	0
31–40 years	31	36	35	30
41–50 years	40	47	32	51
51–60 years	23	41	27	47
61–	3	3	2	0
<b>Sub-total</b>	<b>98</b>	<b>128</b>	<b>96</b>	<b>128</b>
<b>Total</b>	<b>226</b>		<b>224</b>	

Average age, managers	2007	2006
Women	45	45
Men	46	47

## POSITION OF TRUST

	2007		2006	
	Women	Men	Women	Men
President	6	6	3	7
Management teams <sup>1)</sup>	42	57	24	46
Board members <sup>2)</sup>	30	78	26	65

<sup>1)</sup> Includes union representatives

<sup>2)</sup> Regular members including union representatives

# Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020 hereby submit the annual report and consolidated accounts for financial year 2007.

This is the Länsförsäkringar AB Group's first annual report prepared in accordance with International Financial Reporting Standards, IFRS. 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.

## Group structure

Apart from the Parent Company Länsförsäkringar AB (publ), the Group encompasses Länsförsäkringar Sak Försäkringsaktiebolag (publ), Länsförsäkringar Bank AB (publ), Försäkringsaktiebolaget Agria (publ), Wasa Försäkring Run-Off AB and the subsidiaries of these companies. Länsförsäkringar IT Center AB (publ) and LF Gruppen AB, which is a dormant company, are also included in the Group.

Länsförsäkringar Liv Försäkringsaktiebolag (publ) with subsidiaries, which include 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 109.

## Operations

The Länsförsäkringar AB Group conducts operations in such areas as life assurance and unit-linked insurance, banking, fund management, non-life insurance, reinsurance, medical and special insurance, as well as animal insurance. Another main task is to provide service to the regional insurance

companies and assume responsibility for the Länsförsäkringar Alliance's joint strategic, development activities. The Länsförsäkringar AB Group shall create possibilities for the regional insurance companies to be successful in their respective markets. The Länsförsäkringar Alliance offers a broad range of insurance, banking services and other financial solutions to companies as well as private individuals. The Länsförsäkringar Alliance is based on a strong belief in local presence and customer contacts are made at the regional insurance companies.

## Value trend of the Länsförsäkringar AB Group share

As shown in the five-year summary on page 38, the net worth of the share for the Länsförsäkringar AB Group has risen by 71% since 2003. In addition, dividends were paid for 2006 corresponding to a 4% increase in value.

## Governance of the Group

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 corresponding responsibilities at the Group level. This entails that the Board must ensure that established 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. The Board has established Internal Audit, Chief Risk Officer and Compliance functions. 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. For further information regarding corporate governance issues, refer to the Corporate Governance Report on page 110.

## New President appointed by the Board

The Board of Directors of Länsförsäkringar AB appointed the current head of Länsförsäkringar Liv, Håkan Danielsson, President of Länsförsäkringar AB. Håkan Danielsson will take office in conjunction with the Annual General Meeting at the end of May and succeeds Tommy Persson who has served as President since 1996.

## Employees

Länsförsäkringar AB's success depends on the commitment, competence and performance of its employees to make the business activities successful and enhance competitiveness. To ensure Länsförsäkringar's ability to retain business-critical competencies, a long-term project was launched to clarify Länsförsäkringar's attractiveness as an employer.

## Environmental work

Environmental work is an important part of Länsförsäkringar AB's operations and is based on a joint environmental policy with the regional insurance companies. This policy stipulates that the environment shall be taken into consideration in all decisions made and actions undertaken in order to continuously reduce the environmental impact through continuous improvement. The policy also emphasizes the importance of skills development and influencing customers and suppliers to contribute to the sustainable development of society. Länsförsäkringar AB has ISO 14001 Environmental Management Systems certification.

## Lines of business

### Non-life insurance

The total non-life insurance market, measured in premiums paid, rose moderately in 2007. The low growth rate was due to increasingly fierce pricing competition after the long period of stable profitability in the market. The total non-life insurance market amounts to SEK 57.8 billion (56.4). The number of insurance policies increased compared with 2006 and mobility in the market is also extensive. The market remains characterized by clear competition from small traditional non-life insurance companies, banks that are starting non-life insurance operations, completely new players and foreign companies.

In addition to more and more players establishing operations in the non-life insurance market, sales channels are being developed and both the Internet and insurance brokers are gaining in importance.

Insurance solutions in the form of group-insurance agreements, packaging of banking and insurance services and insurance related to such consumer products as white goods and electronics are also on the rise.

The Länsförsäkringar Alliance is the market leader in Swedish non-life insurance and the total market share, measured in premiums paid, amounted to 29.4% (29.8). Growth was healthy in household insurance and both the portfolio and market shares also grew in motor-vehicle insurance. In commercial insurance, the Länsförsäkringar Alliance's dominating position was held during the year despite intensifying competition.

Operating profit from the insurance operations amounted to SEK 1,169 M (721). Premiums earned after ceded reinsurance increased by 25% compared with the preceding year and totaled SEK 2,634 M (2,108). The increase was primarily due to higher volumes of products within medical and animal insurance. The insurance operations include a minor life-assurance business.

Claims payments after ceded reinsurance amounted to SEK 1,764 M (1,344). The claims outcome remained favorable during the year in most product groups. Since 2004, most of the third-party liability insurance has been underwritten by the regional insurance companies. Provision for incurred claims for motor third-party liability insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak Försäkrings AB.

The total return in the insurance operations amounted to 7.2% (4.9) in 2007.

Income for the year was also charged with costs for the establishment of insurance operations in Latvia and Lithuania, and costs associated with the acquisition of the insurance portfolio.

Third-party liability insurance also remained a major line of business, reporting a profit of SEK 150 M (166). Income derives in part from the run-off transactions described above and in part from transac-





tions with customers in several counties that is partly underwritten within Länsförsäkringar Sak.

Assumed reinsurance, consisting of active reinsurance business and run-off business, generated a positive result during the year. In 2007, the Länsförsäkringar Alliance was affected by a number of major claims, Hurricane Per and many large fires.

On January 1, 2007, Länsförsäkringar Sak Försäkrings AB and its subsidiary Länsförsäkringar Gruppliv Försäkrings AB signed an agreement with Länsförsäkringar Liv regarding a portfolio transfer. The agreement pertains to an insurance portfolio of medical and accident insurance for adults, group medical and group accident insurance to Länsförsäkringar Sak Försäkrings AB and an insurance portfolio of group life and employment group life assurance to Länsförsäkringar Gruppliv Försäkrings AB. During the year, it was also decided to establish non-life insurance operations in Latvia and Lithuania in 2008. The Swedish Financial Supervisory Authority granted the necessary concessions in January 2008.

In 2007, Försäkringsaktiebolaget Agria acquired the British company PetPartners Plc, a company that sells and administers dog and cat insurance. The company currently has 5% of the British market.

During 2007, business was underwritten in the areas of medical, accident, cargo and some liability insurance, with nationwide customers in commercial automotive insurance, animal insurance, producer liability and assumed reinsurance. All insurance areas reported positive earnings, except for medical and accident insurance.

## Bank

Länsförsäkringar Bank directs its services primarily to private individuals and farmers and offers a full range of services.

In 2007, Länsförsäkringar had the most satisfied retail bank customers and the most satisfied mortgage customers according to the Swedish Quality Index (SKI). The number of customers amounted to 665,000.

Total lending in the Banking Group rose by 24% to SEK 67 billion (54). Mortgage lending in the subsidiary Länsförsäkringar Hypotek AB increased by 30% to SEK 48 billion (37). The market share in lending for private homes and tenant-owned apartments rose to 3.4% from 3.0%. Länsförsäkringar Hypotek AB's share of market growth amounted to 7%. Deposits rose by 22% to SEK 30 billion (24) corresponding to a market share of 2.9%.

Länsförsäkringar Fondförvaltning AB manages a fund volume of SEK 65 billion (62) in 31 (30) mutual funds with different investment orientations. The market share amounted to 3.9% (3.9).

Finance company Wasa Kredit AB offers lending products in such forms as leasing and installments. The lending volumes in Wasa Kredit AB amounted to SEK 9 (8) billion.

The Banking Group's operating profit amounted to SEK 238 M (198), which is an increase of 20%. Net interest income rose 10% to SEK 1,017 M (927), primarily attributable to increased volumes. Lending to the public rose by 24% to SEK 67 billion (54) and deposits from the public increased by 22% to SEK 30 billion (24). Income rose by 8% to SEK 1,106 M and expenses by 4% to SEK 816 M.

Mortgage lending in the subsidiary Länsförsäkringar Hypotek rose by approximately SEK 11 billion and amounted to SEK 48 (37) billion.

Länsförsäkringar Fund management's operating profit amounted to SEK 83 M (76). The improved result is due to enhancements to cost efficiency and continued robust volume growth.

## Life assurance and pension insurance

In 2007, the return on Länsförsäkringar customers' savings was better than any of the company's competitors and sales continued to rise both in terms of the number of insurance policies and market shares.

Long-term pension savings continued to increase during the year. The Swedish life assurance-market had a sales value of

SEK 156 billion on December 31, 2007, which is an increase of 25% compared with 2006. For Länsförsäkringar, new sales and market shares in all sub-markets increased. Länsförsäkringar Liv's new sales amounted to SEK 17,341 M during the year, corresponding to an increase of 47%.

The market share measured in new sales increased during the year from 9.4% to 11.1%, meaning that Länsförsäkringar is among the three largest players in Sweden. Unit-linked insurance accounted for 55% (45) of Länsförsäkringar's new sales, while traditional management including New World management represented 45% (55). This gave a market share in fund management of 11.1% (7.3). The market share in traditional management declined to 11.1% (12.6).

Länsförsäkringar Liv has generated favorable returns for many years, which has strengthened finances. The total return on investment assets in traditional management was 6.7% on December 31, 2007, which was the best of all pension companies in Sweden in 2007. This successful management gave customers a bonus rate of a full 10% at year-end. On January 1, 2008, the bonus rate was reduced to 7% and to 4% on March 1 before tax and fees, which was a result of the turmoil in the financial markets. Länsförsäkringar Liv continues to have one of the highest bonus rates in the industry. The high bonus rate and competitive return are proof of the company's strength. Collective consolidation amounted to 114% (114). Collective consolidation is a measurement of a life-assurance company's ability to distribute a bonus. It 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 amounted to 152% (136). 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 Länsförsäkringar Liv Försäkrings AB Group is not consolidated since the

company is operated in accordance with mutual principles.

A summary of the Life Assurance Consolidated income statement and balance sheet is provided on page 109.

### Risks and risk management

The Länsförsäkringar AB Group's operations give rise to different types of risks. The majority of these risks arise in the Group's subsidiaries. A description of the Group's total risks and how they are controlled and managed is provided in Note 2 to the consolidated accounts.

The risks arising directly in the Parent Company are primarily attributable to the Parent Company's financing and its investment of assets that are not the shares of subsidiaries.

In 2003, the Parent Company raised a loan of EUR 300 M at a fixed-interest rate on the international capital market. The loan has been currency hedged. It falls due for payment at the end of 2008.

The Parent Company has lent SEK 1,160 M to Länsförsäkringar Sak Försäkrings AB. This loan falls due for payment at the same time as the loan described above. In addition, the Parent Company has lent a total of SEK 1,150 M to Länsförsäkringar Bank AB in subordinated loans with varying tenures at interest rates converted every three months (STIBOR-related).

The Parent Company's interest-rate risk is low since the fixed-interest periods of the borrowings and investments are short. With regard to the due dates of loans raised, exposure arises with the loans to Länsförsäkringar Bank AB that fall due for payment in 2013 (SEK 580 M) and in 2017 (SEK 280 M) and that SEK 290 M has an indefinite term, whereas borrowings fall due for payment in 2008, except for subordinated loans from the regional insurance companies, which amount to SEK 114 M and are due for payment in 2011.

The Parent Company's liquidity on December 31, 2007 was favorable, with

short-term, interest-bearing investments and cash and cash equivalents of more than SEK 1,000 M.

A benchmark portfolio is determined for the management of the Parent Company's investment assets. At year-end, this entails that the largest portion is to be invested in interest-bearing assets and the remainder in equities. Equity-related investment assets amounted to approximately SEK 650 M on December 31, 2007, with the largest portion invested in an equity fund that invests in Swedish shares.

### Earnings and financial position

#### Group

This is the Länsförsäkringar AB Group's first annual report prepared in accordance with International Financial Reporting Standards, IFRS. This transition has entailed that figures for the preceding year have also been restated in accordance with the new accounting principles. The effects on the income statement and balance sheet in conjunction with the transition to IFRS are presented on pages 80–88 and the Group's accounting principles are described on pages 43–53.

Consolidated operating profit amounted to SEK 1,270 M (821) and net profit for the year after tax amounted to SEK 922 M (618). The Group's premiums earned after ceded reinsurance amounted to SEK 2,634 M (2,108) and net interest income totaled SEK 1,069 M (936).

Solvency capital increased by SEK 939 M to SEK 11,652 M in 2007 and the Group's solvency margin declined to 429% (498).

#### Parent Company

The Parent Company's operating profit amounted to SEK 118 M (1,162) and profit after tax to SEK 169 M (1,195). Of this amount, SEK 330 M (1,287) refers to dividends from subsidiaries.

Total assets amounted to SEK 11,965 M (11,509).

### Trends in the operations and future focus

The Länsförsäkringar Alliance is developing and expanding its operations. One part of this expansion is the focus in the Baltic States (Latvia and Lithuania) where the first insurance policies were sold at the beginning of 2008. Operations are being established in the areas of household and car insurance. As part of this initiative, a branch was opened in Lithuania. Other examples include intensifying cooperation with the Federation of Swedish Farmers (LRF) through Länsförsäkringar Sak signing agreements on the acquisition of insurance operations from LRF. The insurance operations comprise individual insurance policies, group insurance in life, medical and accident risks. In 2007, Försäkringsaktiebolaget Agria acquired the British company PetPartners Plc, a company that sells and administers dog and cat insurance. Agria already has a branch in Norway. A decision was made in 2007 to open the company's own agricultural mortgage operations for agricultural customers. From February 2008, Länsförsäkringar Bank offers first-lien mortgages for agricultural and forestry properties since the cooperation agreement with Landshypotek expired. The idea of providing first-lien mortgages to agricultural customers is to be able to offer improved total solutions in banking and insurance adapted to farmers.

Changes have been made to third-party liability insurance and in a first step a 32% selective tax on third-party liability insurance premiums was introduced on July 1, 2007. The tax is intended to cover the State's costs for claims already incurred and claims that are incurred up to the time when the extended liability to third-party liability insurance comes into effect. The second step involves investigating the possibility of transferring all of the costs for those with third-party liability claims. These changes entail adjustments for the operations of the insurance companies and it is vital that the

Länsförsäkringar Alliance, together with other players in the sector, is actively involved in the formulation of the new rules, to find the best possible solution for our customers.

In 2007, extensive work was conducted in developing the Länsförsäkringar Alliance's website on the Internet and the new structure, with a series of new functions, is to be launched in 2008. The Internet channel strengthens Länsförsäkringar's brand and creates an effective sales channel that makes it easier for customers to purchase several different products.

### Transition to International Financial Reporting Standards, IAS/IFRS

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

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

In conjunction with the transition from previously applied reporting standards to IFRS reporting, IFRS 1 First-time Adoption of IFRS is applied. For a description of the Group's changed accounting principles, refer to Note 1.

The Länsförsäkringar AB Group applies a new layout to its income statements and balance sheets as a result of the new regulations.

The introduction of this new set of regulations entails that all comparative figures for 2006 have been restated to the new principles. The effects of the transition are reported in the Note 52. This Note contains a summary with explanations of how the transition has impacted the Group's financial results and position.

The Parent Company will apply the Swedish Financial Accounting Standards Council's Recommendation RR 32:06 Accounting for Legal Entities and certain statements from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. This means that all IFRSs applied in the consolidated accounts shall be followed with certain limitations depending on statutory provisions, primarily those stipulated in the Swedish Annual Accounts Act, and the relationship between accounting and taxation.

### 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 Notes 5 and 6 in the Parent Company and Notes 13 and 14 in the Group.

## Proposed appropriation of profits

Non-restricted shareholders' equity in the consolidated balance sheet amounted to SEK 4,855 M. There is no requirement for transfer to restricted reserves.

According to the balance sheet for Länsförsäkringar AB, non-restricted equity totaling SEK 2,420,236,306 is at the disposal of the Annual General Meeting.

The Parent Company's non-restricted shareholders' equity includes unrealized gains in the amount of SEK 132 M.

The Parent Company's non-restricted equity comprises:

Fair value reserve	-14,761,000
Profit brought forward	2,265,716,880
Net profit for the year	169,280,426
Non-restricted equity, December 31, 2007	2,420,236,306

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company:

be distributed to shareholders at SEK 44 per share	277,093,652
be carried forward	2,143,142,654
	2,420,236,306

The dividend amount is calculated on 6,297,583 shares.

The Board of Directors is of the opinion that the proposed dividend will not prevent the company from fulfilling its short-term or long-term commitments, or from carrying out necessary investments. Accordingly, the proposed value transfer can be justified with respect to the prudence rule stipulated in Chapter 17, Section 3 of the Swedish Companies Act.

The result of the year's operations and the company's position at December 31, 2007 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>

	2003	2004	2005	2006	2007
Amounts in SEK M unless otherwise stated					
<b>Group</b>					
Operating profit	750	781	2,100	821	1,270
Net profit for the year	576	945	1,861	618	922
Return on shareholders' equity, % <sup>2)</sup>	9	9	19	8	10
Total assets	59,061	69,414	80,478	91,184	116,241
<b>Solvency capital</b>					
Shareholders' equity <sup>3)</sup>	6,086	7,016	8,878	9,594	10,376
Deferred tax	614	448	686	1,004	1,162
Subordinated loans	139	139	139	114	114
<b>Total solvency capital</b>	<b>6,839</b>	<b>7,603</b>	<b>9,703</b>	<b>10,713</b>	<b>11,652</b>
Number of shares, 000s	6,298	6,298	6,298	6,298	6,298
Shareholders' equity per share, SEK	966	1,114	1,410	1,523	1,648
Solvency margin, %	147	389	497	498	429
Capital base for the insurance group <sup>4)</sup>	9,251	10,263	12,777	12,679	14,001
Required solvency margin for the insurance group <sup>4)</sup>	4,757	4,450	4,560	4,583	4,640
Capital base for the financial conglomerate				13,610	14,413
Capital requirement for the financial conglomerate				7,656	8,088
Average number of employees	1,198	1,225	1,230	1,283	1,436
<b>Insurance operations</b>					
Premiums earned (after ceded reinsurance)	4,417	3,057	1,889	2,106	2,430
Investment income transferred from financial operations	699	505	422	392	421
Claims payments (after ceded reinsurance) <sup>5)</sup>	-3,750	-2,625	-1,504	-1,350	-1,601
Operating expenses <sup>6)</sup>	-818	-675	-514	-868	-992
Other income and expenses	37	-3	18	24	34
<b>Technical result, non-life insurance operations</b>	<b>586</b>	<b>260</b>	<b>310</b>	<b>304</b>	<b>294</b>
Technical result, life assurance operations	-2	2	5	9	-1
Remaining investment income <sup>7)</sup>	199	518	1,760	414	790
<b>Operating profit<sup>7)</sup></b>	<b>732</b>	<b>689</b>	<b>1,930</b>	<b>721</b>	<b>1,169</b>
<i>Premium income before ceded reinsurance</i>					
Non-life insurance	6,214	3,806	3,905	4,126	4,475
<i>Premium income after ceded reinsurance</i>					
Non-life insurance	4,658	1,955	1,952	2,150	2,512
Life assurance	2	1	1	1	203
<i>Asset management</i>					
Direct yield, % <sup>8)</sup>	2.2	1.2	1.4	0.8	1.6
Total yield, % <sup>9)</sup>	4.6	4.9	10.3	4.9	7.2
<i>Financial position</i>					
Investment assets <sup>10)</sup>	18,641	19,247	20,592	18,894	18,476
Technical reserves (after ceded reinsurance)	15,000	14,015	13,717	13,266	13,728
Cost ratio	24	29	40	41	39
Expense ratio <sup>11)</sup>	19	22	27	30	30

	2003	2004	2005	2006	2007
Claims ratio <sup>12)</sup>	85	86	80	75	76
Combined ratio	103	108	107	105	107

### Banking operations

Net interest income	701	830	873	927	1,017
Operating profit	47	127	154	198	238
<b>Net profit for the year</b>	<b>46</b>	<b>186</b>	<b>109</b>	<b>139</b>	<b>176</b>
Total assets	32,406	43,016	51,661	62,538	85,094
Shareholders' equity	1,932	2,442	2,851	3,184	3,824
Return on shareholders' equity, % <sup>2)</sup>	3.0	4.3	4.1	4.6	5.0
Investment margin, %	2.6	2.2	1.9	1.6	1.4
Capital adequacy ratio, % <sup>13)</sup>	-	-	-	-	10.6
Capital adequacy ratio, % <sup>14)</sup>	13.0	11.4	11.3	10.6	-

### Other operations

Income	1,241	1,524	1,836	2,061	2,210
Operating profit	217	363	152	1,217	169

- <sup>1)</sup> The Länsförsäkringar Liv Group is not consolidated since the company is operated in accordance with mutual principles. Accordingly, the life-assurance companies are not included in the insurance group.
- <sup>2)</sup> Profit before tax plus change in surplus value of owner-occupied property less standard tax at 28% as a percentage of average shareholders' equity adjusted for dividends.
- <sup>3)</sup> Shareholders' equity restated in accordance with IFRS amounted to SEK 8,866 M, excluding minority interests, on January 1, 2006.
- <sup>4)</sup> The insurance group includes the Länsförsäkringar AB Group's Parent Company and insurance companies, as well as Länsförsäkringar Liv and Länsförsäkringar Fondliv. The capital base and the required solvency margin have been calculated in accordance with the Swedish Financial Supervisory Authority's instructions.
- <sup>5)</sup> Excluding claims adjustment costs from 2006
- <sup>6)</sup> Including claims adjustment costs from 2006
- <sup>7)</sup> Länsförsäkringar AB and IT Center are included in 2003 to 2005.
- <sup>8)</sup> Direct yield is calculated on the balance of interest income, interest expense, dividends on shares and participations, management and administration expenses for asset management and operating profit for properties in relation to the average value of the investment assets during the year.
- <sup>9)</sup> Total yield is calculated as the sum of all direct yield and changes in the value of the investment portfolio in relation to the average value of the investment assets during the year.
- <sup>10)</sup> Investment assets comprise owner-occupied property, shares and participations in associated companies, investment property, loans to Group companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and bank balances, and interest-bearing long-term liabilities.
- <sup>11)</sup> Excluding claims adjustment costs in accordance with the Swedish Financial Supervisory Authority's instructions.
- <sup>12)</sup> Including claims adjustment costs in accordance with the Swedish Financial Supervisory Authority's instructions.
- <sup>13)</sup> In accordance with transitional rules for Basel II.
- <sup>14)</sup> In accordance with Basel I.

The Länsförsäkringar AB Group applies International Financial Reporting Standards (IFRS) from January 1, 2007. Information in the five-year summary has been restated for 2006 in accordance with IFRS.

Information for 2003–2005 is reported in accordance with previously applied accounting principles.

## Consolidated financial statements and notes

	Page		Page
Consolidated income statement .....	40	Note 26 Investment property .....	70
Consolidated balance sheet .....	40	Note 27 Lending .....	71
Changes in consolidated shareholders' equity .....	41	Note 28 Fair value changes of the hedged items in portfolio hedge of interest-rate risk .....	71
Consolidated cash-flow statement .....	42	Note 29 Shares and participations .....	71
Note 1 Accounting principles .....	43	Note 30 Bonds and other interest-bearing securities .....	71
Note 2 Risks and risk management .....	54	Note 31 Derivatives .....	72
Note 3 Profit per business segment .....	62	Note 32 Other receivables .....	72
Note 4 Acquisitions of operations .....	63	Note 33 Prepaid expenses and accrued income .....	72
Note 5 Premiums earned after ceded reinsurance .....	64	Note 34 Cash and bank balances .....	72
Note 6 Interest income .....	64	Note 35 Shareholders' equity .....	73
Note 7 Interest expense .....	64	Note 36 Subordinated debt .....	74
Note 8 Investment income, net .....	64	Note 37 Technical reserves .....	74
Note 9 Commission revenue .....	65	Note 38 Deferred tax assets and tax liabilities .....	75
Note 10 Other operating income .....	65	Note 39 Other provisions .....	75
Note 11 Claims payments before ceded reinsurance .....	65	Note 40 Issued securities .....	76
Note 12 Commission expense .....	65	Note 41 Deposits and borrowing from the public .....	76
Note 13 Employees, personnel costs and remuneration to senior executives .....	66	Note 42 Liabilities to credit institutions .....	77
Note 14 Fees and remuneration to auditors .....	67	Note 43 Other liabilities .....	77
Note 15 Other administration expenses .....	67	Note 44 Accrued expenses and deferred income .....	77
Note 16 Loan losses net.....	67	Note 45 Pledged assets, contingent liabilities and contingent assets .....	77
Note 17 Other expenses .....	67	Note 46 Related-party transactions .....	77
Note 18 Tax on net profit for the year.....	67	Note 47 Group companies .....	79
Note 19 Earnings per share .....	68	Note 48 Supplementary information to cash-flow statement....	79
Note 20 Goodwill .....	68	Note 49 Events after balance-sheet date .....	79
Note 21 Other intangible assets .....	68	Note 50 Important estimates and assessments .....	79
Note 22 Tangible assets .....	69	Note 51 Information regarding the Parent Company .....	80
Note 23 Owner-occupied property .....	69	Note 52 Transition to IFRS financial reportings .....	80
Note 24 Shares in Länsförsäkringar Liv .....	69	Note 53 Valuation of assets and liabilities at fair value .....	89
Note 25 Shares and participations in associated companies ...	70		



## Consolidated income statement

SEK M	Note	2007	2006
Premiums earned before ceded reinsurance		4,634.6	4,036.5
Reinsurers' portion of premiums earned		-2,000.1	-1,928.9
<b>Premiums earned after ceded reinsurance</b>	<b>5</b>	<b>2,634.5</b>	<b>2,107.7</b>
Interest income	6	4,541.1	2,579.2
Interest expense	7	-3,471.7	-1,643.5
<b>Net interest income</b>		<b>1,069.4</b>	<b>935.7</b>
Investment income, net	8	1,296.6	898.4
Commission revenue	9	1,012.2	901.3
Other operating income	10	2,120.4	1,573.7
<b>Total operating income</b>		<b>8,133.0</b>	<b>6,416.6</b>
Claims payments before ceded reinsurance	11	-4,129.0	-2,861.1
Reinsurers' portion of claims payments	11	2,365.2	1,517.0
<b>Claims payments after ceded reinsurance</b>		<b>-1,763.8</b>	<b>-1,344.1</b>
Commission expense	12	-1,265.7	-1,063.4
Personnel costs	13	-1,369.9	-1,314.1
Other administration expenses	14, 15	-2,228.3	-1,695.1
Loan losses	16	-51.1	-37.8
Other expenses	17	-184.8	-140.8
<b>Total expenses</b>		<b>-6,863.5</b>	<b>-5,595.4</b>
<b>Operating profit</b>		<b>1,269.5</b>	<b>821.3</b>
Tax on net profit for the year	18	-347.3	-202.9
<b>Net profit for the year</b>		<b>922.2</b>	<b>618.4</b>
Profit attributable to Parent Company's shareholders		922.2	656.9
Profit attributable to minority shareholders		-	-38.5
Earnings per share before and after dilution, SEK	19	146	104
Profit per business segment	3		

## Consolidated balance sheet

SEK M	Note	Dec. 31, 2007	Dec. 31, 2006
<b>Assets</b>			
Goodwill	20	164.8	-
Other intangible assets	21	699.4	223.1
Deferred tax assets	38	13.9	8.5
Tangible assets	22	104.3	79.4
Owner-occupied property	23	2,363.0	2,291.0
Shares in Länsförsäkringar Liv Försäkrings AB	24	461.2	452.0
Shares and participations in associated companies	25	17.4	26.9
Reinsurers' portion of technical reserves	37	5,696.9	4,594.6
Investment property	26	287.0	262.0
Lending	27	67,040.0	53,884.6
Change in value of hedge portfolios	28	-247.7	-101.4
Shares and participations	29	6,654.3	7,638.4
Bonds and other interest-bearing securities	30	21,222.6	15,513.7
Derivatives	31	1,200.7	870.0
Other receivables	32	2,641.7	1,428.0
Prepaid expenses and accrued income	33	1,005.9	536.4
Cash and bank balances	34	6,915.8	3,477.1
<b>Total assets</b>		<b>116,241.2</b>	<b>91,184.4</b>
<b>Shareholders' equity, provisions and liabilities</b>			
<b>Shareholders' equity</b>	<b>35</b>		
Share capital		629.8	629.8
Other capital contributed		4,801.3	4,801.3
Reserves		188.1	89.2
Profit brought forward including profit for the period		4,757.0	4,074.1
<b>Shareholders' equity attributable to the Parent Company's shareholders</b>		<b>10,376.1</b>	<b>9,594.3</b>
Minority interests		0.0	0.0
<b>Total shareholders' equity</b>		<b>10,376.1</b>	<b>9,594.3</b>
Subordinated debt	36	114.0	114.0
Technical reserves	37	19,424.7	17,860.3
Deferred tax liabilities	38	1,175.6	1,012.9
Other provisions	39	283.4	264.3
Issued securities	40	48,600.1	34,282.1
Deposits from the public	41	29,350.7	23,459.4
Liabilities to credit institutions	42	707.2	351.0
Derivatives	31	606.2	787.5
Current tax liabilities		225.8	-
Other liabilities	43	3,228.9	2,001.3
Accrued expenses and deferred income	44	2,148.6	1,457.3
<b>Total shareholders' equity, provisions and liabilities</b>		<b>116,241.2</b>	<b>91,184.4</b>

For information regarding pledged assets, refer to Note 45.

## Changes in consolidated shareholders' equity

Shareholders' equity attributable to the parent company's shareholders

	Share capital	Other capital contributed	Translation reserve	Revaluation reserve	Hedging reserve	Fair value reserves	Profit brought forward incl net profit for the year	Total	Minority interests	Total shareholders' equity
Opening shareholders' equity according to new presentation format, Jan. 1, 2006 <sup>1)</sup>	629.8	4,801.3					3,446.6	8,877.6	0.0	8,877.6
Adjustment in conjunction with transition to IFRS <sup>1)</sup>					-37.6		26.1	-11.4	145.6	134.2
Adjusted shareholders' equity Jan. 1, 2006	629.8	4,801.3			-37.6		3,472.7	8,866.2	145.6	9,011.8
Change in translation reserve			0.2					0.2		0.2
Revaluation of owner-occupied property				165.4				165.4		165.4
Change in value financial instruments				-46.3	10.3		0.0	-36.1		-36.1
Tax on items reported against shareholders' equity					-2.9			-2.9		-2.9
<b>Total changes in net wealth reported directly against shareholders' equity, excluding transactions with the company's owners</b>			<b>0.2</b>	<b>119.1</b>	<b>7.4</b>		<b>0.0</b>	<b>126.7</b>	<b>0.0</b>	<b>126.7</b>
Net profit for the year							656.9	656.9	-38.5	618.4
<b>Total changes in net wealth, excluding transactions with the company's owners</b>			<b>0.2</b>	<b>119.1</b>	<b>7.4</b>		<b>656.9</b>	<b>783.6</b>	<b>-38.5</b>	<b>745.1</b>
Acquisitions of minorities							-55.5	-55.5	-107.1	-162.6
<b>Closing shareholders' equity, Dec. 31, 2006</b>	<b>629.8</b>	<b>4,801.3</b>	<b>0.2</b>	<b>119.1</b>	<b>-30.2</b>	<b>-</b>	<b>4,074.1</b>	<b>9,594.3</b>	<b>0.0</b>	<b>9,594.3</b>
Opening shareholders' equity Jan. 1, 2007	629.8	4,801.3	0.2	119.1	-30.2	-	4,074.1	9,594.3	0.0	9,594.3
Change in translation reserve			-3.1					-3.1		-3.1
Revaluation of owner-occupied property				120.8				120.8		120.8
Change in value of financial instruments					21.4	-0.5		20.9		20.9
Tax on items reported against shareholders' equity				-33.8	-6.0	0.1		-39.7		-39.7
<b>Total changes in net wealth reported directly against shareholders' equity, excluding transactions with the company's owners</b>			<b>-3.1</b>	<b>87.0</b>	<b>15.4</b>	<b>-0.4</b>		<b>98.9</b>		<b>98.9</b>
Net profit for the year							922.2	922.2		922.2
<b>Total changes in net wealth, excluding transactions with the company's owners</b>			<b>-3.1</b>	<b>87.0</b>	<b>15.4</b>	<b>-0.4</b>	<b>922.2</b>	<b>1,021.1</b>		<b>1,021.1</b>
Dividend at SEK 38 per share							-239.3	-239.3		-239.3
<b>Closing shareholders' equity Dec. 31, 2007</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-2.9</b>	<b>206.1</b>	<b>-14.8</b>	<b>-0.4</b>	<b>4,757.0</b>	<b>10,376.1</b>	<b>0.0</b>	<b>10,376.1</b>

<sup>1)</sup> Refer to Note 52 Transition to IFRS financial reporting



## Consolidated cash-flow statement

SEK M	Note	2007	2006
<b>Operating activities</b>			
Profit before tax		1,269.5	821.3
Adjustments for non-cash items	48	-397.7	-961.5
Tax paid		-0.2	0.5
<b>Cash flow from operating activities before working capital changes</b>		<b>871.7</b>	<b>-139.7</b>
<b>Cash flow from working capital changes</b>			
Increase(-)/Decrease(+) in inventories		-	0.1
Investments in investment assets, net		-4,282.6	782.5
Increase(-)/Decrease(+) in operating receivables		-12,231.5	8,983.8
Increase(-)/Decrease(+) in operating liabilities		6,803.4	9,779.0
<b>Cash flow from operating activities</b>		<b>-8,839.0</b>	<b>1,438.1</b>
<b>Investing activities</b>			
Acquisition of subsidiaries	48	-312.9	-
Acquisition/divestment of associated companies		-	-2.0
Acquisition/divestment of intangible assets		-736.4	-20.4
Acquisition of tangible assets		-75.8	-100.5
Divestment of tangible assets		4.3	8.0
<b>Cash flow from investing activities</b>		<b>-1,120.8</b>	<b>-114.9</b>
<b>Financing activities</b>			
Dividend		-239.3	-
Change in issued securities		13,639.6	-
Repayment of debt		-	-25.0
<b>Cash flow from financing activities</b>		<b>13,400.3</b>	<b>-25.0</b>
Cash flow for the year		3,440.5	1,298.3
Cash and cash equivalents at the beginning of the year		3,477.1	2,178.8
Exchange-rate differences in cash and cash equivalents		-1.8	-
<b>Cash and cash equivalents at year-end</b>	48	<b>6,915.8</b>	<b>3,477.1</b>

# Notes to the consolidated income statement and balance sheet

Amounts in SEK M unless otherwise stated unless

## NOTE 1 ACCOUNTING PRINCIPLES

### Compliance with standards and legislation

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2006:17 and 2007:14 are applied. The Group follows the Swedish Financial Accounting Standards Council's Recommendation No. 30:06 Supplementary Accounting Regulations for Groups.

The Parent Company applies the same accounting principles as the Group except for the cases described under the Parent Company's Note 1 Accounting principles. The deviations arising between the Parent Company's and the Group's principles are due to the limitations on the possibility of applying IFRS in the Parent Company as a result of the Swedish Annual Accounts Act and the Law on safeguarding of pension commitments and in certain cases for tax reasons.

### Conditions relating to the preparation of the Parent Company's and the Consolidated financial statements

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in Swedish kronor (SEK), rounded to the nearest million.

Assets and liabilities are reported at acquisition cost, with the exception of investment property, owner-occupied property and the major portion of the Group's holding of financial instruments that are either valued at fair value or at an adjusted amortized cost.

The accounting principles for the Group stated below have been applied to all periods presented in the Consolidated financial statements, unless otherwise stated. These principles have also been applied in the preparation of the Group's opening IFRS balance sheet as per January 1, 2006. The transition from previously applied accounting principles to IFRS accounting principles is described in Note 52.

### Changed accounting principles

From January 1, 2007, all companies whose promissory notes are listed on a regulated marketplace in the EU are to adapt their consolidated accounts to the IASB's (International Accounting Standards Board) accounting standards. This is Länsförsäkringar AB's

first complete financial report prepared in accordance with IFRS.

In conjunction with the transition from previously applied accounting principles to IFRS accounting, the Group applied IFRS 1, which describes the manner in which the transition is to be reported. This entails that the changed accounting principles have been reported with retroactive effect unless otherwise stated. The adjustment of opening balances has been reported in shareholders' equity.

Note 52 contains a summary with explanations on how the transition to IFRS has impacted the Group's financial earnings and positions and the reported cash flow.

### New IFRSs and interpretations that have not yet come into force

New international accounting standards, amendments to standards and interpretations that come into force from 2008 will be applied once they are applicable. It has been assessed that none of these changes will have any significant impact on earnings or position when the new regulations are applied. The Group does not apply recently adopted standards in advance.

### Assessments and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that company management make assessments and estimates, and make assumptions that affect the application of the accounting principles and the reported amounts of income, expenses, assets, liabilities and contingent liabilities. These assessments and estimates, as made by the management, are based on the best information available on the balance-sheet date. The actual outcome may deviate from these estimates and assessments.

Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods. The assessments made by company management in the application of IFRSs that have a significant impact on the financial statements, and estimates made that may result in significant adjustments to financial statements in subsequent years, are described in greater detail in Note 50.

### Consolidated accounts

#### Consolidation principles

The consolidated accounts encompass the accounts for the Parent Company and the companies in which the Parent Company, directly or indirectly has a controlling influence. A "controlling influence"

means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial advantages. This usually involves a requirement for more than 50% of the number of votes per participation, although a company also exercises a controlling influence when it has the right to appoint the majority of Board members.

Shares that potentially carry voting rights that can be utilized or converted without delay are taken into account in assessing the existence of a controlling influence. If on acquisition date a subsidiary meets the requirements to be classified as held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the subsidiary is reported in accordance with this standard.

### ***Subsidiaries***

Subsidiaries are consolidated in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated acquisition cost is determined on the basis of an acquisition analysis performed when the acquisition takes place. As part of the analysis, the acquisition costs of the participations or operations and the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities on the acquisition date are established. The acquisition cost of the subsidiary's shares or operations comprises the fair values on the acquisition date of paid assets, arisen or assumed liabilities and issued equity instruments provided as consideration in exchange for the acquired net assets and transaction costs that are directly attributable to the acquisition. For acquisitions of operations where the acquisition cost exceeds the fair value of acquired assets and assumed liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, the item is reported directly in the income statement. The financial statements of subsidiaries are included in the consolidated accounts from the acquisition date until the date on which the controlling influence ceases. Intra-Group receivables and liabilities, income or expenses and unrealized gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated accounts are prepared.

The consolidated accounts do not include the wholly owned company Länsförsäkringar Liv. Subsidiaries are companies that are under a controlling influence from Länsförsäkringar AB. A controlling influence entails the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial advantages. The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv Försäkringsaktiebolag (publ) and whose earnings accrue in their entirety to policyholders, are not reported in accordance with the purchase method since it is not possible to exercise control in order to receive financial advantages from such a life-assurance company.

The shares in Länsförsäkringar Liv are classified in the category of "Financial assets available for sale" in the balance sheet.

Untaxed reserves are divided between deferred tax liabilities and shareholders' equity in the consolidated accounts.

### ***Special Purpose Enterprises***

Special Purpose Enterprises are included in the consolidated accounts when the financial significance of the business relationships between a Group company and a Special Purpose Enterprise indicates that the Group company exercises a controlling influence over such an enterprise.

The Länsförsäkringar AB Group has made the assessment that a mutual fund if a Special Purpose Enterprise is the following conditions are met:

- The mutual fund has been founded and is managed by a company in the Group.
- The Group owns more than 50% of the mutual fund.

### ***Accounting of associated companies***

Associated companies are companies for which the Group has a significant influence, but not a controlling influence, over the operational and financial control, usually through holdings of participations of between 20% and 50% of the number of votes. Participations in associated companies are reported in the consolidated accounts in accordance with the equity method from the date on which the significant influence was obtained. The equity method entails that the value of the shares in the associated companies reported in the Group corresponds to the Group's participations in the associated companies' equity and consolidated goodwill as well as any other remaining values of consolidated surpluses or deficits. Dividends received from associated companies reduce the carrying amount of the investment. The Group's participations in associated companies' net profit after tax and minority interests adjusted for any depreciation/amortization, impairment or dissolution of acquired surpluses or deficits are reported in profit.

Any differences on the acquisition between the acquisition cost of the holding and the owner company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities are reported in accordance with IFRS 3 Business Combinations.

When the Group's share of reported losses in the associated company exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against long-term financial balances without collateral, which in their financial significance comprise the portion of the owner company's net investment in the associated company. Continued losses are not reported unless the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied until the date on which the significant influence ceases.

Unrealized gains arising from transactions with associated companies are eliminated to the extent corresponding to the participation in the company owned by the Group. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that no impairment requirement exists.

The reporting dates and accounting principles for associated companies are the same as those applied in the Group.

### **Related parties**

Legal entities closely related to the Länsförsäkringar AB Group include associated companies, companies within the Länsförsäkringar Liv Group, the regional insurance companies and other related companies. Legal entities closely related to the Parent Company Länsförsäkringar AB include this company's subsidiaries. Related key persons are Board members and senior managers and their close family members.

Associated companies include all associated companies owned by the Länsförsäkringar AB Group and Länsförsäkringar Liv Group. Other related parties comprise Länsförsäkringar Mäklarservice AB and Länshem Fastighetsförmedling AB.

The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 24 regional insurance companies, with subsidiaries and 14 local companies, which together own 100% of Länsförsäkringar AB. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within Länsförsäkringar.

### **Segment reporting**

The Group's primary principle of division is business segment. A business segment is an identifiable part of the Group for accounting purposes which provides services that are exposed to different risks and opportunities than those found in other business segments. Geographic distribution is not applied since the operations are mainly conducted in Sweden with similar risks and opportunities. Operations are followed up on a nation-wide basis, as opposed to the regional insurance companies which work within their respective geographic areas.

Pricing between the Group's segments is based on market conditions for the business operations of Insurance, Banking and Other Activities, while internal prices for the service operations are based on the cost price principle.

Segment information is provided only for the Group in accordance with IAS 14.

### **Foreign currency**

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company

and the Group. The functional currency is the currency in the primary financial environments in which the company conducts its operations, which means that the financial statements are presented in Swedish kronor. Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction.

Assets and liabilities in foreign currency are translated to the functional currency at the exchange rate on the balance-sheet date.

Monetary items in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date.

Exchange-rate differences arising due to the translation of balance-sheet items in foreign currency to the functional currency are reported in the income statement as exchange-rate gains or losses.

### ***Translation of the financial statements of foreign operations***

The Group has small foreign operations in the form of a Norwegian branch, a subsidiary in the UK and certain operations under establishment in Latvia and Lithuania. Assets and liabilities in branches and subsidiaries are translated to SEK at the exchange rate prevailing on the balance-sheet date. Income and expenses are translated to the Group's reporting currency at an average exchange rate comprised of an approximation of the exchange rate applicable on the date of the transaction. Translation differences arising in the translation of branches' and subsidiaries' currencies are reported directly against shareholders' equity as a translation reserve.

In the event of a divestment, the accumulated translation differences attributable to the foreign operations are realized less currency hedges in the consolidated income statement.

### **Impairment**

The carrying amounts of the Group's assets are assessed on every balance sheet-date to determine whether there are any indications of impairment. IAS 36 is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39, assets available for sale and divestment groups that are reported in accordance with IFRS 5, investment property reported at fair value in accordance with IAS 40, inventories, plan assets used for financing remuneration to employees and deferred tax assets. The carrying amounts of these exempted assets above are tested according to the respective standard.

### ***Impairment tests for tangible and intangible assets and participations in subsidiaries and associated companies***

If there is an indication of an impairment required, the recoverable amount of the asset is calculated in accordance with IAS 36. The recoverable amounts of goodwill and intangible assets that are not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, in



the impairment test the assets shall be grouped at the lowest value where it is possible to identify the substantially independent cash flow known as a cash-generating unit.

An impairment loss is recognized when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. An impairment loss is charged to the income statement. The impairment of assets attributable to a cash-generating unit is initially distributed to goodwill. Proportional impairment losses on the other assets included in the unit are subsequently recognized.

The recoverable amount is the highest of fair value minus selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

## **Income**

Income is reported when

- the income can be calculated in a reliable manner,
- it is probable that the financial benefits related to the transaction will accrue to the company,
- the degree of completion on the balance-sheet date can be calculated in a reliable manner, and
- the expenses that have arisen and the expenses that remain to complete the service assignment can be calculated in a reliable manner.

Income is valued at the fair value of what has been received or will be received. Income accounting is reported in accordance with the percentage of completion method, meaning that the income recognized is reported on the basis of the degree of completion of the assignment or the service on the balance-sheet date.

### ***Income from sales of property***

Income from sales of property is normally reported on the date of taking possession unless the risks and benefits were transferred to the purchaser on an earlier occasion. The control of the asset may have been transferred prior to the date of taking possession and if this is the case, the income from the sale of the property is recognized at this earlier date. The agreement reached between the parties regarding the risks and the benefits and the commitment in the ongoing management are taken into consideration in determining the date of income recognition. Consideration is also given to circumstances that may impact the outcome of the transaction that are outside the control of the seller and/or the purchaser.

### ***Rental income***

Rental income from investment property and owner-occupied property is reported in the income statement based on the conditions of the lease agreement. The total cost for benefits provided is reported as a reduction in rental income distributed over the lease period.

## ***Other income***

Income from assignments is recognized when the financial outcome of performed assignments can be reliably calculated and the financial advantages accrue to the company (primarily on a current account basis). This income is reported in the income statement according to the percentage of completion method. Income is paid in the form of cash and cash equivalents.

Amounts received on behalf of another entity are not included in the company's income. The criteria for revenue recognition are applied individually to each transaction.

## ***Premium income***

Premium income in the non-life insurance operations is reported as the total gross premium for direct insurance and assumed reinsurance deposited or that can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year. Premiums for insurance periods commencing after the end of the fiscal year are also reported as premium income, if according to contract they fall due for payment during the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums that are not confirmed by the policyholder and premiums for recently signed insurance contracts are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premium income is reported excluding taxes and other public fees charged to the insurance premium.

The cash basis is applied to the reporting of premium income in the life assurance operations.

## ***Premiums earned***

Premiums earned are reported as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance-sheet date is reported as "Provision for unearned premiums" in the balance sheet. "Provision for unearned premiums" is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract.

## ***Interest income and interest expense***

Interest income and interest expense presented in the income statement comprises interest on financial assets and liabilities that is valued at amortized cost (including interest on doubtful receivables) and interest from financial assets classified as assets available for sale. Interest income on financial instruments valued at fair value with changes in value reported in the income statement are recognized under "Investment income, net."

For interest-rate derivatives that hedge financial assets, paid and accrued interest is reported as interest income, and for interest-rate

derivatives that hedge financial liabilities, these are reported as part of interest expense. Unrealized changes in value of derivatives are reported in the item "Investment income, net."

Interest income on receivables and interest expense on liabilities are calculated and reported through application of the effective interest method or, if it is considered appropriate, through application of a method that results in interest income or interest expense that is a reasonable estimate of the result that would be achieved using a calculation based on the effective interest method.

Interest income and interest expense include, where appropriate, allocated amounts of fees received, which are included in the calculation of effective interest, transaction costs and any discounts and other differences between the original value of the receivable/liability and the amount settled at maturity.

Interest expense includes allocated amounts of issue expenses and similar direct transaction costs for loans raised.

### **Investment income, net**

The impact on earnings that has arisen from investment activities is reported in the item "Investment income, net." This includes interest income on bank funds, interest-bearing securities and receivables, dividend income, exchange-rate gains/losses, interest expense on loans, realized and unrealized gains/losses on financial investment assets and derivative instruments, rental income and expenses on investment property, profit shares in associated companies, depreciation/amortization and impairment of shares and participations as well as expenses for asset management.

This item also includes realized and unrealized changes in value of derivative instruments which are financial hedging instruments, but for which hedge accounting is not applied, and unrealized changes in the fair value of derivatives to which hedge accounting at fair value is applied, and unrealized changes in fair value of hedged items with regard to hedged risk in the hedging of fair value. The ineffective portion of hedging instruments and exchange-rate changes are also reported in the item "Investment income, net."

### **Commission**

Commission revenue is derived from various types of services provided to customers. The manner in which commission revenue is reported depends on the purpose for which the fee was charged. The fees are recognized in revenue in pace with the provision of the services or in conjunction with the performance of a significant activity. Fees charged continuously are reported in revenue in the period in which the service was provided. Fees charged for significant activities are recognized in revenue when the activity has been completed.

Commission expenses are dependent on the transaction and are reported in the period in which the services were received.

Commission expenses include remuneration to the regional insurance companies for their work with the Group's customer-

related issues in each regional insurance company's respective area of operations.

### **Claims payments**

The expenses during the period for incurred claims, both those reported to the company and those not reported, are reported as claims payments. Total claims payments include claims paid during the period and changes in provision for claims outstanding during the period.

### **Remuneration to employees**

#### ***Current remuneration***

Current remuneration to employees is calculated without discount and recognized as an expense when the related services are received.

A provision is recognized for the anticipated cost of profit share and bonus payments when the Group has an applicable legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

#### ***Remuneration after termination of employment***

##### ***Pension plans***

The Group has both defined-contribution and defined-benefit pension plans, some of which have assets in separate foundations or similar institutions. These plans are usually financed through payments from the respective Group company. The Group is generally included in the FTP plan, which does not require payments from the employees.

Reporting and valuation of pension commitments is made in accordance with IAS 19 Employee Benefits.

##### ***Defined-benefit plans***

The Group's net commitments for defined-benefit plans are calculated separately for each plan by making an estimate of the future remuneration that the employees will have earned over their employment in both current and previous periods; this remuneration is discounted at a present value. The discount rate is the interest rate on the balance-sheet date of a high-quality commercial paper with a term corresponding to that of the Group's pension commitments. When there is no longer an active market for such commercial papers, the market interest rate on government bonds with a corresponding term will be used instead. The calculation is performed by a qualified actuary by applying the Projected Unit Credit Method. Furthermore, the fair value of any plan assets is calculated as per the reporting date.

Actuarial gains and losses may arise in conjunction with the determination of the present value and fair value of the commitments' plan assets. Such gains and losses arise either by the actual outcome deviating from previously made assumptions or by assumptions changing. All actuarial gains and losses on January 1, 2006, the date

of the transition to IFRS, have been reported. The corridor rule is applied to actuarial gains and losses arising in conjunction with the calculation of the Group's commitments for various plans after January 1, 2006. The corridor rule entails that the portion of the accumulated actuarial gains and the losses that exceeds 10% of the greater of the commitments' present value and plan assets' fair value is reported in earnings over the expected average remaining period of service for the employees encompassed by the plan. In all other cases, no actuarial gains and losses are taken into account.

The carrying amount of pensions and similar commitments reported in the balance sheet corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognized actuarial gains or losses and unrecognized expenses for service during previous periods.

When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognized actuarial losses and unrecognized expenses for service during previous periods and the present value of future repayments from the plan or reduced future deposits to the plan. When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during previous periods is reported as a cost in income statement straight-line over the average period until the remuneration is earned in its entirety. A cost is reported directly in the income statement if the remuneration has been fully earned.

When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is reported. The present value of the provision and the receivable is not calculated.

#### *Defined-contribution plans*

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions.

The Group's payments of defined-contribution plans are reported as expenses during the period when the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements on defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plans above are reported as defined-contribution plans in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these sur-

pluses and deficits would then affect the contributions for the plan in future years.

#### ***Other long-term remuneration to employees***

Other long-term remuneration to employees comprises only benefits in conjunction with an employee reaching a certain age or length of employment or retiring with a pension.

#### ***Remuneration for termination of employment***

A cost for remuneration in conjunction with the terminal of employment is reported only if the company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, a cost is reported if it is probable that the offer will be accepted and the number of employees who may accept the offer can be reliably estimated.

#### **Loan losses**

Impairment of loan receivables is reported in the income statement, conducted as a write-off of loan losses confirmed during the year or as an allocation to the reserve for loan losses. Impairment for losses on guarantees are also reported in this income-statement item and in the balance sheet as "Other provisions." The item "Loan losses" is reduced by recoveries and reversals on prior years' confirmed/probable loan losses.

#### **Taxes**

Income tax comprises current tax and deferred tax. Income tax is reported in the income statement, except when the underlying transaction is reported directly against shareholders' equity, whereby the related tax effect is reported in shareholders' equity.

Current tax is tax that shall be paid or received in the current year, with the application of the tax rates that are decided or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The following temporary differences are not taken into consideration: first reporting of assets and liabilities that are not acquisitions of operations and, at the time of the transaction, do not affect reported or taxable earnings. Temporary differences attributable to participations in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future are also not taken into consideration. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only reported to the extent that it is

likely that it will be possible to utilize these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

Any additional income tax arising on dividends is reported at the same time as when the dividend is reported as a liability.

## Intangible assets

### Goodwill

Goodwill represents the difference between the acquisition cost of the acquisition of operations and the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities.

Goodwill is valued at acquisition cost less any accumulated impairment. Goodwill is distributed to cash-generating units and is impairment tested at least once annually. Goodwill that has arisen in conjunction with the acquisition of associated companies is included in the carrying amount of participations in associated companies.

There was no residual goodwill in the Group on the date of the transition to IFRS accounting on January 1, 2006.

### Other intangible assets

Other intangible assets primarily comprise proprietary and acquired intangible assets with determinable useful lives. These assets are reported at acquisition cost less accumulated amortization and impairment. Amortization is commenced when the asset becomes available for use.

The Group's proprietary intangible assets are reported only if all of the following conditions are fulfilled:

- the expenses for the asset can be reliably calculated.
- it is technically and commercially usable and sufficient resources exist to complete development and thereafter use or sell the intangible asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses, such as salaries and materials. Other development expenses are reported as an expense when they arise.

The periods of amortization are determined based on a useful life amounting to five years. Amortization takes place in the income statement according to the straight-line method. Impairment requirements are tested annually as described in the "Impairment" section above.

Additional expenses for capitalized intangible assets are reported as an asset in the balance sheet only when these expenses increase the future financial advantages of the specific asset to which they pertain.

Internally generated goodwill and internally generated trademarks are reported in the income statement when they arise.

## Tangible assets

### Equipment

Equipment is reported at acquisition cost less accumulated depreciation and any accumulated impairment. Depreciation takes place according to the straight-line method over the asset's expected useful life, commencing when the asset becomes available for use.

Depreciation and any scrapping and divestments are reported in the income statement. The useful life of equipment is three or five years. The depreciation method, the residual values and useful lives of the assets are re-tested every year-end.

Impairment requirements are tested annually according to the principles described in the "Impairment" section above.

### Owner-occupied property

Owner-occupied property is reported in accordance with the revaluation method.

Land and buildings owned by the Länsförsäkringar AB Group and that are used for administrative purposes are reported at their revalued amounts, which is the fair value less accumulated depreciation and adjustments due to revaluations on the date of revaluation. Fair value is based on the prevailing prices on an active market for similar properties in the same location and of the same standard. The valuation is performed annually by an independent appraiser. Increases in value resulting from the revaluation are normally reported against the revaluation reserve, which is reported as a portion of shareholders' equity. If the increase comprises a reversal of a previously recognized decrease in value of the same asset, the increase is reported as a decreased cost in the income statement. If the revaluation results in a reduction in the carrying amount, the reduction is reported in the income statement. However, the reduction is reported directly against shareholders' equity to the extent that any existing balance in the revaluation reserve is attributable to the asset.

The difference between depreciation based on the revalued amount and depreciation according to the original acquisition cost is transferred from the revaluation reserve to profit brought forward.

Owner-occupied property comprises a number of components with various useful lives. The main division is land and buildings. The land component is not depreciated since its useful life is deemed to be unlimited. However, the buildings comprise several components that have various different useful lives.

The useful lives of these components are deemed to vary between 10 and 100 years.

The following main groups of components have been identified and form the basis of the depreciation of buildings.

Frame	100 years
Roof, façade, windows	50 years
Frame supplementation	40 years
Fixtures and fittings	40 years
Exterior surface	20 years

The depreciation methods and residual values and useful lives of the assets used are tested at every year-end.

Additional expenses are added to the acquisition cost only if it is probable that the company will benefit from the future financial advantages associated with the asset and the acquisition cost can be reliably calculated. All other additional expenses are reported as an expense in the periods in which they arise.



The key factor in the assessment of whether an addition expense is to be added to the acquisition cost is whether the expense pertains to the replacement of identified components, or parts thereof, in which case such expenses are capitalized. The expense is added to the acquisition cost even in the case of the creation of new components. Any carrying amounts of replaced components, or parts of components, that have not been depreciated are discarded and expensed in conjunction with the replacement. Repairs are continuously expensed.

### **Leasing**

Lease agreements are classified in the consolidated accounts either as financial or operational leasing. Financial leasing exists if the financial risks and benefits associated with ownership have essentially been transferred to the lessee. If this is not the case, then this is a matter of operational leasing.

Assets leased under financial lease agreements are reported as assets in the consolidated balance sheet with a corresponding amount as a liability to the lessor. The leased assets are depreciated according to plan, while lease payments are reported as interest and repayment of liabilities. Depreciation takes place according to the straight-line method over the estimated useful life or over the contracted lease period, if shorter.

The Banking Group's assets that are leased under financial lease agreements are not reported as tangible assets since the risks associated with ownership are transferred to the lessee. Instead, the lease agreements are reported as lending to the lessee regarding future leasing fees. Payments received from these agreements are reported in part as repayment of lease receivables and in part as interest income.

For operational leasing, leasing fees are expensed over the term of the lease commencing from use, which may differ from what has been paid de facto as leasing fees during the year.

### **Investment property**

Investment property is property that is held for the purpose of receiving rental income or increase in value or a combination of these two purposes. Investment property is initially reported at acquisition cost, which includes expenses directly attributable to the acquisition. Investment property is reported in accordance with the fair value method, meaning that investment property is reported in the balance sheet at fair value.

The valuation of the property portfolio was performed by an external appraiser. In the first instance, a five-year cash-flow method and a residual value calculated at present value at the end of the calculation period are applied to the valuation. The analysis is supplemented with location-price analysis based on sales of similar properties during the year.

The valuation is conducted twice a year on most properties, and once a year on other properties. Since valuation is based on fair value, depreciation is not applied to property.

Additional expenses are added to the carrying amount only if it is probable that the company will benefit from the future financial advantages associated with the asset and the acquisition cost can be reliably calculated. All other additional expenses are reported as an expense in the periods in which they arise.

The key factor in the assessment of whether an addition expense is to be added to the carrying amount is whether the expense pertains to the replacement of identified components, or parts thereof, in which case such expenses are capitalized. The expense is added to the carrying amount even in the case of the creation of new components. Repairs are expensed as such expenses arise.

Both unrealized and realized changes in value are reported in the income statement.

### **Financial assets and liabilities**

#### ***Recognition in and elimination from the balance sheet***

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party in accordance with the contractual conditions of the instrument.

A financial asset is eliminated from the balance sheet when the rights in the agreement are realized, expire or when the company loses control of such rights. The same applies to parts of a financial asset. A financial liability is eliminated from the balance sheet when the commitments in the agreement have been completed or have expired in another manner. The same applies to parts of a financial liability.

A financial asset and a financial liability can be offset and are reported at a net amount in the balance sheet only when a legal right to offset the amounts exists and when there is an intention to settle the items at a net amount or simultaneously realize the asset and settle the liability.

Acquisitions and divestments of financial assets are reported on transaction date, meaning the day on which the company undertakes to acquire or divest the asset. Receivables from/liabilities to the counterparty are reported at net amount between the transaction date and settlement date under the item "Other receivables" or "Other liabilities." Loan guarantees are not reported in the balance sheet. Loan receivables are reported in the balance sheet when the loan amount is paid to the borrower. A provision for loan guarantees provided is established if the guarantee is irrevocable and provided to a borrower whereby an impairment requirement is already identified prior to the loan being paid or when the lending interest rate does not cover the company's funding costs for financing the loan.

#### ***Classification and valuation regulations for financial instruments***

Financial instruments are reported and valued by the category of asset or liability to which they refer (see below). Realized gains and losses are calculated as the difference between the acquisition cost and sales price. The categorization of the company's financial instruments and the ongoing valuation and reporting of them is described below. The amounts reported for the various categories of financial assets and liabilities are presented in the respective Notes.

#### ***Financial assets valued at fair value in the income statement***

This category comprises two sub-groups: financial assets held for trading and other financial assets that the company has initially decided to place in this category (according to the Fair Value Option). Investments in this category are reported at fair value with the resultant gains or losses recognized in the income statement under the item “Investment income, net.”

The term fair value refers to the realizable value on the balance-sheet date with no deductions for expected selling expenses. For financial instruments listed on an authorized stock exchange or stock market, the realizable value is normally the current buying-rate on the balance-sheet date. All changes in value are reported in the income statement.

For financial instruments that do not have prices quoted on an active market, the company applies valuation techniques that are largely based on observable market prices and, to as small an extent as possible, from internal company assumptions.

Unlisted shares are reported at fair value according to the valuation principles applied by industry organizations in Europe and the US. For unlisted shares whose fair value cannot be determined with certainty, the shares are valued at acquisition cost. Shares and participations also include what is designated as Alternative Investments, which 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.

Foreign financial investment assets are valued in their original currency and are subsequently translated at the closing rate of exchange. Exchange-rate differences that arise are reported in the income statement as exchange-rate gains/losses.

#### ***Investments held to maturity***

Investments classified as “held to maturity” are reported at amortized cost less impairment. Interest-bearing securities refers to bonds and commercial papers. In a valuation according to the amortized cost, the difference between the acquisition cost and redemption value is allocated in the income statement over the remaining period according to the effective interest method. Changes in the amortized cost are reported as interest income.

#### ***Loan receivables and accounts receivable***

Loan receivables and accounts receivable are financial assets that are not derivatives, that have determined or determinable payment and that are not listed on an active market. These assets is valued at amortized cost. The amortized cost is determined based on the effective rate which is calculated on the date of acquisition. Loan and accounts receivable are reported at the amounts that are expected to be received, that is to say less impairment and doubtful receivables. This group also includes lending.

Loan receivables are initially reported in the balance sheet at cost – the amount loaned to the borrower – less fees and supplements for costs received. Subsequently, loan receivables are reported continuously at cost after deductions for write-offs for loan losses.

Loan losses are primarily assessed at the Group level because the loans do not amount to significant amounts individually. The group-wise valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.

If the impairment requirement declines in subsequent periods, the maximum impairment carried out is reversed.

The impairment of loan receivables is conducted as a write-off of loan losses confirmed during the year or as an allocation to the reserve for loan losses.

In the income statement, the impairment of loan receivables is reported as loan losses, which is carried out as a write-off of loan losses confirmed during the year or as an allocation to the reserve for loan losses.

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 receivables for which interest, amortization or overdrafts fell due for payment more than 60 days ago. Doubtful receivables are a non-performing receivable or receivable for which payment is unlikely to be met in accordance with the contractual terms and conditions and for which the value of the collateral does not cover, with an adequate margin, both the principal and accrued interest, including compensation for any delays.

Recovered funds for doubtful receivables in which provisions have been made, are settled in the first instance against the principal and in the second, against interest. Interest on doubtful debts is reported in the income statement as of 2007.

Impairment for losses on guarantees is reported as a provision.

#### ***Financial assets available for sale***

The category financial assets available for sale includes financial assets that have not been classified in any other category or financial assets that the company initially decided to classify in this category. This category includes such items as Länsförsäkringar Bank's liquidity surplus and holdings in Länsförsäkringar Liv Försäkrings AB. The shares in Länsförsäkringar Liv Försäkrings AB are valued at acquisition cost since they cannot be reliably valued at fair value.

Assets in this category are continuously valued at fair value, with changes in value reported against shareholders' equity, except for changes in value due to impairment or exchange-rate differences which are reported in the income statement. Furthermore, interest on fixed-income instruments is reported in accordance with the effective interest method in the income statement similar to dividends on shares. Any transaction costs for these instruments will be included in the acquisition cost when first reported and thereafter included in the continuous valuations.

### **Derivatives**

All derivatives are reported at fair value. Derivatives are valued individually. The principle for reporting a gain or loss depends on whether the derivative is specified as a hedging instrument and, if this is the case, the nature of the item that is hedged. Gains and losses on derivatives that are not hedge classified are reported in the income statement.

Listed prices are utilized where these exist. Other derivatives are valued using accepted theoretic models. Transactions take place within the framework of the applicable risk mandate and are used to enhance the efficiency of management.

### **Financial liabilities valued at fair value in the income statement**

This category comprises financial liabilities held for trading. It includes the Group's derivatives at negative fair value with exceptions for derivatives that have been identified and effective hedging instruments. Changes in fair value are reported in the income statement.

### **Other financial liabilities**

This category includes loans and other financial liabilities, for example, accounts payable. Liabilities are valued at acquisition cost.

### **Hedge accounting**

To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that the hedge documentation is prepared and that the effectiveness can be measured. The efficiency of the hedge relationship is measured and valued regularly with any inefficiency in the hedge impacting the income statement. Hedge relationships in the Länsförsäkringar AB Group are found at both portfolio level and at transaction level. Two hedge accounting models are applied. Hedged risks are interest-rate risk and currency risk for interest-bearing financial assets and liabilities.

**Hedging at fair value:** Hedge accounting at fair value entails that the hedged item is valued at fair value with respect to the hedged risk and that the change in fair value is reported in the income statement for both the hedging instrument and for the hedged item.

**Cash-flow hedging:** Länsförsäkringar AB also applies, to a certain extent, cash-flow hedging. In the case of cash-flow hedging, unrealized changes in the fair value of the hedge are reported against shareholders' equity instead of the income statement until the hedged flow impacts the income statement.

To protect certain loan receivables with contractually fixed payment flows against interest-rate risk, the bank uses interest-rate swaps. Hedged and protected positions have been individually identified and show a high correlation in changes in value, that is to say that unrealized gains and losses on hedged positions are well compensated by unrealized losses and gains on protected positions.

### **Financial management risks**

An account of market, counterparty, concentration and liquidity risks is provided in Note 2.

### **Prepaid procurement expenses**

Selling expenses that have a distinct link to signed insurance contracts are recognized as an asset, prepaid procurement expenses, and are depreciated over their useful lives. A condition for capitalization is that acquisition costs are attributable to a certain insurance contract, or homogenous groups of contracts that can be followed up, and are deemed to generate a margin that, as a minimum, covers the acquisition costs that are intended to be capitalized. Selling expenses refer to, for example, commission, expenses for marketing, salaries and expenses for sales personnel that vary according to and are directly or indirectly related to acquisitions or renewals of insurance contracts. In the non-life insurance operations, the capitalized cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

### **Insurance contracts**

Insurance contracts are contracts in which the insurance company undertakes a significant insurance risk for the policyholder by agreeing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on insurance risk. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. An analysis of these was performed in the Group's insurance companies and resulted in most insurance contracts being classified with insurance risk. Some insurance contracts of minor value were identified for which the risk is not transferred to another party. Since these are of marginal value, all contracts have been classified according to the concept of materiality as insurance contracts.

The insurance companies in the Group perform a loss survey of connections in their insurance provisions to ensure that the carrying amounts of the provisions are sufficiently high for the expected future cash flow.

### **Technical reserves**

Technical reserves comprise Provision for unearned premiums and unexpired risk, Life-assurance provisions, and Provision for claims outstanding.

### **Provision for unearned premiums and unexpired risks**

Provision for unearned premiums is designed to cover the expected claims and operating expenses during the remaining time to maturity of insurance contracts already in force. The calculation includes an estimate of the expected costs for claims that may occur during

the remaining term of the insurance policies and the administration expenses during the period.

Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. For certain products with small volumes, unearned premiums are not calculated as a share of the premium income.

The cost estimate is based on experience, but consideration is also given to both the observed and forecast trend in relevant costs.

Unexpired risks refers to the risk that the payment requirements of the insurance contracts and the costs will not be covered by unearned premiums and expected premiums after the end of the fiscal year.

If the premium level of insurance contracts already entered into is deemed to be insufficient, a provision is made for unexpired risks. The change for the period in Provisions for unearned premiums and unexpired risks is reported in the income statement. Changes explained by translating the provision items to the exchange rate on the balance-sheet date are reported as exchange-rate gains or exchange-rate losses under the item "Investment income, net."

#### ***Life-assurance provisions***

Life assurance provisions correspond 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 provisions was based on a gross interest rate assumption in accordance with Swedish Financial Supervisory Authority's Regulation FFFS 2006:19 regarding the maximum interest permissible for the calculation of life-assurance provisions (2.75–3.25% depending on the insurance date).

#### ***Provision for claims outstanding***

Provision for claims outstanding should cover anticipated costs for claims for which final settlement has not been completed, including claims that have occurred but have not yet been reported to the company. The provision includes anticipated future cost increases plus all expenses for claims adjustment and is based on statistical methods for most claims. An individual assessment is made in the case of major claims and claims involving complex liability conditions.

With the exception of medical and accident insurance for children and claims annuities, provision for claims outstanding is not discounted. In the case of medical and accident insurance for children, a business for which active operations are transferred to the regional insurance companies, discounting at a rate of 3.0% is applied. The provision for claims annuities is discounted in line with customary life assurance methods.

For third-party liability insurance, provisions are made for claims adjustment costs according to the unit cost principle. Provisions for claims adjustment costs for other types of insurance are made proportionally against the provision for claims incurred.

The provision for claims incurred but not reported (IBNR) encompasses costs for claims that have been incurred but are unknown to the company. The amount is an estimate based on historical experience and claims outcomes.

The change in claims outstanding for the period is reported in the income statement. Changes attributable to the provision items are translated at the exchange-rate on the balance-sheet date and are reported as exchange-rate gains or exchange-rate losses under the item "Investment income, net."

#### **Other provisions**

A provision is reported in the balance sheet when the Group has an existing legal or informal commitment as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the commitment and the amount can be reliably estimated. For instances in which the effect of the point in time at which payment is made is significant, provisions are calculated through discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability.

#### **Contingent liabilities**

A contingent liability is reported when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not reported as a liability or provision because it is probable that an outflow of resources will be required.

#### **Cash-flow statement**

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

## NOTE 2 RISKS AND RISK MANAGEMENT

### Focus and aims of the Group's risk management

The Group conducts development, service and business activities on behalf of its owners. Financial products are provided in the business operations, which inevitably involves taking risks. The Group's management of risks shall contribute to ensuring that financial products in the Group's prioritized areas can be provided at a favorable return for the Group and at a controlled risk level.

Confidence among the Group's stakeholders that the Group is able to fulfill its commitments is of central importance. This applies to generally and specifically ensuring the Banking Groups and the Parent Company's lending and Länsförsäkringar Sak's position as an insurer for both direct transactions and as a receiver of reinsurance. Länsförsäkringar AB endeavors to maintain a balance between capital strength and risk taking such that the lowest credit rating of A can be justified. This serves as a general indicator of the Group's risk tolerance. The Group's dividend policy states as a condition for dividends to be paid that a credit rating of A can be justified for the Group's credit-rated units.

The Group's operations include non-life insurance as well as life assurance and banking activities. The life-assurance operations are found in a wholly owned company that is operated in accordance with mutual principles. The company is not consolidated in the Annual Report. Its risks are carried by the company's customers. Accordingly, the life-assurance company's risks are not encompassed by the description in this Note.

The following factors characterize the Group's risk taking:

- The Group primarily focuses on private individuals and small and medium-sized companies, and has few major commitments entailing risk with large companies.
- The Group has relatively low retention in non-life insurance.
- The Group's operations focus on Sweden. As a supplement to the Swedish market, the Group strives too utilize its experience and strong position in Swedish non-life insurance to successfully develop profitable non-life insurance operations in certain other countries in northern Europe.
- The Group takes relatively high risk in the non-life insurance companies' investment portfolios by having significant exposure to the equities market, on the condition that the company's capital strength permits this. Risks are limited by a high level of diversification in the investment portfolios and by using financial derivatives to limit the size of potential losses.
- Lending in the Group's banking operation primarily pertains to households and to a smaller extent to farmers and small and medium-sized companies.
- The Group does not conduct investment banking operations

The following summary provides an overview of the Group's risk exposure

### SUMMARY FOR THE LÄNSFÖRSÄKRINGAR AB GROUP

SEK billion	Change from	
	Dec. 31, 2007	Dec. 31, 2006
<b>Investments</b>	<b>32</b>	<b>5</b>
Shares and equity-related assets	7	-1
Interest-bearing assets	21	6
Property-related assets	3	0
Other investment assets	1	0
<b>Lending</b>	<b>72</b>	<b>16</b>
Mortgages to private individuals	53	12
Unsecured loans to private individuals	4	0
Loans to farmers	3	0
Installment loans and leasing	7	0
Lending to credit institutions	5	3
Other lending	1	0
<b>Reinsurers<sup>1)</sup></b>	<b>6</b>	<b>1</b>
<b>Other assets</b>	<b>6</b>	<b>3</b>
<b>Total assets</b>	<b>116</b>	<b>25</b>
<b>Shareholders' equity</b>	<b>10</b>	<b>1</b>
<b>Technical reserves, gross</b>	<b>19</b>	<b>2</b>
Third-party liability	10	0
Commercial and property	1	0
Medical and accident	1	1
Animal and crop insurance	1	0
Other direct insurance	1	0
Assumed reinsurance	6	1
<b>Deposits and borrowing from the public</b>	<b>30</b>	<b>6</b>
<b>Issued securities</b>	<b>49</b>	<b>14</b>
<b>Other liabilities</b>	<b>8</b>	<b>3</b>
<b>Total shareholders' equity and liabilities</b>	<b>116</b>	<b>25</b>

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

The Group's total assets increased during 2007 mainly as a result of the expansion of mortgage lending operations and the increase in the Banking Group's liquidity portfolio. This was primarily financed by increased deposits from the public and borrowing in the bond market.

The Group's three largest risk exposures at an aggregated level are considered to be the Group's holding of investment shares, mortgage lending operations and commitments in third-party liability insurance.

### Risk management

The risks in the Länsförsäkringar AB Group associated with the operations in the subsidiaries are managed wherever risk arises. Insurance risks are managed in the Group's insurance companies, risks in the insurance companies' investment assets are managed by the Group-wide Asset management unit on behalf of the insurance companies and credit risk in lending is managed in the Banking Group.



The management and monitoring of different risks takes place in the operating activities, within the frameworks established by the Boards of each company and which are broken down into more detailed regulations regarding authorization to take risks and obligations to monitor them. In addition, independent functions from the operating activities such as Internal Audit, Compliance and Risk Control contribute to monitoring and ensuring that the operations are conducted in accordance with applicable regulations and within the frameworks established by each Board.

The Länsförsäkringar AB Group has a joint Finance Committee at Board level. This Finance Committee is a forum for financial analyses of the business environment and macroeconomic analysis. The Committee prepares and coordinates issues concerning asset management to be presented to the Board of each subsidiary for decision. The Committee also ensures compliance with investment guidelines decided by the Boards and established targets.

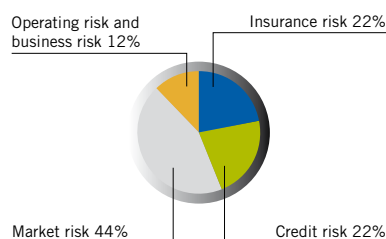
During the year, the Group established a Risk Committee at Group-management level. The Risk Committee addresses general issues regarding risk taking, risk management and the balance between risk taking and use of capital in the Länsförsäkringar AB Group.

An aggregated risk profile for the Group is reported to the Parent Company's Board of Directors every quarter. The profile is based on a risk model, which for the calculation of the bank's risks in 2007 was based on the Basel II capital requirement regulations, with credit risk calculated in accordance with the Standardized Approach. An approach similar to the draft Solvency II capital requirement regulations for insurance companies was utilized for the non-life insurance companies' insurance risk and the market risks in the non-life insurance companies and the Parent Company. The risk model is calibrated to show risk such that the highest probability of a less favorable outcome occurring within 12 months is 0.5%. Assumptions are made on the diversification between and within primary types of risk of approximately the same size in the draft Solvency II regulations.

The risk model has been adapted for 2008 to reflect the fact that Länsförsäkringar Bank calculates credit risk according to the advanced Internal Ratings-based Approach (IRB approach) under Basel II and to better conform with what is known about the future Solvency II regulations.

The diagram below shows the distribution of risk in the Länsförsäkringar AB Group on December 31, 2007 classified by primary types of risk following the model utilized for 2007. Diversification effects have been distributed proportionally between types of risk.

**Länsförsäkringar AB Group, risk profile, December 31, 2007**



More advanced risk models are used in each operation. Länsförsäkringar Bank calculated the capital requirement for the large portion of its credit portfolio by applying the advanced Internal Ratings-based Approach (IRB approach) under the Basel II regulations. Länsförsäkringar Sak has developed a Dynamic Financial Analysis model for the simultaneous analysis of non-life insurance risk and market risk.

Work is underway at the EU with new risk-based solvency requirements for insurance companies, Solvency II. The new regulations are expected to become highly significant in such areas as governing risk in insurance companies. A preliminary study into the direction of the Group's Solvency II preparations is currently being conducted.

### **Risk, capital and solvency**

The management of risk taking is closely related to the control of the use of the Group's capital. This relationship is further highlighted in the solvency requirements imposed from the public arena. All units within the Länsförsäkringar AB Group fulfill these requirements.

In the majority of cases, the Group's insurance companies had a capital base exceeding the statutory solvency margin by several hundred percent. Those insurance companies obliged to submit reports under the Swedish Financial Supervisory Authority's traffic-light model reported significant capital surpluses in relation to the requirements imposed by the test. On December 31, 2007, the Banking Group had a capital adequacy ratio of 10.6%, compared with the target capital adequacy ratio of 10.5% +/- 0.5% and the statutory requirement of a minimum of 8%. Excluding the supplements that are applied to the transition years of 2007–2009 according to the Basel II regulations, the capital adequacy ratio was 16.8%.

Following a decision by the Financial Supervisory Authority, the Länsförsäkringar AB Group including the Länsförsäkringar Liv Group is classified as a financial conglomerate in accordance with the Swedish Financial Conglomerates (Special Supervision) Act. A special capital requirement applies to such conglomerates. The Länsförsäkringar AB Group fulfills this requirement by a substantial margin.

The amount of the Länsförsäkringar AB Group's risk-bearing capital depends on the approach selected for calculating this capital. Separate approaches are, for example, found in sets of public regulations and in rating institutes' capital models. The risk model used for reporting in the Parent Company's Board of Directors is shown in the table below. The deduction of the carrying amount of the shares in Länsförsäkringar Liv is matched by the risks in these operations not being included in this risk reporting, since the company is operated in accordance with mutual principles and its risks are carried by the policyholders.

### **LÄNSFÖRSÄKRINGAR AB GROUP, BUFFER CAPITAL**

	Dec. 31, 2007
Shareholders' equity	10,376
Deferred tax, net	1,162
Subordinated loans	114
Carrying amount, Länsförsäkringar Liv Försäkrings AB	-461
<b>Total buffer capital</b>	<b>11,191</b>

The Group's capital strength is deemed to be favorable in relation to the risks arising in the Group's operations. Accordingly, it is proposed that dividends be paid in accordance with the dividend policy, which contains a condition to the effect that the credit rating of A can be justified for the Group's credit-rated units.

#### CLASSIFICATION OF RISK IN THE LÄNSFÖRSÄKRINGAR AB GROUP

Non-life insurance risk	Life assurance risk	Market risk	Counterparty risk	Credit risk in lending	Operating risk	
– Premium risk	– Risk of death	– Interest-rate risk	– Reinsurers			Strategic risk and business risk, including reputation risk
– Reserve risk	– Risk of paying life assurance	– Equities risk	– Counterparties in financial derivatives			Concentration risk
– Disaster risk		– Property risk	– Other counterparty risk			Liquidity risk including financing risk
		– Credit-spread risk				
		– Currency risk				
		– Other market risk (for example commodities risk)				

### Classification of risks

The following describes the Länsförsäkringar AB Group's (excluding the life-assurance operations) total risks and how they are controlled and managed. Information is provided on the size of the exposure for specific risks. The adjoining table shows the classification of risk that has been decided to be applied at Group level and in the insurance companies. The Banking Group uses classifications that deviate from this in certain minor points.

However, strategic risk and business risk, including reputation risk, are not described below. This category of risk is defined as the risk of loss as a result of business strategies and business decisions that prove to be misdirected, action by competitors, changes in the external environment and external reputation. Risks are managed at management and Board level through analyses and decisions prior to making strategic choices on the direction of the Group's operations, and in the annual business planning process and also when trends in the Group's markets so warrant risk management actions.

### Non-life insurance risk and life-assurance risk

Non-life insurance operations in the Group largely comprise third-party liability insurance, medical insurance, commercial insurance, animal insurance and assumed reinsurance. Where appropriate, the Boards of the non-life insurance companies limit non-life insurance risks through decisions on the highest permissible retention for different types of insurance risks.

#### SENSITIVITY ANALYSIS, SEK M

	Impact on profit before tax
10% lower premium level	–263
10% increased claims frequency or higher average claim	–176
1% higher annual claims inflation	–970

In addition to non-life insurance risk, life-assurance risks also arise in the Group to a limited extent, partly in the form of the risk of paying life assurance through claims annuities primarily deriving from the operations with third-party liability insurance, and partly in the form of risk of death through the group life assurance conducted in a subsidiary of Länsförsäkringar Sak AB.

### Premium risks

Premium risk is the risk that claims and operating expenses for new claims are not covered by premiums earned.

In the insurance classes of third-party liability, accident and animal insurance, a large number of independent risks are added, resulting in a favorable balancing of risk, provided that the premium tariffs reflect the actual risk differences among the various groups in the insurance collective. Tariffs are monitored regularly and adjusted when required. In other lines of business, risk selection rules and risk inspection are the key instruments for monitoring premium risk, alongside premium calculation. The company also follows detailed internal underwriting guidelines (risk selection rules) to ensure correct assessment and quantification of the risk that is being underwritten. An important element in this regard is the inspection of new and existing risks. In conjunction with inspection, loss-prevention measures are also implemented in the form of advice and the installation of preventive products, thereby further improving the company's risk.

In an effort to limit the risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product.

#### REINSURANCE PER CLAIM INCIDENT, SEK M

	Retention	Cover
Third-party liability insurance	2	300
Liability insurance	20	300
Cargo insurance	5	200
Accident insurance	10	250

Cover for third-party liability insurance is adjusted to match the limits defined in the Swedish Traffic Damage Act. For claims insured abroad, there is supplementary insurance that provides unlimited cover. In the case of individual risks with a risk amount exceeding the reinsurance cover, reinsurance is purchased on an individual risk basis. Most reinsurance agreements extend for one calendar year.

# ESTIMATED CLAIMS COSTS BEFORE REINSURANCE, PER CLAIM YEAR

SEK M	Claim year					Total
	2003	2004	2005	2006	2007	
At end of claim year	3,463	2,040	1,262	1,409	1,613	
One year later	3,391	1,976	1,264	1,508		
Two years later	3,321	1,902	1,302			
Three years later	2,930	1,935				
Four years later	2,893					
Estimated claims costs <sup>1)</sup>	2,893	1,935	1,302	1,508	1,613	
Accumulated claims payments	2,043	1,401	1,012	1,153	929	
Provision for claims payments, 2003–2007	850	534	289	355	684	2,712
Provision for claims payments, older year classes						5,983
Provision for claims payments for assumed reinsurance						5,814
<b>Total provision for claims payments, gross</b>						<b>14,509</b>
Claims annuities reserve, gross						3,212
Claims adjustment reserve, gross						560
<b>Provision for claims outstanding, gross</b>						<b>18,282</b>
Provision for claims payments, reinsurers' portion						–5,607
Claims annuities reserve, reinsurers' portion						0
Claims adjustment reserve, reinsurers' portion						–9
<b>Provision for claims outstanding, reinsurers' portion</b>						<b>–5,616</b>
<b>Provision for claims outstanding, for own account</b>						<b>12,666</b>
<sup>1)</sup> of which for portfolio assumed on January 1, 2007						
Claims portfolio, January 1, 2007	52	73	94	107		325

A joint reinsurance pool with regional insurance companies, a third-party liability pool, exists for third-party liability insurance transactions. The surplus portion of a claim is reinsured in the third-party liability pool after individually determined retention. Should a claim exceed SEK 40 M (group retention), the surplus portion of the claim is externally reinsured at SEK 300 M. There is an accident pool for accident insurance that is established in the same manner as the third-party liability pool. The group retention is SEK 20 M and the upper limit of the external reinsurance is SEK 250 M.

## Reserve risk

Reserve risk is the risk that the technical reserves will not suffice to cover incurred claims.

The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 19.4 billion. An estimate of the cost of claims outstanding – about SEK 18.5 billion – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in third-party liability insurance, which accounts for a large portion of the Group's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

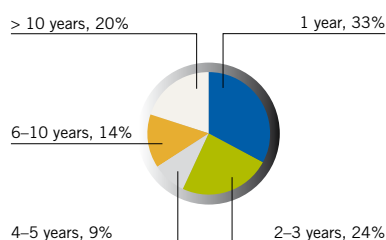
The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance

companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. Another significant element in the follow-up work is the regular reviews of claims outstanding that are performed.

The table above shows the trend in estimated claims costs before reinsurance, per claim year, and the composition of the provision for claims outstanding for own account.

The Group's non-life insurance portfolio has a relatively high duration given the large percentage of third-party liability insurance transactions, which is why changes in claims inflation have a significant impact on reserve requirements. The following diagram shows how the expected payments of claims outstanding, calculated at present value, are distributed according to tenure.

**Estimated distribution of tenure of expected payments of claims outstanding, gross, calculated at present value, December 31, 2007**



### Disaster risk

Disaster risk refers to the risk that extreme weather conditions, natural disasters, epidemics or disasters caused by human activities leading to a very large claims burden.

The Group has relatively low exposure to disaster risk in its own transactions. Agria's operations in horse, livestock and crop insurance has "umbrella" insurance in place, in addition to specific cover for individual claims that covers claims up to SEK 70 M.

The Group administrates common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural disasters. The experience gained from Hurricane Gudrun showed that the disaster risk modeling performed previously had underestimated the consequences of forest damage. In cooperation with external institutions for risk modeling, the disaster-risk calculations have been updated. For 2007, the cover was SEK 5 billion, which was subsequently raised to SEK 7 billion for 2008. In addition, there is internal Group reinsurance amounting to an additional SEK 3 billion, which comes into effect if damage exceeds the level covered by the external reinsurance.

### Market risks

Market risks arise in the Länsförsäkringar AB Group primarily through decisions made on the management of the non-life insurance companies' and the Parent Company's investment assets. Market risks also occur in the Banking Group's operations to a certain extent in the form of differences in fixed-interest periods between assets and liabilities, although such market risks comprise a small portion of the Länsförsäkringar AB Group's total market risks.

In the management of the non-life insurance companies' and Parent Company's assets, assessments are made of the potential for a favorable return and the risk level involved in the creation of investment strategies and for investment decisions of a more operational nature. The main asset classes in portfolio management are equities, interest-bearing securities and property.

A so-called normal portfolio is defined to serve as the starting point for distributing investments among asset classes and regions. Analyses of the expected future returns and the risk level for the asset classes that may be included in the investment portfolios are performed continuously.

Market risks in asset management are controlled by decisions in the Boards of each company concerning the normal portfolio and the extent to which the actual portfolio may deviate from the normal portfolio. In this way, the Boards take a position on the level of risk applying to investment operations and the degree of freedom allowed to the operational management organization in its efforts to raise the return by deviating from the normal portfolio.

Derivative instruments are increasingly utilized in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile.

### SENSITIVITY ANALYSIS, DECEMBER 31, 2007, SEK M

	Impact on profit before tax
1% higher interest rate	-111
10% low share prices	-1,011
10% lower property prices <sup>1)</sup>	-29
10% weaker SEK	-288
1% increase in credit spread	-94

<sup>1)</sup> For the effect of changed property prices, the difference between the impact on profit and the impact on shareholders' equity is that the effect of a decline in the fair value of the office property utilized by the Group is reported directly against shareholders' equity. A 10% decrease in value of the property results in a decrease in shareholders' equity, after 28% standard tax, amounting to approximately SEK 170 M.

Länsförsäkringar Sak and Agria limit equities risk by using financial derivatives. A sharp drop in share prices on the stock markets would, therefore, not entail losses that are proportional to the decrease in value reported in the table at 10% lower share prices.

The predominant proportion of the item Other in the segment reporting for specific risk categories below refers to items in the Parent Company.

### Interest-rate risk

Interest-rate risk is the risk that the net value of assets, liabilities and insurance undertakings declines due to changed market interest rates. Since the value of insurance undertakings according to applicable accounting principles for non-life insurance is not determined based on the market interest rate, the type of interest-rate risk referred to here pertains only to assets and liabilities.

The desired interest-rate risk in the investment assets of the non-life insurance companies is described and a desired target decided for the duration with a rebalancing interval. Derivative instruments, for example, interest-bearing swap contracts, are used to manage interest-rate risk.

The Banking Group has established a limit for the highest permissible interest-rate risk which is relatively low compared with the normal total interest-rate risk in the entire Group.

Exposure to interest-rate changes is presented in the following table as fixed-interest periods for interest-bearing assets and liabilities, net.

### FIXED-INTEREST PERIODS FOR INTEREST-BEARING ASSETS AND LIABILITIES, NET (INCLUDING DERIVATIVES) AT DECEMBER 31, 2007, SEK M

The table shows the net nominal interest maturity structure.

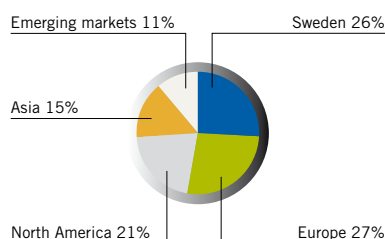
	< 1 year	1–5 years	5–10 years	> 10 years	Total
Non-life insurance	-922	5,924	113	133	5,249
Bank	648	-2,578	-69	-	-1,999
Other	57	-114	0	-	-57
<b>Total</b>	<b>-217</b>	<b>3,232</b>	<b>44</b>	<b>133</b>	<b>3,193</b>

### Equities risk

Equities risk is the risk that the value of assets declines due to falling share prices.

Investment shares are found in the non-life insurance companies' and the Parent Company's investment assets. Exposure to equities risk is decided in a normal portfolio with exposure by region in a rebalancing interval. In certain, selected regions, investments are subsequently made with a number of asset managers to reduce the manager risk in individual regions. For the regions/markets that are not invested in by several asset managers, investments are made in the desired market index.

#### Distribution of equities exposure per region



### Property risk

Property risk is the risk that the value of assets declines due to falling property prices. Property investments are to a significant extent found exclusively in the non-life insurance companies. The Group's property risk overwhelmingly derives from the ownership of the office property in Stockholm that the Group utilizes for its operations and whose fair value amounts to approximately SEK 2.4 billion.

### Credit spread risk

Credit spread risk is the risk that the value of assets declines due to increases in the difference between market interest rates on bonds with credit risks and government securities.

The credit spread risk is managed in controlling documents that stipulate the approved exposure level per counterparty. The counterparty shall have a credit rating that is deemed to be sufficient. Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions.

#### BOND INVESTMENTS CLASSIFIED BY RATING, SEK M, DECEMBER 31, 2007

	AAA Swedish Government	AAA Other Government securities	AAA other	AA	A	BBB or lower
Non-life insurance	1,859	1,972	3,206	1,370	–	–
Bank	7,964	–	2,092	1,027	–	–
Other	198	–	–	450	–	–
<b>Total</b>	<b>10,021</b>	<b>1,972</b>	<b>5,298</b>	<b>2,847</b>	<b>–</b>	<b>–</b>

The Group has no holdings in those interest-bearing securities that have caused losses for some players during the global credit turmoil stemming from the problems in the US mortgage market.

### Currency risk

Currency risk is the risk that the net value of assets, liabilities and insurance undertakings decline due to fluctuations in exchange rates. The Group's significant foreign currency exposure is found only in the non-life insurance companies.

Decisions on the size of currency exposure are made in light of prevailing market conditions.

#### THE GROUP'S NET EXPOSURE IN FOREIGN CURRENCY, DECEMBER 31, 2007

Currency	Equivalent in SEK M
HKD	688
AUD	643
KRW	521
Other currencies	1,026
<b>Total</b>	<b>2,878</b>

The currency distribution in the exposure is primarily explained by the decision not to cover currency risk in investments in equities in the emerging and Asian markets.

The total net currency exposure on December 31, 2007 amounted to 14% of total investment assets in the non-life insurance companies and the Parent Company jointly.

### Counterparty risk

Counterparty risk pertains to the risk that counterparties are unable to fulfill their undertaking and that any collateral provided does not cover the receivable, except regarding the Banking Group's lending operations. The Group's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives.

Regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. Minimum requirements stipulated for the choice of reinsurer include that reinsurers shall have at least an A credit rating from Standard & Poor's for transactions with long settlement periods and at least a BBB credit rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers.



**EXPOSURE TO REINSURERS PER RATING CATEGORY**

The division refers to purchased, external cover for 2008

AAA	AA	A	BBB	BB or lower	Total
2%	43%	54%	1%	0%	100%

Counterparty risks in financial derivatives are managed through regulations for approved exposure to counterparties. The size of the permitted exposure depends on the rating of the counterparty. Exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure.

**DISTRIBUTION OF COUNTERPARTIES IN FINANCIAL DERIVATIVES PER RATING CATEGORY, DECEMBER 31, 2007, SEK M**

Distribution calculated based on the market value of the derivative

	AAA	AA	A	BBB or lower	Total
Non-life insurance	–	376	9	–	385
Bank	–	376	189	–	565
Other	–	146	–	–	146
<b>Total</b>	–	<b>898</b>	<b>198</b>	–	<b>1,096</b>

No collateral has been pledged by any counterparty to any significant extent for the Group's receivables under financial derivatives or reinsurance contracts.

Counterparty risks also arise through the insurance companies' and Parent Company's deposits in accounts in external banking institutions, totaling slightly more than SEK 1.8 billion.

**Credit risk in the lending operations**

Credit risk in the lending operations is defined as the risk of a borrower not being able to fulfill its commitments and the risk that any pledged collateral will not cover the receivable owed. Credit risk in the lending operations pertains only to the operations of the Banking Group.

The lending operations in the Banking Group are conducted only with borrowers in Sweden and mainly comprise 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 a favorable geographic spread in Sweden, which results in a low risk profile. Most of the bank's loans are secured through mortgage deeds in properties and other bank collateral.

In 2007, the credit volume, particularly the mortgage loan volume, continued to grow. Loans are granted after a thorough credit appraisal, primarily based on the customer's ability to pay. The Board of Directors of the bank has authorized individual units to make credit-granting decisions within specific limits.

Länsförsäkringar Bank has received approval from the Swedish Financial Supervisory Authority to calculate its capital adequacy

for credit risks in accordance with the Internal Ratings-based Approach (IRB approach) under the new capital adequacy regulations that came into effect on February 1, 2007. For this purpose, new risk-classification models have been introduced. The risk classification system enables a more precise measurement of the actual risk in the loan portfolio, provides a tool for control, measuring and monitoring of credit risks and makes it possible to rapidly identify trends.

**BANKING GROUP'S LENDING, DECEMBER 31, 2007, CLASSIFIED BY SECTOR, SEK M**

Loan receivables	Gross	Impairment	Net
Household sector	62,233	–195	62,037
Commercial sector	4,923	–60	4,863
Credit institutions	5,234		5,234
Public sector	133		133
Other	6		6
<b>Total</b>	<b>72,529</b>	<b>–255</b>	<b>72,274</b>

Loans granted but not disbursed	458
Granted but unutilized overdraft facilities	1,429

<b>Total credit risk exposure in the Banking Group's lending</b>	<b>74,160</b>
--	---------------

**BANKING GROUP'S LENDING, SECURITY DISTRIBUTION FOR LOAN RECEIVABLES, DECEMBER 31, 2007, SEK M**

Private homes	44,426
Tenant-owned apartments	8,088
Agricultural property	1,929
Business and office properties, apartment buildings	424
Other collateral	7,996
Unsecured loans	4,432
Credit institutions	5,234
<b>Total</b>	<b>72,529</b>

The credit quality of the lending portfolio remains high with low levels of both credit losses and doubtful loan receivables in 2007.

**BANKING GROUP'S DOUBTFUL LOAN RECEIVABLES, DECEMBER 31, 2007, SEK M**

	Doubtful loan receivables	Of which non-performing loan receivables
Household sector	208	137
Commercial sector	74	60
<b>Total</b>	<b>282</b>	<b>196</b>

**IMPAIRMENT OF THE BANKING GROUP'S RECEIVABLES, DECEMBER 31, 2007, SEK M**

	Individually appraised receivables	Group-wise appraised receivables	Total
Household sector	33	155	189
Commercial sector	31	21	53
<b>Total</b>	<b>65</b>	<b>177</b>	<b>242</b>

## Operating risk

Operating risk pertains to the risk of losses arising due to inappropriate or failing processes, human error, faulty systems or external events.

Each unit within the 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 for reporting incidents, including estimates of the costs of incidents, were introduced and is continuously developed. Continuity plans have been prepared for the Group and most of the larger units, and crisis-management simulations are held annually to strengthen the Group's crisis-management skills.

Internal Audit, which reports directly to the Boards of the Parent Company and subsidiaries, examines and evaluates the internal control of the operations.

The Group's Compliance Officers are assigned the task of identifying and reporting risks that may arise as a result of shortcomings in compliance with the regulations. The Compliance Officers report their observations to the Boards of the Group companies in which they operate.

## Concentration risk

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure reinsurer, per counterpart in financial derivatives and per counterpart in the Banking Group's liquidity management, by discretionary reinsurance of insured, very large individual risks and by the diversification of the Group's investment assets. The Group's management and Board frequently study reports on the Group's major areas of exposure and risk concentrations.

From 2004, most of Länsförsäkringar's third-party liability insurance has been underwritten by the local regional insurance companies. Incurred claims for insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak. The reserve risk in the Group's non-life insurance operations is heavily concentrated to third-party liability insurance transactions. Of the total technical reserves before ceded reinsurance of SEK 19.4 billion, 51% refers to the third-party liability insurance line of business.

The Banking Groups credit portfolio largely comprises mortgage lending to private individuals and in other respects primarily comprises other loans to private individuals and farms and leasing operations, and is not considered to contain any significant concentration risk.

The Group's investment assets in the non-life insurance companies and the Parent Company are very highly diversified. The single largest investment asset on December 31, 2007 was the office property in Stockholm utilized by the Group. The value of this property represented slightly more than 11% of the value of the non-life insurance companies' and the Parent Company's total investment assets. The largest exposure in other respects pertains to the four largest Swedish bank groups and derives from investments in hous-

ing bonds and current investments of the Banking Group's and the Parent Company's liquidity. The single largest share investment pertains to the Eureko insurance company and represents slightly more than 3% of the investment assets.

## Liquidity risk including financing risk

Liquidity risk including financing risk is the risk that the company's undertakings cannot be fulfilled due to a shortage of cash and cash equivalents or that these undertakings can be fulfilled only by raising borrowings at significantly higher costs than usual.

In practice, liquidity risk for the Länsförsäkringar AB Group is primarily an issue for the Länsförsäkringar Bank Group and the Parent Company. Non-life insurance companies' liquidity risk is limited since most investment assets are available at short notice and a significant portion of commitments have long durations.

During the second half of the year, the international lending markets were impacted by problems in the US mortgage lending market, which periodically also affected liquidity in the Swedish market. Despite the international credit turmoil, the market performed satisfactorily. The Swedish market continued to function mostly as normal, albeit it with lower sales when the European market for covered bonds was negatively impacted by banks' run-off settlements no longer functioning. The Länsförsäkringar Bank Group's liquidity was highly favorable at year-end.

The Banking Group also conducts active liquidity risk management to ensure that the financing of the lending operations is not jeopardized. The aim is to attain a diverse spread of financing sources. In 2007, Länsförsäkringar Bank began issuing covered bonds and also offered the exchange of existing bonds to covered bonds. Liquidity is continuously planned and internal regulations on the lowest permissible liquidity regulations are in place. At year-end, liquidity comprising Swedish government securities, mortgage bonds and Swedish deposits covered financing requirements for more than 12 months.

The Parent Company's liquidity is mainly affected by dividends and Group contributions from subsidiaries, any requirements for contributions to be made to subsidiaries, dividends to owners and interest payments on the loan of EUR 300 M that the Parent Company raised in the capital market. This loan falls due for payment at the end of 2008. At year-end, the Parent Company had liquidity of slightly more than SEK 1 billion invested in short-term interest-bearing assets of very high credit quality.

### MATURITY STRUCTURE OF THE GROUP'S DEPOSITS AND BORROWING, SEK M, DECEMBER 31, 2007

Carrying amount	On demand	<12 months	1-5 years	> 5 years	Without maturity/change-in value	Total
Non-life insurance		1,160				1,160
Bank	30,443	14,780	30,881	976	493	77,573
Other		3,050	114			3,164
Group	30,443	18,990	30,995	216	103	80,747

### NOTE 3 PROFIT PER BUSINESS SEGMENT

#### CONSOLIDATED INCOME STATEMENT 2007

	Insurance operations	Banking operations	Other operations	Eliminations	Total 2007
Premiums earned before ceded reinsurance	4,634.6	–	–	–	4,634.6
Reinsurers' portion of premiums earned	–2,000.1	–	–	–	–2,000.1
<b>Premiums earned after ceded reinsurance</b>	<b>2,634.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,634.5</b>
Interest income	–	4,541.1	–	–	4,541.1
Interest expense	–	–3,524.2	–	52.5	–3,471.7
Net interest income	–	1,016.9	–	52.5	1,069.4
Investment income, net	1,279.7	5.4	360.9	–349.4	1,296.6
Commission revenue	93.3	918.9	–	–	1,012.2
Other operating income	959.3	128.3	2,209.9	–1,177.1	2,120.4
<b>Total operating income</b>	<b>4,966.8</b>	<b>2,069.4</b>	<b>2,570.7</b>	<b>–1,474.0</b>	<b>8,133.0</b>
Claims payments before ceded reinsurance	–4,129.0	–	–	–	–4,129.0
Reinsurers' portion of claims payments	2,365.2	–	–	–	2,365.2
<b>Claims payments after ceded reinsurance</b>	<b>–1,763.8</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–1,763.8</b>
Commission expense	–303.3	–963.4	–	1.0	–1,265.7
Personnel costs	–561.1	–276.3	–561.2	28.7	–1,369.9
Other administration expenses	–1,159.7	–540.2	–1,665.0	1,136.6	–2,228.3
Loan losses	–	–51.1	–	–	–51.1
Other expenses	–9.5	–	–175.3	–	–184.8
<b>Total expenses</b>	<b>–3 797.4</b>	<b>–1,830.9</b>	<b>–2,401.5</b>	<b>1,166.3</b>	<b>–6,863.5</b>
<b>Operating profit</b>	<b>1,169.4</b>	<b>238.5</b>	<b>169.2</b>	<b>–307.6</b>	<b>1,269.5</b>
Tax	–329.2	–62.9	47.7	–2.9	–347.3
<b>Net profit for the year</b>	<b>840.2</b>	<b>175.6</b>	<b>217.0</b>	<b>–310.5</b>	<b>922.2</b>

Profit in its entirety is attributable to the Parent Company's shareholders

#### CONSOLIDATED BALANCE SHEET, DECEMBER 31, 2007

	Insurance operations	Banking operations	Other operations	Eliminations	Total
<b>Total assets</b>	<b>29,041</b>	<b>85,094</b>	<b>12,147</b>	<b>–10,040</b>	<b>116,241</b>
Shareholders' equity	4,864	3,824	7,868	–6,180	10,376
Total provisions and liabilities	24,177	81,270	4,279	–3,860	105,865
<b>Total shareholders' equity, provisions and liabilities</b>	<b>29,041</b>	<b>85,094</b>	<b>12,147</b>	<b>–10,040</b>	<b>116,241</b>

NOTE 3 PROFIT PER BUSINESS SEGMENT, cont.

CONSOLIDATED INCOME STATEMENT 2006

	Insurance operations	Banking operations	Other operations	Eliminations	Total 2006
Premiums earned before ceded reinsurance	4,036.5	–	–	–	4,036.5
Reinsurers' portion of premiums earned	–1,928.9	–	–	–	–1,928.9
<b>Premiums earned after ceded reinsurance</b>	<b>2,107.7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,107.7</b>
Interest income	–	2,579.2	–	–	2,579.2
Interest expense	–	–1,652.1	–	8.6	–1,643.5
Net interest income	–	927.1	–	8.6	935.7
Investment income, net	893.5	17.9	1,354.9	–1,367.9	898.4
Commission revenue	125.9	775.3	–	–	901.3
Other operating income	940.6	111.2	2,061.5	–1,539.6	1,573.7
<b>Total operating income</b>	<b>4,067.7</b>	<b>1,831.5</b>	<b>3,416.4</b>	<b>–2,898.9</b>	<b>6,416.6</b>
Claims payments before ceded reinsurance	–2,861.1	–	–	–	–2,861.1
Reinsurers' portion of claims payments	1,517.0	–	–	–	1,517.0
<b>Claims payments after ceded reinsurance</b>	<b>–1,344.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–1,344.1</b>
Commission expense	–255.0	–808.4	–	–	–1,063.4
Personnel costs	–504.9	–273.2	–535.9	–	–1,314.1
Other administration expenses	–1,235.9	–513.9	–1,528.7	1,583.4	–1,695.1
Loan losses	–	–37.8	–	–	–37.8
Other expenses	–6.5	–	–134.3	–0.1	–140.8
<b>Total expenses</b>	<b>–3,346.5</b>	<b>–1,633.3</b>	<b>–2,198.9</b>	<b>1,583.3</b>	<b>–5,595.4</b>
<b>Operating profit</b>	<b>721.2</b>	<b>198.2</b>	<b>1,217.5</b>	<b>–1,315.6</b>	<b>821.3</b>
Tax	–175.1	–59.4	31.8	–0.2	–202.9
<b>Net profit for the year</b>	<b>546.1</b>	<b>138.8</b>	<b>1,249.3</b>	<b>–1,315.8</b>	<b>618.4</b>
Profit attributable to Parent Company's shareholders	584.6	138.8	1,249.3	–1,315.8	656.9
Loss attributable to minority interests	–38.5	–	–	0.0	–38.5

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 2006

	Insurance operations	Banking operations	Other operations	Eliminations	Total
<b>Total assets</b>	<b>26,193.3</b>	<b>62,537.6</b>	<b>11,584.3</b>	<b>–9,130.8</b>	<b>91,184.4</b>
Shareholders' equity	4,349.3	3,184.1	7,731.8	–5,671.0	9,594.3
Total provisions and liabilities	21,844.0	59,353.5	3,852.4	–3,459.9	81,590.1
<b>Total shareholders' equity, provisions and liabilities</b>	<b>26,193.3</b>	<b>62,537.6</b>	<b>11,584.3</b>	<b>–9,130.8</b>	<b>91,184.4</b>

NOTE 4 ACQUISITIONS OF OPERATIONS

PetPartners

On March 30, 2007, Agria purchased 100% of the British sales company PetPartners Plc for SEK 317.4 M and paid in cash. PetPartners is a Managing General Agent, which markets, sells, administers and performs claims adjustment of its own and other companies' insurance. PetPartners works closely together with the UK Kennel Club and sells all the club's animal insurance policies. In addition to the Kennel Club, PetPartners sells and markets three further trademarks. PetPartners has approximately 50 employees. The majority of the claims administrators are qualified veterinary nurses. They handle a business volume of approximately SEK 300 M and 600,000 insurance policies. The office is situated in Aylesbury, northwest of London.

Effects of the acquisition

In the nine months following the acquisition, the subsidiary contributed SEK 31.8 M to the Group's income and SEK 9.3 M to the Group's profit after tax in 2007. If the acquisition had taken place on January 1, 2007, the contribution to net profit for the year would have been SEK 8.8 M.

The acquired company's net assets on acquisition date

	Carrying amount in PetPartners Plc. before the acquisition	Fair value, adjustment	Fair value, reported in the Group
Intangible assets		140.1	140.1
Tangible assets	5.0		5.0
Accounts receivable and other receivables	68.9		68.9
Cash and cash equivalents	20.3		20.3
Interest-bearing liabilities	–57.7		–57.7
Deferred tax liabilities	–0.3		–0.3
Accounts payable and other operating liabilities	–7.8		–7.8
<b>Net identifiable assets and liabilities</b>	<b>28.3</b>	<b>140.1</b>	<b>168.4</b>
Consolidated goodwill			164.8
<b>Purchase price paid, cash</b>			<b>333.2</b>
Cash (acquired)			20.3
<b>Net cash outflow</b>			<b>–312.9</b>

**NOTE 4 ACQUISITIONS OF OPERATIONS, cont.**

After the first payment, additional expenses of SEK 15.8 M relating to the acquisition arose, which was included in the purchase price. The goodwill item that arose in conjunction with the acquisition of PetPartners can be attributed to the synergy effects and know-how in the organization. The intangible asset comprises a valuation of an agreement with the UK Kennel Club and is amortized over ten years.

**Acquisition of insurance portfolio**

On January 1, 2007, Länsförsäkringar Sak and its subsidiary Länsförsäkringar Grupplivförsäkrings AB took over an insurance portfolio from Länsförsäkringar Liv Försäkrings AB (Life). The transfer pertains to an insurance portfolio of medical and accident insurance for adults, group medical and group accident insurance to Länsförsäkringar Sak and an insurance portfolio of group life assurance and employment group life assurance to Länsförsäkringar Grupplivförsäkrings AB. The Swedish Financial Supervisory Authority approved the transfer of the insurance portfolios.

The reason for the acquisition was to group all of the Group's medical and accident business in one place in the organization.

**Effects of the acquisition**

The transfer pertains to the technical reserves belonging to the acquired portfolio. Premiums earned in 2007 amounted to SEK 370 M and net loss for the year after tax to SEK 8.8 M.

**The acquired net assets on acquisition date**

	Carrying amount in Länsförsäkringar Liv	Fair value, adjustment	Fair value, reported in the Group
Intangible assets		240.0	240.0
Other assets	774.0		774.0
Technical reserves	-774.0		-774.0
<b>Purchase price paid, cash</b>			<b>240.0</b>

The intangible assets comprise customer registers and are amortized over between five and eight years.

Of the technical reserves, SEK 145 M has been transferred to Länsförsäkringar Gruppliv and SEK 629 M to Länsförsäkringar Sak.

**NOTE 5 PREMIUMS EARNED AFTER CEDED REINSURANCE**

	2007	2006
<b>Non-life insurance</b>		
Premium income, direct insurance, Sweden	2,344.2	2,081.1
Premium income, direct insurance, other EEA	74.5	36.3
Premium income, assumed reinsurance	2,056.1	2,009.0
Change in provision for unearned premiums	-82.5	-92.9
Change in premium for unexpired risks	38.0	1.8
<b>Premiums earned before ceded reinsurance</b>	<b>4,430.3</b>	<b>4,035.3</b>
Premiums for ceded reinsurance	-1,962.4	-1,976.2
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	-37.7	47.3
Reinsurers' portion of premiums earned	-2,000.1	-1,928.9
<b>Total premiums earned after ceded reinsurance</b>	<b>2,430.3</b>	<b>2,106.4</b>

**Life assurance**

Periodic premium income, group insurance, direct life assurance, contracts that carry no bonus entitlement, Sweden	203.4	0.5
Change in life-assurance provision before ceded reinsurance	0.8	0.7
<b>Premiums earned before ceded reinsurance</b>	<b>204.2</b>	<b>1.2</b>
<b>Total premiums earned after ceded reinsurance</b>	<b>2,634.5</b>	<b>2,107.7</b>

**NOTE 6 INTEREST INCOME**

	2007	2006
Interest income on lending to credit institutions	100.6	40.6
Interest income on lending to the public	2,956.4	2,137.6
Interest income on interest-bearing securities	210.0	75.4
Interest income from derivatives	1,273.8	322.7
Other interest income	0.2	2.8
	<b>4,541.1</b>	<b>2,579.2</b>

of which interest income on doubtful debts	0.4	0.6
of which interest income from financial items not valued at fair value	3,169.6	2,234.1

Average interest rate during the year on lending to the public	4.7%	4.2%
--	------	------

**Specification of interest income from derivatives**

Hedge accounting	1,214.3	306.5
Non-hedge accounting	59.4	16.2

**NOTE 7 INTEREST EXPENSE**

	2007	2006
Interest expense for liabilities to credit institutions	-6.9	-9.4
Interest expense for deposits and borrowing from the public	-780.6	-441.7
Interest expense for interest-bearing securities	-1,416.2	-738.9
Interest expense from derivatives	-1,256.6	-443.3
Other interest expense including government deposit insurance	-11.5	-10.1
<b>Total interest expense</b>	<b>-3,471.7</b>	<b>-1,643.5</b>
of which interest expense from financial items not valued at fair value	-2,267.6	-1,208.7
Average interest rate during the year on deposits from the public	2.2%	1.7%

**NOTE 8 INVESTMENT INCOME, NET**

	2007	2006
<b>Interest income</b>	<b>559.7</b>	<b>532.1</b>
<b>Dividends</b>	<b>114.5</b>	<b>172.0</b>
<b>Profit, investment property</b>		
Rental income	38.1	21.4
Expenses	-20.0	-18.6
<b>Total profit, investment property</b>	<b>18.0</b>	<b>2.8</b>
<b>Realized profit, net</b>		
Shares and participations	2,138.6	1,047.6
Interest-bearing securities	-34.7	-85.0
Other financial investment assets	-	-138.0
<b>Total realized profit, net</b>	<b>2,103.9</b>	<b>824.7</b>

Cont. note 8 page 65.



**NOTE 8 INVESTMENT INCOME, NET, cont.**

	2007	2006
<b>Unrealized profit, net</b>		
Shares and participations	-1,102.1	430.2
Interest-bearing securities	91.7	-20.8
Derivatives	-126.1	-42.6
Investment property	25.0	19.6
Other financial investment assets	-8.0	-
<b>Total unrealized profit/loss, net</b>	<b>-1,119.4</b>	<b>386.4</b>
<b>Exchange-rate gains/losses, net</b>	<b>-50.8</b>	<b>-239.7</b>
<b>Interest expense</b>	<b>-338.0</b>	<b>-592.3</b>
<b>Profit shares in associated companies</b>	<b>0.6</b>	<b>0.9</b>
<b>Depreciation/amortization and impairment of shares and participations</b>	<b>-6.0</b>	<b>-</b>
<b>Profit attributable to hedge accounting</b>	<b>23.6</b>	<b>-170.4</b>
<b>Asset management expenses</b>	<b>-11.8</b>	<b>-26.5</b>
<b>Interest compensation <sup>1)</sup></b>	<b>2.2</b>	<b>8.3</b>
<b>Investment income, net</b>	<b>1,296.6</b>	<b>898.4</b>

<sup>1)</sup> Attributable to the category of loan receivables.

**NOTE 9 COMMISSION REVENUE**

	2007	2006
Payment mediation commission	114.2	88.6
Lending commission	64.4	62.8
Deposit commission	3.5	2.9
Securities commission	735.7	619.8
Commission and profit shares in ceded reinsurance	93.2	125.9
Other commission	1.1	1.3
	<b>1,012.2</b>	<b>901.3</b>

**NOTE 10 OTHER OPERATING INCOME**

	2007	2006
Service income	1,922.3	1,437.0
Other income	198.1	136.6
	<b>2,120.4</b>	<b>1,573.7</b>

**NOTE 11 CLAIMS PAYMENTS BEFORE CEDED REINSURANCE**

	2007			2006		
	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance	Before ceded reinsurance	Ceded reinsurance	After ceded reinsurance
<b>Non-life insurance</b>						
Claims paid	-2,949.5	1,222.1	-1,727.4	-3,178.1	1,554.5	-1,623.6
Claims annuities paid	-183.7	-	-183.7	-167.7	-	-167.7
Change in provision for claims incurred and reported	-438.3	762.5	324.3	481.1	-40.2	440.9
Change in provision for claims incurred and not reported	-394.2	380.5	-13.7	-	-	0.0
<b>Total</b>	<b>-3,965.7</b>	<b>2,365.1</b>	<b>-1,600.6</b>	<b>-2,864.7</b>	<b>1,514.2</b>	<b>-1,350.5</b>
<b>Life assurance</b>						
Claims paid	-187.5	0.1	-187.4	-3.1	0.3	-2.8
Change in provision for claims outstanding	24.2	-	24.2	6.7	2.4	9.2
<b>Total</b>	<b>-163.3</b>	<b>0.1</b>	<b>-163.2</b>	<b>3.6</b>	<b>2.8</b>	<b>6.4</b>
Claims payments after ceded reinsurance	-4,129.0	2,365.2	-1,763.8	-2,861.1	1,517.0	-1,344.1

**NOTE 12 COMMISSION EXPENSE**

	2007	2006
Payment mediation commission	-133.1	-94.2
Securities commission	-5.1	-5.1
Remuneration to the regional insurance companies	-439.2	-362.0
Commission, direct insurance	-105.5	-109.4
Commission, assumed reinsurance	-113.3	-145.7
Other commission	-469.5	-347.0
<b>Total commission expense</b>	<b>-1,265.7</b>	<b>-1,063.4</b>

Remuneration to the regional insurance companies refers to their work with the Banking Group's customer-related issues in the geographical area of operations of each regional insurance company. This solution creates a unique local presence and market awareness. From the customer's perspective, the regional insurance companies serve as local banks. The assignment, associated issues and remuneration are regulated in partnership agreements signed by the parties.

Remuneration pertaining to the bank is primarily calculated as the difference between an established internal interest rate and customer interest rate calculated on each company's deposits and lending volumes under management. Percentage remuneration based on the market value and the fund's management fee is paid for fund volumes under management.

**NOTE 13 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION  
TO SENIOR EXECUTIVES**

**Average number of employees**

	2007	2006
<b>Sweden</b>		
Men	692	630
Women	691	651
	<b>1,383</b>	<b>1,281</b>
<b>Lithuania</b>		
Men	–	–
Women	1	–
	<b>1</b>	<b>–</b>
<b>Norway</b>		
Men	1	1
Women	1	1
	<b>2</b>	<b>2</b>
<b>UK</b>		
Men	8	–
Women	42	–
	<b>50</b>	<b>–</b>
<b>Total number of employees</b>	<b>1,436</b>	<b>1,283</b>

**Salaries, other remuneration and social security expenses**

	2007	2006
<b>Sweden</b>		
Salaries and remuneration	703.6	642.4
of which variable remuneration	40.8	21.5
Social security expenses	471.4	498.4
of which pension expenses	199.4	235.0
	<b>1,175.0</b>	<b>1,140.8</b>
<b>Lithuania</b>		
Salaries and remuneration	0.2	–
Social security expenses	0.0	–
of which pension expenses	0.0	–
	<b>0.2</b>	<b>–</b>
<b>Norway</b>		
Salaries and remuneration	1.3	1.0
Social security expenses	0.2	0.2
of which pension expenses	0.0	0.1
	<b>1.5</b>	<b>1.2</b>
<b>UK</b>		
Salaries and remuneration	16.2	–
Social security expenses	1.8	–
of which pension expenses	0.3	–
	<b>18.0</b>	<b>–</b>

**Board, President, Executive Vice Presidents, Sweden**

	2007	2006
Salaries and remuneration	36.9	31.0
of which salaries to President and Executive Vice Presidents	29.9	25.1
of which variable remuneration to President and Executive Vice Presidents	4.9	4.5
Social security expenses	39.1	24.2
of which pension expenses	22.1	11.7
	<b>76.0</b>	<b>55.2</b>

**Total salaries, other remuneration and social security expenses**

	2007	2006
Salaries and remuneration	758.2	674.4
of which variable remuneration	45.7	26.0
Social security expenses	512.6	522.8
of which pension expenses	221.8	246.8
	<b>1,270.9</b>	<b>1,197.2</b>

**Variable remuneration**

Variable remuneration is paid to managers who have a bonus agreement. Remuneration is based on attained targets met in accordance with the business plan, the Employee Commitment Index, the leadership index and other individual goals. Variable remuneration is paid in a maximum of one month's salary.

An incentive system is in place that encompasses all employees not included in other bonus agreements. A condition for payment of this remuneration is that the owners' requirements for the return on shareholders' equity in the Group are fulfilled. The maximum amount that can be paid per employee if the conditions are met is determined by the Board in December each year. One third of the established amount is paid to everyone regardless of individual performance. Payment of two thirds of the determined amount is based on the degree of completion of the individual goals in the target contract.

<b>Sickness absence, %</b>	2007	2006
Total of overall working hours	3.7	4.0
Total of overall working hours for men	2.1	2.7
Total of overall working hours for women	5.1	5.2
Absence among employees age 29 or younger	2.9	2.3
Absence among employees age 30–49	3.3	3.5
Absence among employees age 50 or older	4.6	5.6
Percentage pertaining to absence of a consecutive period of 60 days or more	58.5	58.6

**Remuneration to senior executives**

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

Remuneration to the President and other senior executives comprises basic salary, variable salary, other benefits and pension expenses. Variable salary is maximized to four months' salary for the President and three months' salary for other senior executives. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration.

**Preparation and decision-making process applied in relation to  
the issue of remuneration to senior management**

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board of Directors. Remuneration to other senior executives is determined by the President in accordance with the principles for salaries and conditions for senior executives as decided by the Annual General Meeting.

**NOTE 13 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION  
TO SENIOR EXECUTIVES, cont.**

**Loans to senior executives**

	2007	2006
Board members	78.0	49.5
President and Executive Vice Presidents	4.5	8.1
	<b>82.5</b>	<b>57.6</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%. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in other benefits as above. The terms and conditions of other loans are market-based.

**Number of women among senior executives, %**

	2007	2006
Board members	23	27
Other senior executives	42	38

**NOTE 14 FEES AND REMUNERATION TO AUDITORS**

	2007	2006
<b>KPMG Bohlins AB</b>		
– audit assignments	8.6	6.0
– other assignments	14.2	7.4
<b>SET Revisionsbyrå AB</b>		
– audit assignments	0.1	0.5
– other assignments	0.0	–
	<b>23.0</b>	<b>13.9</b>

The audit assignment pertains to a review of the annual report and accounts, and the management by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such assignments. Everything else comes under Other assignments.

**NOTE 15 OTHER ADMINISTRATION EXPENSES**

	2007	2006
<b>Other administration expenses</b>		
Cost of premises	–133.7	–93.3
Depreciation/amortization	–134.3	–95.5
Other administration expenses	–1,960.2	–1,506.4
	<b>–2,228.3</b>	<b>–1,695.1</b>
<b>Administration expenses in insurance operations classified by function</b>		
Expenses for acquisitions	–387.9	–383.2
Expenses for administration	–397.1	–258.1
Expenses for claims adjustment	–253.0	–228.0
Expenses in asset and property management	–63.8	–85.5
	<b>–1,101.8</b>	<b>–954.8</b>

In the previous presentation format of this note, claims adjustment costs in Claims payments and asset and property management expenses were included in Investment income. Claims adjustment costs are now, to a certain extent, included in Personnel costs and the remainder in Other administration expenses.

**NOTE 16 LOAN LOSSES NET**

	2007	2006
<b>Specific provisions for individually appraised loan receivables</b>		
Write-off of confirmed loan losses during the year	–39.9	–44.4
Reversed earlier impairment of loan losses recognized in the year-end accounts as confirmed losses	–	4.9
Impairment for loan losses during the year	–2.3	–2.4
Payment received for prior loan losses	23.1	28.9
Reversed impairment for loan losses no longer required	10.5	5.0
<b>Net expense for the year for individually appraised receivables</b>	<b>–8.6</b>	<b>–8.0</b>
<b>Homogeneous groups, appraised by group, of loan receivables of limited value and similar credit risk</b>		
Write-off of confirmed loan losses during the year	–34.3	–30.4
Payment received for previously confirmed loan losses	5.0	11.5
Provision/reversal of impairment for loan losses	–28.2	–12.4
<b>Net expense for the year for group-wise appraised receivables</b>	<b>–57.4</b>	<b>–31.3</b>
<b>Net expenses for the year for fulfillment of guarantees</b>	<b>14.9</b>	<b>1.5</b>
<b>Net expense of loan losses for the year</b>	<b>–51.1</b>	<b>–37.8</b>

All information pertains to receivables from the public.

**NOTE 17 OTHER EXPENSES**

	2007	2006
Expansion of trademarks	–100.0	–98.3
Other expenses	–84.8	–42.5
	<b>–184.8</b>	<b>–140.8</b>

**NOTE 18 TAX ON NET PROFIT FOR THE YEAR**

	2007	2006
<b>Current tax</b>		
Tax expense for the period	–225.3	0.0
Adjustment of tax expense pertaining to prior years	0.4	0.6
<b>Total current tax</b>	<b>–224.9</b>	<b>0.6</b>
<b>Deferred tax</b>		
Change in deferred tax expense pertaining to temporary differences	206.6	–165.5
Change in deferred tax revenue/expense of tax value in loss carryforwards capitalized during the year	–329.0	–38.0
<b>Total deferred tax</b>	<b>–122.4</b>	<b>–203.5</b>
<b>Total reported tax expense</b>	<b>–347.3</b>	<b>–202.9</b>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	1,269.5	821.3
Tax at applicable rate for Parent Company	–355.5	–230.0
Tax, non-deductible costs	–311.0	–12.2
Tax, non-taxable revenue	320.1	36.1
Increase in loss carryforwards without corresponding capitalization of deferred tax	–1.4	–
Utilization of non-capitalized loss carryforwards	–1.2	5.3
Tax pertaining to prior years	3.0	2.1
Other	–1.3	–4.2
<b>Total tax on net profit for the year</b>	<b>–347.3</b>	<b>–202.9</b>
Applicable tax rate	28%	28%
Effective tax rate	27%	25%

**NOTE 18 TAX ON NET PROFIT FOR THE YEAR, cont.**

	2007	2006
<b>Tax items reported directly against shareholders' equity</b>		
Deferred tax attributable to changed accounting principles	–	–18.1
Revaluation of owner-occupied property	–33.8	–46.3
Change in hedging reserve	–6.0	–2.9
Financial assets available for sale	0.1	–
	<b>–39.7</b>	<b>–67.3</b>

**NOTE 19 EARNINGS PER SHARE**

	Dec. 31, 2007	Dec. 31, 2006
Net profit for the year attributable to the Parent Company's shareholders, SEK M	922.2	656.9
Number of shares	6,297,583	6,297,583
Earnings per share before and after dilution, SEK	146	104

Earnings per share has been calculated as net profit for the year attributable to the Parent Company's shareholders divided by the average number of shares. No previous or future dilution exists since no potential ordinary shares arose in reported periods nor were in existence on the balance-sheet date.

**NOTE 21 OTHER INTANGIBLE ASSETS****Capitalized development and acquisition expenditure**

	Internally developed IT systems	Acquired IT systems	Acquired customer-based assets	Total
<b>Capitalized expenses</b>				
<b>Acquisition cost</b>				
Opening acquisition cost, January 1, 2006	418.1	29.6	29.0	476.6
Divestments and scrapping	–3.4	–0.4	–	–3.8
Acquisitions during the year	72.2	14.1	–	86.3
<b>Closing acquisition cost, December 31, 2006</b>	<b>486.9</b>	<b>43.3</b>	<b>29.0</b>	<b>559.1</b>
Opening acquisition cost, January 1, 2007	486.9	43.3	29.0	559.1
Other changes	–	1.0	–	1.0
Exchange-rate differences for the year	–	–	1.5	1.5
Acquisitions during the year	159.3	32.2	380.1	571.6
<b>Closing acquisition cost, December 31, 2007</b>	<b>646.1</b>	<b>76.5</b>	<b>410.5</b>	<b>1,133.2</b>
<b>Amortization</b>				
Opening accumulated amortization, January 1, 2006	–213.8	–7.1	–5.8	–226.6
Amortization for the year	–37.0	–3.2	–3.4	–43.6
<b>Closing accumulated amortization, December 31, 2006</b>	<b>–250.8</b>	<b>–10.2</b>	<b>–9.2</b>	<b>–270.2</b>
Opening accumulated amortization, January 1, 2007	–250.8	–10.2	–9.2	–270.2
Amortization for the year	–40.2	–9.4	–48.1	–97.7
<b>Closing accumulated amortization, December 31, 2007</b>	<b>–291.0</b>	<b>–19.6</b>	<b>–57.3</b>	<b>–367.9</b>
<b>Impairment</b>				
Opening accumulated impairment, January 1, 2006	–69.2	–	–	–69.2
Impairment reversed during the year	3.4	–	–	3.4
<b>Closing accumulated impairment, December 31, 2006</b>	<b>–65.8</b>	<b>–</b>	<b>–</b>	<b>–65.8</b>
Opening accumulated impairment, January 1, 2007	–65.8	–	–	–65.8
Impairment for divestments and scrapping	–	–	–0.1	–0.1
<b>Closing accumulated impairment, December 31, 2007</b>	<b>–65.8</b>	<b>–</b>	<b>–0.1</b>	<b>–65.9</b>
<b>Carrying amount on December 31</b>				
<b>2006</b>	<b>170.3</b>	<b>33.1</b>	<b>19.8</b>	<b>223.1</b>
<b>2007</b>	<b>289.3</b>	<b>56.9</b>	<b>353.2</b>	<b>699.4</b>

**NOTE 20 GOODWILL**

The entire goodwill amount of SEK 164.8 M on December 31, 2007 is attributable to Försäkringsaktiebolaget Agria's acquisition of the sales company PetPartners Plc in March 2007. The company markets, sells, administers and performs claims adjustment of its own and other insurance advisors' insurance. The company is not an insurance advisor itself. The aim of the acquisition is to enable the establishment of Agria's animal insurance in the UK market. The goodwill item can be attributed to the synergy effects and know-how in the organization. For more information, refer to Note 4 Acquisitions of operations.

	2007	2006
<b>Capitalized acquisition cost of goodwill</b>		
<b>Acquisition cost</b>		
Opening acquisition cost, January 1	–	–
Acquisition of operations for the year	164.8	–
<b>Closing acquisition cost, December 31</b>	<b>164.8</b>	<b>–</b>
<b>Carrying amount at year-end</b>	<b>164.8</b>	<b>–</b>

No impairment losses have been recognized.

The value of goodwill was tested on December 31, 2007 and was deemed to be the same as at the date of the acquisition in March 2007.

**NOTE 22 TANGIBLE ASSETS**

	2007	2006
<b>Acquisition cost</b>		
Opening acquisition cost, January 1	445.3	445.2
Divestments/scraping	-35.0	-33.1
Acquisitions during the year	67.3	33.1
<b>Closing acquisition costs, December 31</b>	<b>477.7</b>	<b>445.3</b>
<b>Depreciation</b>		
Opening accumulated depreciation, January 1	-365.9	-352.1
Accumulated depreciation on acquisitions	-1.4	0.0
Accumulated depreciation for divestments/scraping	31.8	25.5
Depreciation for the year	-37.8	-39.3
<b>Closing accumulated depreciation, December 31</b>	<b>-373.4</b>	<b>-365.9</b>
<b>Carrying amount at year-end</b>	<b>104.3</b>	<b>79.4</b>

No impairment losses have been recognized.

The Group has no significant financial or operating lease agreements.

**NOTE 23 OWNER-OCCUPIED PROPERTY**

The Group applies the revaluation method to the Group's owner-occupied property. These valuations were performed by an external appraiser at the most recent year-end. Leisure homes with a carrying amount of SEK 6.1 M are valued internally. The cash-flow method is used in these valuations with a location-price analysis.

	After revaluation Dec. 31, 2007	Before revaluation Dec. 31, 2007	After revaluation Dec. 31, 2006	Before revaluation Dec. 31, 2006
Acquisition costs	2,473.7	2,347.3	2,344.2	2,103.7
Accumulated depreciation	-110.7	-105.1	-53.2	-47.7
Carrying amount	2,363.0	2,242.2	2,291.0	2,056.0
<b>Fair value</b>		<b>2,363.0</b>		<b>2,291.0</b>

<b>Revalued depreciated acquisition cost</b>	<b>Dec. 31, 2007</b>	<b>Dec. 31, 2006</b>
Opening balance	2,291.0	2,099.3
Capitalized improvements	8.5	0.1
Reclassification to owner-occupied property	-	4.4
Depreciation for the year according to plan before revaluation	-57.4	-47.7
Revaluation of owner-occupied property	120.8	235.0
Closing balance	2,363.0	2,291.0
Historical acquisition cost reduced by depreciation according to plan	2,054.9	2,103.7
Revaluation effect against revaluation reserve	87.0	119.1

The Group has no borrowing costs for owner-occupied property in 2007. Previous loans in Utile Dulci in 2006 were redeemed when the minority interests were acquired. The minority interest's share of the revaluation of SEK 74.3 M in 2006 is not included in the revaluation reserve. The reserve includes 72% of the revaluation that is attributable to the Parent Company's shareholders.

**NOTE 24 SHARES IN LÄNSFÖRSÄKRINGAR LIV FÖRSÄKRINGSAKTIEBOLAG (PUBL)**

	Corporate Registration Number	Registered office	Number of shares	Share of equity	Share- holders' equity	Profit	Carrying amount, Dec. 31, 2007	Carrying amount, Dec. 31, 2006
Länsförsäkringar Liv Försäkringsaktiebolag (publ)	516401-6627	Stockholm	8,000	100	38,072.3	11,001.9	461.2	452.0

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ). Subsidiaries are companies subject to a controlling influence from Länsförsäkringar AB. A controlling influence entails the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial advantages. The life-assurance operations, which are conducted according to mutual principles through Länsförsäkringar Liv Försäkringsaktiebolag (publ) and whose earnings accrue in their entirety to policyholders, are not reported in accordance with the purchase method since it is not possible to exercise control in order to receive financial advantages from such a life-assurance company.

Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) are classified as holdings available for sale. The shares have been valued at acquisition cost. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing, and instead a valuation at acquisition cost was also performed after the acquisition, whereby impairment is continuously tested. This testing did not lead to any impairment being recognized.



**NOTE 25 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES**

	Dec. 31, 2007	Dec. 31, 2006
Carrying amount at beginning of the year	26.9	460.8
Acquisition of associated company	–	4.4
Reclassification	–2.1	–437.4
Impairment	–6.0	–
Profit shares in the associated company	0.6	0.9
Other changes in the associated company's shareholders' equity.	–2.1	–1.8
	<b>17.4</b>	<b>26.9</b>

	Corporate Registration Number	Registered offices	Number of participations	Proportion of equity	Carrying amount, Dec. 31, 2007	Carrying amount, Dec. 31, 2006
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0.0	0.0
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	7.7	9.8
European Alliance Partners Company AG	CH-0203026423-1	Zürich, Switzerland	12,331	16.7	8.2	7.8
Eureco Property Captive SA	B61147	Luxemburg	–	–	–	2.1
Svenska Elitskon AB	556549-7012	Umeå	500	29.8	0.0	1.7
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.2	0.1
MIPS AB	556609-0162	Stockholm	437	35.0	0.0	4.3
Häst i Västerås AB	556687-6420	Västerås	250	25.0	0.0	0.0
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	45.0	1.3	1.0
<b>Total</b>					<b>17.4</b>	<b>26.9</b>

	2007	2006
<b>Summary of financial information pertaining to associated companies</b>		
Income	32.3	34.7
Profit	0.6	0.9
Assets	182.7	191.0
Liabilities	163.5	168.2
Shareholders' equity	19.1	22.8

The amounts presented above refer only to the Group's participating interest. The average exchange-rate for income and profit and the closing rate of exchange for other information were used in the calculation of the summary of financial information for foreign companies. All associated companies apply the calendar year as the fiscal year.

The reasons that the Group is considered to have a significant influence in the European Alliance Partners Company AG despite owning a participating interest of less than 20% are as follows.

The owner company is represented on the company's Board and thereby has the right (but not a duty) to participate in all decisions made in the company, including strategic issues and issues regarding guidelines, budget, business plans and similar matters. Furthermore, a large amount of information is exchanged with the company.

Eureco Property Captive SA is no longer classified as an associated company since it is being discontinued and a significant influence is not held.

**NOTE 26 INVESTMENT PROPERTY**

	Acquisition cost	Fair value	Floor space vacancy rate	Direct degree	Value return*
Investment property per December 31, 2007	30.3	287.0	0.0%	–1.2%	–139.3
Investment property per December 31, 2006	30.3	262.0	0.0%	–0.6%	–104.9

\*Change in value refers to the change in fair value if the direct yield requirement is raised by two percentage points.

**NOTE 26 INVESTMENT PROPERTY, cont.**

**Change in value for the period**

	Acquisition cost		Fair value	
	2007	2006	2007	2006
Opening balance, January 1	30.3	29.3	262.0	241.0
Additional investments in existing assets	–	1.0	–	–
Profit from adjustments of fair value	–	–	25.0	21.0
Closing balance, December 31	30.3	30.3	287.0	262.0

	Dec. 31, 2007	Dec. 31, 2006
Tax assessment value	204.6	161.3

All of the properties are situated in the Municipality of Stockholm. None of the properties are utilized in the company's own operations, instead they are leased to external tenants. The properties were valued by an external surveyor. The properties are valued at market value. The valuation is based on the cash-flow method.

**Impact on profit for the period**

	2007	2006
Rental income	13.1	12.0
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees)	–16.4	–13.5

The income-statement items above are included in the item "Investment income, net."

Investment property is classified as a financial asset valued at fair value in the income statement.

**NOTE 27 LENDING**

	Dec. 31, 2007	Dec. 31, 2006
<b>Lending to the public</b>		
Loan receivables, gross	67,295.1	54,122.4
Impairment	–255.2	–237.8
<b>Loan receivables, net</b>	<b>67,040.0</b>	<b>53,884.6</b>
Doubtful loan receivables	281.3	248.3
Non-performing loan receivables included in doubtful loan receivables	165.1	151.9
	2007	2006
<b>Reconciliation of impairment for loan losses</b>		
Opening balance, January 1	–237.8	–233.4
Reversed earlier impairment for loan losses reported in the year-end accounts as confirmed losses	59.5	61.9
Reversed impairment of loan losses no longer required	64.9	59.2
Impairment of loan losses for the year	–203.6	–186.7
Funds paid for expected loan losses for the year	50.9	52.4
Value of collateral for expected loan losses for the year	10.9	7.5
Change due to change in accounting principles		1.1
<b>Closing balance, December 31</b>	<b>–255.2</b>	<b>–237.8</b>

Loan receivables are geographically attributable in their entirety to Sweden.

Of lending to the public in the Group, SEK 3.3 billion (3.0) comprises leasing assets in the subsidiary Wasa Kredit AB. Leasing assets are classified as financial leasing. Of leasing, 39% (39) is car leasing.

**NOTE 28 FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGE OF INTEREST-RATE RISK**

	Dec. 31, 2007	Dec. 31, 2006
<b>Assets</b>		
Carrying amount at the beginning of the year	–101.4	115.8
Changes during the year	–146.3	–217.2
<b>Carrying amount at year-end</b>	<b>–247.7</b>	<b>–101.4</b>

**NOTE 29 SHARES AND PARTICIPATIONS**

	Carrying amount, Dec. 31, 2007	Carrying amount, Dec. 31, 2006
<b>Fair value in the income statement</b>		
Shares and participations	6,654.3	7,638.4
<b>Specification of listed / unlisted</b>		
Listed shares and participations	5,598.3	6,672.0
Unlisted shares and participations	1,056.0	966.5
	<b>6,654.3</b>	<b>7,638.4</b>

	Dec. 31, 2007	Dec. 31, 2006
Fair value	6,654.3	7,638.4
Acquisition cost	5,519.5	5,683.5

**NOTE 30 BONDS AND OTHER INTEREST-BEARING SECURITIES**

	Carrying amount, Dec. 31, 2007	Carrying amount, Dec. 31, 2006
<b>Fair value in the income statement</b>		
Government bonds	4,029.7	7,804.3
Mortgage institutions	6,412.7	3,421.0
Other issuers	1,319.4	326.0
	<b>11,761.7</b>	<b>11,551.3</b>
<b>Assets available for sale</b>		
Government bonds	7,964.1	–
Mortgage institutions	1,496.8	–
	<b>9,460.9</b>	<b>–</b>
<b>Investments held to maturity</b>		
Mortgage institutions	–	3,463.6
Other issuers	–	498.8
	<b>–</b>	<b>3,962.4</b>
<b>Total bonds and other interest-bearing securities</b>	<b>21,222.6</b>	<b>15,513.7</b>
<b>Specification of listed / unlisted</b>		
Listed securities	21,222.6	9,906.7
Unlisted securities	–	5,607.0
	<b>21,222.6</b>	<b>15,513.7</b>

	Dec. 31, 2007	Dec. 31, 2006
Fair value	21,222.6	15,513.2
Amortized cost	21,239.3	15,715.3

## NOTE 31 DERIVATIVES

### Derivatives not utilized in hedge accounting

	Fair values		Par value	
	07-12-31	06-12-31	07-12-31	06-12-31
<b>Derivative instruments with positive values or valued at zero</b>				
Stock options	328.5	103.4	9,870.0	7,577.0
Stock futures	42.2	67.5	2,296.7	936.1
Interest-rate swaps	23.7	96.4	1,000.0	4,253.6
Interest futures	–	0.2	–	2,917.5
Currency swaps	259.3	7.3	9,206.1	897.4
Currency futures	158.2	454.2	9,364.6	16,798.6
	<b>811.9</b>	<b>729.0</b>	<b>31,737.5</b>	<b>33,380.2</b>
Acquisition costs	328.5	103.4		

### Derivative instruments with negative values

Stock options	132.6	8.6	9,870.0	577.0
Stock futures	73.1	0.2	595.0	493.1
Other equity derivatives	–	94.3	–	7,000.0
Interest-rate swaps	24.8	55.1	1,000.0	1,000.0
Interest futures	0.1	–	479.2	–
Currency swaps	5.4	297.8	155.8	13,400.4
Currency futures	99.8	221.1	9,309.0	16,570.0
	<b>335.8</b>	<b>677.0</b>	<b>21,409.0</b>	<b>39,040.5</b>
Acquisition costs	–	–		

### Derivatives used in hedge accounting

	Fair values		Par value	
	07-12-31	06-12-31	07-12-31	06-12-31
<b>Derivative instruments with positive values or valued at zero</b>				
Interest-rate swaps	388.9	141.0	23,183.0	10,120.0
Acquisition costs	–	–		
<b>Derivative instruments with negative values</b>				
Interest-rate swaps	270.4	110.5	22,677.5	10,908.0
Acquisition costs	–	–		

### Total derivatives

	Fair values		Par value	
	07-12-31	06-12-31	07-12-31	06-12-31
<b>Derivative instruments with positive values or valued at zero</b>				
Stock options	328.5	103.4	9,870.0	7,577.0
Stock futures	42.2	67.5	2,296.7	936.1
Interest-rate swaps	412.6	237.4	24,183.0	14,373.6
Interest futures	–	0.2	–	2,917.5
Currency swaps	259.3	7.3	9,206.1	897.4
Currency futures	158.2	454.2	9,364.6	16,798.6
	<b>1,200.7</b>	<b>870.0</b>	<b>54,920.5</b>	<b>43,500.2</b>
Acquisition costs	328.5	103.4		

### Derivative instruments with negative values

	Fair values		Par value	
	07-12-31	06-12-31	07-12-31	06-12-31
Stock options	132.6	8.6	9,870.0	577.0
Stock futures	73.1	0.2	595.0	493.1
Other equity derivatives	–	94.3	–	7,000.0
Interest-rate swaps	295.2	165.6	23,677.5	11,908.0
Interest futures	0.1	–	479.2	–
Currency swaps	5.4	297.8	155.8	13,400.4
Currency futures	99.8	221.1	9,309.0	16,570.0
	<b>606.2</b>	<b>787.5</b>	<b>44,086.5</b>	<b>49,948.5</b>
Acquisition costs	–	–		

Derivative are primarily classified as assets valued at fair value.

## NOTE 32 OTHER RECEIVABLES

	Dec. 31, 2007	Dec. 31, 2006
Receivables pertaining to direct insurance	407.1	384.2
Receivables pertaining to reinsurance	356.6	312.5
Deposits with companies that have ceded reinsurance	36.7	32.0
Promissory note	7.0	24.4
Accounts receivable	397.8	358.5
Other receivables	1,436.5	316.4
<b>Total other receivables/assets</b>	<b>2,641.7</b>	<b>1,428.0</b>

All receivables are due for payment within 12 months after the balance-sheet date.

## NOTE 33 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2007	Dec. 31, 2006
Accrued interest and rental income	697.2	330.9
Prepaid acquisition cost	56.9	55.3
Other accrued income	72.5	73.1
Other prepaid expenses	179.4	77.1
<b>Total prepaid expenses and accrued income</b>	<b>1,005.9</b>	<b>536.4</b>

All prepaid expenses and accrued income are due for payment within 12 months after the balance-sheet date.

## NOTE 34 CASH AND BANK BALANCES

	Dec. 31, 2007	Dec. 31, 2006
Balances with central banks	71.5	72.6
Balances with other banks	6,844.3	3,404.4
<b>Total balance</b>	<b>6,915.8</b>	<b>3,477.1</b>

For information regarding the Länsförsäkringar AB Group's cash and cash equivalents refer to the consolidated cash-flow statement.

## NOTE 35 SHAREHOLDERS' EQUITY

	Shareholders' equity attributable to the Parent Company's shareholders					
	Share capital	Restricted shareholders' equity	Non-restricted shareholders' equity		Minority interests	Total shareholders' equity
		Restricted reserves	including net profit for the year	Total		
Opening shareholders' equity according to new presentation format, January 1, 2006	629.8	5,823.0	2,424.8	8,877.6	0.0	8,877.6
Adjustment for transition to IFRS		15.9	-27.3	-11.4	145.6	134.2
Adjusted shareholders' equity, January 1, 2006	629.8	5,838.9	2,397.5	8,866.2	145.6	9,011.8
Change in translation reserve			0.2	0.2		0.2
Revaluation, owner-occupied property		11.8	153.6	165.4		165.4
Change in value of financial instruments			10.3	10.3		10.3
Tax on items reported against shareholders' equity		-3.3	-45.9	-49.2		-49.2
Transfer between restricted and non-restricted shareholders' equity		363.5	-363.5	0.0		0.0
Acquisition of minority interests			-55.5	-55.5	-107.1	-162.6
Net profit for the year			656.9	656.9	-38.5	618.4
<b>Closing shareholders' equity, December 31, 2006</b>	<b>629.8</b>	<b>6,210.9</b>	<b>2,753.6</b>	<b>9,594.3</b>	<b>0.0</b>	<b>9,594.3</b>
Opening shareholders' equity, January 1, 2007	629.8	6,210.9	2,753.6	9,594.3	0.0	9,594.3
Change translation reserve			-3.1	-3.1		-3.1
Revaluation, owner-occupied property			120.8	120.8		120.8
Change in value of financial instruments			20.9	20.9		41.8
Tax on items reported against shareholders' equity			-39.7	-39.7		-39.7
Transfer between restricted and non-restricted shareholders' equity		-1,320.1	1,320.1			
Net profit for the year			922.2	922.2		922.2
Dividend of SEK 38 per share			-239.3	-239.3		-239.3
<b>Closing shareholders' equity, December 31, 2007</b>	<b>629.8</b>	<b>4,890.8</b>	<b>4,855.5</b>	<b>10,376.1</b>	<b>0.0</b>	<b>10,376.1</b>

### Specification of the capital item "reserves" in the balance sheet

	2007	2006
<b>Revaluation reserve</b>		
Opening revaluation reserve, January 1	119.1	-
Revaluation of owner-occupied property	120.8	165.4
Tax attributable to revaluation for the year	-33.8	-46.3
<b>Closing revaluation reserve, December 31</b>	<b>206.1</b>	<b>119.1</b>
<b>Hedging reserve</b>		
Opening hedging reserve, January 1	-30.2	-37.6
Change in hedging reserve for the year	21.4	10.3
Tax attributable to change for the year	-6.0	-2.9
<b>Closing hedging reserve, December 31</b>	<b>-14.8</b>	<b>-30.2</b>
<b>Fair value reserve</b>		
Opening fair value reserve, January 1	-	-
Change in fair value reserve for the year	-0.5	-
Tax attributable to change for the year	0.1	-
<b>Closing fair value reserve, December 31</b>	<b>-0.4</b>	<b>-</b>
<b>Translation reserve</b>		
Opening translation reserve, January 1	0.2	-
Translation differences for the year	-3.1	0.2
<b>Closing translation reserve, December 31</b>	<b>-2.9</b>	<b>0.2</b>

### Other capital contributed

Refers to shareholders' equity that has been provided by the owners. The item includes surpluses paid in conjunction with issues.

### Statutory reserve

The statutory reserve remains restricted shareholders' equity but no new transfers to the statutory reserve are required. The statutory reserve also includes amounts that were added to the share premium reserve prior to January 1, 2006.

### Restricted reserves

Restricted reserves may not be reduced through profit distribution. Other restricted reserves are included in profit brought forward in the table of changes in consolidated shareholders' equity.

### Revaluation reserve

The revaluation reserve includes changes in value attributable to tangible and intangible assets.

### Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash hedging instrument attributable to hedge transactions that have not yet occurred.

### Fair value reserve

The fair value reserve comprises the accumulated net change in fair value of financial assets available for sale until the asset is eliminated from the balance sheet.

### Translation reserve

The translation reserve includes all exchange-rate differences arising on the translation of the financial statements from foreign operations that have prepaid their financial statements in a different currency to the currency in which the consolidated financial statements are presented. The Parent Company and Group present their financial statements in Swedish kronor (SEK).

**NOTE 35 SHAREHOLDERS' EQUITY, cont.****Share premium reserve**

The portion of the payment for a share that exceeds the par value of the share is reported in the share premium reserve.

**Profit brought forward including net profit for the year**

Profit brought forward including net profit for the year includes profits in the Parent Company, subsidiaries and associated companies. From 2007, the item also includes the unrealized gains in insurance companies that were previously reported in the Reserve for unrealized gains.

**Dividends**

After the balance-sheet date, the Board proposed a dividend of SEK 44 per share, totaling SEK 277.1 M. The dividend will be adopted at the Annual General Meeting on May 23, 2008. In 2007, dividends were paid in the amount of SEK 38 per share, totaling SEK 239.4 M.

All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the shareholders in the form of dividends. Normally, 30% of net profit for the year after tax in the Group shall be paid on the condition that the balance between capital strength and risk-taking can be maintained.

**NOTE 36 SUBORDINATED DEBT**

	Dec. 31, 2007	Dec. 31, 2006
Subordinated debt	114.0	114.0

The terms of the subordinated loan are fixed until December 15, 2011. The interest on the loan corresponds to the interest on government bonds on December 15, 2006 with a corresponding maturity, plus 0.65% (0.65). The interest rate during the year was 4.361% (4.361). If the corresponding interest rate for a government bond on June 15, 2009 has changed by 50 bp or above, the interest rate will be adjusted for the remaining term.

**NOTE 37 TECHNICAL RESERVES**

	2007			2006		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
<b>Unearned premiums</b>						
Opening balance, January 1	880.1	113.9	766.2	787.8	66.5	721.3
Provisions during the period	46.1	-37.7	83.8	91.4	47.3	44.2
Other changes	36.2		36.2			0.0
Exchange-rate changes	0.1	0.1	0.0	-0.3	0.1	-0.4
<b>Closing balance, December 31</b>	<b>962.5</b>	<b>76.3</b>	<b>886.2</b>	<b>879.0</b>	<b>113.9</b>	<b>765.0</b>
<b>Unexpired risk</b>						
<b>Opening balance, January 1</b>	<b>3.2</b>		<b>3.2</b>	<b>5.0</b>		<b>5.0</b>
Provisions during the period	-1.8		-1.8	-1.8		-1.8
<b>Closing balance, December 31</b>	<b>1.4</b>		<b>1.4</b>	<b>3.2</b>		<b>3.2</b>
<b>Claims outstanding</b>						
Claims incurred and reported	10,145.2	2,402.1	7,743.1	11,173.5	3,027.9	8,145.5
Claims incurred and not reported	3,185.6	2,068.7	1,116.9	2,672.1	1,513.3	1,158.8
Claims annuities	3,056.8		3,056.8	2,870.2		2,870.2
Claims adjustment costs	590.9	9.9	581.0	667.6	8.8	658.8
<b>Total opening balance, January 1</b>	<b>16,978.4</b>	<b>4,480.7</b>	<b>12,497.7</b>	<b>17,383.3</b>	<b>4,550.0</b>	<b>12,833.3</b>
Provisions for the period	831.5	1,143.1	-311.6	-488.1	-37.8	-450.2
Insurance portfolio taken over	656.7		656.7	157.5		157.5
Exchange-rate changes	-5.8	-3.2	-2.7	-74.6	-31.6	-43.0
<b>Total closing balance, December 31</b>	<b>18,460.8</b>	<b>5,620.6</b>	<b>12,840.1</b>	<b>16,978.1</b>	<b>4,480.6</b>	<b>12,497.5</b>
<b>Specification of closing balance claims outstanding</b>						
Claims incurred and reported	3,792.0	3,168.5	623.5	10,145.1	2,409.3	7,735.9
Claims incurred and not reported	10,895.2	2,443.4	8,451.7	3,185.3	2,061.5	1,123.8
Claims annuities	3,212.0		3,212.0	3,056.8		3,056.8
Claims adjustment costs	561.7	8.7	553.0	590.9	9.9	581.0
<b>Total closing balance, December 31</b>	<b>18,460.8</b>	<b>5,620.6</b>	<b>12,840.1</b>	<b>16,978.1</b>	<b>4,480.7</b>	<b>12,497.4</b>
<b>Carrying amount at year-end</b>	<b>19,424.7</b>	<b>5,696.9</b>	<b>13,727.7</b>	<b>17,860.3</b>	<b>4,594.6</b>	<b>13,265.7</b>



**NOTE 38 DEFERRED TAX ASSETS AND TAX LIABILITIES**

Reported deferred tax assets and liabilities are attributable to the following:

	Net		Liabilities		Assets	
	2007-12-31	2006-12-31	2007-12-31	2006-12-31	2007-12-31	2006-12-31
Land and buildings	335.5	224.4	335.5	224.2	–	–
Other financial investment assets	269.3	657.7	275.7	659.7	–6.4	–2.0
Receivables	–	0.8	–	–	–	0.8
Other assets	–0.6	13.5	–	13.5	–0.6	–
Liabilities	–62.7	–26.5	–8.3	–4.8	–54.3	–21.7
Utilization of loss carryforwards	–1.1	–368.8	–	–	–1.1	–368.8
Untaxed reserves	621.4	503.4	621.4	503.4	–	–
<b>Deferred tax assets (-) /deferred tax liabilities (+)</b>	<b>1,161.7</b>	<b>1,004.3</b>	<b>1,224.2</b>	<b>1,396.0</b>	<b>–62.5</b>	<b>–391.7</b>
Netting	–	–	–48.6	–383.2	48.6	383.2
<b>Net deferred tax assets (-) /deferred tax liabilities (+)</b>	<b>1,161.7</b>	<b>1,004.3</b>	<b>1,175.6</b>	<b>1,012.9</b>	<b>–13.9</b>	<b>–8.5</b>

The Group has no temporary differences with tax effects in Group or associated companies.

Deferred tax assets have been reported for loss carryforwards.

**Change in deferred tax in temporary differences and loss carryforwards**

	Amount at Jan. 1	Reported in income statement	Reported directly against share- holders' equity	Amount at Dec. 31
Land and buildings	224.2	77.4	33.8	335.4
Other financial investment assets	657.7	–393.0	4.6	269.3
Receivables	0.8	–0.6	–0.1	0.0
Other assets	13.5	–14.1	–	–0.6
Liabilities	–26.5	–32.9	–3.3	–62.7
Utilization of loss carryforwards	–368.8	367.6	–	–1.2
Untaxed reserves	503.4	118.0	–	621.4
<b>Deferred tax assets (-) /tax liabilities (+)</b>	<b>1,004.3</b>	<b>122.4</b>	<b>35.0</b>	<b>1,161.7</b>

**NOTE 39 OTHER PROVISIONS**

	Dec. 31, 2007	Dec. 31, 2006
Provision for pensions being paid	48.4	53.3
Provisions for early retirement in accordance with pension agreement	50.7	50.1
Provision for contractual obligations	167.0	143.4
Other provisions	17.3	17.6
	<b>283.4</b>	<b>264.3</b>
<b>Provision for contractual obligations</b>		
Carrying amount at the beginning of the period	143.4	4.3
Provisions made during the period	25.0	140.0
Amounts utilized during the period	–1.0	–
Unutilized amounts that were reversed during the period	–0.4	–0.9
<b>Carrying amount at the end of the period</b>	<b>167.0</b>	<b>143.4</b>

**Defined-benefit pension plans**

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The conditions for this plan are such that approximately 65% of the pensionable salary at the age of 62 is received as a pension.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities.

In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	Dec. 31, 2007	Dec. 31, 2006
Present value of wholly or partly funded commitments	15.2	16.7
Fair value of plan assets	–23.9	–24.3
Present value of unfunded commitments	98.6	101.3
<b>Present value of net commitments</b>	<b>89.9</b>	<b>93.7</b>
Unrecognized accumulated actuarial gains (+) and losses (–)	6.5	1.3
<b>Net amount reported pertaining to defined-benefit plans in the balance sheet</b>	<b>96.4</b>	<b>95.0</b>
<b>The net amount is reported in the following items in the balance sheet:</b>		
Other provisions	104.8	103.1
Other receivables	–8.4	–8.1
	<b>96.4</b>	<b>95.0</b>

	2007	2006
<b>Change in net liability reported in the balance sheet</b>		
Opening liability, January 1	95.0	40.9
Pension expenses for the year according to specification below	7.1	58.2
Paid remuneration	–7.8	–6.3
Paid funds (reimbursement)	2.1	2.2
<b>Closing net, December 31 according to the balance sheet</b>	<b>96.4</b>	<b>95.0</b>

NOTE 39 OTHER PROVISIONS, cont.

	2007	2006
<b>Changes in present value of unfunded commitments</b>		
Commitments for unfunded plans, January 1	101.3	47.0
Costs for service during current period	3.8	1.8
Costs for service in prior periods	–	55.4
Interest expense	3.7	1.5
Paid remuneration	–5.7	–4.1
Actuarial gains (–) and losses (+)	–4.5	–0.3
<b>Commitments for unfunded plans, December 31</b>	<b>98.6</b>	<b>101.3</b>
<b>Changes in present value of wholly or partly funded commitments</b>		
Commitments for wholly or partly funded plans, January 1	16.7	19.1
Costs for service during current period	0.0	0.0
Costs for service in prior periods	0.0	0.0
Interest expense	0.6	0.6
Paid remuneration	–2.0	–2.2
Actuarial gains (–) and losses (+)	–0.1	–0.8
<b>Commitments for wholly or partly funded plans, December 31</b>	<b>15.2</b>	<b>16.7</b>
<b>Changes in total present value for defined-benefit plans</b>		
Commitments for defined-benefit plans, January 1	118.0	66.1
Costs for service during current period	3.8	1.8
Costs for service in prior periods	–	55.4
Interest expense	4.3	2.1
Paid remuneration	–7.7	–6.3
Actuarial gains (–) and losses (+)	–4.6	–1.1
<b>Total commitments for defined-benefit plans, December 31</b>	<b>113.8</b>	<b>118.0</b>
<b>Change in fair value of plan assets</b>		
Fair value of plan assets, January 1	24.3	25.2
Paid remuneration (reimbursement)	–2.0	–2.2
Expected return on plan assets	1.0	1.1
Difference between expected and actual return (actuarial gains/losses)	0.6	0.2
<b>Fair value of plan assets, December 31</b>	<b>23.9</b>	<b>24.3</b>
<b>Composition of plan assets</b>		
Participations in fixed-income funds	20.9	20.4
Cash and bank balances	3.1	2.9
Other assets	6.5	6.0
Liabilities	–6.6	–5.0
<b>Total</b>	<b>23.9</b>	<b>24.3</b>
<b>Expenses reported in the income statement</b>		
Expenses pertaining to service during current period	3.8	1.8
Expenses for service during prior periods	2.1	55.4
Interest expense	2.2	2.1
Expected return on plan assets	–1.0	–1.1
Reported actuarial gains (–) and losses (+)	0.0	0.0
Effects of reductions and settlements	0.0	0.0
<b>Total net expenses in the income statement</b>	<b>7.1</b>	<b>58.2</b>
<b>Expenses are reported in the following lines in the income statement</b>		
Personnel costs	7.1	58.2
Actual return on plan assets	0.7	0.5

	2007	2006
<b>Significant calculation assumptions on December 31</b>		
Discount rate	4.2%	3.6%
Expected return on plan assets	4.3%	5.0%
Expected rate of salary increase	2.6%	2.6%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%
<b>Historic information:</b>		
Present value of defined-benefit commitments	113.8	118
Fair value of plan assets	–23.9	–24.3
Surplus/Deficit in the plan	89.9	93.7
Experience-based adjustment pertaining to plan assets	1.3	–0.4
Experience-based adjustment pertaining to defined-benefit commitments	1.4	–1.4

**Defined-contribution pension plans**

These pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are reported as expenses during the period when the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are reported here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements on defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are reported as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2007	2006
Expenses for defined-contribution plans	168.1	164.4

NOTE 40 ISSUED SECURITIES

	Dec. 31, 2007	Dec. 31, 2006
Commercial papers	6,557.9	3,603.6
Bond loans	42,041.6	30,325.9
Cashier's checks issued	216.0	398.1
Fair value changes of the hedged items in portfolio hedge of interest-rate risk	–215.5	–45.6
	<b>48,600.1</b>	<b>34,282.1</b>

NOTE 41 DEPOSITS AND BORROWING FROM THE PUBLIC

	Dec. 31, 2007	Dec. 31, 2006
Deposits from the public	–	437.3
Deposits from insurance companies	3,412.6	1,702.3
Deposits from households	24,308.5	19,561.4
Deposits from other Swedish public	1,629.6	1,758.4
	<b>29,350.7</b>	<b>23,459.4</b>

**NOTE 42 LIABILITIES TO CREDIT INSTITUTIONS**

	Dec. 31, 2007	Dec. 31, 2006
Bank of Sweden	343.0	–
Other Swedish credit institutions	364.2	351.0
	<b>707.2</b>	<b>351.0</b>

**NOTE 43 OTHER LIABILITIES**

	Dec. 31, 2007	Dec. 31, 2006
Liabilities pertaining to direct insurance	365.5	337.1
Liabilities pertaining to reinsurance	428.6	479.1
Deposits from reinsurers	52.1	51.2
Liabilities mutual funds	–	90.0
Accounts payable	188.4	192.4
Other liabilities	2,194.4	851.5
<b>Total other liabilities</b>	<b>3,228.9</b>	<b>2,001.3</b>

All liabilities are due for payment within 12 months after the balance-sheet date.

**NOTE 44 ACCRUED EXPENSES AND DEFERRED INCOME**

	Dec. 31, 2007	Dec. 31, 2006
Prepaid rent	–	235.4
Accrued interest expense	1,148.0	587.5
Other deferred income	407.4	60.3
Other accrued expenses	593.1	574.1
<b>Total accrued expenses and deferred income</b>	<b>2,148.6</b>	<b>1,457.3</b>

All accrued expenses and deferred income are due for payment within 12 months after the balance-sheet date.

**NOTE 45 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

	Dec. 31, 2007	Dec. 31, 2006
<b>Pledged assets</b>		
Lien for own property, par value	114.69	0.4
Total registered investment assets on behalf of policyholders	13,802.2	14,364.7
of which pertain to preferential commitments	3,212.0	3,056.8
Bonds	2,450.9	781.5
Shares	165.5	–
Bank balances	24.0	24.0
	<b>16,557.4</b>	<b>15,170.7</b>
<b>Contingent liabilities</b>		
Guarantees	44.8	57.2
Surety	12.0	12.0
Partnership in Utile Dulci 2 HB	84.4	–
Partnership in Länsförsäkringsbolagens Fastighets HB Humlegården	0.7	22.4
Early retirement at age of 62 in accordance with pension agreement, 80%	275.3	247.4
Other contingent liabilities	–	41.9
	<b>417.2</b>	<b>380.9</b>
<b>Other commitments, banking operations</b>		
Loans and credits granted but not disbursed	457.2	396.9
Unutilized portion of credits	1,428.9	1,163.0
Exchange-rate related contracts	9,361.9	14,297.8
Interest-rate swaps	44,772.5	19,940.0
	<b>56,020.6</b>	<b>35,797.8</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.

Registered assets follow the regulations stipulated in Chapter 7, Section 11 of the Swedish Insurance Business Act. In the event of insolvency, the policyholders have a priority right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act.

**NOTE 46 RELATED-PARTY TRANSACTIONS**

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.

Legal entities closely related to the Länsförsäkringar AB Group are considered to be the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länschem Fastighetsförmedling AB, Humlegården Fastigheter AB, 24 regional insurance companies with subsidiaries and the 14 local insurance companies. Related key persons are Board members and senior managers and their close family members.

**Principles for transactions**

Transactions between closely related parties occur mainly as transactions of a non-recurring 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 market standards and terms.

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 target process. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance 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, decides on the respective Group unit's or service center's price list for goods and services.

**Documentation**

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

#### NOTE 46 RELATED-PARTY TRANSACTIONS, cont.

##### Related-party transactions in the Group 2007

###### *Regional insurance companies and local insurance companies*

Länsförsäkringar AB is wholly owned by the 24 regional insurance companies with subsidiaries and 14 local insurance companies. A large portion of the Group's customer contact takes place through the regional insurance companies and the local insurance companies. Remuneration for the mediation of the Länsförsäkringar AB Group's insurance products is regulated in commission agreements between these parties. Commission is also paid to regional insurance companies for their work with Länsförsäkringar Bank's, Länsförsäkringar Hypotek's and Länsförsäkringar Fondförvaltning's customer-related issues in the geographical area of operations of each regional insurance company. The assignment, associated issues and remuneration are regulated in partnership agreements signed by the parties. This solution creates a unique local presence and market awareness.

Länsförsäkringar AB Group manages and reconciles the Länsförsäkringar Alliance's internal and external reinsurance. The Group also carries 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, product and concept development and the development of IT support and other IT services.

###### *Länsförsäkringar Mäklarservice AB*

Länsförsäkringar Mäklarservice AB is jointly owned by the regional insurance companies and Länsförsäkringar Sak. The company mediates the Länsförsäkringar AB Group's insurance products through a number of regional broker desks.

###### *Humlegården Fastigheter AB*

Humlegården Fastigheter AB is 50% owned by Länsförsäkringar Liv and 50% by Humlegården Holding I AB, which in turn is owned by a number of regional insurance companies. Large portions of the Länsförsäkringar AB Group's property portfolio are administered by Humlegården Fastigheter AB.

###### *Länsförsäkringar Liv Försäkrings AB*

Länsförsäkringar Liv Försäkrings AB is wholly owned by the Länsförsäkringar AB Group. The operations are conducted in accordance with mutual principles and, accordingly, are not consolidated in Länsförsäkringar AB.

On January 1, 2007, Länsförsäkringar Sak and its subsidiary Länsförsäkringar Grupplivförsäkrings AB took over an insurance portfolio from Länsförsäkringar Liv Försäkrings AB. The transfer pertains to an insurance portfolio of medical and accident insurance for adults, group medical and group accident insurance to Länsförsäkringar Sak and an insurance portfolio of group life assurance and employment group life assurance to Länsförsäkringar Grupplivförsäkrings AB. The Swedish Financial Supervisory Authority approved the transfer of the insurance portfolios. The total purchase price for the portfolio transfer amounted to SEK 240 M.

The Länsförsäkringar AB Group also has commission agreements for mediated fund transactions with the Länsförsäkringar Liv Group. Länsförsäkringar Liv Försäkrings AB purchases IT services from the Länsförsäkringar AB Group.

##### Related-party transactions 2007

	Sales/income	Purchases/ expenses	Receivables	Liabilities
<b>Associated companies</b>	0.0	256.0	0.0	–
<b>Länsförsäkringar Liv Group</b>	485.6	9.7	577.6	40.9
<b>Owners</b>				
Regional insurance companies	1,300.6	572.7	4,515.3	8,040.2
<b>Other related parties</b>				
Länsförsäkringar Mäklarservice AB, Länshem Fastighetsförmedling AB, Humlegården Fastigheter AB	20.4	4.5	2.2	–

Receivables from and liabilities to regional insurance companies include technical reserves.

##### Interest income and interest expense from related parties 2007

	Interest income	Interest expense
Associated companies	–	11.8
Regional insurance companies	1.7	58.3

##### Related-party transactions 2006

	Sales/income	Purchases/ expenses	Receivables	Liabilities
<b>Associated companies</b>	–	6.1	675.7	0.0
<b>Länsförsäkringar Liv Group</b>	460.2	201.9	35.1	471.3
<b>Owners</b>				
Regional insurance companies	1,100.2	515.2	3,889.9	6,221.7
<b>Other related parties</b>				
Länsförsäkringar Mäklarservice AB, Länshem Fastighetsförmedling AB, Humlegården Fastigheter AB	15.4	0.8	0.8	0.6

Receivables from and liabilities to regional insurance companies include technical reserves.

##### Interest income and interest expense from related parties 2006

	Interest income	Interest expense
Länsförsäkringar Liv Group	–	35.0
Regional insurance companies	1.5	29.7

##### The Länsförsäkringar AB Group's agreements with related parties

Agreement	Counterparty	Date
Agreement regarding transfer of insurance portfolio	Länsförsäkringar Liv AB	January 2007
Framework IT agreement regarding appendices for production, life-cycle management, orders, projects and assignments	Länsförsäkringar Liv AB	March 2004
Agreement regarding commission for mediated fund transactions	Länsförsäkringar Fondliv AB	January 2005
Agreement regarding commission for mediation of insurance products	24 regional insurance companies	November 2006
Commission and outsourcing agreement regarding customer-related work in banking and fund operations	24 regional insurance companies	May 2005
Sales agreement	Länsförsäkringar Mäklarservice AB	Under negotiation
Insurance agreement regarding Utile Dulci 2 HB	Humlegården Fastigheter AB	October 2007

##### Transactions between the Länsförsäkringar AB Group and its Board and management

For information regarding remuneration to closely related key persons such as Board members and senior executives refer to Note 13 Employees, personnel costs and remuneration to senior executives. No additional transactions take place between these persons or their related parties other than normal customer transactions.

For the Länsförsäkringar Liv Group transactions with related parties, refer to the Länsförsäkringar Liv Försäkringsaktiebolag's 2007 Annual Report.

**NOTE 47 GROUP COMPANIES**

Holding in directly and indirectly owned subsidiaries	Registered office of subsidiary, country	Participating interest in %	
		Dec. 31, 2007	Dec. 31, 2006
Länsförsäkringar IT Center AB	Sweden	100	100
LF Gruppen AB, dormant	Sweden	100	100
Länsförsäkringar Bank AB (publ)	Sweden	100	100
Länsförsäkringar Fondförvaltning AB (publ)	Sweden	100	100
Länsförsäkringar Hypotek AB	Sweden	100	100
Wasa Kredit AB	Sweden	100	100
Länsförsäkringar Sak Försäkrings AB (publ)	Sweden	100	100
Länsförsäkringar International AB	Sweden	100	100
Länsförsäkringar Grupplivförsäkrings AB	Sweden	100	100
Lita Försäkringsvarumärken AB, dormant	Sweden	75	75
LF Sak Fastighets AB	Sweden	100	100
Utile Dulci 2 HB	Sweden	100	100
Försäkringsaktiebolaget Agria (publ)	Sweden	100	100
Agria International Försäkrings AB	Sweden	100	–
PetPartners Plc	UK	100	–
Agera Djurägandeutveckling AB	Sweden	100	100
Vetcare AB	Sweden	100	100
Västerorts Djursjukhus AB	Sweden	100	100
Wasa Försäkring Run-Off AB	Sweden	100	100
Wasa International Försäkrings AB	Sweden	100	100
Återförsäkrings AB Stockholm	Sweden	100	100

Länsförsäkringar Liv is no longer classified as a Group company. Instead, the company belongs to the valuation category of Financial assets available for sale.

Participating interest refers to the share of capital, which corresponds to the number of votes for the total number of shares.

**NOTE 48 SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT**

	2007	2006
<b>Interest paid and dividends received</b>		
Dividends received	115.1	167.0
Interest received	559.7	530.6
Interest paid	–338.0	–523.7
<b>Adjustments for non-cash items</b>		
Less profit share in associated companies	–	2.4
Depreciation/amortization and impairment of assets	134.3	287.1
Unrealized exchange-rate differences	1,096.3	–182.5
Capital gains and losses in assets	–2,103.4	–778.7
Technical reserves after ceded reinsurance	462.1	–456.6
Pension provisions	18.9	54.4
Other provisions	0.2	140.0
Other items not affecting liquidity	–6.1	–27.6
	<b>–397.7</b>	<b>–961.5</b>

2007 2006

**Acquisition of subsidiaries and other business units****Acquired assets and liabilities**

Land and buildings	–	–
Goodwill	164.8	–
Intangible assets	140.1	–
Tangible assets	5.0	–
Operating receivables	68.9	–
Cash and cash equivalents	20.3	–
<b>Total assets</b>	<b>399.1</b>	<b>–</b>
Loans	–	–
Operating liabilities	–65.8	–
<b>Total liabilities and provisions</b>	<b>–65.8</b>	<b>–</b>

Paid purchase price	333.2	–
Less acquired cash and cash equivalents	–20.3	–
<b>Impact on cash and cash equivalents</b>	<b>312.9</b>	<b>–</b>

**Cash and cash equivalents**

Cash and bank balances	6,915.8	3,477.1
------------------------	---------	---------

Cash and cash equivalents were reclassified for accounts in Länsförsäkringar Bank, which reduced cash and cash equivalents by SEK 482.7 M in 2006 and increased net assets in the same amount.

**NOTE 49 EVENTS AFTER BALANCE-SHEET DATE**

In 2007, Länsförsäkringar Sak signed an agreement for the acquisition of insurance operations from the Federation of Swedish Farmers (LRF). The insurance operations comprise individual and group policies for life assurance, medical and accident insurance. The transfer date is expected to be in 2008 once the necessary concessions and permits have been obtained from the Swedish Financial Supervisory Authority. The Swedish Competition Authority has already granted its approval of the transaction.

Länsförsäkringar Sak and Volkswagen Group Sweden signed an agreement effective January 1, 2008 entailing that Länsförsäkringar Sak will underwrite the vehicle-damage guarantee for the vehicles that Volkswagen Group Sweden sells in the Swedish market. The contract period is two years and encompasses about 55,000 cars per year, corresponding to approximately 20% of the new car market.

In 2008, Länsförsäkringar Bank will offer first-lien mortgages for the farmers.

**NOTE 50 SIGNIFICANT ESTIMATES AND ASSESSMENTS**

The company management has discussed the performance, selection and disclosures relating to the Group's significant accounting principles and estimates, and the application of these principles and estimates. Important assessments utilized in the application of the company's accounting principles are described below.

The mutual funds that were established by and are more than 50% owned by the Länsförsäkringar AB Group are included in the consolidated accounts in accordance with IFRS. No holdings of this size existed in the annual accounts for 2007.

Länsförsäkringar AB's holding in Länsförsäkringar Liv is not classified as a holding in a subsidiary in accordance with the definition in IAS 27 and, accordingly, is not consolidated. Länsförsäkringar AB's investments in Länsförsäkringar Liv are reported in accordance with IAS 39 regarding the recognition and valuation of unlisted shares.

Loan losses are primarily assessed at the group-wise level because the loans do not amount to significant amounts individually. The group-wise valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.



#### **NOTE 51 INFORMATION REGARDING THE PARENT COMPANY**

Länsförsäkringar AB is a limited liability company registered in Sweden with its registered offices in Stockholm. The Parent Company has promissory notes registered on the Luxembourg Stock Exchange.

The address of the office is

Tegeluddsvägen 11–13  
SE-106 50 Stockholm

The consolidated accounts 2007 comprise the Parent Company and its subsidiaries. The Länsförsäkringar AB Group also included participations owned in associated companies.

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

#### **NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTINGS**

Listed companies in the EU are to apply international accounting principles in the consolidated accounts from 2005 in accordance with the European Parliament's and the Council of the European Union's Regulation on the application of international accounting standards. Those companies that only have listed promissory notes are not required to apply the new accounting principles prior to the 2007 fiscal year. Länsförsäkringar AB belongs to this category of companies and therefore applies the new regulations to the consolidated accounts from 2007.

Länsförsäkringar AB has identified a number of areas in which differences arise between previously applied accounting principles and IFRS reporting. The impact of each accounting standard on the consolidated accounts is described below.

Comparative figures for 2006 have been adjusted to the new principles. As a result, the opening balances for 2006 have been restated in accordance with IFRS, meaning that the restated figures differ from the amounts previously reported in the financial statements for 2006. Adjustments of opening balances for 2006 are reported in shareholders' equity. Changes in amounts are presented in the following restated consolidated income statement and consolidated balance sheets prepared in accordance with the new presentation format.

After detailed reviews of the effect of the transition to IFRS, individual adjustments were made to pension liabilities and minority interests compared with interim reports in 2007.

#### **IAS 1 Presentation of Financial Statements**

The income statements and balance sheets have a different appearance compared with the previous presentation format stipulated in the Swedish Annual Accounts Act for Insurance Companies. In accordance with IAS 1, income and expenses must be divided by either function or type of cost. The former format of the income statement which was present by business segment is no longer permitted. Expenses for claims adjustment and asset management are included in the new lines personnel costs and administration expenses. Personnel costs were previously included in claims payments and administration expenses in investment income. Commission expenses in the insurance operations are reported together with the bank's commissions on a separate line. Mostly the order of the items in the balance sheet has been changed. The balance sheet is now presented in liquidity order. Furthermore, the Banking Group's assets and liabilities are presented on all applicable lines instead of on only a few as previously was the case.

#### **Consolidation of Utile Dulci**

In accordance with previously applicable regulations, Länsförsäkringar AB has reclassified the holding in the associated company Utile Dulci to a holding in a subsidiary from January 1, 2006.

On that date, Länsförsäkringar AB had a controlling influence in Utile Dulci despite the company's participating interest being lower than 50%. This was taken into consideration in the 2006 Annual Report.

#### **IFRS 3 Business Combinations**

The participating interest in Utile Dulci rose from 70% to 100% through successive acquisitions in 2006. The goodwill arising in conjunction with these acquisitions was rebuked against profit brought forward in the transition to IFRS.

Minority interests' portion of surpluses in owner-occupied property and accompanying tax effects were added to the opening balance on January 1, 2006.

#### **IFRS 4 Insurance Contracts**

A review of all insurance contracts was performed to determine if they can be reported as insurance contracts in accordance with IFRS 4 Insurance Contracts or if they are to be reported in a different manner, for example as financial instruments. The results of the review were that all of the Group's non-life insurance policies were identified as insurance contracts in accordance with IFRS 4. Accordingly, these contracts can be reported in the same manner as previously.

#### **IAS 16 Property, Plant and Equipment**

Länsförsäkringar AB previously reported all property, included such property as utilized in the company's own operations, at fair value with changes in value recognized in the income statement. In the application of IFRS, the regulations of IAS 16 are to be applied to owner-occupied property, for which Länsförsäkringar AB has chosen to report such property in accordance with the revaluation method. The revaluation method entails that increases in fair value are reported directly against shareholders' equity in the revaluation reserve instead of in the income statement as previously. The unrealized changes in value reported in the income statement in 2006 have been reversed and instead are reported in the adjusted comparative figures directly against shareholders' equity. Depreciation on the revalued amount is reported in the income statement; no depreciation previously took place.

Owner-occupied property is depreciated in accordance with the regulations for component depreciation. This means that the properties are divided into a number of components that are depreciated following depreciation plans that reflect the various expected useful lives of the assets. Owner-occupied property is valued at fair value on the balance-sheet date. Differences between the carrying amount, impacted by component depreciation, and fair value are reported against the revaluation reserve in shareholders' equity. If the fair value on the balance-sheet date leads to a decrease in value, the asset's portion in the revaluation reserve is initially reduced. Any addition requirements for downward adjustments to the value of the asset are reported as impairment in the income statement.

The regulations for capitalization have also been changed. According to IFRS, all additional expenses after the acquisition date are reported as an increase in the value of the property to the extent that the additional expense pertains to the replacement of whole or parts of identified components or if new components are created. Previously, only value-enhancing expenses in relation to the performance level that the asset had when it was originally acquired were capitalized. As previously, repairs are expenses in the periods in which they arise.

#### **IAS 19 Employee Benefits**

The regulations in IAS 19 primarily affect the reporting of defined-benefit pension plans. Such pension plans were previously reported in accordance with Swedish regulations and recommendations. IAS 19 entails that the defined-benefit plans are reported in a more standardized manner for the entire Group. The only method permitted for determining the present value of the pension commitments is the Projected Unit Credit Method (PUCM). This method is also sometimes referred to as Benefit/years of service method and entails that each period of service is considered to give rise to an additional unit to the total final commitment. Furthermore, IAS 19 requires significantly more detailed disclosures in the note than previous regulations. The effect in the balance sheet on January 1, 2006 was that the net liability of the pension commitments declined slightly and that a new receivable from a pension foundation arose.

#### **IAS 27 Consolidated and Separate Financial Statements**

The new presentation format where expenses and income are more clearly reported at gross amounts has led to the elimination of many intra-Group items, such as service transactions, bank accounts and internal leases, from the consolidated accounts.

Internal bank accounts in Länsförsäkringar Bank are reported as internal liabilities or receivables that are eliminated in the consolidated accounts instead of as previously as cash and cash equivalents and liabilities.

Acquired earnings are no longer reported as a deduction in the income statement. Instead, minority interests' share of net profit for the year is included.

## NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

The shareholding in Länsförsäkringar Liv Försäkrings AB does not come under the definition of subsidiaries in accordance with IAS 27 and instead is treated as an investment in unlisted shares reported in accordance with IAS 39. Similar to previous years, no consolidation subsequently takes place.

The mutual funds that were established by the Länsförsäkringar AB Group and accordingly in which the Group is deemed to exercise a controlling influence are included in the consolidated accounts in accordance with IFRS if the participating interest exceeds 50%.

### IAS 28 Investments in Associates

Länsförsäkringar AB previously reported the tax on the reported profit of associated companies in the Group separately. After the transition to IFRS, profit shares in associated companies are reported less tax, which is why previous amounts in the tax line have been removed.

### IAS 39 Financial Instruments: Recognition and Measurement

A review of the classification and valuation of financial instruments was also performed. To the extent that financial instruments are valued at fair value, which is also the main principle applied to assets in the future, unrealized changes in value will also in the future primarily be reported in the income statement. However, there are a number of financial instruments in the banking operations that are valued at fair value, but where changes in values are instead reported directly against shareholders' equity. The current buying-rate on the balance-sheet date is now used in the valuations of fair

value, instead of the price paid as previously, and transaction costs are now immediately expensed.

Länsförsäkringar AB previously applied hedge accounting at acquisition cost, which meant that the reporting principle of the hedged item, which was amortized cost, governed the valuation of the hedging instrument that was also valued at amortized cost. After the transition to IFRS, derivatives will be valued and reported at fair value. To provide a true and fair view of the financial risk management in the Group, the hedging models hedging at fair value and cash-flow hedging will be applied in the future. For hedging at fair value, the hedged item is revalued at fair value as regards the hedged risk. Changes in values are reported in the income statement for both the hedged item and the hedging instrument. For cash-flow hedging, changes in the fair value of the hedging instrument are reported against the fair value reserve in shareholders' equity instead of in the income statement.

Interest income on doubtful receivables is reported based on the effective interest method, calculated on the original effective interest rate, while the value of the loan in conjunction with impairment is calculated on the present value of future cash flows.

In conjunction with the transition, corrections were made to interest compensation, which is now recognized in income in its entirety as net profit/loss from financial items at fair value when payments are received from borrowers. Interest compensation was previously reported as interest income allocated over the term of the loan.

Expenses charged for credit granting were reclassified to interest income from commission revenue. Fees in conjunction with borrowing will be reported as interest expense over the term of the issued security.

## Impact on earnings in conjunction with transition to IFRS for the period January 1, 2006 – December 31, 2006

Consolidated income statement, 2006	Before IFRS adjustments			Adjustments						According to IFRS
	Bank	Insurance and other	Total	IFRS 3	IAS 16	IAS 19	IAS 27	IAS 28	IAS 39	
<b>Income statement</b>										
Premiums earned before ceded reinsurance		4,036.5	4,036.5							4,036.5
Reinsurers' portion of premiums earned		-1,928.9	-1,928.9							-1,928.9
<b>Premiums earned after ceded reinsurance</b>		<b>2,107.7</b>	<b>2,107.7</b>							<b>2,107.7</b>
Interest income	2,572.8		2,572.8						6.4	2,579.2
Interest expense	-1,650.9		-1,650.9				8.6		-1.1	-1,643.5
<b>Net interest income</b>	<b>921.8</b>		<b>921.8</b>				<b>8.6</b>		<b>5.3</b>	<b>935.7</b>
Investment income, net <sup>1)</sup>	4.5	1,165.6	1,170.1		-181.3		-105.8	-0.7	16.1	898.4
Commission revenue	797.3	125.9	923.2						-21.9	901.3
Other operating income	111.2	3,002.1	3,113.3				-1,539.6			1,573.7
<b>Total operating income</b>	<b>1,834.8</b>	<b>6,401.3</b>	<b>8,236.1</b>		<b>-181.3</b>		<b>-1,636.9</b>	<b>-0.7</b>	<b>-0.5</b>	<b>6,416.6</b>
Claims payments before ceded reinsurance <sup>2)</sup>		-2,861.1	-2,861.1							-2,861.1
Reinsurers' portion of claims payments		1,517.0	1,517.0							1,517.0
<b>Claims payments after ceded reinsurance</b>		<b>-1,344.1</b>	<b>-1,344.1</b>							<b>-1,344.1</b>
Commission expense	-809.5	-255.0	-1,064.5						1.1	-1,063.4
Personnel costs	-273.2	-1,037.8	-1,311.0			-3.1				-1,314.1
Other administration expenses <sup>3)</sup>	-513.9	-2,764.6	-3,278.5				1,583.4			-1,695.1
Loan losses	-37.2		-37.2						-0.6	-37.8
Other expenses <sup>4)</sup>		-141.3	-141.3	0.5						-140.8
<b>Total expenses</b>	<b>-1,633.9</b>	<b>-5,542.8</b>	<b>-7,176.6</b>	<b>0.5</b>		<b>-3.1</b>	<b>1,583.4</b>		<b>0.5</b>	<b>-5,595.4</b>
<b>Operating profit</b>	<b>200.9</b>	<b>858.5</b>	<b>1,059.5</b>	<b>0.5</b>	<b>-181.3</b>	<b>-3.1</b>	<b>-53.5</b>	<b>-0.7</b>	<b>-</b>	<b>821.3</b>
<b>Tax</b>			<b>-270.2</b>		<b>50.8</b>	<b>0.9</b>	<b>15.0</b>	<b>0.7</b>		<b>-202.9</b>
<b>Net profit for the year</b>			<b>789.2</b>	<b>0.5</b>	<b>-130.6</b>	<b>-2.2</b>	<b>-38.5</b>	<b>-</b>	<b>-</b>	<b>618.4</b>
Profit attributable to Parent Company's shareholders			789.2	0.5	-130.6	-2.2	-			656.9
Loss attributable to minority interests							-38.5			-38.5

<sup>1)</sup> Includes Investment income, income/expenses and Unrealized gains/losses on investment assets from both Non-technical reporting and Technical reporting of life-assurance operations. However, operating expenses for asset and property management are not included (expenses of SEK 84.9 M and SEK 0.6 M respectively).

<sup>2)</sup> Excluding claims adjustment costs.

<sup>3)</sup> Includes claims adjustment costs of SEK 228.0 M, asset management expenses of SEK 84.9 M and property management expenses of SEK 0.6 M.

<sup>4)</sup> Includes goodwill at an expense of SEK 0.5 M.

NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

Financial position in conjunction with transition to IFRS, December 31, 2006

Consolidated balance sheet	According to 2006 Annual Report	New presentation format	Before IFRS-adjustments	Comments
<b>Assets according to new presentation format</b>				
Goodwill	55.0		55.0	
Other intangible assets	79.5	143.6	223.1	From other receivables and assets, Banking Group
Deferred tax assets	6.9		6.9	
Tangible assets	71.8	7.6	79.4	From other receivables and assets, Banking Group
Owner-occupied property		2,291.0	2,291.0	From land and buildings
Shares in Länsförsäkringar Liv	452.0		452.0	
Shares and participations in associated companies	26.9		26.9	
Reinsurers' portion of technical reserves	4,594.6		4,594.6	
Investment property		262.0	262.0	From land and buildings
Lending	55,998.1	-2,113.5	53,884.6	To cash and bank balances
Change in value of hedge portfolios			-	
Shares and participations	7,634.3	9.5	7,643.7	From other receivables and assets, Banking Group
Bonds and other interest-bearing securities	15,446.4		15,446.4	
Derivatives	701.7		701.7	
Other receivables	372.2	24.4		From other loans
		32.0		From deposits with companies that have ceded reinsurance
		294.6		From other receivables and assets, Banking Group
		384.2		From receivables pertaining to direct insurance
		312.5	1,419.9	From receivables pertaining to reinsurance
Prepaid expenses and accrued income	217.5	281.9	499.4	From other receivables and assets, Banking Group
Cash and bank balances	1,773.7	2,113.5		From lending
		72.6	3,959.8	From other receivables and assets, Banking Group
<b>Assets according to former presentation format</b>				
Land and buildings	2,553.0	-2,291.0		To owner-occupied property
		-262.0	-	To investment property
Other loans	24.4	-24.4	-	To other receivables
Deposits with companies that have ceded reinsurance	32.0	-32.0	-	To other receivables
Other receivables and assets, Banking Group	809.9	-143.6		To other intangible assets
		-7.6		To tangible assets
		-9.5		To shares and participations
		-294.6		To other receivables
		-281.9		To prepaid expenses and accrued income
		-72.6	-	To cash and bank balances
Receivables pertaining to direct insurance	384.2	-384.2	-	To other receivables
Receivables pertaining to reinsurance	312.5	-312.5	-	To other receivables
<b>Total assets</b>	<b>91,546.5</b>	<b>-</b>	<b>91,546.5</b>	

In the column "According to 2006 Annual Report," assets in the balance sheet have been defined as lines in the balance sheet according to the new presentation format. Some of the assets in the former format have been divided into several lines in the new format or have been entirely transferred to new lines. The column "Before IFRS adjustments" shows 2006 balance-sheet items in the new presentation format.

NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

Financial position in conjunction with transition to IFRS, December 31, 2006

Consolidated balance sheet	According to 2006 Annual Report	New presentation format	Before IFRS-adjustments	Comments
<b>Shareholders' equity, provisions and liabilities</b>				
<b>Shareholders' equity according to new presentation format</b>				
Share capital		629.8	629.8	From share capital
Other capital contributed		4,801.3	4,801.3	From statutory reserve (former share premium reserve)
Reserves		0.2	0.2	From profit brought forward (translation reserve)
Profit brought forward		0.0		From statutory reserve (remaining statutory reserve)
		1,213.3		From fund for unrealized gains
		187.8		From other restricted reserves
		2,045.4	3,446.6	From profit brought forward
Net profit for the year excluding minority interests		789.2	789.2	From net profit for the year
<b>Shareholders' equity attributable to the Parent Company's shareholders</b>				
	–	9,667.1	9,667.1	
Minority interests	0.0		0.0	
<b>Total shareholders' equity</b>	<b>0.0</b>	<b>9,667.1</b>	<b>9,667.1</b>	
<b>Provisions and liabilities according to new presentation format</b>				
Subordinated debt	114.0		114.0	
Technical reserves	17,860.3		17,860.3	
Deferred tax liabilities	1,018.1		1,018.1	
Other provisions	231.1	17.6		From accrued expenses and deferred income
		13.9	262.6	From other provisions and liabilities, Banking Group
Issued securities	31,921.5			
		2,688.0	34,609.5	From bond loans
Deposits from the public	23,942.1		23,942.1	
Liabilities to credit institutions		351.0	351.0	From liabilities to credit institutions, Banking Group
Derivatives reported as liabilities	324.2		324.2	
Current tax liabilities			–	
Other liabilities	750.1	51.2		From deposits from reinsurers
		292.9		From other provisions and liabilities, Banking Group
		337.1		From liabilities pertaining to direct insurance
		479.1	1,910.3	From liabilities pertaining to reinsurance
Accrued expenses and deferred income	446.1	–17.6		To other provisions
		1,058.7	1,487.2	From other provisions and liabilities, Banking Group
<b>Shareholders' equity according to former presentation format</b>				
Share capital	629.8	–629.8	–	To share capital
Statutory reserve	4,801.3	–4,801.3		(former share premium reserve) To other capital contributed
		0.0	–	(remaining statutory reserve) To profit brought forward
Fund for unrealized gains	1,213.3	–1,213.3	–	To profit brought forward
Other restricted reserves	187.8	–187.8	–	To profit brought forward
Profit brought forward	2,045.7	–0.2		To reserv
		–2,045.4	–	To profit brought forward
Net profit for the year	789.2	–789.2	–	To net profit for the year excluding minority interests
<b>Provisions and liabilities according to former presentation format</b>				
Deposits from reinsurers	51.2	–51.2	–	To other liabilities
Liabilities to credit institutions, Banking Group	351.0	–351.0	–	To liabilities to credit institutions
Other provisions and liabilities, Banking Group	1,365.5	–13.9		To other provisions
		–292.9		To other liabilities
		–1,058.7	–	To accrued expenses and deferred income
Liabilities pertaining to direct insurance	337.1	–337.1	–	To other liabilities
Liabilities pertaining to reinsurance	479.1	–479.1	–	To other liabilities
Bond loans	2,688.0	–2,688.0	–	To issued securities
<b>Total shareholders' equity, provisions and liabilities</b>	<b>91,546.5</b>	<b>–</b>	<b>91,546.5</b>	

In the column "According to 2006 Annual Report," shareholders' equity, provisions and liabilities in the balance sheet have been defined as lines in the balance sheet according to the new presentation format. Some of the items in the former format have been divided into several lines in the new format or have been entirely transferred to new lines. The column "Before IFRS adjustments" shows 2006 balance-sheet items in the new presentation format.

NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

Financial position in conjunction with transition to IFRS, December 31, 2006

Consolidated balance sheet	Before IFRS adjustments	Adjustments						According to IFRS
		IFRS 3	IAS 16	IAS 19	IAS 27	IAS 28	IAS 39	
<b>Assets</b>								
Goodwill	55.0	-55.0						-
Other intangible assets	223.1							223.1
Deferred tax assets	6.9						1.6	8.5
Tangible assets	79.4							79.4
Owner-occupied property	2,291.0							2,291.0
Shares in Länsförsäkringar Liv	452.0							452.0
Shares and participations in associated companies	26.9							26.9
Reinsurers' portion of technical reserves	4,594.6							4,594.6
Investment property	262.0							262.0
Lending	53,884.6							53,884.6
Change in value of hedge portfolios	-						-101.4	-101.4
Shares and participations	7,643.7						-5.3	7,638.4
Bonds and other interest-bearing securities	15,446.4				90.0		-22.7	15,513.7
Derivatives	701.7						168.3	870.0
Other receivables	1,419.9			8.1				1,428.0
Prepaid expenses and accrued income	499.4						37.0	536.4
Cash and bank balances	3,959.8				-482.7			3 477.1
<b>Total assets</b>	<b>91,546.5</b>	<b>-55.0</b>	<b>-</b>	<b>8.1</b>	<b>-392.7</b>	<b>-</b>	<b>77.5</b>	<b>91,184.4</b>
<b>Shareholders' equity, provisions and liabilities</b>								
<b>Shareholders' equity</b>								
Share capital	629.8							629.8
Other capital contributed	4,801.3							4,801.3
Reserves	0.2		119.1				-30.2	89.2
Profit brought forward	3,446.6	-55.5	11.5	6.8			7.9	3,417.2
Net profit for the year excluding minority interests	789.2	0.5	-130.6	-2.2				656.9
<b>Shareholders' equity attributable to the Parent Company's shareholders</b>	<b>9,667.1</b>	<b>-55.0</b>	<b>-</b>	<b>4.6</b>	<b>-</b>	<b>-</b>	<b>-22.3</b>	<b>9,594.3</b>
Minority interests	0.0							0.0
<b>Total shareholders' equity</b>	<b>9,667.1</b>	<b>-55.0</b>	<b>-</b>	<b>4.6</b>	<b>-</b>	<b>-</b>	<b>-22.3</b>	<b>9,594.3</b>
<b>Provisions and liabilities</b>								
Subordinated debt	114.0							114.0
Technical reserves	17,860.3							17,860.3
Deferred tax liabilities	1,018.1			1.8			-7.1	1,012.9
Other provisions	262.6			1.7				264.3
Issued securities	34,609.5						-327.4	34,282.1
Deposits from the public	23,942.1				-482.7			23,459.4
Liabilities to credit institutions	351.0							351.0
Derivatives reported as liabilities	324.2						463.3	787.5
Current tax liabilities	-							-
Other liabilities	1,910.3				90.0		0.9	2,001.3
Accrued expenses and deferred income	1,487.2						-29.9	1,454.3
<b>Total shareholders' equity, provisions and liabilities</b>	<b>91,546.5</b>	<b>-55.0</b>	<b>-</b>	<b>8.1</b>	<b>-392.7</b>	<b>-</b>	<b>77.5</b>	<b>91,184.4</b>



NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

Effect on cash-flow in conjunction with transition to IFRS 2006

	According to 2006 Annual Report	New presentation format, bank	Consolidation Utile Dulci	Adjustments					According to IFRS
				IFRS3	IAS 16	IAS 19	IAS 27	IAS 28	
<b>Operating activities</b>									
Profit before tax	1,059.5			0.5	-181.3	-3.1	-53.5	-0.7	821.3
Adjustments for non-cash items, etc.	-1,412.5	213.5		-0.5	181.3	3.1	53.5	0.0	-961.5
	<b>-353.0</b>	<b>213.5</b>		-	-	-	-	<b>-0.7</b>	<b>-140.2</b>
Tax paid	-0.2							0.7	0.5
<b>Cash flow from operating activities before working capital changes</b>	<b>-353.2</b>	<b>213.5</b>	-	-	-	-	-	-	<b>-139.7</b>
<b>Cash flow from working capital changes</b>									
Increase(-)/Decrease(+) in inventories	0.1								0.1
Investments in investment assets, net	800.3						-17.8		782.5
Increase net assets, banking operations	139.0	-139.0							-
Increase(-)/Decrease(+) in operating receivables	340.6	-9,255.6					-68.8		-8,983.8
Increase(-)/Decrease(+) in operating liabilities	-375.6	10,373.1	-236.3				17.8		9,779.0
<b>Cash flow from operating activities</b>	<b>551.2</b>	<b>1,192.1</b>	<b>-236.3</b>	-	-	-	<b>-68.8</b>	-	<b>1,438.1</b>
<b>Investing activities</b>									
Acquisition of subsidiaries	-188.2		188.2						-
Acquisition/divestment of associated companies	-2.0								-2.0
Acquisition/divestment of intangible assets	-20.4								-20.4
Acquisition of tangible assets	-30.5	-70.0							-100.5
Divestment of tangible assets	8.0								8.0
<b>Cash flow from investing activities</b>	<b>-233.1</b>	<b>-70.0</b>	<b>188.2</b>	-	-	-	-	-	<b>-114.9</b>
<b>Financing activities</b>									
Repayment of debt	-25.0								-25.0
<b>Cash flow from financing activities</b>	<b>-25.0</b>	-		-	-	-	-	-	<b>-25.0</b>
Cash flow for the year	293.1	1,122.1	-48.1				-68.8		1,298.3
Cash and cash equivalents at the beginning of the year	1,480.7	1,063.9	48.1				-413.9		2,178.8
<b>Cash and cash equivalents at year-end</b>	<b>1,773.8</b>	<b>2,186.0</b>	-	-	-	-	<b>-482.6</b>	-	<b>3,477.1</b>

NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

Financial position in conjunction with transition to IFRS, January 1, 2006

Consolidated balance sheet	According to 2005 Annual Report	New presentation format	Before IFRS adjustments	Comments
<b>Assets according to new presentation format</b>				
Goodwill			–	
Other intangible assets	79.4	101.4	180.8	From other receivables and assets, Banking Group
Deferred tax assets	30.9		30.9	
Tangible assets	81.0	12.2	93.1	From other receivables and assets, Banking Group
Owner-occupied property		5.6	5.6	From land and buildings
Shares in Länsförsäkringar Liv	452.0		452.0	
Shares and participations in associated companies	460.7		460.7	
Reinsurers' portion of technical reserves	4,616.6		4,616.6	
Investment property		241.0	241.0	From land and buildings
Lending	48,390.2	–988.3	47,402.0	To cash and bank balances
Change in value of hedge portfolios			–	
Shares and participations	8,178.1	7.5	8,185.6	From other receivables and assets, Banking Group
Bonds and other interest-bearing securities	13,581.0		13,581.0	
Derivatives	208.8		208.8	
Other receivables	784.2	24.8		From other loans
		43.1		From deposits with companies that have ceded reinsurance
		241.2		From other receivables and assets, Banking Group
		294.2		From receivables pertaining to direct insurance
		522.6	1,910.1	From receivables pertaining to reinsurance
Prepaid expenses and accrued income	376.4	188.3	564.7	From other receivables and assets, Banking Group
Cash and bank balances	1,480.7	988.3		From lending
		75.6	2,544.6	From other receivables and assets, Banking Group
<b>Assets according to former presentation format</b>				
Land and buildings	246.6	–5.6		To owner-occupied property
		–241.0	–	To investment property
Other loans	24.8	–24.8	–	To other receivables
Deposits with companies that have ceded reinsurance	43.1	–43.1	–	To other receivables
Other receivables and assets, Banking Group	626.1	–101.4		To other intangible assets
		–12.2		To tangible assets
		–7.5		To shares and participations
		–241.2		To other receivables
		–188.3		To prepaid expenses and accrued income
		–75.6	–	To cash and bank balances
Receivables pertaining to direct insurance	294.2	–294.2	–	To other receivables
Receivables pertaining to reinsurance	522.6	–522.6	–	To other receivables
<b>Total assets</b>	<b>80,477.5</b>	<b>–</b>	<b>80,477.5</b>	

In the column “According to 2005 Annual Report,” assets in the balance sheet have been defined as lines in the balance sheet according to the new presentation format. Some of the assets in the former format have been divided into more than one line in the new format or have been entirely transferred to new lines. The column “Before IFRS adjustments” shows 2006 balance-sheet items in the new presentation format.

NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

Financial position in conjunction with transition to IFRS, January 1, 2006

Consolidated balance sheet	According to 2005 Annual Report	New presentation format	Before IFRS adjustments	Comments
<b>Shareholders' equity, provisions and liabilities</b>				
<b>Shareholders' equity according to new presentation format</b>				
Share capital		629.8	629.8	From share capital
Other capital contributed		4,801.3	4,801.3	From statutory reserve (former share premium reserve)
Reserves			–	
Profit brought forward		0.0		From statutory reserve (remaining statutory reserve)
		832.1		From fund for unrealized gains
		189.6		From other restricted reserves
		2,424.8	3,446.6	From profit brought forward
<b>Shareholders' equity attributable to the Parent Company's shareholders</b>	<b>–</b>	<b>8,877.6</b>	<b>8,877.6</b>	
Minority interests	0.0		0.0	
<b>Total Shareholders' equity</b>	<b>0.0</b>	<b>8,877.6</b>	<b>8,877.6</b>	
<b>Provisions and liabilities according to new presentation format</b>				
Subordinated debt	139.0		139.0	
Technical reserves	18,333.6		18,333.6	
Deferred tax liabilities	716.9		716.9	
Other provisions	42.3	19.2		From accrued expenses and deferred income
		4.3	65.9	From other provisions and liabilities, Banking Group
Issued securities	24,849.8	2,688.0	27,537.8	From bond loans
Deposits from the public	20,738.9		20,738.9	
Liabilities to credit institutions		308.4	308.4	From liabilities to credit institutions, Banking Group
Derivatives reported as liabilities	334.0		334.0	
Current tax liabilities			–	
Other liabilities	1,179.0	56.0		From deposits from reinsurers
		284.4		From other provisions and liabilities, Banking Group
		189.5		From liabilities pertaining to direct insurance
		623.4	2,332.4	From liabilities pertaining to reinsurance
Accrued expenses and deferred income	397.4	–19.2		To other provisions
		714.7	1,092.9	From other provisions and liabilities, Banking Group
<b>Shareholders' equity according to former presentation format</b>				
Share capital	629.8	–629.8	–	To share capital
Statutory reserve	4,801.3	–4,801.3		(former share premium reserve) To other capital contributed
		0.0	–	(remaining statutory reserve) To profit brought forward
Fund for unrealized gains	832.1	–832.1	–	To profit brought forward
Other restricted reserves	189.6	–189.6	–	To profit brought forward
Profit brought forward	2,424.8	–2,424.8	–	To profit brought forward
<b>Provisions and liabilities according to former presentation format</b>				
Deposits from reinsurers	56.0	–56.0	–	To other liabilities
Liabilities to credit institutions, Banking Group	308.4	–308.4	–	To liabilities to credit institutions
Other provisions and liabilities, Banking Group	1,003.4	–4.3		To other provisions
		–284.4		To other liabilities
		–714.7	–	To accrued expenses and deferred income
Liabilities pertaining to direct insurance	189.5	–189.5	–	To other liabilities
Liabilities pertaining to reinsurance	623.4	–623.4	–	To other liabilities
Bond loans	2,688.0	–2,688.0	–	To issued securities
<b>Total shareholders' equity, provisions and liabilities</b>	<b>80,477.5</b>	<b>–</b>	<b>80,477.5</b>	

In the column "According to 2005 Annual Report," shareholders' equity, provisions and liabilities in the balance sheet have been defined as lines in the balance sheet according to the new presentation format. Some of the items in the former format have been divided into several lines in the new format or have been entirely transferred to new lines. The column "Before IFRS adjustments" shows 2006 balance-sheet items in the new presentation format.

NOTE 52 TRANSITION TO IFRS FINANCIAL REPORTING, cont.

Financial position in conjunction with transition to IFRS, January 1, 2006

		Consolidation	Adjustments				Jan. 1, 2006
	Before adjustments,	Utile					according
Consolidated balance sheet	Jan. 1, 2006	Dulci 2 HB	IFRS 3	IAS 19	IAS 27	IAS 39	to IFRS
<b>Assets</b>							
Goodwill	–						–
Other intangible assets	180.8						180.8
Deferred tax assets	30.9						30.9
Tangible assets	93.1						93.1
Owner-occupied property	5.6	1,892.2	201.5				2,099.3
Shares in Länsförsäkringar Liv	452.0						452.0
Shares and participations in associated companies	460.7	–437.4					23.4
Reinsurers' portion of technical reserves	4,616.6						4,616.6
Investment property	241.0						241.0
Lending	47,402.0						47,402.0
Change in value of hedge portfolios	–					115.8	115.8
Shares and participations	8,185.6					–7.2	8,178.3
Bonds and other interest-bearing securities	13,581.0				107.8	–5.3	13,683.6
Derivatives	208.8					430.3	639.1
Other receivables	1,910.1	9.4		7.6			1,927.1
Prepaid expenses and accrued income	564.7					15.6	580.2
Cash and bank balances	2,544.6	48.1			–413.9		2,178.8
<b>Total assets</b>	<b>80,477.5</b>	<b>1,512.3</b>	<b>201.5</b>	<b>7.6</b>	<b>–306.0</b>	<b>549.2</b>	<b>82,441.9</b>
<b>Shareholders' equity, provisions and liabilities</b>							
<b>Shareholders' equity</b>							
Share capital	629.8						629.8
Other capital contributed	4,801.3						4,801.3
Reserves	–					–37.6	–37.6
Profit brought forward	3,446.6		11.5	6.8		7.9	3,472.7
<b>Shareholders' equity attributable to the Parent Company's shareholders</b>	<b>8,877.6</b>	<b>–</b>	<b>11.5</b>	<b>6.8</b>	<b>–</b>	<b>–29.7</b>	<b>8,866.2</b>
Minority interests	0.0	12.0	133.6				145.7
<b>Total shareholders' equity</b>	<b>8,877.6</b>	<b>12.0</b>	<b>145.0</b>	<b>6.8</b>	<b>–</b>	<b>–29.7</b>	<b>9,011.8</b>
<b>Provisions and liabilities</b>							
Subordinated debt	139.0						139.0
Technical reserves	18,333.6						18,333.6
Deferred tax liabilities	716.9		56.4	2.7		–11.5	764.5
Other provisions	65.9			–1.9			64.0
Issued securities	27,537.8					440.8	27,978.6
Deposits from the public	20,738.9				–413.9		20,325.1
Liabilities to credit institutions	308.4						308.4
Derivatives reported as liabilities	334.0					158.4	492.4
Current tax liabilities	–						–
Other liabilities	2,332.4	1,500.2			107.8	1.8	3,942.3
Accrued expenses and deferred income	1,092.9					–10.7	1,082.2
<b>Total shareholders' equity, provisions and liabilities</b>	<b>80,477.5</b>	<b>1,512.3</b>	<b>201.5</b>	<b>7.6</b>	<b>–306.0</b>	<b>549.2</b>	<b>82,441.9</b>

**NOTE 53 VALUATION OF ASSETS AND LIABILITIES AT FAIR VALUE**

	Dec. 31, 2007	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2006
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Shares in Länsförsäkringar Liv Försäkrings AB	461.2	461.2	452.0	452.0
Lending	67,040.0	67,161.7	53,884.6	54,051.4
Change in value of hedge portfolios	-247.7	-247.7	-101.4	-101.4
Shares and participations	6,654.3	6,654.3	7,638.4	7,638.4
Bonds and other interest-bearing securities	21,222.6	21,222.6	15,513.7	15,513.7
Derivatives	1,200.7	1,200.7	870.0	870.0
Other changes	2,641.7	2,641.7	1,428.0	1,428.0
Prepaid expenses and accrued income	769.6	769.6	404.0	404.0
Cash and bank balances	6,915.8	6,915.8	3,477.1	3,477.1
<b>Total financial assets</b>	<b>106,658.2</b>	<b>106,780.0</b>	<b>83,566.5</b>	<b>83,733.3</b>
<b>Financial liabilities</b>				
Subordinated debt	114.0	114.0	114.0	114.0
Securities issued	48,600.1	48,244.3	34,282.1	34,521.8
Deposits from the public	29,350.7	29,977.3	23,459.4	23,504.4
Liabilities to credit institutions	707.2	707.2	351.0	351.0
Derivatives	606.2	606.2	787.5	787.5
Other liabilities	595.5	595.5	505.6	505.6
Accrued expenses and deferred income	1,549.5	1,549.5	559.3	559.3
<b>Total financial liabilities</b>	<b>81,523.2</b>	<b>81,794.0</b>	<b>60,058.9</b>	<b>60,343.6</b>

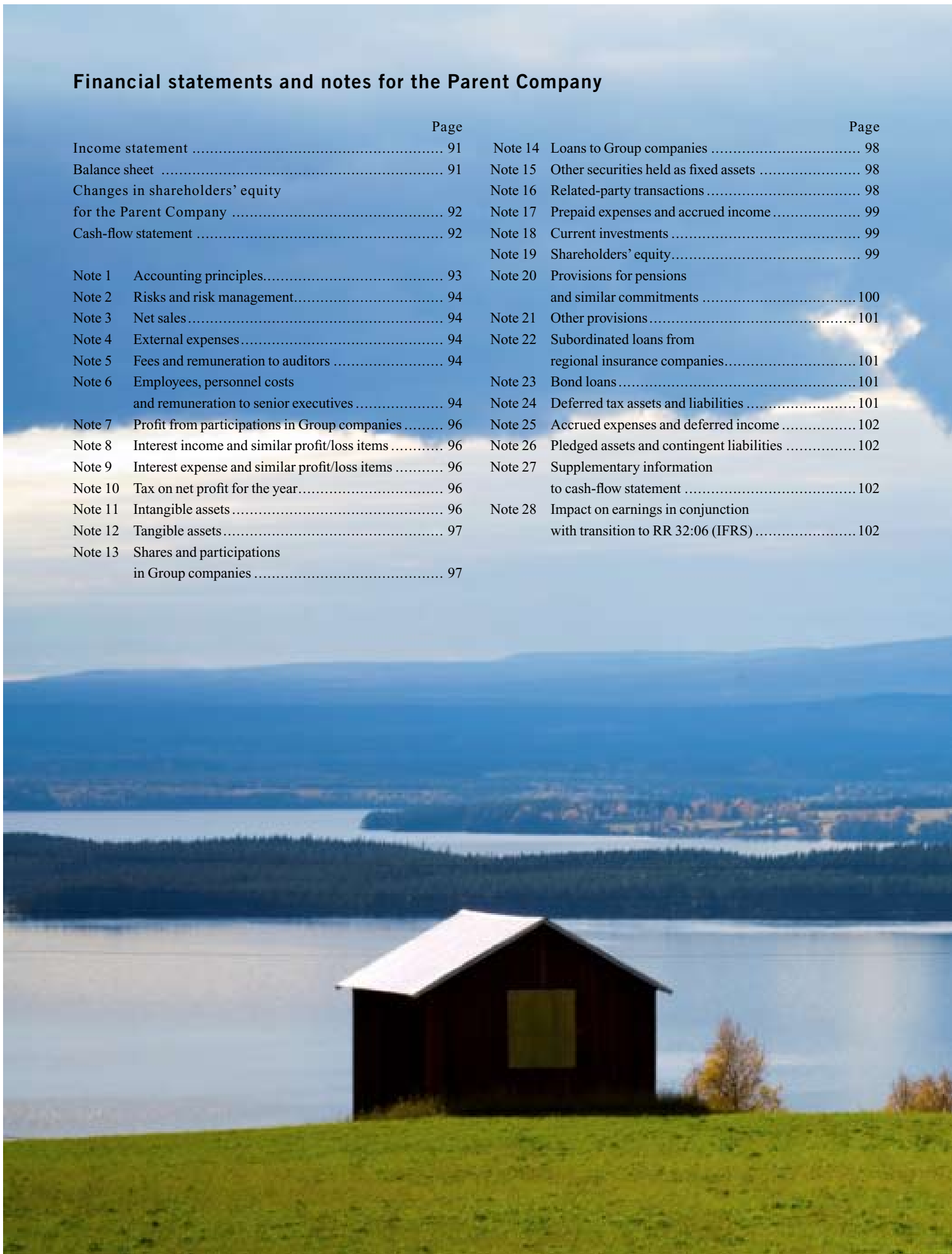
The following methods have been used in the calculation of the fair value of interest-bearing assets and liabilities not valued at fair value in the balance sheet. For interest-bearing assets and liabilities with a one-year fixed-interest period, STIBOR is used as the basis for determining fair value. For fixed-interest periods of more than one year, the swap curve is used as the basis.

For other financial items, it is the company's opinion that the carrying amount essentially reflects the fair value since the remaining term is relatively short.

The fair value of the Parent Company's assets and liabilities is deemed to essentially correspond to the carrying amount due to the short remaining terms.

## Financial statements and notes for the Parent Company

	Page		Page
Income statement .....	91	Note 14 Loans to Group companies .....	98
Balance sheet .....	91	Note 15 Other securities held as fixed assets .....	98
Changes in shareholders' equity for the Parent Company .....	92	Note 16 Related-party transactions .....	98
Cash-flow statement .....	92	Note 17 Prepaid expenses and accrued income .....	99
Note 1 Accounting principles .....	93	Note 18 Current investments .....	99
Note 2 Risks and risk management .....	94	Note 19 Shareholders' equity .....	99
Note 3 Net sales .....	94	Note 20 Provisions for pensions and similar commitments .....	100
Note 4 External expenses .....	94	Note 21 Other provisions .....	101
Note 5 Fees and remuneration to auditors .....	94	Note 22 Subordinated loans from regional insurance companies .....	101
Note 6 Employees, personnel costs and remuneration to senior executives .....	94	Note 23 Bond loans .....	101
Note 7 Profit from participations in Group companies .....	96	Note 24 Deferred tax assets and liabilities .....	101
Note 8 Interest income and similar profit/loss items .....	96	Note 25 Accrued expenses and deferred income .....	102
Note 9 Interest expense and similar profit/loss items .....	96	Note 26 Pledged assets and contingent liabilities .....	102
Note 10 Tax on net profit for the year .....	96	Note 27 Supplementary information to cash-flow statement .....	102
Note 11 Intangible assets .....	96	Note 28 Impact on earnings in conjunction with transition to RR 32:06 (IFRS) .....	102
Note 12 Tangible assets .....	97		
Note 13 Shares and participations in Group companies .....	97		





## Income statement for the Parent Company

SEK M	Note	2007	2006
<b>Net sales</b>	3	1,181.1	1,066.3
<b>Operating expenses</b>			
External expenses	4, 5	-1,087.4	-946.8
Personnel costs	6	-301.8	-291.1
Depreciation/amortization and impairment of tangible and intangible assets		-33.1	-29.0
<b>Operating profit</b>		<b>-241.2</b>	<b>-200.5</b>
Profit from financial items			
Profit from participations in Group companies	7	309.6	1,287.0
Interest income and similar profit/loss items	8	350.5	246.0
Interest expense and similar profit/loss items	9	-301.2	-171.1
<b>Profit after financial items</b>		<b>117.7</b>	<b>1,161.4</b>
Tax on net profit for the year	10	51.6	33.4
<b>Net profit for the year</b>		<b>169.3</b>	<b>1,194.8</b>

## Balance sheet for the Parent Company

SEK M	Note	Dec. 31, 2007	Dec. 31, 2006
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	11		
Capitalized development expenditure		49.1	23.7
		<b>49.1</b>	<b>23.7</b>
<b>Tangible assets</b>	12		
Land and buildings		5.5	5.6
Equipment		61.8	57.4
		<b>67.3</b>	<b>62.9</b>
<b>Financial assets</b>			
Shares and participations in Group companies	13	6,192.0	5,671.4
Loans to Group companies	14	2,310.0	2,210.0
Other securities held as fixed assets	15	461.9	452.0
		<b>8,964.0</b>	<b>8,333.4</b>
<b>Total assets</b>		<b>9,080.4</b>	<b>8,420.0</b>
<b>Current assets</b>			
<b>Inventories</b>		2.9	3.2
<b>Current receivables</b>			
Receivables from Group companies	16	589.9	816.4
Receivables from other related parties	16	239.0	77.0
Other receivables		35.9	105.1
Prepaid expenses and accrued income	17	21.0	24.4
		<b>885.8</b>	<b>1,022.9</b>
Current investments	18	1,421.1	1,711.2
Cash and bank balances		574.8	351.8
<b>Total current assets</b>		<b>2,884.6</b>	<b>3,089.1</b>
<b>Total assets</b>		<b>11,965.0</b>	<b>11,509.1</b>

## Balance sheet for the Parent Company, cont.

SEK M	Note	Dec. 31, 2007	Dec. 31, 2006
<b>Shareholders' equity, provisions and liabilities</b>			
<b>Shareholders' equity</b>	19		
<b>Restricted shareholders' equity</b>			
Share capital		629.8	629.8
Statutory reserve		4,801.3	4,801.3
		<b>5,431.0</b>	<b>5,431.0</b>
<b>Non-restricted shareholders' equity</b>			
Fair value reserve		-14.8	-30.2
Profit brought forward		2,265.7	1,121.3
Net profit for the year		169.3	1,194.8
		<b>2,420.2</b>	<b>2,285.9</b>
<b>Total shareholders' equity</b>		<b>7,851.3</b>	<b>7,716.9</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	20	41.4	41.6
Other provisions	21	11.7	14.6
		<b>53.1</b>	<b>56.1</b>
<b>Long-term liabilities</b>			
Subordinated loans from regional insurance companies	22	114.0	114.0
Bond loans	23	2,834.9	2,693.0
Deferred tax liabilities	24	43.6	15.8
		<b>2,992.5</b>	<b>2,822.8</b>
<b>Current liabilities</b>			
Accounts payable		62.0	46.8
Liabilities to Group companies	16	838.1	622.4
Liabilities to other related parties	16	63.0	62.8
Derivatives reported as liabilities		-	37.4
Other liabilities		5.1	56.4
Accrued expenses and deferred income	25	99.9	87.4
		<b>1,068.1</b>	<b>913.2</b>
<b>Total shareholders' equity, provisions and liabilities</b>		<b>11,965.0</b>	<b>11,509.1</b>
<b>Pledged assets and contingent liabilities</b>	26		
Pledged assets		0.4	0.4
<b>Contingent liabilities</b>			
Warranties		-	10.0
Other contingent liabilities		85.5	80.4

## Summary of changes in the Parent Company's shareholders' equity

SEK M	Restricted shareholders' equity		Non-restricted shareholders' equity			Total shareholders' equity
	Share capital	Statutory reserve	Fair value reserve Hedging reserve	Profit brought forward	Net profit for the year	
Closing shareholders' equity, December 31, 2005	629.8	4,801.3		839.7	96.8	6,367.5
Effect of change in accounting principles			-37.6	-0.6		-38.1
<b>Adjusted opening shareholders' equity, January 1, 2006</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-37.6</b>	<b>839.1</b>	<b>96.8</b>	<b>6,329.4</b>
Appropriation of profits				96.8	-96.8	-
Change in value, cash-flow hedge			10.3			10.3
Group contributions received				257.5		257.5
Tax attributable to items reported against shareholders' equity			-2.9	-72.1		-75.0
Total changes in net wealth reported directly against shareholders' equity, excluding transactions with the company's owners			7.4	185.4		192.8
Net profit for the year					1,194.8	1,194.8
Total changes in net wealth reported, excluding transactions with the company's owners			7.4	185.4	1,194.8	1,387.5
<b>Closing shareholders' equity, December, 31 2006</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-30.2</b>	<b>1,121.3</b>	<b>1,194.8</b>	<b>7,716.9</b>
Appropriation of profits				1,194.8	-1,194.8	-
Change in value, cash-flow hedge			21.4			21.4
Group contributions received				262.4		262.4
Tax attributable to items reported against shareholders' equity			-6.0	-73.5		-79.5
Total changes in net wealth reported directly against shareholders' equity, excluding transactions with the company's owners			15.4	189.0		204,
Net profit for the year					169.3	169.3
Total changes in net wealth reported, excluding transactions with the company's owners			15.4	1,89.0	169.3	373.6
Dividends				-239.3		-239.3
<b>Closing shareholders' equity, December 31, 2007</b>	<b>629.8</b>	<b>4,801.3</b>	<b>-14.8</b>	<b>2,265.7</b>	<b>169.3</b>	<b>7,851.3</b>

## Cash-flow statement for the Parent Company

SEK M	Note	2007	2006	SEK M	Note	2007	2006
<b>Operating activities</b>				<b>Financing activities</b>			
Profit after financial items		117.7	1,161.9	Loans to Group companies		-100.0	-
Adjustments for non-cash items, etc.	27	38.8	-49.0	Change in loans		-	-25.0
		<b>156.5</b>	<b>1,112.8</b>	Dividends		-239.3	-
<b>Cash flow from operating activities before working capital changes</b>		<b>156.5</b>	<b>1,112.8</b>	Group contributions received		262.4	257.5
<b>Cash flow from working capital changes</b>				<b>Cash flow from financing activities</b>		<b>-76.9</b>	<b>232.5</b>
Increase (-)/Decrease (+) in inventories		0.3	0.8	Cash flow for the year		8.4	93.8
Increase (-)/Decrease (+) in operating receivables		-21.3	-242.2	Cash and cash equivalents at the beginning of the year		828.5	734.7
Increase (+)/Decrease (-) in operating liabilities		146.8	268.0	<b>Cash and cash equivalents at year-end</b>		<b>836.9</b>	<b>828.5</b>
<b>Cash flow from operating activities</b>		<b>282.3</b>	<b>1,139.4</b>				
<b>Investing activities</b>				The Parent Company's cash and cash equivalents in Länsförsäkringar Bank		-262.1	-476.7
Shareholders' contribution provided		-541.0	-315.0	<b>Cash and bank balances in the Parent Company's balance sheet</b>		<b>574.8</b>	<b>351.8</b>
Acquisition of intangible assets		-32.2	-13.6				
Acquisition of tangible assets		-36.4	-27.2				
Divestment of shares in subsidiaries		-	1.7				
Sales of assets		5.3	6.1				
Investments in financial assets		407.2	-930.1				
<b>Cash flow from investing activities</b>		<b>-197.1</b>	<b>-1278.1</b>				

Refer also to Note 28 Impact on Earnings in conjunction with Transition to RR 32:06 (IFRS), Cash-flow Statement.

# Notes to the financial statements for the Parent Company

Amounts in SEK M unless otherwise stated

## **NOTE 1 ACCOUNTING PRINCIPLES**

The Parent Company's Annual Report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's Recommendation RR 32:06 Accounting for Legal Entities and with the statements issued by the Council's Emerging Issues Task Force regarding listed companies. The regulations in RR 32:06 entail that the Parent Company is to apply all IFRSs and statements approved by the EU in the annual report for the legal entity as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and the relationship between accounting and taxation. Recommendation RR 32:06 states the exceptions and additions to be made to IFRS.

### **Changed accounting principles**

The Parent Company's changed accounting principles have been reported in accordance with the regulations in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, although the special transitional provisions in RR 32:06 have been taken into account. This means that the accounting principles are reported with retroactive effect.

For the effect of the transition to RR 32:06, refer to Note 28.

### **Differences between the Group's and the Parent Company's accounting principles**

The deviations arising between the Parent Company's and the Group's accounting principles are due to the limitations on the possibility of applying IFRS in the Parent Company as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

The Parent Company applies the same accounting principles as the Group except in the following cases.

### **Classification and presentation format**

The Parent Company's income statement and balance sheet are presented following the format of the Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements that is applied to the presentation of the consolidated financial statements is primarily the reporting of financial income and expenses, assets and shareholders' equity.

### **Subsidiaries and associated companies**

Shares and participations in subsidiaries are reported at acquisition cost less impairment. Participations in associated companies are reported in the Parent Company according to the equity method. Only dividends are reported as income on the condition that such dividends derive from profits earned after the acquisition. Dividends exceeding earned profits are deemed to be a repayment of the investment and reduce the carrying amount of the participation.

## **Income**

Service assignments are reported in the Parent Company in accordance with Chapter 2, Section 4 of the Annual Accounts Act when the service has been completed. Until this time, work in progress pertaining to service assignments is reported at the lowest of acquisition cost and the net selling price on the balance-sheet date.

### **Group contributions and shareholders' contribution for legal entities**

The company reports paid and received Group contributions and shareholders' contributions in accordance with statement URA 7 issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Shareholders' contributions are reported directly against the shareholders' equity of the recipient and are capitalized in shares and participations from the donor to the extent that impairment is not required. Group contributions are recognized according to financial implication. This entails that Group contributions paid and received with the aim of minimizing the Group's total tax are recognized directly against retained earnings after deductions for their actual tax effect.

### **Anticipated dividends**

Anticipated dividends from subsidiaries are reported in those cases where the Parent Company alone has the right to decide on the amount of dividends and where the Parent Company has made a decision on amount of dividends before the Parent Company published its financial statements.

### **Leased assets**

All lease agreements are reported in the Parent Company according to the regulations for operational leasing.

### **Borrowing costs**

Borrowing costs in the Parent Company are charged to earnings for the period to which they are attributable.

### **Property**

Property is reported according to the principle for tangible assets, but without the possibility of applying fair value.

### **Remuneration to employees**

The Parent Company applies different principles for the taxation of defined-benefit plans to those stipulated in IAS 19 Employee Benefits. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirements for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions on future salary increases, and that all actuarial gains and losses are reported in the income statement when they arise.

## NOTE 2 RISKS AND RISK MANAGEMENT

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 Group's insurance companies. At year-end 2007, the Parent Company's holdings of investment shares and mutual fund units amounted to SEK 646 M (948), which corresponds to 10% (12) of the Group's total holdings of investment shares. In addition, the Parent Company has cash and

## NOTE 3 NET SALES

Sales in the Parent Company comprise service income of SEK 1,034.5 M (937.6) and rental income of SEK 146.6 M (128.7) for premises and equipment to companies in the Länsförsäkringar Alliance. The company's sales are reported in the segment "Other operations." A total of 23% (29) of sales comes from companies in the Länsförsäkringar AB Group, 15% (19) from the Life Assurance Group, 60% (51) from regional insurance companies and 2% (1) from external customers.

## NOTE 4 EXTERNAL EXPENSES

	2007	2006
Cost of premises	-178.7	-161.1
Marketing	-241.5	-255.4
Consultants	-180.9	-79.3
Fees to auditors, refer to Note 5	-9.6	-4.1
IT costs	-243.4	-70.7
Printed matter, telephony and postage	-45.3	-49.2
Asset management expenses	-8.2	-7.5
Other expenses	-180.0	-319.4
	<b>-1,087.4</b>	<b>-946.8</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 for operational leasing amounted to SEK 149.9 M (136.4) and leasing income to SEK 136.7 M (119.9). The rental agreements are valid for ten years up to and including December 31, 2016 (2011). Every time that rental agreements are renewed, a basic rent level is established that is subsequently index-lined to the consumer price index. For external tenants paying rent at SEK 3.3 M (5.1), the rental agreement is valid for five years.

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

## NOTE 5 FEES AND REMUNERATION TO AUDITORS

	2007	2006
<b>KPMG Bohlins AB</b>		
– Audit assignment	-1.8	-2.3
– Other assignment	-7.6	-1.6
<b>SET Revisionsbyrå</b>		
– Audit assignment	-0.2	-0.2
	<b>-9.6</b>	<b>-4.1</b>

cash equivalents totaling SEK 1,224 M (1,400) that are invested in bank accounts or short-term money market instruments from issuers with high credit ratings. The bond loan of EUR 300 M raised by the Parent Company has been subject to interest rate and currency hedging through derivative instruments, among others.

In addition to the aforementioned investment assets, the Parent Company's risks derive from the operations of the subsidiaries.

Refer also to the Board of Directors' Report and the Group's Note 2 Risks and Risk Management.

## NOTE 6 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

	2007	2006
<b>Average number of employees, salaried employees, Sweden</b>		
Men	109	105
Women	110	107
<b>Total number of employees</b>	<b>219</b>	<b>212</b>

### Salaries, other remuneration and social security expenses

Salaries and remuneration	130.1	130.3
of which variable remuneration	9.6	6.6
Social security expenses	94.7	100.4
of which pension expenses	42.2	46.6
	<b>224.8</b>	<b>230.7</b>

### Board, President and Executive Vice Presidents

Salaries and remuneration	7.2	7.3
of which salary and other benefits to President and Executive Vice Presidents	5.1	4.9
of which variable salary to President and Executive Vice Presidents	1.2	1.2
Social security expenses	16.9	7.3
of which pension expenses	11.8	4.0
	<b>24.1</b>	<b>14.6</b>

### Total salaries, other remuneration and social security expenses

Salaries and remuneration	137.3	137.6
of which variable remuneration	10.9	7.8
Social security expenses	111.6	107.7
of which pension expenses	53.9	50.6
	<b>248.9</b>	<b>245.3</b>

### Variable remuneration

Variable remuneration is paid to managers who have a bonus agreement. Remuneration is based on attained targets met in accordance with the business plan, the Employee Commitment Index, the leadership index and other individual goals. Variable remuneration is paid in a maximum of one month's salary.

An incentive system is in place that encompasses all employees not included in other bonus agreements. A condition for payment of this remuneration is that the owners' requirements for the return on shareholders' equity in the Group are fulfilled. The maximum amount that can be paid per employee if the conditions are met is determined by the Board each year. One third of the established amount is paid to everyone regardless of individual performance. The payment of two thirds of the determined amount is based on the degree of completion of the individual goals in the target contract. A small number of employees have bonus agreements that may result in one to six months' salaries.

**NOTE 6 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES cont.**

Sickness absence, %	2007	2006
Total of overall working hours	4.4	5.1
Total of overall working hours for men	3.5	4.8
Total of overall working hours for women	5.2	5.4
Absence among employees age 29 or younger	3.9	2.7
Absence among employees age 30-49	3.8	4.7
Absence among employees age 50 or older	5.6	6.6
Percentage pertaining to absence of a consecutive period of 60 days or more	71.1	68.6

**Remuneration to senior executives**

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

Remuneration to the President and other senior executives comprises basic salary, variable salary, other benefits and pension expenses. Other senior executives are the eight persons who, together with the President, comprise the executive management team.

Variable salary is maximized to four months' salary for the President and three months' salary for other senior executives.

Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration.

**Remuneration and other benefits paid during the year to senior executives of Länsförsäkringar AB**

2007	Basic salary	Variable remuneration	Other benefits	Pension expenses	Total	Pension expenses in relation to pensionable salary, %	
						Defined contribution	Defined-benefit
Tommy Persson, President	3.9	1.2	0.0	11.8	16.9	175	69
Ann Sommer, Executive Vice President	2.0	0.4	0.1	0.9	3.3	38	–
Tomas Johansson, Executive Vice President	2.5	0.6	0.1	1.6	4.7	56	–
Hans Jonsson, Board Chairman	0.5	–	–	–	0.5	–	–
Gösta af Petersens, Vice Chairman	0.3	–	–	–	0.3	–	–
Fredrik Waern, Board member	0.2	–	–	–	0.2	–	–
Kajsa Lindstahl, Board member	0.2	–	–	–	0.2	–	–
Ann-Christin Norrström, Board member	0.1	–	–	–	0.1	–	–
Anne-Marie Pålsson, Board member	0.2	–	–	–	0.2	–	–
Ulf W Ericsson, Board member	0.2	–	–	–	0.2	–	–
Anna-Greta Lundh, former Board member	0.1	–	–	–	0.1	–	–
Carina Holmberg, Board member	0.2	–	–	–	0.2	–	–
Other senior executives (8 individuals)	11.9	3.0	0.4	5.5	20.8	39	–
<b>Total 2007</b>	<b>22.3</b>	<b>5.3</b>	<b>0.5</b>	<b>19.8</b>	<b>47.8</b>		
<b>2006</b>							
Tommy Persson, President	3.7	1.2	0.0	4.0	8.9	31	58
Ann Sommer, Executive Vice President	1.9	0.5	0.1	0.6	3.1	26	–
Tomas Johansson, Executive Vice President	2.4	0.7	0.1	1.5	4.6	56	–
Hans Jonsson, Board Chairman	0.6	–	–	–	0.6	–	–
Gösta af Petersens, Vice Chairman	0.2	–	–	–	0.2	–	–
Bengt Ljungqvist, former Board member	0.1	–	–	–	0.1	–	–
Fredrik Waern, Board member	0.2	–	–	–	0.2	–	–
Olav Hytta, tidigare Board member	0.1	–	–	–	0.1	–	–
Kajsa Lindstahl, Board member	0.1	–	–	–	0.1	–	–
Karin Starrin, tidigare Board member	0.1	–	–	–	0.1	–	–
Anne-Marie Pålsson, Board member	0.2	–	–	–	0.2	–	–
Ulf W Eriksson, Board member	0.2	–	–	–	0.2	–	–
Anna-Greta Lundh, Board member	0.2	–	–	–	0.2	–	–
Carina Holmberg, Board member	0.1	–	–	–	0.1	–	–
Other senior executives (8 individuals)	9.9	2.9	0.4	5.3	18.5	44	–
<b>Total 2006</b>	<b>19.8</b>	<b>5.3</b>	<b>0.5</b>	<b>11.4</b>	<b>37.0</b>		

**Variable remuneration**

Variable remuneration includes bonuses calculated for the fiscal year. Variable remuneration for the President and other senior executives is based on attained targets met in accordance with the business plan, the Employee Commitment Index, leadership index and other individual goals. Other benefits include company car and beneficial interest. Pension expenses are those expenses that affect net profit for the year.

**Pensions**

The retirement age for the President is 60 years. Between the ages of 60 and 65, the pension is a defined-benefit pension and corresponds to 75% of pensionable salary. This portion is secured through pension provisions of SEK 15.6 M (SEK 12.3 M). Pension payable from

the age of 65 is entirely defined-contribution, with the pension premium corresponding to 29% of pensionable salary. Pension expenses for 2007 include a nonrecurring cost for the final pension payment from the age of 65 for the President in the amount of SEK 7.0 M. 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 is 60 or 62. Pensions at the ages of 60, 62 and 65 are defined-contribution pensions and are expected to be paid at approximately 70% of pensionable salary. Pension payable from the age of 65 follows the conditions of the pension agreement with FAO (the insurance sector's employers' organization) and the Swedish Union of Insurance Employees (FTF).

**NOTE 6 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION  
TO SENIOR EXECUTIVES cont.**

**Severance pay**

Termination of employment by the company entitles the President and other senior executives 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.

**Preparation and decision-making process applied in relation to the  
issue of remuneration to senior management**

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board of Directors. Remuneration to other senior executives is determined by the President in accordance with the principles for salaries and conditions for senior executives as decided by the Annual General Meeting.

	2007	2006
<b>Loans to senior executives</b>		
Board members	14.5	8.9
President and Executive Vice Presidents	2.6	2.9
	<b>17.1</b>	<b>11.8</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%. 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.

	2007	2006
<b>Percentage of women among senior executives, %</b>		
Board members	33	33
Other senior executives	15	17

**NOTE 7 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES**

	2007	2006
Dividends from subsidiaries	330.0	1,287.0
Impairment of subsidiaries	-20.4	-
	<b>309.6</b>	<b>1,287.0</b>

**NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS**

	2007	2006
Interest income, Group companies	119.0	105.8
Interest income, other	56.0	43.1
Capital gains/losses, shares and participations	159.5	34.0
Unrealized gains, shares and participations	-	55.0
Unrealized gains, interest-bearing securities	0.5	0.1
Dividends on shares and participations	15.6	8.1
	<b>350.5</b>	<b>246.0</b>

**NOTE 9 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS**

	2007	2006
Interest expense, Group companies	-10.2	-7.3
Interest expense, subordinated loans	-5.0	-7.7
Interest expense, other	-153.2	-155.2
Realized losses, interest-bearing securities	-0.8	-
Unrealized losses, shares and participations	-129.3	-
Unrealized losses, interest-bearing securities	-0.4	-0.5
Other expenses	-2.3	-0.4
	<b>-301.2</b>	<b>-171.1</b>

**NOTE 10 TAX ON NET PROFIT FOR THE YEAR**

	2007	2006
<b>Current tax income</b>		
Tax income for the period	73.5	72.1
<b>Deferred tax expense (-)/tax revenue(+)</b>		
Deferred tax pertaining to temporary differences	37.1	-14.4
Deferred tax expense as a result of utilization of previously capitalized loss carryforwards	-59.0	-24.3
<b>Total reported tax income</b>	<b>51.6</b>	<b>33.4</b>
<b>Reconciliation of effective tax</b>		
Reported result before tax	117.7	1161.4
Tax at applicable tax rate	-32.9	-325.2
Tax on non-deductible costs	-6.8	-2.0
Tax on non-taxable revenue	92.9	360.4
Tax attributable to earlier years	-1.5	0.2
<b>Reported effective tax</b>	<b>51.6</b>	<b>33.4</b>
Current tax rate	28%	28%
Effective tax rate	-44%	-3%
<b>Tax items reported directly against shareholders' equity</b>		
Current tax on Group contributions received	-73.5	-72.1
Deferred tax, hedge accounting	-6.0	-2.9

**NOTE 11 INTANGIBLE ASSETS**

	Internally developed IT systems	Acquired	Total
<b>Capitalized IT costs</b>			
<b>Acquisition cost</b>			
Opening acquisition cost, January 1, 2006	1.7	12.9	14.6
Divestments and scrapping	-	-0.4	-0.4
Acquisitions during the year	-	13.6	13.6
<b>Closing acquisition cost, December 31, 2006</b>	<b>1.7</b>	<b>26.1</b>	<b>27.8</b>
Opening acquisition cost, January 1, 2007	1.7	26.1	27.8
Divestments and scrapping	-	-	0.0
Acquisitions during the year	-	32.2	32.2
<b>Closing acquisition cost, December 31, 2007</b>	<b>1.7</b>	<b>58.3</b>	<b>60.0</b>
<b>Amortization</b>			
Opening accumulated amortization, January 1, 2006	-	-0.6	-0.6
Amortization for the year	-0.3	-3.1	-3.5
<b>Closing accumulated amortization, December 31, 2006</b>	<b>-0.3</b>	<b>-3.8</b>	<b>-4.1</b>
Opening accumulated amortization, January 1, 2007	-0.3	-3.8	-4.1
Amortization for the year	-0.3	-6.5	-6.9
<b>Closing accumulated amortization, December 31, 2007</b>	<b>-0.7</b>	<b>-10.3</b>	<b>-10.9</b>
<b>Carrying amount on December 31</b>			
<b>2006</b>	<b>1.3</b>	<b>22.4</b>	<b>23.7</b>
<b>2007</b>	<b>1.0</b>	<b>48.1</b>	<b>49.1</b>

The five-year amortization period for intangible assets managed in 2007 remains. No impairment losses have been recognized.



## NOTE 12 TANGIBLE ASSETS

	Land and buildings	Equipment	Total
<b>Acquisition cost</b>			
Opening acquisition cost, January 1, 2006	5.6	328.4	334.0
Divestments	–	–17.4	–17.4
Scrapping	–	–8.4	–8.4
Acquisitions during the year	–	27.2	27.2
<b>Closing acquisition costs, December 31, 2006</b>	<b>5.6</b>	<b>329.7</b>	<b>335.3</b>
Opening acquisition cost, January 1, 2007	5.6	329.7	335.3
Divestments	–	–19.8	–19.8
Scrapping	–	–0.8	–0.8
Acquisitions during the year	–	36.4	36.4
<b>Closing acquisition costs, December 31, 2007</b>	<b>5.6</b>	<b>345.5</b>	<b>351.2</b>
<b>Depreciation</b>			
Opening accumulated depreciation, January 1, 2006	0.0	–268.4	–268.4
Accumulated depreciation for divestments	–	13.1	13.1
Scrapping	–	8.4	8.4
Depreciation for the year	–0.1	–25.5	–25.5
<b>Closing accumulated depreciation, December 31, 2006</b>	<b>–0.1</b>	<b>–272.3</b>	<b>–272.4</b>

	Land and buildings	Equipment	Total
Opening accumulated depreciation, January 1, 2007	–0.1	–272.3	–272.4
Accumulated depreciation for divestments		14.5	14.5
Scrapping		0.3	0.3
Depreciation for the year	–0.1	–26.2	–26.2
<b>Closing accumulated depreciation, December 31, 2007</b>	<b>–0.1</b>	<b>–283.7</b>	<b>–283.8</b>

<b>Carrying amount on December 31</b>			
<b>2006</b>	<b>5.6</b>	<b>57.4</b>	<b>62.9</b>
<b>2007</b>	<b>5.5</b>	<b>61.8</b>	<b>67.3</b>

<b>Tax assessment value, owner-occupied property</b>	<b>Dec. 31, 2007</b>	<b>Dec. 31, 2006</b>
Tax assessment value, buildings	2.5	2.5
Tax assessment value, land	2.9	2.9
	<b>5.4</b>	<b>5.4</b>

No impairment losses have been recognized. Equipment includes SEK 4.1 M (4.6) representing works of art that are not depreciated.

Länsförsäkringar AB leases equipment to Group companies. The carrying amount of leased equipment totals SEK 9.9 M (14.5) and rental income was SEK 9.8 M (8.8). The rental income corresponds to the depreciation of the leased equipment. Land and buildings refer to six leisure properties situated in Sweden.

## NOTE 13 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	2007	2006
<b>Accumulated acquisition costs</b>		
At the beginning of the year	9,284.7	9,423.4
Shareholders' contribution	541.0	315.0
Reclassification of participations in Länsförsäkringar Liv Försäkrings AB	–	–452.0
Divestments	–	–1.7
<b>Closing accumulated acquisition costs, December 31</b>	<b>9,825.8</b>	<b>9,284.7</b>

<b>Accumulated impairment</b>		
At the beginning of the year	–3,613.3	–3,613.3
Impairment for the year	–20.4	–
<b>Closing accumulated impairment, December 31</b>	<b>–3,633.7</b>	<b>–3,613.3</b>
<b>Carrying amount at year-end</b>	<b>6,192.0</b>	<b>5,671.4</b>

### Specification of the company's holding of shares and participations in Group Companies

Company name	Corporate Registration Number	Number of shares and participations	Participating interest 2007, %	Participating interest 2006, %	Carrying amount 2007	Carrying amount 2006
Agria Försäkrings AB (publ)	516401-8003	40,000	100	100	463.3	463.3
LF Gruppen AB (dormant)	556420-8535	1,000	100	100	0.1	0.1
Länsförsäkringar Bank AB (publ)	516401-9878	9,548,708	100	100	3,464.6	2,939.6
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	6,265,252	100	100	1,998.7	1,998.7
Länsförsäkringar IT Center AB	556549-7004	10,000	100	100	16.6	21.0
Wasa Försäkring Run-Off AB	556563-9456	1,000	100	100	248.8	248.8
Utile Dulci 2 HB	916601-0067		0.1	0.1	0.1	0.0
<b>Shares and participations in Group companies</b>					<b>6,192.0</b>	<b>5,671.4</b>

All subsidiaries have their registered offices in Stockholm. Länsförsäkringar Sak Försäkrings AB owns 99.9% of Utile Dulci 2 HB. Participating interest refers to share of equity, which also corresponds to the number of votes for the total number of shares.

Länsförsäkringar AB owns 100% of the shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ). This company is operated in accordance with mutual principles and may not pay dividends according to its current articles of association. As a result, the majority of the risks and rewards associated with ownership do not accrue to the owner Länsförsäkringar AB but to the life-assurance policyholders. Accordingly, this shareholding cannot be classified as a holding in subsidiaries under the definition provided in IAS 27 Consolidated and Separate Financial Statements.

**NOTE 14 LOANS TO GROUP COMPANIES**

	Dec. 31, 2007	Dec. 31, 2006
<b>Accumulated acquisition costs</b>		
Subordinated loans to Länsförsäkringar Bank	1,150.0	1,050.0
Promissory note to Länsförsäkringar Sak	1,160.0	1,160.0
<b>Carrying amount</b>	<b>2,310.0</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 four loans with different terms:

SEK 180.0 M, due May 31, 2017. Interest is fixed at the 3-month STIBORFIX rate plus 1.00 percentage point until May 31, 2007. From June 1, 2007 to May 31, 2012 with an addition of a 0.35 percentage point and thereafter at 1.5 percentage points.

SEK 580.0 M, due December 15, 2013. Interest is fixed at the 3-month STIBOR-FIX rate plus 1.125 percentage points until December 15, 2008 and thereafter at 2.125 percentage points.

SEK 290.0 M, perpetual. Interest is fixed at the 3-month STIBORFIX rate plus 1.99 percentage points until December 15, 2013 and thereafter at 2.99 percentage points.

SEK 100.0 M due December 19, 2017. Interest is fixed at the 3-month STIBOR rate plus 1.3 percentage points from the date of the loan, December 19, 2007 to the break-off date of December 19, 2012 and thereafter at 1.5 percentage points.

**NOTE 16 RELATED-PARTY TRANSACTIONS**

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 target 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.

**Related-party transactions 2007**

		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	238.2	176.7	–	707.3	5.8	1,128.0
	Rental income	118.7	23.1	–	0.3	–	142.2
	Rent, equipment	7.9	2.0	–	–	0.0	9.8
	Interest income	129.0	–	–	–	–	129.0
Expenses	Services purchased	–383.3	–8.9	–2.3	–111.7	–	–506.2
	Rent, premises	–147.1	–	–	–	–	–147.1
	Interest expense	–10.2	–	–	–	–	–10.2
Receivables	Interest-bearing loans	2,310.0	–	–	–	–	2,310.0
	Cash and cash equivalents with Länsförsäkringar Bank	262.1	–	–	–	–	262.1
	Other receivables	327.8	7.0	0.0	231.1	1.0	566.9
Liabilities	Interest-bearing liabilities	265.0	–	–	114.0	–	379.0
	Other liabilities	573.1	2.2	–	60.8	–	636.1

**Related-party transactions 2006**

		Group companies	Liv Group	Associated companies	Regional insurance companies	Other related parties	Total
Income	Services sold	226.3	170.4	–	549.4	6.3	952.4
	Rental income	73.0	25.2	–	0.0	–	98.1
	Rent, equipment	7.2	1.5	–	–	0.0	8.8
	Interest income	114.1	–	–	–	–	114.1
Expenses	Services purchase	–317.6	–2.4	–1.0	–101.4	–	–422.4
	Rent, premises	–134.6	–	–	–	–	–134.6
	Interest expense	–0.3	–	–	–	–	–0.3
Receivables	Interest-bearing loans	2,210.0	–	–	–	–	2,210.0
	Cash and cash equivalents with Länsförsäkringar Bank	476.7	–	–	–	–	476.7
	Other receivables	339.7	10.9	0.0	65.2	0.8	416.7
Liabilities	Interest-bearing liabilities	303.0	–	–	114.0	–	417.0
	Other liabilities	119.1	2.9	–0.1	60.0	0.0	181.9

**NOTE 15 OTHER SECURITIES HELD AS FIXED ASSETS**

	Dec. 31, 2007	Dec. 31, 2006
At the beginning of the year	452.0	–
Shareholders' contribution	9.2	–
Reclassification of Länsförsäkringar Liv Försäkrings AB's participations	–	452.0
Reclassification of Brf Kalvheden	0.7	–
	<b>461.9</b>	<b>452.0</b>

Company name	Number of shares and participations	Carrying amount 2007	Carrying amount 2006
Länsförsäkringar Liv Försäkrings AB (publ)	8,000	461.2	452.0
Brf Kalvheden	1	0.7	0.7
		<b>461.9</b>	<b>452.7</b>

Shares in Länsförsäkringar Liv Försäkringsaktiebolag (publ) are classified as holdings available for sale. The shares were valued at acquisition cost. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing, instead a valuation at acquisition cost was also performed after the acquisition, whereby impairment is continuously tested. This testing did not lead to any impairment being recognized.

**NOTE 16 RELATED-PARTY TRANSACTIONS, cont.****Transactions within the Group**

Länsförsäkringar AB is owned by the 24 regional insurance companies and the 14 local insurance companies. The operations of Länsförsäkringar AB and its subsidiaries are organized into divisions, Group-wide units, service centers and President staff functions. The basis of the organization is that the ongoing operations shall be conducted in the divisions, and also, for the purpose of generating economies of scale, certain functions have been organized centrally in the Länsförsäkringar AB Group. The functions that have been organized centrally include maintenance and development of the shared computer systems and services such as Legal Affairs, HR, Communication and Security.

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

Länsförsäkringar AB leases its office premises from property owner Utile Dulci 2 HB, which is a subsidiary of Länsförsäkringar Sak.

Länsförsäkringar AB has issued a loan to Länsförsäkringar Sak amounting to SEK 1,160 M and a loan to Länsförsäkringar Bank amounting to SEK 1,150 M. Wasa Försäkring Run-Off has, in turn, issued a loan of SEK 215 M to Länsförsäkringar AB.

Länsförsäkringar Bank AB manages subsidized loans to employees on behalf of the Parent Company Länsförsäkringar AB. Such loans are issued after the bank performs standard credit rating checks.

For information regarding remuneration to related key individuals such as Board members and senior executives, refer to Note 6 Employees, personnel costs and remuneration to senior executives.

Related subsidiaries are specified in Note 13 Shares and participations in Group companies.

**NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME**

	Dec. 31, 2007	Dec. 31, 2006
Accrued interest	10.6	13.8
Other prepaid expenses	10.3	10.6
	<b>21.0</b>	<b>24.4</b>

**NOTE 18 CURRENT INVESTMENTS**

	Dec. 31, 2007		Dec. 31, 2006	
	Acquisition cost	Fair value	Acquisition cost	Fair value
Unlisted shares and participations, Swedish	2.5	1.5	4.1	3.5
Listed shares and participations, foreign	24.8	158.9	42.0	240.5
Interest-bearing securities	764.2	648.7	764.2	763.7
Mutual fund units, Swedish	381.1	450.4	566.5	703.5
Mutual fund units, foreign	33.8	35.3	–	–
Derivatives	–	126.4	–	–
	<b>1,206.4</b>	<b>1,421.1</b>	<b>1,376.8</b>	<b>1,711.2</b>

Specification of current investments, December 31, 2007	Number	Acquisition cost	Fair value
<b>Unlisted participations</b>			
Länshem Fastighetsförmedling AB	930	2.5	1.5
<b>Listed participations</b>			
Kaupthing Búnadarbanki hf	1,755,866	24.8	158.9
<b>Mutual fund units, Swedish</b>			
ABN Amro Sverige Referens	6,447,864	380.7	450.0
Länsförsäkringar Europe Fund	811	0.3	0.3
Länsförsäkringar Fund-in-fund Low-risk	33	0.0	0.0
Länsförsäkringar Fund-in-fund Normal risk	37	0.0	0.0
Länsförsäkringar Fund-in-fund Offensive	41	0.0	0.0
		<b>381.1</b>	<b>450.4</b>

**NOTE 18 CURRENT INVESTMENTS, cont.**

Specification of current investments, December 31, 2007	Number	Acquisition cost	Fair value
<b>Mutual fund units, foreign</b>			
GaveKal Platform Company Fund	41,200	33.8	35.3
		<b>Amortized cost</b>	<b>Fair value</b>
<b>Interest-bearing securities</b>			
Listed bonds issued by the Swedish Government		198.7	198.3
Listed bonds issued by Swedish mortgage institutions		565.5	450.4
		<b>764.2</b>	<b>648.7</b>
<b>Derivatives</b>			
Derivatives		–	126.4
<b>Total current investments</b>		<b>1,206.4</b>	<b>1,421.1</b>

**NOTE 19 SHAREHOLDERS' EQUITY**

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

	Number of votes per share	Dec. 31, 2007 No. of shares	Dec. 31, 2006 No. of shares
<b>Shares at a par value of SEK 100</b>			
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>

**Restricted reserves**

Restricted reserves may not be reduced through profit distribution.

**Revaluation reserve**

If a tangible or financial asset is revalued, the revaluation amount is reserved in a Revaluation reserve.

**Statutory reserve**

The aim of the statutory reserve is to save a portion of the net profit that is not utilized to cover losses brought forward. The statutory reserve comprises restricted shareholders' equity but no new transfers to the statutory reserve are required, although transfers can be made voluntarily. The statutory reserve also includes the amount of SEK 4,801.3 M that was included in the share premium reserve prior to January 1, 2006.

**Non-restricted equity****Share premium reserve**

When shares are issued at a premium, meaning that a higher amount than the par value is paid for the share, an amount corresponding to the surplus of the par value of the share is reported in the share premium reserve. Amounts added to the share premium reserve from January 1, 2006 are included in the Parent Company's non-restricted shareholders' equity.

**Fair value reserve**

The company applies the Swedish Annual Accounts Act's regulations stipulated in Chapter 4, Sections 14 a-e, pertaining to the valuation of financial instruments at fair values. Amounts are reported directly against the fair value reserve when a change in value refers to a hedging instrument and the applied hedge accounting principles permit a portion of or the entire change in value to be reported in shareholders' equity. Changes in value caused by exchange-rate fluctuations in a monetary item that comprises a portion of the company's net investment in a foreign entity are reported in shareholders' equity.

**Profit brought forward**

Consists of the non-restricted shareholders' equity from the preceding year after any transfers to the statutory reserve and after any payment of dividends. Profit brought forward and net profit for the year jointly make up the total non-restricted shareholders' equity, that is to say, the amount that is available for distribution to the shareholders.

**NOTE 20 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS**

	Dec. 31, 2007	Dec. 31, 2006
Provision for pensions being paid	30.6	31.6
Provisions for early retirement in accordance with pension agreement	10.8	9.9
	<b>41.4</b>	<b>41.6</b>
Amount expected to be paid from provision:		
within 12 months	4.5	4.4
after more than 12 months	36.9	37.2
	<b>41.4</b>	<b>41.6</b>

No portions of amounts reported as "Provisions to pensions" are encompassed by the Pension Obligations Vesting Act.

**Defined-benefit pension plans**

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The conditions for this plan are such that approximately 65% of the pensionable salary at the age of 62 is received as a pension. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on the individual salaries and ages in the current age groups.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	Dec. 31, 2007			Dec. 31, 2006		
	Pension being paid	Provisions according to pension agreement	Total	Pension being paid	Provisions according to pension agreement	Total
<b>Pension commitments</b>						
Provisions to pensions	30.6	–	30.6	31.6	–	31.6
Other provisions	–	10.8	10.8	–	9.9	9.9
<b>Total</b>	<b>30.6</b>	<b>10.8</b>	<b>41.4</b>	<b>31.6</b>	<b>9.9</b>	<b>41.6</b>

	2007			2006		
	Pension being paid	Provisions according to pension agreement	Total	Pension being paid	Provisions according to pension agreement	Total
<b>The year's change in value of capital value of own obligations for which there are no separated assets:</b>						
Opening capital value on January 1 in accordance with Swedish principles for calculation of pension commitments	31.6	9.9	41.6	32.8	–	32.8
Cost excluding interest expense charged to earnings	2.3	1.5	3.8	2.5	9.9	12.4
Interest expense	1.1	0.4	1.4	1.1	–	1.1
Pensions paid	–4.4	–1.0	–5.4	–4.8	–	–4.8
<b>Capital value at December 31</b>	<b>30.6</b>	<b>10.8</b>	<b>41.4</b>	<b>31.6</b>	<b>9.9</b>	<b>41.6</b>

**Cost of the company's own pensions**

Cost excluding interest expense	2.3	1.5	3.8	–	9.9	9.9
Interest expense	1.1	0.4	1.4	–	–	–
<b>Cost of the company's own pensions</b>	<b>3.4</b>	<b>1.9</b>	<b>5.2</b>	<b>0.0</b>	<b>9.9</b>	<b>9.9</b>

**Assumptions pertaining to defined-benefit obligations:**

Discount rate	3.5%	3.5%	3.5%	3.5%
Expected rate of salary increases		2.6%		2.6%
Percentage expected to retire voluntarily at age 62		20.0%		20.0%

**Defined-contribution pension plans**

These pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are reported as expenses during the period when the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are reported here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information, which is why the pension plans above are reported as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2007	2006
Expenses for defined-contribution plans	32.0	31.8

**NOTE 21 OTHER PROVISIONS**

	Dec. 31, 2007	Dec. 31, 2006
Provision to research program	1.0	2.0
Provision for salaries	2.7	3.8
Reserve for pensioner's loans	8.0	8.8
	<b>11.7</b>	<b>14.6</b>

**NOTE 22 SUBORDINATED LOANS FROM REGIONAL INSURANCE COMPANIES**

	Dec. 31, 2007	Dec. 31, 2006
Subordinated debt	114.0	114.0

The terms of the subordinated loan are fixed until December 15, 2011. The interest on the loan corresponds to the interest on government bonds on December 15, 2006 with a corresponding maturity, plus 0.65% (0.65). The interest rate during the year was 4.361% (4.361). If the corresponding interest rate for a government bond on June 15, 2009 has changed by 50 bp or above, the interest rate will be adjusted for the remaining term.

**NOTE 23 BOND LOANS**

	Dec. 31, 2007	Dec. 31, 2006
Bond loans	2,834.9	2,693.0

The loan, which is listed on the Luxembourg Stock Exchange, is for EUR 300 M and matures on December 16, 2008, at a fixed rate of interest at 4.625%. The entire exchange-rate exposure is hedged.

**NOTE 24 DEFERRED TAX ASSETS AND LIABILITIES**

	Deferred tax assets		Deferred tax liabilities		Net	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Current investments	–	–12.1	51.4	93.8	51.4	81.7
Pension provisions	–7.7	–7.0	–	–	–7.7	–7.0
Loss carryforwards	–	–59.0	–	–	–	–59.0
<b>Deferred tax assets (–)/deferred tax liabilities (+)</b>	<b>–7.7</b>	<b>–78.0</b>	<b>51.4</b>	<b>93.8</b>	<b>43.6</b>	<b>15.8</b>

**Change in deferred tax in temporary differences and loss carryforwards 2007**

	Amount at beginning of the year	Reported in income statement	Reported directly against shareholders' equity	Amount at year-end
Current investments	81.7	–36.4	6.0	51.4
Pension provisions	–7.0	–0.7	–	–7.7
Loss carryforwards	–59.0	59.0	–	0.0
<b>Deferred tax assets (–)/deferred tax liabilities (+)</b>	<b>15.8</b>	<b>21.9</b>	<b>6.0</b>	<b>43.6</b>

The company's tax loss carryforwards amounted to negative SEK 0.1 M (neg: 210.7). Deferred tax assets have been calculated and reported on the tax loss carryforwards, which are expected to be utilized within the next three years.

**Change in deferred tax in temporary differences and loss carryforwards 2006**

	Amount at beginning of the year	Reported in income statement	Reported directly against shareholders' equity	Amount at year-end
Equipment	–3.6	3.6	–	–
Current investments	63.6	15.2	2.9	81.7
Pension provisions	–2.5	–4.4	–	–7.0
Loss carryforwards	–83.3	24.3	–	–59.0
<b>Deferred tax assets (–)/deferred tax liabilities (+)</b>	<b>–25.8</b>	<b>38.7</b>	<b>2.9</b>	<b>15.8</b>

**NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME**

	Dec. 31, 2007	Dec. 31, 2006
Vacation pay liability	11.8	12.0
Social security expenses	13.1	12.9
Research grant	10.5	10.5
Jointly financed development expenditure	6.0	8.2
Accrued interest expense	5.7	5.5
Accrued bonus	17.8	10.2
Reserves for other personnel expenses	15.0	23.7
Other accrued expenses	19.9	4.4
	<b>99.9</b>	<b>87.4</b>

**NOTE 26 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	Dec. 31, 2007	Dec. 31, 2006
Property mortgages	0.4	0.4
<b>Contingent liabilities</b>		
Warranties, research grant	–	10.0
Early retirement at age of 62 in accordance with pension agreement	43.3	39.8
Part-owner of Utile Dulci 2 HB	42.2	40.6
	<b>85.9</b>	<b>90.8</b>

**NOTE 27 SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT**

	2007	2006
<b>Interest paid and dividends received</b>		
Dividends from subsidiaries received	330.0	1,287.0
Interest received	174.9	147.0
Interest paid	–168.4	–168.3
<b>Adjustments for non-cash items, etc.</b>		
Depreciation/amortization and impairment of assets	53.5	29.0
Capital gains/losses attributable to divestment of participations	–158.7	–34.0
Unrealized gains	–0.5	–55.0
Unrealized losses	145.3	–
Exchange-rate gains	2.3	0.2
Provisions	–3.0	10.8
	<b>38.8</b>	<b>–49.0</b>

Unutilized credit facilities amount to SEK 50 M (50).

**NOTE 28 IMPACT ON EARNINGS IN CONJUNCTION WITH TRANSITION TO RR 32:06 (IFRS)**

Jan. 1, 2006 – Dec. 31, 2006

Income statement for the Parent Company 2006	According to 2006 Annual Report	Reclassification	Adjustments IAS 39	According to RR 32, 2006
<b>Net sales</b>	<b>1,066.3</b>			<b>1,066.3</b>
<b>Operating expenses</b>				
External expenses	–946.8			–946.8
Personnel costs	–291.1			–291.1
Depreciation/amortization	–29.0			–29.0
<b>Operating profit</b>	<b>–200.5</b>			<b>–200.5</b>
<b>Profit from financial items</b>				
Profit from participations in Group companies	1,287.0			1,287.0
Interest income and similar items	244.0	1.9	0.1	246.0
Interest expense and similar items	–168.7	–1.9	–0.5	–171.1
<b>Profit before tax</b>	<b>1,161.9</b>	<b>–</b>	<b>–0.4</b>	<b>1,161.4</b>
Tax on net profit for the year	33.2		0.1	33.4
<b>Profit after tax</b>	<b>1,195.1</b>		<b>–0.3</b>	<b>1,194.8</b>

**Reclassification**

Since Länsförsäkringar AB is responsible for the entire Group's balances in the joint external bank account, Länsförsäkringar AB reports all interest and external interest income from 2007. Subsidiaries' shares are reported as interest expense to Group companies. Previously, only Länsförsäkringar AB's share of interest of SEK 1.9 M was reported in the Parent Company's income statement.

These reclassifications are not an effect of RR 32:06.

**IAS 39**

The current buying rate is applied to the valuation of shares and participations instead of the price paid as previously and transaction costs are expensed directly.



NOTE 28 IMPACT ON EARNINGS IN CONJUNCTION WITH TRANSITION TO RR 32:06 (IFRS), cont.

Financial position in conjunction with transition to RR 32:06 (IFRS) on December 31, 2006

	According to Annual Report, Dec. 31, 2006	Reclassification	Adjustments IAS 39	According to RR 32 Dec. 31, 2006
<b>Assets</b>				
<b>Intangible assets</b>				
Capitalized development expenditure	23.7			23.7
<b>Tangible assets</b>				
Land and buildings	5.6			5.6
Equipment	57.4			57.4
	<b>62.9</b>			<b>62.9</b>
<b>Financial assets</b>				
Shares and participations in Group companies	6,123.4		-452.0	5,671.4
Loans to Group companies	2,210.0			2,210.0
Other securities held as fixed assets	-		452.0	452.0
	<b>8,333.4</b>		<b>0.0</b>	<b>8,333.4</b>
<b>Inventories</b>	<b>3.2</b>			<b>3.2</b>
<b>Current receivables</b>				
Receivables from Group companies	339.7	476.7		816.4
Receivables from other related parties	77.0			77.0
Other receivables	105.1			105.1
Prepaid expenses and accrued income	24.4			24.4
	<b>546.2</b>	<b>476.7</b>		<b>1,022.9</b>
Current investments	1,711.9		-0.7	1,711.2
Cash and bank balances	628.2	-276.4		351.8
<b>Total assets</b>	<b>11,309.6</b>	<b>200.3</b>	<b>-0.7</b>	<b>11,509.1</b>

**NOTE 28 IMPACT ON EARNINGS IN CONJUNCTION WITH TRANSITION TO RR 32:06 (IFRS), cont.**

Financial position in conjunction with transition to RR 32:06 (IFRS) on December 31, 2006

	According to Annual Report, Dec. 31, 2006	Reclassification	Adjustments IAS 39	According to RR 32 Dec. 31, 2006
<b>Shareholders' equity, provisions and liabilities</b>				
<b>Restricted shareholders' equity</b>				
Share capital	629.8			629.8
Statutory reserve	4,801.3			4,801.3
	<b>5,431.0</b>			<b>5,431.0</b>
<b>Non-restricted shareholders' equity</b>				
Share premium reserve				
Hedging reserve	–		–30.2	–30.2
Profit brought forward	1,121.9		–0.6	1,121.3
Net profit for the year	1,195.1		–0.3	1,194.8
	<b>2,317.0</b>		<b>–31.1</b>	<b>2,285.9</b>
<b>Total shareholders' equity</b>	<b>7,748.0</b>		<b>–31.1</b>	<b>7,716.9</b>
<b>Provisions</b>				
Provisions for pensions and similar commitments	41.5			41.5
Other provisions	2.0			2.0
	<b>43.6</b>			<b>43.6</b>
<b>Long-term liabilities</b>				
Subordinated loans from regional insurance companies	114.0			114.0
Bond loans	2,688.0		5.0	2,693.0
Deferred tax liabilities	27.9		–12.1	15.8
	<b>2,829.9</b>		<b>–7.0</b>	<b>2,822.8</b>
<b>Current liabilities</b>				
Accounts payable	46.8			46.8
Liabilities to Group companies	422.1	200.3		622.4
Liabilities to other related parties	62.8			62.8
Derivatives reported as liabilities	–		37.4	37.4
Other liabilities	56.4			56.4
Accrued expenses and deferred income	100.0			100.0
	<b>688.1</b>	<b>200.3</b>	<b>37.4</b>	<b>925.8</b>
<b>Total shareholders' equity, provisions and liabilities</b>	<b>11,309.6</b>	<b>200.3</b>	<b>–0.7</b>	<b>11,509.1</b>

**Reclassifications**

A few adjustments have been made to bring the accounts more in line with applicable regulations. These adjustments are not an effect of RR 32:06.

The entire Group's balances in the shared, external Group bank account are reported in cash and bank balances since the Parent Company Länsförsäkringar AB is responsible for the agreement with the bank. Subsidiaries' shares are reported as a liability to Group companies in Länsförsäkringar AB. Previously only Länsförsäkringar AB's own share of the Group account was reported as cash and bank balances.

The Parent Company's bank balances in Länsförsäkringar Bank are reported as a receivable from Group companies instead of as cash and bank balances as previously. The item shall continue to be included in cash flow and, accordingly, no adjustment will be made.

**IAS 39**

A review of the classification and valuation of financial instruments was also performed. Unrealized changes in value will continue to be reported in the income statement. However, the current buying-rate is now used in the valuations at market value of shares and participations, instead of the price paid as previously, and transaction costs are now immediately expensed.

Hedge accounting has been applied to financial assets and liabilities. In conjunction with the transition to IFRS derivatives are now valued and reported at fair value. Changes in values are reported in the income statement for both the hedged item and hedging instrument.

NOTE 28 IMPACT ON EARNINGS IN CONJUNCTION WITH TRANSITION TO RR 32:06 (IFRS), cont.

Cash-flow statement according to RR 32:06 (IFRS)

	According to 2006 Annual Report	Reclassification	According to RR 32, 2006
<b>Operating activities</b>			
Profit after financial items	1,161.9		1,161.9
Adjustments for non-cash items, etc.	-49.0		-49.0
	1,112.8		1,112.8
<b>Cash flow from operating activities before working capital changes</b>	<b>1,112.8</b>		<b>1,112.8</b>
<b>Cash flow from working capital changes</b>			
Increase (-)/Decrease (+) in inventories	0.8		0.8
Increase (-)/Decrease (+) in operating receivables	-235.1	-7.1	-242.2
Increase (+)/Decrease (-) in operating liabilities	268.0		268.0
<b>Cash flow from operating activities</b>	<b>1,146.5</b>	<b>-7.1</b>	<b>1,139.4</b>
<b>Investing activities</b>			
Shareholders' contribution paid	-315.0		-315.0
Acquisition of intangible assets	-13.6		-13.6
Acquisition of land and buildings	-		-
Acquisition of tangible assets	-27.2		-27.2
Liquidation of subsidiaries	1.7		1.7
Sales of assets	6.1		6.1
Investments in financial assets	-930.1		-930.1
<b>Cash flow from investing activities</b>	<b>-1,278.1</b>		<b>-1,278.1</b>
<b>Financing activities</b>			
Other changes, loans	-25.0		-25.0
Group contributions received	257.5		257.5
<b>Cash flow from financing activities</b>	<b>232.5</b>		<b>232.5</b>
Cash flow for the year	100.9		100.9
Cash and cash equivalents at the beginning of the year	527.3	207.4	734.7
<b>Cash and cash equivalents at year-end</b>	<b>628.2</b>	<b>200.3</b>	<b>828.5</b>

Reclassifications	Jan. 1, 2006	Change	Dec. 31, 2006
Cash and cash equivalents according to Annual Report	527.3	-	628.2
Subsidiaries' share of Group account	207.4	-7.1	200.3
Adjusted cash and cash equivalents	734.7	-7.1	828.5

## Statement from the Board

The Board of Directors and President affirm that the consolidated accounts and the Annual Report have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards and generally accepted accounting principles, and provide a true and fair view of the Group's and the Parent Company's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Group's and the Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the Parent Company and the companies included in the Group are exposed.

Stockholm, March 13, 2008

Hans Jonsson  
*Chairman*

Gösta af Petersens  
*Vice Chairman*

Ulf W Eriksson  
*Board member*

Carina Holmberg  
*Board member*

Kajsa Lindstahl  
*Board member*

Ann-Christin Norrström  
*Board member*

Anne-Marie Pålsson  
*Board member*

Fredrik Waern  
*Board member*

Tommy Persson  
*President*

Carl Johan Gezelius  
*Employee representative*

Håkan Haraldsson  
*Employee representative*

Tomas Jönsson  
*Employee representative*

Our audit report was submitted on March 13, 2008.

Stefan Holmström  
*Authorized Public Accountant*

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

The Annual Report and consolidated accounts presented above were approved for issue by the Board of Directors on March 13, 2008.

The consolidated and Parent Company income statement and balance sheet are subject to approval by  
the Annual General Meeting to be held on May 23, 2008.

# Audit report

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

Corporate Registration Number 556549-7020

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar Aktiebolag (publ) for 2007. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 32–106. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards, IFRS, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 President and significant estimates made by the Board of Directors and the President 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 signifi-

cant 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 President. We also examined whether any Board member or the President 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 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 financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act for Insurance Companies and give a true and fair view of the Group's financial position and results of operations. 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 President be discharged from liability for the fiscal year.

Stockholm March 13, 2008

Stefan Holmström  
*Authorized Public Accountant*

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





## Summary of the Life Assurance Group's income statement and balance sheet

### INCOME STATEMENT

SEK M	2007	2006
Premium income, gross	6,547	6,496
Premium income, net	6,150	6,361
Investment income, net	8,066	11,610
Claims payments	-3,698	-4,074
Change in life assurance provision	2,834	-4,029
Operating expenses	-1,441	-1,532
Other underwriting revenue	594	237
<b>Life assurance operations technical result</b>	<b>12,505</b>	<b>8,573</b>
Non-technical items	-195	-194
<b>Profit before tax</b>	<b>12,310</b>	<b>8,379</b>
Tax	-949	-733
<b>NET PROFIT FOR THE YEAR</b>	<b>11,361</b>	<b>7,646</b>

### BALANCE SHEET

SEK M	Dec. 31, 2007	Dec. 31, 2006
<b>Assets</b>		
Intangible assets	1,457	1,643
Investment assets	114,600	107,140
Investment assets for which policyholders bear the investment risk	40,900	36,884
Reinsurers' portion of technical reserves	796	683
Receivables	261	408
Other assets	2,025	3,904
Prepaid expenses and accrued income	2,754	2,638
<b>Total assets</b>	<b>162,793</b>	<b>153,300</b>

### Shareholders' equity, provisions and liabilities

Share capital	8	8
Other shareholders' equity	36,632	26,869
Technical reserves	80,720	85,761
Provisions for life assurance for which policyholders bear the investment risk	40,905	36,885
Provisions for other risks and expenses	261	74
Deposits from reinsurers	860	713
Liabilities	2,843	2,539
Accrued expenses and deferred income	564	451
<b>Total shareholders' equity, provisions and liabilities</b>	<b>162,793</b>	<b>153,300</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 comply with 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 over the next few years, beginning in 2006. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

- Notice and holding of an Annual General Meeting. 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.
- The period in office of Board members is generally two years. Deviation from the provisions of the Code of a maximum period of office of one year is due to the supremacy of the Annual General Meeting to dismiss and appoint a member irrespective of period of office. A period of office that is longer than one year contributes to ensuring continuity and establishing competence within the Board.
- A special section of the company's website on corporate governance is intended to be established during 2008.

This Corporate Governance Report is unaudited.

### General Meeting

Shareholders exercise their voting rights at the Annual General Meeting. Resolutions

are made at the Annual General Meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remuneration of Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The motion for remuneration of Board members presented at the Annual General Meeting is specified by the Chairman, Vice Chairman and other directors, and includes remuneration for Committee work. In accordance with the Code, the 2007 Annual General Meeting approved 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, which is charged with the duty of presenting proposals concerning the election of members of the Board of Directors and auditors of Länsförsäkringar AB and its directly owned subsidiaries, and fees to these directors and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2007 Annual General Meeting, the Nomination Committee has comprised Karin Starrin (Chairman) (Länsförsäkringar Halland), Lars Karbin (Vice Chairman) (Länsförsäkringar Norrbotten), Ingemar Larsson (Länsförsäkringar Göteborg och Bohuslän), Anders Stigers (Dalarnas Försäkringsbolag) and Göran Trobro (Länsförsäkringar Kristianstad).

### External auditors

In accordance with the Articles of Association, Länsförsäkringar AB shall have one

auditor with one deputy auditor. Auditors are appointed for a period of office 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. The Swedish Financial Supervisory Authority (Finansinspektionen) appointed Lars-Ola Andersson, SET Revisionsbyrå AB, as auditor. The auditors are presented in more detail on page 115 of the Annual Report.

### Composition of Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar AB shall comprise 9–12 Board members, with or without deputy Board members, elected at the Annual General Meeting. Board members are elected for a period of office of two years. The Board shall include the company's President. 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. The Chairman and Vice Chairman of the Board are appointed by the Annual General Meeting.

The Board currently comprises 12 members and one deputy. Nine of the members were elected by the Annual General Meeting and three members and one deputy member were appointed by the trade unions. Eight of the members are independent in relation to the company and the management of the company. Two of these members are also independent in relation to the major shareholders in the company. The members are presented in more detail on pages 114–115 of the Annual Report.

### **Board responsibilities and allocation of duties**

The Board is responsible for the company's organization and management, and shall deal with and make decisions on critical issues of a general nature relating to the company's operations. This involves the establishment of an appropriate organization, operational goals and strategies and guidelines concerning control and governance.

Every year, the Board establishes a formal work plan. The plan contains regulations on the duties and responsibilities of the Board and its Chairman, the number of Board meetings, procedures for operational and financial reporting and procedures for Board meetings, notice of meetings, presentation of material, delegation of duties within the Board, conflicts of interest and disqualification.

It is incumbent upon the Board to take steps to ensure that it is always well informed of the company's development, so that it may always be in a position to assess the company's financial situation and financial position.

Through its formal work plan, the Board has established that financial reporting shall take place in accordance with established instructions and through regular Board meetings. During the year, the Board regularly reviews the earnings and sales trends, investment income, the financial position, etc., in relation to the budget and business plan.

In an internal Group directive, the Board has established the company's and the Group's organization and clarified the distribution of work duties between the various units and executives in the company and the Group. Every year, the Board establishes a directive for the President as well as

a large number of guidance documents for the operations.

The Board conducts annual strategic seminars and evaluations of its own work. The Board also annually assesses the work of the President and his terms of employment. The Board meets the company's auditors at least once per year (see also Audit Committee below).

The Board has established a Finance Committee, an Audit Committee and a Remuneration Committee. The committees' tasks are established by the Board through special instructions. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

### **Chairman**

According to the formal work plan, the Chairman shall lead the Board's work and ensure that the Board fulfills its duties. The Chairman shall also ensure that the Board meets as required, that the Board is provided with the opportunity to participate in meetings and receives satisfactory information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with the President, the Chairman shall keep himself informed of significant events and developments within the company even between Board meetings, and shall support the President in his/her work.

### **Internal audit**

The Board has appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations complies 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.

### **Finance Committee**

The Board of Directors of Länsförsäkringar AB has appointed four of the total of eight members in a Group-wide Finance Committee for the Länsförsäkringar AB Group. The remaining members are appointed by the Boards of some of the subsidiaries. The Committee is intended to be a forum for financial analyses of the business environment and macroeconomic analysis, as well as to prepare issues concerning asset management to be presented to the Board for decision. It is also the duty of the Finance Committee to monitor compliance with established objectives, investment focus, chains of command, etc. The Board meeting immediately following the Annual General Meeting in 2007 appointed Hans Jonsson (Chairman), Kajsa Lindståhl, Tommy Persson and Anne-Marie Pålsson to represent Länsförsäkringar AB on the Finance Committee.



## Audit Committee

The Audit Committee is responsible for preparing the Board's work on quality assurance of the company's internal control of financial reporting, risk management and risk control, compliance with regulations, other internal control issues and for matters referred by the Board to the Audit Committee. The Audit Committee comprises three Board members. Most of the members, including the Chairman are independent in relation to the company and management. The internal and external auditors, along with the company's President and CFO, usually participate in the Committee's meetings. At the Board meeting immediately following the 2007 Annual General Meeting, Gösta af Petersens (Chairman), Ulf W Eriksson and Hans Jonsson were appointed members of the Audit Committee.

## Remuneration Committee

The Remuneration Committee shall prepare issues concerning remuneration and other terms of employment for the President and the principles for remuneration and other terms of employment for company management. In June 2007, the company's Board charged the Committee with the task of leading the matter of the recruitment of a new President due to the retirement of the current President in May 2008.

At the Board meeting following the 2007 Annual General Meeting, Hans Jonsson (Chairman), Ulf W Eriksson and Gösta af Petersens were appointed members of the Remuneration Committee.

## Meetings and attendance

The table below shows the number of meetings held in each body since the 2007 Annual General Meeting until February 2008, and the attendance by each Board member.

## Remuneration of company management

The 2007 Annual General Meeting established principles for remuneration of company management, as follows:

### General principle

Senior executives of the Länsförsäkringar AB Group shall have market-based employment terms. Our policy is that remuneration shall be in line with the industry average.

### Fixed remuneration

Fixed monthly salaries shall be paid in accordance with the general principle above.

### Variable salary

Variable, performance-based remuneration corresponding to not more than five months' salary per year may be paid. This

remuneration is to be based on individual targets and company-specific targets.

## Pension

In general, an occupational pension shall primarily be based on the pension agreement in effect for the insurance industry at any given time. In addition, a defined-contribution solution is offered to start no earlier than age 60, with a target of 70% of salary, between the age of 60 and 65.

## Other benefits

In addition to the above, the use of a company car is offered under the company's employment conditions applicable at any given time, which, however, is not associated with any deduction from gross salary, as well as medical insurance or other benefits offered to all employees.

## Terms of notice and severance pay

The required period of notice is six months, regardless of whether termination is initiated by the employee or by the company. In the case of termination initiated by the company, severance pay may amount to a maximum equivalent of 18 months' salary.

## Other

All executive positions are valued in accordance with the IPE model, which provides the basis for market comparisons.

## The Board's report on internal control regarding financial reporting in 2007

This report on internal control relating to financial reporting in 2007 was prepared in accordance with the Code and in accordance with the Code guidelines of October 17, 2005, which were developed by committees from the Confederation of Swedish Enterprise and FAR. The Board must annually report on the organization of the internal control function, to the extent it relates to financial reporting. The report is not part of the formal Annual Report and is unaudited.

## MEETINGS AND ATTENDANCE

	Board	Finance Committee	Audit Committee	Remuneration Committee
Total number of meetings	10 <sup>1)</sup>	5 <sup>2)</sup>	3	11
Gösta af Petersens	10	–	3	11
Lillian Bergendorff (deputy)	–	–	–	–
Ulf W Eriksson	10	–	2	11
Carl Johan Gezelius	6	–	–	–
Håkan Haraldsson	7	–	–	–
Carina Holmberg	9	–	–	–
Hans Jonsson	10	5	2	11
Tomas Jönsson	8	–	–	–
Kajsa Lindstahl	7	4	–	–
Ann-Christin Norrström	9	–	3	–
Tommy Persson	9	5	–	–
Anne-Marie Pålsson	8	4	–	–
Fredrik Waern	9	–	–	–

<sup>1)</sup> Of which three unscheduled meetings

<sup>2)</sup> Of which two unscheduled meetings

The internal control and risk management process is based on the control environment and involves four main activities: risk assessment, control activities, information and communications, and monitoring.

### **Control environment**

The foundation of internal control relating to financial reporting is the control environment, consisting of the organization, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board of Directors, the President and management have established for the Parent Company and the Group. The control environment also includes the values and corporate culture that the Board, the President and management communicate and work from to create appropriate and efficient operations.

The Board of Directors is responsible for the guidelines for the control and governance of the operations. Throughout the Group, routines and modes of action are coordinated by Group-wide regulations and guidelines that are approved and established in each subsidiary. This procedure is documented and communicated in guidance documents such as internal policies, guidelines and instructions. Such guidance documents include Group instructions, reporting instructions, financial control principles and attestation instructions. The Board has appointed an Audit Committee responsible for preparing the Board's quality assurance of the financial reporting. Special Audit Committees have been established by the Boards of some of the subsidiaries. The Board has also established an Internal Audit function, to support the Board in assuring that operations are conducted in accordance with the Board's deci-

sions. The Risk Management function regularly conducts risk identification, analysis and follow-up. The Compliance function continuously monitors compliance with external and internal regulations.

### **Risk assessment**

Risk assessment includes identifying and analyzing the source of risks affecting internal control relating to financial reporting. These risks are analyzed at Group level, Group-wide level and unit level. The company and the Group are governed through common processes, in which risk management is built into every process and various methods are used to value and restrict risks and to ensure that identified risks are managed in accordance with established steering documents.

Risk analyses are performed aimed at identifying processes associated with risks for which the probability that they will occur is high and for which the significance of material misstatement in the financial reporting is high. The risks associated with the operations conducted within the various parts of the Group are dealt with in the part of the Group in which they arise.

### **Control activities**

Risks associated with financial reporting are controlled through carefully prepared financial statements, standardized routines with built-in control functions and the evaluation of ongoing improvements. The financial information is analyzed and reviewed at various organizational levels before being presented publicly.

Continuous work is conducted to eliminate and reduce identified significant risks affecting internal control relating to financial reporting. This includes the develop-

ment and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

### **Information and communications**

Internal guidance documents are subject to review and reassessment at least once a year. Guidance documents are published on the company's internal website. Every manager must ensure that the regulations are communicated to affected staff.

### **Monitoring**

Every unit of the Group is involved in monitoring compliance with external and internal regulations. An independent review function – Internal Audit – has been established to assist the Board of Directors of the Group in following up the operations' compliance with decisions made by the Board of Directors. Through review and reporting, the Internal Audit shall form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit reports to the Boards of Directors of the Parent Company and the subsidiaries. In addition, every manager must ensure compliance with steering documents within his/her area of responsibility.

The Compliance function's task is to regularly identify, assess, monitor and report on compliance risks – that is, the risk of being subject to sanctions in accordance with laws or ordinances, and the risk of financial loss. Reporting is addressed to the CEO and to the Board of Directors of the company involved.

# Board of Directors and auditors



*Hans Jonsson*



*Gösta af Petersens*



*Ann-Christin Norström*



*Ulf W Eriksson*



*Anne-Marie Pålsson*



*Fredrik Waern*



*Tommy Persson*



*Kajsa Lindståhl*



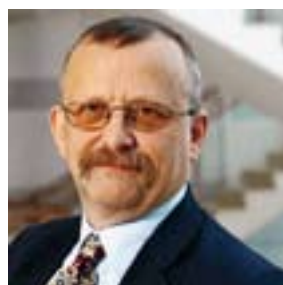
*Carina Holmberg*



*Olle Törnell*



*Carl Johan Gezelius*



*Tomas Jönsson*



*Håkan Haraldsson*



**Hans Jonsson**

Born 1949. Elected 2001.

Farm manager, Chairman of the Board.

Other Board appointments: Chairman of Länsförsäkringar Skaraborg, Bergvik Skog AB, Klimatberedningen (Government Climate Committee).

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, Gotlandsägg AB, SOL Frukt & Grönt på Gotland AB.

Previous experience: President of Guteprodukter AB and Gotlands Trädgårdsprodukter.

**Ann-Christin Norrström**

Born 1952. Elected 2007.

President of Länsförsäkringar Uppsala.

Other Board appointments: Board member of Länsförsäkringar Uppsala, Chairman of Uppsala Regional Office of the Stockholm Chamber of Commerce, Board member of STUNS (Foundation for cooperation between the universities in Uppsala, the business sector and the community), Board member of Aktietorget Uppland AB, Uppsala County Administrative Board and Uppsala County Fire Protection Association, Chairman of Fyris Hälsoakademi – Kraftkällan.

Previous experience: Head of Risk Operations Länsförsäkringar Gävleborg, Board member of Länsförsäkringar Liv, Forskningsfonden Länsförsäkringar AB and Gefle Dagblad.

**Ulf W Eriksson**

Born 1952. Elected 2004.

President 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, HQ AB, Swedish National Audit Office, Institute for Future Research, Deputy member of the Bank of Sweden Tercentenary Foundation's Board of Trustees, Vice Chairman Länsförsäkringar Skåne.

Previous experience: Research and teaching at Lund University, committee assignments, many Board appointments at Stadshypotek AB, 2 AP-

fonden, Investment AB Öresund, Samhall Gripen, Färs och Frosta Sparbank and others.

**Fredrik Waern**

Born 1943. Elected 2004.

Agrologist.

Other Board appointments: Chairman of Länsförsäkringar Älvsborg. Board member of Östad Foundation and others.

Previous experience: Board member of Länsförsäkringar Bank, Älvsborg and other mortgage societies.

**Tommy Persson**

Born 1948. Elected 1996.

President and CEO of Länsförsäkringar AB.

Other Board appointments: Vice Chairman of Swedish Insurance Federation and CEA (Comité Européen des Assurances). Board member of Kaupthing Búnadarbanki hf, EurAPCo A.G. and the Stockholm Chamber of Commerce.

Previous experience: Vice President of Posten AB and President of Holmen Hygien and others.

**Kajsa Lindståhl**

Born 1943. Elected 2006.

Director.

Other Board appointments: Fourth AP Fund, FPG Försäkringsbolaget Pensionsgaranti, Bank of Sweden Tercentenary Foundation, Sweroad AB, Tumba Bruk Foundation, Södersjukhuset AB, Chairman of Tuma Bruk Foundation and Swedish Institute for Financial Research.

Previous experience: President of Banco Fonder, Chief Financial Officer at Bonnier, Chairman of FEFSI (Fédération Européenne des Fonds et Sociétés d'Investissement) and Amnesty Business Group, Board member of Skandia, Karolinska University Hospital Huddinge, HSB Bank, Uppsala University, Securum, Telia and others.

**Carina Holmberg**

Born 1957. Elected 2006.

Doctor of Economics.

Other Board appointments: Handelns forskningsstiftelse in Gothenburg, economics expert for Stockholm City Court, Martin Olsson HAB and Grundnäs AB.

Previous experience: Researcher at the Stockholm School of Economics, lecturer and Head of Department at Stockholm University School of Business, business analyst at the Swedish Cooperative Union, Board member of CashGuard AB, Polarica AB and others.

**Olle Törnell**

Born 1958.

Board Secretary.

Head of Legal Affairs, Länsförsäkringar AB

Previous experience: Chief Assistant, Legal Affairs, Länsförsäkringar AB and Chief Counsel, Wasa Försäkring.

**Carl Johan Gezelius**

Born 1948. Elected 2005.

FTF (Swedish Union of Insurance Employees) branch at Länsförsäkringar AB.

Other Board appointments: Försäkringsbranschens Pensionskassa (FPK).

Previous experience: Naval officer, Board assignments at FTF and Wasa Försäkring (Life, Unit-linked, etc.).

**Tomas Jönsson**

Born 1951. Elected 2001

Swedish Confederation of Professional Associations branch at Länsförsäkringar AB. Claims adjuster Non-life Division, Länsförsäkringar AB.

Other Board appointments: Länsförsäkringar Sak Försäkrings AB, Länsförsäkringar IT Center AB, Bank and Insurance Section of Jusek.

Previous experience: Bank attorney, Föreningsbanken.

**Håkan Haraldsson**

Born 1948. Elected 2006.

Employee representative.

Other Board appointments: Chairman of the Länsförsäkringar Alliance's Employee Association, LFP, Employee representative at Länsförsäkringar Bank, Länsförsäkringar Fonder, Östgöta Brandstodsbolag, Länsförsäkringar Norrbotten

**Board of Directors of Länsförsäkringar AB**

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 fewer 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

Authorized Public Accountant, KPMG Bohlins AB.

**Auditor appointed by Finansinspektionen**

Lars-Ola Andersson

Authorized Public Accountant, SET Revisionsbyrå AB.

# Group management



*Tommy Persson*



*Christer Baldhagen*



*Håkan Danielsson*



*Sten Dunér*



*Carin Göransson*



*Henrietta Hansson*



*Tomas Johansson*



*Anders Borgcrantz*



*Gustav Karner*



*Jan Lundmark*



*Tobias Malmgren*



*Ann Sommer*

**Tommy Persson**

Born 1948. Employed since 1996.  
President and CEO.

Previous experience: Vice President of Posten AB, President of Holmen Hygien and others.  
Board appointments: Vice Chairman of Swedish Insurance Federation and CEA (Comité Européen des Assurances). Board member of Länsförsäkringar AB, Kaupthing Búnadarbanki hf, EurAPCo A.G. 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.

Vice President, President of Länsförsäkringar Liv.  
Previous experience: President of Stockholm Re, President of Holmia, President of TryggHansa.  
Board appointments: Chairman of Länsförsäkringar Fondliv Försäkrings AB.

**Sten Dunér**

Born 1951. Employed since 1982.

Group Controller.  
Previous experience: Vice President of Stockholm Re.  
Board appointments: Chairman of Wasa Försäkring Run-Off AB, Board member of Agria, Länshem Fastighetsförmedling AB and Balder real-estate company.

**Carin Göransson**

Born 1952. Employed since 1988.

President of IT Center.  
Previous experience: IT strategist Life Division, Head of IT at Länsförsäkringar Liv

**Henrietta Hansson**

Born 1964. Employed since 1999.  
President of Agria.

Previous experience: President of IT Center, Business development manager for Private business area at Länsförsäkringar Liv

**Tomas Johansson**

Born 1950. Employed since 2000.

Vice President, President of Länsförsäkringar Bank.  
Previous experience: Vice President at Föreningsbanken, Vice President FöreningsSparbanken AB, Vice President of Länsförsäkringar Bank.  
Board appointments: Chairman of Länsförsäkringar Fondförvaltning AB, Länsförsäkringar Hypotek AB, Wasa Kredit AB. Board member of Länsförsäkringar Bank AB, Länshem Fastighetsförmedling AB and Swedish Bankers' Association.

**Anders Borgcrantz**

Born 1961. Employed since 2003.

Acting President of Länsförsäkringar Bank AB from February 13, 2008, due to Tomas Johansson being absent due to illness, President of Länsförsäkringar Hypotek AB.

Board appointments: Board member of Wasa Kredit AB, BGC Holding AB, Bankgirocentralen BGC AB and Devise Business Transaction Sweden AB.

**Gustav Karner**

Born 1967. Employed since 2001.

CFO of Länsförsäkringar AB  
Previous experience: Head of Risk Management, Alecta pension insurance, mutual. Quantitative analyst at Handelsbanken Markets.  
Board appointments: Board member of Bergvik Skog AB, Östgöta Brandstodsbolag Kapitalförvaltning AB and Humlegården Fastigheter AB.

**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: President of IT Center, President of Scandinavian IT Group Sweden AB, Head of Operations at Digital Consulting.

**Ann Sommer**

Born 1959. Employed since 1988.

Vice President, President of Länsförsäkringar Sak.  
Previous experience: President of WASA International, President of WASA Special Försäkrings AB, President of Wasa International UK and President of Stockholm Re.  
Board appointments: Länsförsäkringar Mäklarservice AB, Länsförsäkringar Miljö AB, TFF, Swedish Forest Agency and Chairman of Agria.

**Other senior executives****Charlotte Boij**

Born 1969  
President, Wasa Försäkring Run-Off AB  
Employed since 1990

**Torbjörn Hultgren**

Born 1955  
Head of Corporate Development  
Employed since 1991

**Desirée Nordkvist**

Born 1960  
Head of Internal Audit  
Employed since 2002

**Catharina Henkow**

Born 1954  
Accounting Director  
Employed since 2000

**Olle Törnell**

Born 1958  
Head of Legal Affairs  
Employed since 1992

# Terms and expressions

## **Administration result, Life assurance**

Fees paid by the Länsförsäkringar Liv Group's customers minus operating expenses.

## **Direct yield**

The balance of interest income, interest expense, dividends on shares and participations, operating expenses in asset management, and the surplus/deficit on real estate in relation to the average value of investment assets.

## **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.

## **Operating expenses in the insurance operations**

Costs of marketing, sales and administration in the insurance operations, including claims adjustment costs.

## **Expense ratio in the insurance operations**

Operating expenses in the insurance operations in relation to premiums earned after ceded reinsurance.

## **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. Sometimes the term "for own account" is used.

## **Required 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, Sections 22–55 of the Insurance Business Act.

## **Claims payments**

The cost during the fiscal year of claims incurred, including costs for claims that have not yet been reported to the company. The costs also include run-off result, the profit or loss arising at accounting year-end in the provision for claims outstanding made in the preceding year-end accounts. The run-off profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are revalued pending final settlement.

## **Technical result, non-life insurance operations**

Premiums earned less claims payments and operating expenses in the insurance operations plus income from reinsurance ceded and investment income transferred from financial operations.

## **Technical reserves**

Reserves for unearned premiums and unexpired risks, life assurance reserves and reserves for claims outstanding and comparable commitments in accordance with signed insurance contracts. For life assurance, this shall correspond to the company's guaranteed insurance commitment.

## **Investment income transferred from financial operations**

Premiums are paid in advance, while operating expenses and claims costs 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 the insurance operations.

## **Capital base, bank**

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 Länsförsäkringar Liv Group is then added to this value.

## **Capital adequacy, Bank**

The total of Tier 1 capital and Tier 2 capital less item in accordance with Chapter 2, Section 7, Paragraph 3 of the Swedish Capital Adequacy and Large Exposures (Credit Institutions and Securities Companies) Act.

## **Capital adequacy ratio, Bank**

The closing capital base as a percentage of the closing risk-weighted amount.

## **Solvency capital**

The total of shareholders' equity, deferred tax liability/ assets and subordinated loans.

## **Solvency margin, non-life insurance**

Solvency capital as a percentage of premium income after ceded reinsurance.

**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 confirmed, for example, in bankruptcy proceedings or a settlement.

**Cost ratio**

Operating expenses in the insurance operations as a percentage of premiums earnings after ceded reinsurance.

**Investment margin, Bank**

Net interest in relation to average total assets.

**Investment assets**

Investment assets comprise owner-occupied property, shares and participations in associated companies, investment property, loans to Group companies, shares and participations, bonds and other interest-bearing securities, derivatives (assets and liabilities), cash and bank balances and interest-bearing long-term liabilities.

**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.

**Premiums earned**

The proportion of premium income attributable to the fiscal year.

**Return on shareholders' equity**

Profit before tax plus changes in surpluses in owner-occupied properties after standard tax as a percentage of average shareholders' equity, adjusted for dividends.

**Interest-bearing 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."

**Net interest income/expense, Bank**

Interest income from lending to the public and credit institutions and income from interest-bearing securities minus expenses for deposits and lending from the public, credit institutions and expenses for interest-bearing securities.

**Operating profit**

Profit before tax.

**Claims ratio**

The ratio between claims payments, including claims adjustment costs, and premiums earned after ceded reinsurance.

**Solvency, life assurance**

The market value of assets in relation to guaranteed commitments to policyholders.

**Net worth**

Taxed shareholders' equity.

**Asset allocation**

Selection of allocation between various types of assets in a portfolio, for example the desired proportion of equity and interest-bearing investments.

**Total return 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 managed assets.

**Combined ratio**

The total of operating expenses in the insurance operations and claims payments in relation to premiums earned.

**Earnings per share**

Net profit for the year divided by the average number of shares during the year.

**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" by the second company.

# Financial calendar

## First quarter:

Interim Report Länsförsäkringar Bank	April 22, 2008
Interim Report Länsförsäkringar Hypotek	April 22, 2008

## Second quarter:

Interim Report Länsförsäkringar Bank	August 25, 2008
Interim Report Länsförsäkringar Hypotek	August 25, 2008
Interim Report Länsförsäkringar Alliance	August 26, 2008
Interim Report Länsförsäkringar AB	August 26, 2008

## Third quarter:

Interim Report Länsförsäkringar Bank	October 27, 2008
Interim Report Länsförsäkringar Hypotek	October 27, 2008
Interim Report Länsförsäkringar Alliance	October 27, 2008
Interim Report Länsförsäkringar AB	October 27, 2008





# Addresses

## Länsförsäkringar Blekinge

Box 24  
SE-374 21 Karlshamn  
Visit: Kyrkogatan 21  
Tel: +46 (0)454-30 23 00  
E-mail: info@blekinge.lansforsakringar.se

## Dalarnas Försäkringsbolag

Box 3  
SE-791 21 Falun  
Visit: Slaggatan 9  
Tel: +46 (0)23-930 00  
E-mail: info@dalarnas.se

## Länsförsäkringar Älvsborg

Box 1107  
SE-462 28 Vänersborg  
Visit: Vallgatan 21  
Tel: +46 (0)521-27 30 00  
E-mail: info@alvsborg.lansforsakringar.se

## Länsförsäkringar Gävleborg

Box 206  
SE-801 03 Gävle  
Visit: Slottstorget 3  
Tel: +46 (0)26-14 75 00  
E-mail: info@gavleborg.lansforsakringar.se

## Länsförsäkringar Göttinge

Box 54  
SE-281 21 Hässleholm  
Visit: Andra Avenyen 14  
Tel: +46 (0)451-489 00  
E-mail: info@gottinge.lansforsakringar.se

## Länsförsäkringar Göteborg och Bohuslän

SE-404 84 Göteborg  
Visit: Lilla Bommen 8  
Tel: +46 (0)31-63 80 00  
E-mail: info@gbg.lansforsakringar.se

## Länsförsäkringar Halland

Box 518  
SE-301 80 Halmstad  
Visit: Strandgatan 10  
Tel: +46 (0)35-15 10 00  
E-mail: info@halland.lansforsakringar.se

## Länsförsäkringar Jämtland

Box 367  
SE-831 25 Östersund  
Visit: Prästgatan 48  
Tel: +46 (0)63-19 33 00  
E-mail: info@lfz.se

## Länsförsäkringar Jönköping

Box 623  
SE-551 18 Jönköping  
Visit: Barnarpsgatan 22  
Tel: +46 (0)36-19 90 00  
E-mail: info@jonkoping.lansforsakringar.se

## Länsförsäkringar Kalmar län

Box 748  
SE-391 27 Kalmar  
Visit: Smålandsgatan 1  
Tel: +46 (0)20-66 11 00  
E-mail: info@kalmar.lansforsakringar.se

## Länsförsäkring Kronoberg

Box 1503  
SE-351 15 Växjö  
Visit: Kronobergsgatan 10  
Tel: +46 (0)470-72 00 00  
E-mail: info@lfkronoberg.se

## Länsförsäkringar Norrbotten

Box 937  
SE-971 28 Luleå  
Visit: Kungsgatan 13  
Tel: +46 (0)920-24 25 00  
E-mail: info@lfn.nu

## Länsförsäkringar Skaraborg

Box 600  
SE-541 29 Skövde  
Visit: Rådhusgatan 8  
Tel: +46 (0)500-77 70 00  
E-mail: info@skaraborg.lansforsakringar.se

## Länsförsäkringar Stockholm

SE-173 82 Stockholm  
Visit: Hemvärnsgatan 9, Solna  
Tel: +46 (0)8-562 830 00  
E-mail: info@sth.lansforsakringar.se

## Länsförsäkringar Södermanland

Box 147  
SE-611 24 Nyköping  
Visit: V Storgatan 4  
Tel: +46 (0)155-48 40 00  
E-mail: info@lfs.se

## Länsförsäkringar Uppsala

Box 2147  
SE-750 02 Uppsala  
Visit: Svartbäcksgatan 44  
Tel: +46 (0)18-68 55 00  
E-mail: info@uppsala.lansforsakringar.se

## Länsförsäkringar Värmland

Box 367  
SE-651 09 Karlstad  
Visit: Köpmannagatan 2 A  
Tel: +46 (0)54-775 15 00  
E-mail: info@varmland.lansforsakringar.se

## Länsförsäkringar Kristianstad

Box 133  
SE-291 22 Kristianstad  
Visit: V Storgatan 49  
Tel: +46 (0)44-19 62 00  
E-mail: info@krstad.lansforsakringar.se

## Länsförsäkringar Västerbotten

Box 153  
SE-901 04 Umeå  
Visit: Nygatan 19  
Tel: +46 (0)90-10 90 00  
E-mail: info@vasterbotten.lansforsakringar.se

## Länsförsäkringar Västernorrland

Box 164  
SE-871 24 Härnösand  
Visit: Stora Torget 3  
Tel: +46 (0)611-253 00  
E-mail: info@vn.lansforsakringar.se

## Länsförsäkringar Bergslagen

Box 1046  
SE-721 26 Västerås  
Visit: Stora Gatan 41  
Tel: +46 (0)21-19 01 00  
E-mail: info@lfbergslagen.se

## Östgöta Brandstodsbolag

Box 400  
SE-581 04 Linköping  
Visit: Platensgatan 11  
Tel: +46 (0)13-29 00 00  
E-mail: info@ostgota.lansforsakringar.se

## Länsförsäkringar Gotland

Box 1224  
SE-621 23 Visby  
Visit: Österväg 17  
Tel: +46 (0)498-28 18 50  
E-mail: info@lfgotland.se

## Länsförsäkringar Skåne

Box 742  
SE-251 07 Helsingborg  
Visit: Södergatan 15  
Tel: +46 (0)42-24 90 00  
E-mail: info@skane.lansforsakringar.se

## JOINT COMPANIES

### Länsförsäkringar AB

SE-106 50 Stockholm  
Visit: Tegelluddsvägen 11-13  
Tel: +46 (0)8-588 400 00  
E-mail: info@lansforsakringar.se

### Länsförsäkringar Liv

SE-106 50 Stockholm  
Visit: Tegelluddsvägen 21  
Tel: +46 (0)8-588 400 00  
E-mail: info@lansforsakringar.se

### Länsförsäkringar Sak

SE-106 50 Stockholm  
Visit: Tegelluddsvägen 11-13  
Tel: +46 (0)8-588 400 00  
E-mail: info@lansforsakringar.se

### Länsförsäkringar Bank

SE-106 50 Stockholm  
Visit: Tegelluddsvägen 11-13  
Tel: +46 (0)8-588 416 00  
E-mail: info@lansforsakringar.se

### Länsförsäkringar Fondförvaltning AB

SE-106 50 Stockholm  
Visit: Tegelluddsvägen 21  
Tel: +46 (0)8-588 400 00  
E-mail: info@lansforsakringar.se

### Agria Djurförsäkring

Box 70306  
SE-107 23 Stockholm  
Visit: Tegelluddsvägen 11-13  
Tel: +46 (0)8-588 421 00  
E-mail: info@agria.se

### Humlegården Fastigheter

Box 5182  
SE-102 44 Stockholm  
Visit: Birger Jarlsgatan 25  
Tel: +46 (0)8-678 92 00  
E-mail: info@humlegarden.se

### Länsförsäkringar Mäklarservice

Box 65  
SE-171 74 Solna  
Visit: Hemvärnsgatan 9  
Tel: +46 (0)8-588 490 00  
E-mail: info.maklarservice@lansforsakringar.se

