

2007 Länsförsäkringar Alliance

OPERATIONS REPORT

A SUMMARY OF THE BANKING AND INSURANCE YEAR FOR THE 24 LOCAL REGIONAL INSURANCE COMPANIES IN COOPERATION



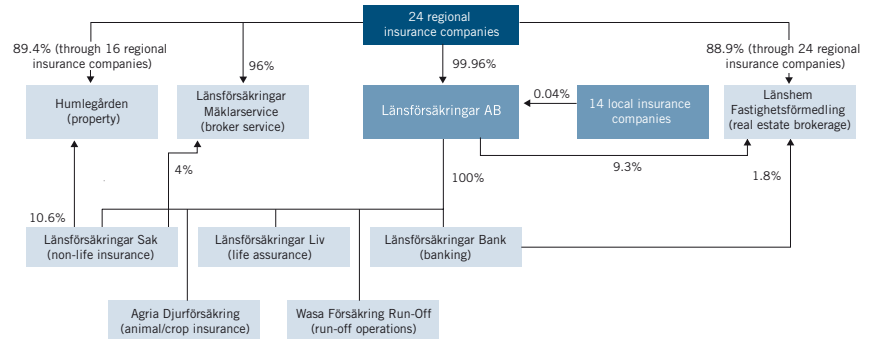
Customers and owners from north to south

Each one of the 24 regional insurance companies has only one employer – the customer in each county. The customer is also a part-owner in his/her regional insurance company and it is based on the needs and demands of the customer and owners that the companies control their banking and insurance operations. Each company is independent and entirely adapts its operations to its local conditions. At the same time, strength is created in each individual company by the 24 companies cooperating through the jointly owned company Länsförsäkringar AB. Everything is based on the experience of local decision-making authority combined with joint strength creating added value for Länsförsäkringar's owner – its customers.



Contents

Länsförsäkringar Alliance 2007	1
Comments	2
Vision, business concept and success factors	4
Reinsurance	8
Non-life insurance	10
Life assurance and pension insurance	21
Banking operations	32
Länsförsäkringar Alliance in figures ..	45
Länsförsäkringar AB	56
Sustainability	58
Environment	60
Employees	61
Owner control	64
Terms and expressions	67
Financial calendar	68
Addresses	69



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 all business areas of the Länsförsäkringar Alliance.

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

Owned jointly by the regional companies and Länsförsäkringar Sak, and offers brokers a uniform conduct of operations and reinforced service through regional broker desks.

Humlegården

Included in the Länsförsäkringar Alliance and owned by 16 regional insurance companies and Länsförsäkringar Sak. The owners' purpose with the company is to jointly invest in the Stockholm property 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.

**OPERATING PROFIT AFTER BONUS AND DISCOUNTS
PER REGIONAL INSURANCE COMPANY**

SEK M	2007	2006
Länsförsäkringar Norrbotten	38	81
Länsförsäkringar Västerbotten	392	181
Länsförsäkringar Jämtland	237	94
Länsförsäkringar Västernorrland	253	54
Länsförsäkringar Gävleborg	141	101
Dalarnas Försäkringsbolag	221	378
Länsförsäkringar Värmland	98	121
Länsförsäkringar Uppsala	94	144

SEK M	2007	2006
Länsförsäkringar Bergslagen	178	249
Länsförsäkringar Stockholm	178	259
Länsförsäkringar Södermanland	120	152
Länsförsäkringar Göteborg och Bohuslän	287	325
Länsförsäkringar Skaraborg	50	133
Östgöta Brandstodsbolag	87	207
Länsförsäkringar Älvsborg	190	491
Länsförsäkringar Gotland	16	63

SEK M	2007	2006
Länsförsäkringar Jönköping	203	232
Länsförsäkringar Halland	135	213
Länsförsäkring Kronoberg	51	87
Länsförsäkringar Kalmar län	118	210
Länsförsäkringar Blekinge	32	71
Länsförsäkringar Göinge	46	84
Länsförsäkringar Kristianstad	53	57
Länsförsäkringar Skåne	269	544

Five-year summary

LÄNSFÖRSÄKRINGAR ALLIANCE, NON-LIFE INSURANCE

	2003	2004	2005	2006	2007
Solvency capital, SEK M	16,896	20,249	27,738	32,093	34,140
Solvency margin, %	113	125	169	195	198
Premiums earned after ceded reinsurance, SEK M	14,084	15,861	16,216	16,362	16,669
Technical result, SEK M	983	1,957	2,515	2,114	2,322
Operating profit, SEK M	2,148	3,213	7,075	4,545	3,606
Combined ratio	101	93	89	93	93
Return on shareholders' equity, %	19.9	23.9	33.8	15.8	11.2

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 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

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	107	154	197	122	139

LÄNSFÖRSÄKRINGAR LIV

	2003	2004	2005	2006	2007
Premium income, SEK M ¹⁾	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

¹⁾ In accordance with the Swedish Insurance Federation's definition.



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 ¹⁾	Standard & Poor's	AAA	–
Länsförsäkringar Hypotek ¹⁾	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 ²⁾	–

¹⁾ Pertains to the company's covered bonds.

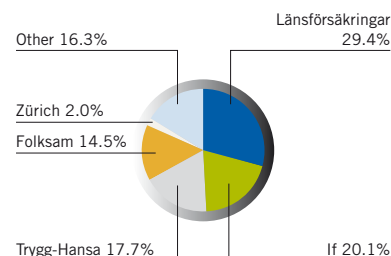
²⁾ pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

Länsförsäkringar Alliance 2007

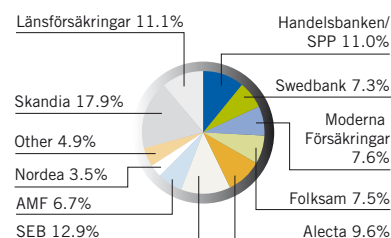
- The technical result in non-life insurance remained strong and amounted to SEK 2,322 M (2,114). Operating profit totaled SEK 3,606 M (4,545). Return on shareholders' equity was 11.2% (15.8).
- Due to the healthy earnings in non-life insurance in 2007, 18 regional insurance companies will pay bonuses of slightly more than SEK 900 M in various forms to their customers.
- Return on investment assets in Länsförsäkringar Liv was 6.7% (8.0), which was the best of all pension insurance companies in Sweden. The successful management generated a bonus rate of 10% for customers at year-end.
- In banking operations profit before loan losses amounted to SEK 290 M (236) and operating profit amounted to SEK 238 M (198). Lending to the public rose 24% to SEK 67 billion (54) and deposits from the public rose 22% to SEK 30 billion (24). Mortgage lending rose 30% to SEK 48 billion (37).
- Profit before tax in the Alliance's jointly owned company, Länsförsäkringar AB with subsidiaries, amounted to SEK 1,270 M (821). Return on shareholders' equity amounted to 10.0% (7.7).
- The focus on the agriculture sector continued. A decision was made to establish the company's own mortgage operations for the forestry and agriculture market and the partnership with the Federation of Swedish Farmers (LRF) was expanded with the acquisition of LRF's personal insurance operations.
- According to SIFO, Länsförsäkringar is Sweden's strongest brand in banking and insurance. The 2007 survey from the Swedish Quality Index revealed that Länsförsäkringar had Sweden's most satisfied retail bank customers, mortgage customers, medical insurance customers and car insurance customers. Länsförsäkringar was ranked among the top three in all other categories. The Länsförsäkringar Alliance also won a number of awards in 2007, including Life-Assurance Company of the Year, Non-Life Insurance Company of the Year (Finansbarometern) and Best Broker desk of the Year.



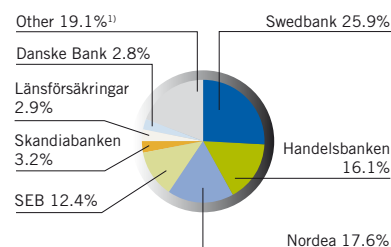
**Market shares in non-life insurance
(share of premiums paid)**



**Market shares in traditional
life-assurance (new sales)**

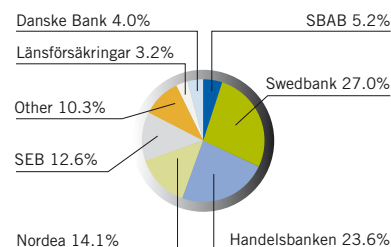


Market shares of deposits, bank



¹⁾ Of which 10.4% refers to independent savings banks.

**Market shares of lending, bank
and mortgage institutions**





A broader and stronger Länsförsäkringar than ever before

LÄNSFÖRSÄKRINGAR'S life-assurance company generated its best investment income of all players in the Swedish life-assurance and pension-insurance market and is also the company with the strongest growth. The growth of the banking operations is surpassing expectations, as are our operations in the Health business area. 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 personal-insurance operations. A decision was made to establish insurance operations in the Baltic States. The Länsförsäkringar Alliance has Sweden's most expansive real-estate brokerage through Länshem Fastighetsförmedling. The basis of the Länsförsäkringar Alliance's operations, non-life insurance, continued its stable performance, with a market-leading role and very competitive key figures, despite some of the most extensive ever claims.

Continued favorable results

In terms of earnings, 2007 was another very strong year in most lines of business. We improved our technical result for non-life insurance operations and reported an impressive financial position, with total solvency capital exceeding SEK 34 billion. No other player in the Swedish market can be compared with us in this respect. The combined ratio is stable at 93%, a satisfactory margin for the long-term target of 95%. I will speak about the life-assurance operations later, but in terms of earnings the

balance sheet has been positively strengthened and more and more key figures are pointing in the right direction. Profit in the banking operations improved 20%. We also had strong asset management in the Länsförsäkringar Alliance of both 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 is not exposed to the unrest in this credit market. 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

Länsförsäkringar has been a leader in Swedish non-life insurance for many years – in terms of market shares, expertise and customer offering. We continue to hold this position, but after the past year I would be so bold as to say that we are also Sweden's best 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 to 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 more than 60% and market shares increasing substantially.

The focus in the life-assurance operations was again directed to growth and

alongside sales successes, a gratifying result was the pension choice for private-sector salaried employees, the ITP choice. Between July and November, 44,000 salaried employees chose their collective agreement occupational pension. 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 favorable result 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 desk of the Year" award and at the time of writing, Söderberg & Partners had just announced that we are Sweden's best unit linked company.

Many years of far-reaching efforts in rationalization, product development and new asset-management methodology in our life-assurance company have now yielded results and 2007 as a whole was the best ever year 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. Total assets rose by almost 40%, exceeding the targets we had established. Lending rose by 24% and deposits by 22%. In the fiercely competitive mortgage market, lending rose by a full 30% and we captured almost 7% of market growth. In 2007, we also decided to open our own agricultural 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

Despite intensifying competition in the non-life insurance market, we retained our strong position, which confirms the strength of the concept with local companies and proximity to our customers. Many large claims were received but our unique reinsurance program again proved to be a strong competitive advantage. We retained our position as the market leader in Swedish non-life insurance in 2007. Market shares measured in the number of insurance policies are increasing in all areas of the private market and in total the market share is stable at just under 30%. Earnings in the insurance operations remain strong. Due to the healthy 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.

Healthcare – a strategic development area

The market for insurance in the healthcare area is developing rapidly and the growth in Länsförsäkringar's business in this area is surpassing expectations. Sales of group healthcare insurance rose by 30%. In this market, featuring many new players and increasingly intense competition, we consolidated our strong position with a market share of about 40%. Demand for insurance solutions in the healthcare area will only continue to rise. Companies are becoming increasingly aware of the gains to be reaped from focusing on health issues. 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 personal

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. Success in the Baltic States is also a direct benefit for our existing customers in Sweden. Agria also took further steps toward the international market and successfully established operations in the UK and Norway. The UK company Pet-Partners was acquired in 2007 with an underlying premium volume of approximately SEK 300 M.

Real-estate brokerage as a channel for banking services and insurance

Länsförsäkringar endeavors to be present when customers want to purchase banking and insurance services. This is the reasoning behind our drive on real-estate brokerage under the name Länshem Fastighetsförmedling, which serves as another channel to spread our banking services and insurance offering. This venture gained real momentum during the year with ten regional insurance companies opening Länshem branches at 25 locations in Sweden and at year-end, there was a total of 49 "housing stores" in 17 counties, making Länsförsäkringar the fastest growing player in Sweden. The aim is to become the fifth-largest real-estate brokerage in 2008 and the fourth-largest in 2009.

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 about 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 strength of local and nearby decision-making remains the strongest competitive force of the banking and insurance operations.

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. The platform for continued growth is undeniably well-founded – the journey continues.

Stockholm, March 2008

On behalf of the 24 regional
insurance companies



Tommy Persson
President of Länsförsäkringar AB



Vision and business concept

Local decision-making — shared strength

The Länsförsäkringar Alliance has a unique position in the Swedish bank and insurance market, with the local, independent regional insurance companies in cooperation. Since the regional insurance companies are customer-owned, there are no other specific ownership interests to be considered beyond that of own customers. Everything that is developed in the form of products, concepts or system support must be based on pure customer needs. Non-life insurance, life assurance and banking are the core operations and our task is to offer total solutions based on different combinations of non-life insurance, medical and accident policies, life assurance, pension-saving plans, fund savings and various banking services.

COOPERATION IN the Länsförsäkringar Alliance has gradually evolved from an exchange of experience to today's comprehensive joint business operations. The basic concepts that have been developed over two centuries and adapted to our times are still valid today. The passing of time has merely demonstrated the strength of an organization and business model that are based on local, independent and customer-owned regional insurance companies cooperating on a voluntary basis. There is consensus within the Länsförsäkringar Alliance that local proximity and independence have been decisive factors in the Alliance's major successes. Decisions that are important for the customer are made close to the customer. The Annual General Meeting and Board of Directors of each regional insurance company are the highest decision-making authorities on matters that pertain to the particular company's operations. Thus, all cooperation among regional insurance companies is voluntary and it is this independence that forms the basis of the federative form of organization.

Cooperation among the 24 regional insurance companies takes place through the jointly owned Länsförsäkringar AB and its subsidiaries. The company was founded in 1936 to meet the regional insurance companies' need for reinsurance. Responsibility for the internal reinsurance system is still an important task, although a growing stock of joint resources has been built up over the years. Länsförsäkringar AB's task is to create prerequisites for the regional insurance companies to be successful in their respective markets by providing service and developing the operations.

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. A specialist function in Länsförsäkringar AB is responsible for joint asset management primarily to Länsförsäkringar's life-assurance and pension-insurance customers, while the ongoing management has been transferred to an external manager. The regional insurance companies determine from time to time what the joint operations in Länsförsäkringar AB should include. This is formalized in a consortium agreement and explained in more detail in the operational guidelines adopted by the Board of Länsförsäkringar AB. This focus can be changed over time in accordance with the wishes of the owners, the regional insurance companies.

Local and shared

The structure of the Länsförsäkringar Alliance, with local independent companies that cooperate through a jointly owned company, imposes substantial demands on clarity between the regional insurance companies and the joint operations.

The business model of the Länsförsäkringar Alliance is based on 24 regional insur-

ance companies that have chosen to conduct certain operations jointly. The joint operations are conducted as commissioned by the local companies. The federation's structure can thus be described as the opposite of a Group, in which operations are delegated from central units to local units.

Owner control

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. Based on the federal organization and the purpose of the ownership of Länsförsäkringar 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 comparative advantages: in-depth knowledge of the operations, the aim of being an active owner, a clear purpose with ownership and that collectively, there is sufficiently large financial capacity to ensure the long-

term intentions of 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. (For more detailed information regarding owner control in the Länsförsäkringar Alliance, refer to page 64.)

A broad offering

Customers are offered a combined range of banking and insurance services through the 24 regional insurance companies. During 2007, the offering of products and services



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.

Market strategy

Länsförsäkringar Alliance's joint market strategy was reviewed in 2007. The basis of the strategy is simple: It shall result in an increased number of customers who choose Länsförsäkringar for both non-life insurance and life assurance as well as their banking needs. In other words, the target is more full-service customers and this shall be achieved by transferring from a product-oriented approach to a customer-oriented approach.

Market objectives

- Profitable growth in all sub-markets and core businesses.
- Sweden's most satisfied banking and insurance customers.
- Higher percentage of full-service customers.

Success factors

- Adjustments tailored to customer needs.
- Well-developed distribution channels.
- Active sales.
- Active sales management activities.
- Clear and strong brand profile.

under the “Banking & Insurance” banner was further enhanced and promoted, focusing on the pension area and the advantages of combining all banking and insurance transactions in Länsförsäkringar. A broadening of the Länsförsäkringar brand is under way, with the objective of making the Alliance equally as strong in the areas of savings and lending in the next few years as it currently is within non-life insurance. One position is not to be abandoned to assume another. The simplicity, proximity and local decision-making authority upon which successes in non-life insurance were built are also being transferred to financial services. Länsförsäkringar’s position as the leader in the non-life insurance market has been consolidated and the focus of the life-assurance operations on growth and enhancing efficiency have yielded favorable results. The banking operations are growing in both volume and profitability and Länsförsäkringar remains an important price-pressure force in the Swedish bank market. However, more than attractive products are required in order to measure up to the customer-oriented concept that forms the foundation of the Läns-

försäkringar Alliance’s operations. Customers must perceive it as being natural and beneficial to concentrate their banking and insurance business in their regional insurance company. This approach characterizes the entire business. Another distinct customer benefit is the “totality” of customer meetings. All meetings with customers, whether they be face-to-face or via the Internet, must be based on the customer’s needs and the comprehensiveness of Länsförsäkringar’s offering.

Strong brand

For the first time, a survey was performed to assess the strength of Länsförsäkringar’s brand in relation to all competitors within the industry for banking, insurance and pensions. SIFO’s survey revealed that Länsförsäkringar has the industry’s strongest brand in both the private and commercial market. In the private market, Swedbank is close, but in the commercial market there is a large gap between Länsförsäkringar and Handelsbanken’s second place. The red and blue square is recognized by 89% of the Swedish population, according to a study conducted by GFK Sverige AB. ■

One of many ambassadors of Länsförsäkringar’s strong brand. Athlete Susanna Kallur has her make-up done for the recording of one of Länsförsäkringar’s popular advertisements in which she features alongside her twin sister Jenny, comedian Felix Herngren and Länsförsäkringar’s pension expert Mats Wester.



Customer meeting

Each regional insurance company is owned by its non-life policyholders and no profits are distributed to shareholders in the same way as in a limited liability company. The regional insurance companies’ profits accrue in their entirety to the customers through bonus or establishing credit. Länsförsäkringar’s life-assurance company is owned by the non-life operations and operated in accordance with mutual principles, whereby all returns are repaid to the policyholders. The highest rating a customer-owned company can receive is an award based on the opinions of its customers. Länsförsäkringar has highly satisfied customers among both companies and private individuals. These are the results of the 2007 survey conducted by the Swedish Quality Index, compiled by the Stockholm School of Economics.

Satisfied customers

Länsförsäkringar had Sweden’s most satisfied retail bank customers, mortgage customers, medical insurance customers and car insurance customers. Länsförsäkringar was ranked among the top three in all other categories. Länsförsäkringar also won a number of awards in 2007, including Life-Assurance Company of the Year, Non-Life Insurance Company of the Year (Finansbarometern) and Best Broker desk of the Year.

Proximity to customers from north to south

The success of Länsförsäkringar is based on personal meetings, value for money and proximity to customers. Proximity permeates our values and is ensured through our local presence with sales organizations at all 24 customer-owned and independent companies. Combined, the companies have more than 140 branches throughout Sweden, supplemented with Internet services adapted to

the needs of the local markets. In addition, local representatives are in place at locations where there are no actual branches. Customers can also make cash withdrawals in ICA supermarkets and make deposits and withdrawals with Svensk Kassaservice's (Swedish Cashier Service). Agreements with new partners will be signed when Svensk Kassaservice closes down in 2008. Independent franchisers and established freelance insurance brokers work with corporate customers as a complement to Länsförsäkringar's own sales force.

Länshem Fastighetsförmedling

Länshem Fastighetsförmedling AB is Länsförsäkringar's real-estate brokerage. Länshem is a development company that provides a concept for the regional insurance companies that wish to broaden their brand by becoming associated with a real-estate broker. Expansion is based on a concept whereby "housing stores" are opened by franchisees. Real-estate brokerage operations are currently conducted through 49 "housing stores" in 17 counties. Länshem

Fastighetsförmedling in Skåne was founded by Länsförsäkringar Skåne in 2001. Fiscal 2007 was a highly expansive year – ten regional insurance companies opened Länshem branches at 25 locations across Sweden. The customer value of the business concept is to offer total solutions in conjunction with mortgage transactions. This means that customers have access to a complete range of financial and insurance services related to their mortgage transactions.

Development of the Internet channel

Extensive activities were carried out in 2007 to develop the Länsförsäkringar Alliance's websites. The new concept for how Länsförsäkringar interacts with its customers was launched in the first half of 2008. The new websites 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 websites shall be transformed into more transaction-based Internet pages instead of information pages. The local experience on the Internet will also be strengthened. The number of visitors and purchases via the Internet continued to rise sharply in 2007. More than 12 million visitors logged on to Länsförsäkringar's websites. In addition to information searches, sales via the Internet have also increased. Sales of motor-vehicle and private-home insurance via the Internet are continually rising and the Internet channel now accounts for an increasingly large percentage of the sales of these products. The number of loan applications via the Internet in the banking operations is also increasing. ■



Broker market

Through Länsförsäkringar Mäklarservice, Länsförsäkringar reaches the customers that choose to be represented by a broker when purchasing insurance. On behalf of the regional insurance companies, Mäklarservice brokered a non-life insurance premium of SEK 1,141 M (1,199) at the end of 2007. The brokered sale of life-assurance and pension products amounted to SEK 8,842 M (6,853) in sales value. The broker channel now accounts for a third of insurance premiums in both the life-assurance and non-life insurance business. The number of customers choosing to be represented by a broker is

continuing to increase. Customer surveys have also revealed that broker customers are equally as satisfied as other customers.

Mäklarservice methodically develops partnerships with brokers and a key part of current ventures involves Internet services. However, excellent service through personal relationships will remain the most important element of developing business relations with broker personnel.

The performance of Länsförsäkringar's broker life-assurance business was highly favorable in 2007. There are many reasons for this, including the appropriate price pro-

file combined with an attractive range of funds and very healthy finances in the life-assurance company. Structured marketing activities performed by the life-assurance brokers and efficient support also contributed to the positive trend during the year, with the award of Best Broker desk of the Year as clear confirmation of recognition for the brokers' work. This prize was awarded by the industry organization SFM.

The life-assurance market is continuing to be consolidated through takeovers and mergers of brokers. At the same time, many smaller brokerages than ever before are



Reinsurance is the unifying link

The cooperation in the Länsförsäkringar Alliance provides the 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.

being started, which should be seen as a sign of a health industry. Other important trends among life-assurance brokers are:

- Higher ambitions to enter into alliances, to create access to banking services for example.
- Intensified sales in the Healthcare area.
- Greater focus on efficient processes.
- A broader range, for example in the form of equity index bonds, non-restricted funds and deposit insurance.
- More procurement and packaged occupational pension plans.

Similar to the preceding year, the non-life insurance market was temperate, with relatively few purchases and explicit premium pressure in the business. Despite this, the industry showed continued high profitability, resulting in new players in the market. New competitors entered the Swedish municipal market, for example. Insurance companies and brokers continued to experiment with many different methods of handling commission/fees and there are many indications that this situation will continue in the future. Other clear trends among non-life insurance brokers are:

- An increasing number of non-life insurance brokers becoming interested in new segments in the form of small companies and private customers.
- The Internet is becoming an important channel and more brokerages are developing portals for reaching new markets.
- Sales in the Healthcare area are accelerating.

Financially advantageous cover

Reinsurance with Länsförsäkringar AB takes place with the retention chosen by each regional insurance company. 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 Alliance can be used and a substantially higher number of transactions can be retained within the Länsförsäkringar 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.

Non-life insurance

Strong earnings and new growth areas



The fiscal year for non-life insurance is summarized by a continued market-leading position and strong financial results. The technical result amounted to SEK 2,322 M (2,114). The market share remained stable and, measured in premiums paid, was 29.4% (29.8). For a fifth consecutive year, Länsförsäkringar was named “Non-life Insurance Company of the Year” in the Finansbarometern survey of managers at more than 600 of Sweden’s largest companies and organizations.

THE TOTAL non-life insurance market, measured in premiums paid, rose moderately in 2007. The low growth rate was due to the market having stable profitability for a long period of time and the increasingly fierce pricing competition that is now characteristic of the market. The total non-life insurance market currently amounts to SEK 57,859 M, corresponding to an increase of SEK 1,451 M since 2006. The number of insurance policies increased compared with 2006 and mobility in the market is also extensive. Competition in the market is increasing from banks offering non-life insurance and remains characterized by clear competition from small traditional non-life

insurance companies, completely new players and foreign companies.

The many years of favorable profitability in non-life insurance have led to an increase in the number of players in the Swedish non-life insurance market. 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 between banks and insurance and insurance related to such consumer products as white goods and electronics are also on the rise.

FACTS ABOUT THE SWEDISH NON-LIFE INSURANCE MARKET

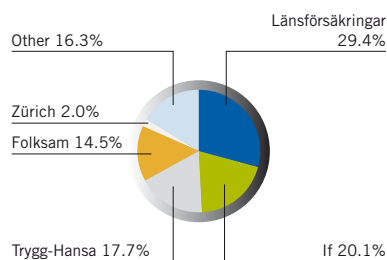
SEK M	2007
Premiums paid, total	57,859
Commercial and property insurance	13,988
Household and homeowner insurance	11,417
Third-party liability insurance	10,236
Motor-vehicle insurance	12,499
Medical and accident insurance	5,171
Marine and cargo insurance	1,141

Source: Swedish Insurance Federation

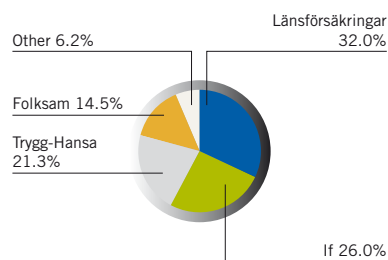
The total market share, measured in premiums paid, remained stable in 2007 and amounted to 29.4% (29.8). Growth was healthy in household insurance and both the portfolio and market shares also grew in motor-vehicle insurance. In commercial

MARKET SHARES

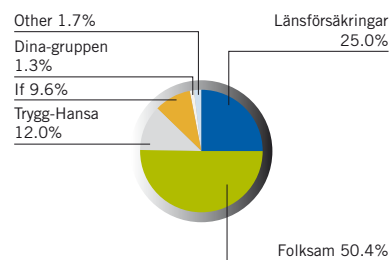
Non-life insurance (share of premiums paid)



Third-party liability insurance (share of premiums paid)



Household insurance Number of policies



insurance, the Länsförsäkringar Alliance's dominating position was held during the year despite intensifying competition.

The regional insurance companies' customer relations within non-life insurance operations serve as a platform for growth also within life assurance and banking operations. The organization of the Länsförsäkringar Alliance, with local and independent companies, has once again proved a winning concept.

Despite increased competition, the Swedish Quality Index survey shows that Länsförsäkringar continues to be one of the top insurance companies with the most satisfied customers within non-life insurance. The main reason why Länsförsäkringar retained a top ranking again in 2007 is that customers continue to award the company high marks for service. Part of the success is attributable to proximity to the customer, the ability to find flexible solutions and the swift, non-bureaucratic claims adjustment process.

Customers also remain very loyal to Länsförsäkringar. In the growth market in medical insurance, Länsförsäkringar's own customer survey shows that a full 98% of its customers are satisfied or very satisfied with the service they receive. The fact that Länsförsäkringar is the only player to offer a total solution encompassing banking, life assurance and non-life insurance under one brand is a further explanation for its satisfied customers.

Continued stable earnings

Similar to the non-life insurance market as a whole, the Länsförsäkringar Alliance reported stable earnings and the technical result amounted to SEK 2,322 M (2,114), with a combined ratio of 93% (93). Operating profit in 2007 totaled SEK 3,606 M (4,545), of which investment income amounted to SEK 3,660 M (4,664). For further information, refer to Comments on financial results on page 20.

Growing areas in the non-life insurance market

Changed third-party liability insurance

One of the major issues for 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 the Länsförsäkringar Alliance sent 1.4 million notices to customers and received slightly more than SEK 500 M in tax compensation.

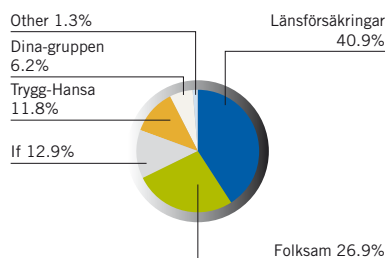
The second step involves investigating the possibility of transferring all of the costs for those with third-party liability claims to the insurance companies. An expert investigation to which the Länsförsäkringar Alliance contributed an expert was appointed in April 2007. Due to the complexity of the investigation, an extended investigation period has been requested for June 15, 2009, and confidential communication has been provided granting the request.

The Länsförsäkringar Alliance has appointed a project to investigate and safeguard

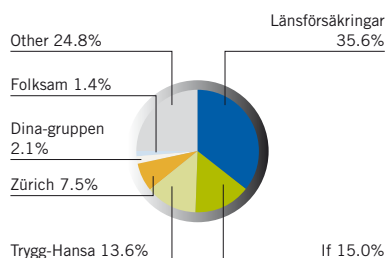
Significant events in 2007

- The technical result remained strong and amounted to SEK 2,322 M (2,114). Operating profit totaled SEK 3,606 M (4,545).
- High investment income, 6.4%, despite the turbulence in the financial markets.
- Continued leading market position with a market share of 29.4% (29.8).
- Non-Life Insurance Company of the Year for the fifth consecutive year.
- Stable combined ratio of 93% (93), as a result of measures to improve profitability in the form of claims-prevention activities and efficiency enhancements.
- Focus on the healthcare area continues and Länsförsäkringar holds a strong position in medical insurance in an expanding market.

Homeowner insurance Number of policies



Commercial and property insurance (share of premiums paid)



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 sector, is actively involved in the formulation of the new rules to find the best possible solution for our customers.

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.

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

In 2007, a decision was made to establish non-life insurance operations in Latvia and

Lithuania. The first insurance policy was sold at the beginning of 2008. In 2007, Agria International took another step in the international market. Agria established operations in several countries, partly through its own operations in Norway and the UK and partly through partners in Finland, Iceland and the Åland Islands. Agria International's sales amounted to slightly more than SEK 120 M and profitability was favorable.

Intensified cooperation with the Federation of Swedish Farmers

At the end of 2007, the Länsförsäkringar Alliance acquired insurance operations from the Federation of Swedish Farmers (LRF). The insurance operations comprise individual and group life, medical and accident insurance for about 205,000 LRF Försäkrings customers. The customers primarily include LRF's approximately 165,000 members, but also other agricultural and forestry

Reinsurance

As in 2006, fiscal 2007 was a highly successful year for reinsurance companies and the market was not impacted by any major claims. As a result, the industry reported another year of favorable earnings. For this reason, the price level on the market has fallen slightly although prices continue to vary.

The largest structural transaction during the year was the merger of the reinsurance companies SCOR in France and Conventum in Switzerland. Some reinsurance companies also had their ratings upgraded by the credit institutions. A number of Bermuda companies established operations in Europe to increase their exposure outside the US:

In 2007, Länsförsäkringar Alliance's customers reported a number of large claims that were partly handled by the Member Company Pool, but are also included in the external reinsurance program.

The greatest damage was caused by Hurricane Per which swept over southern Sweden in January 2007. Claims costs amounted to slightly less than SEK 500 M and more than 60% of damage was forestry damage. In mid-December, Dalarnas Försäkringsbolag suffered a fire at a sawmill with estimated claims costs of SEK 420 M. At the end of November, Länsförsäkringar Skåne received a claim for extensive fire damage to a residential property in Malmö that amounted to SEK 160 M. Länsförsäkringar Alliance also had three other major fire-damage claims of between SEK 90 M and SEK 100 M. Claims costs for Hurricane Gudrun in January 2005 totaled SEK 3,070 M and the entire reinsured amount of SEK 2,900 M in addition to the Alliance's retention was received from external reinsurers.

Based on these claims and the extension of natural disaster cover to SEK 7,000 M, costs for property reinsurance have risen by slightly more than 20%. This increase was made to retain a low level of risk in the Länsförsäkringar Alliance.

The international assumed reinsurance underwritten by Länsförsäkringar Sak has proceeded well despite a large claim and earnings are according to plan. The portfolio was affected by Hurricane Kyrill that hit the Netherlands, Germany, the Czech Republic and Austria in January. The hurricane came a week after Hurricane Per but caused no damage in Sweden.

Changes in premiums under renewal in 2008 were rather non-eventful. Some programs have had their price levels reduced while others that suffered many claims, have been increased.

associations. The aim of the cooperation is to increase value for LRF's members within the agricultural market, while, at the same time, strengthening Länsförsäkringar's customer offering in this customer group. The acquisition is also part of the continuing growth strategy.

Brokered transactions

Länsförsäkringar's brokered non-life insurance transactions were at about the same level as in 2006. At year-end 2007, Länsförsäkringar Mäklarservice had managed non-life insurance premiums of SEK 1,141 M (1,199) on behalf of the regional insurance companies.

Similar to the preceding year, the non-life insurance market was temperate with relatively few purchases and explicit premium pressure in the business. Despite this, the industry showed continued high profitability, resulting in new players in the

market. Insurance companies and brokers continued to handle commission/fees in different ways and there are many indications that this situation will continue in the future.

Other clear trends are:

- An increasing number of non-life insurance brokers becoming interested in new segments in the form of small companies and private customers.
- The Internet is becoming an increasingly important channel and more brokerages are developing portals for reaching new customer groups.
- The brokers sales in the Healthcare area are accelerating. ■



Run-Off

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.

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 between Läns-

försäkringar and 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.

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

Motor-vehicle insurance

Portfolio continues to increase

The number of newly registered passenger cars in 2007 amounted to 306,000, representing an increase of 8.5% since 2006 and the number of passenger cars on the road was slightly more than 4.2 million at the end of 2007. The trend in the Länsförsäkringar Alliance's motor-vehicle insurance portfolio in 2007 was positive. The market share according to the Swedish Insurance Federation has risen and was for private car insurance 31.7% (31.4).*

The commercial motor-vehicle market was a growing market in 2007 with greater price pressure on insurance policies. Despite a slightly declining market share and stagnating premiums earned, the Länsförsäkringar Alliance retained its leading position in this market. The market share of registered vehicles for legal entities amounted to 45.8% (45.9). In 2007, an agreement was signed with the Volkswagen Group and Länsförsä

säkringar will insure damage to vehicles for Volkswagen, Audi, Skoda and Seat.

Claims-prevention activities remained focused on individual customers and targeted campaigns for commercial traffic and agriculture. The campaign against fatigue when driving, www.somnante.nu, received widespread attention.

The first step in the Swedish Government's efforts to transfer costs for personal injuries in road traffic accidents, from the social security insurance to the insurance companies, was made. It began with a selective tax on third-party liability insurance premiums being introduced on July 1, 2007. This tax is intended to cover society's costs for personal injuries that have already occurred. The next step is to review the possibility of transferring social security insurance to the third-party liability insurance companies. ■

*Market shares for all vehicles are included in the table.

Motor-vehicle insurance	2007	2006
Premiums earned, gross, SEK M	6,683	6,575 ¹⁾
Private cars, number of insurance policies	1,538,300	1,519,400
MCs, number of insurance policies	124,600	114,100
Market share, percentage of insured vehicles, %	37.4	36.7

¹⁾ Adjusted for premiums paid to the Swedish Insurance Federation due to changed accounting principles.



Home insurance

Fierce competition and maintained leading position

The Länsförsäkringar Alliance remained the market leader in home and leisure-home insurance and has increased its market shares, measured in the number of insurance policies, in leisure home, household and homeowner insurance. The market share for homeowner insurance was 40.9% (40.8) and 25.0% (24.8) for household insurance. The number of claims and claims costs remained essentially unchanged for homeowner insurance, while both the number of claims and claims costs rose for household and leisure-home insurance.

An increasing number of competitors are realizing the advantages of offering both

banking services and non-life insurance, and this has resulted in many new partnerships between banks and insurance companies commencing during the year. The number of customers with mortgages and home owner insurance continued to increase. This increase totaled 15% in 2007.

During the year, the Länsförsäkringar Alliance continued the introduction of a new system for pricing home owner insurance. The system means that customers are offered fairer premium levels and it will be easier for them to insure their homes. With the new premium levels, the Länsförsäkringar Alliance has continued to create an advantageous position for itself compared with its competitors. ■

Home insurance	2007	2006
Premiums earned, gross, SEK M	3,226	3,177
Household, number of insurance policies	728,200	720,800
Homeowner and home content, number of insurance policies	678,000	681,000
Leisure home, number of insurance policies	250,600	251,900



Commercial insurance

Leading position and higher number of large claims

Despite the intense competition in the commercial market, the Länsförsäkringar Alliance succeeded in retaining its leading position. The market share for the commercial area was 35.6% (37.5).

The number of insurance policies fell at the beginning of 2007 but rose slightly to 230,600 (229,000) later in the year. Premium volumes also declined at the beginning of the year, although this decrease quickly waned and rose during the year to exceed the premium level at the beginning of the year.

Länsförsäkringar Alliance had many large claims in 2007, meaning that the claims ratio fell from approximately 60% to 70%. However, the impact varied for each of the regional insurance companies. An interesting and alarming observation was made surrounding "hurricane and natural disaster claims." Prior to 2005, this type of claim accounted for approximately 2% of the total annual claims-payment volumes. Between 2005 and 2007, this percentage varied between 5% and 9%.

One of the many development projects conducted during the year was aimed at modernizing the range of commercial products. Products and systems support are adapted to meet customer needs and to simplify administration. ■

Commercial	2007	2006
Premiums earned, gross, SEK M	3,937	3,883
Market share, commercial and property, %	35.6	37.5
Number of insurance policies	230,600	229,000

Boat insurance

Continued market leading position

The Swedish portfolio of leisure boats has increased for many years and the total number of leisure boats rose by 1.5% or 4,400 boats in 2007. There are now 289,000 separately insured leisure boats in Sweden and the Länsförsäkringar Alliance's market share is 27.2%. The portfolio rose by 1.8% and has now surpassed 78,000 insured leisure boats.

The summer weather was a possible reason for the lower claims costs in 2007, since a large number of boats were used infrequently and therefore fewer boat-related claims occurred. However, gangs of thieves continued to operate in Sweden

and also in locations where theft had never previously been a problem. These gangs are thorough and empty unoccupied summer cabins and parking spaces. Incidences of theft of boating equipment have risen considerably.

The Internet has become a key sales channel for the sale of boat insurance and in 2007, more than 19,300 calculations took place, corresponding to 5.7% of new policies underwritten. ■

Boat insurance	2007	2006
Premiums earned, gross, SEK M	128	124
Leisure boats, number of insurance policies	78,700	77,300
Market share, %	27.2	27.3



Agriculture

A year with high claims costs

The restructuring in the Swedish agriculture is continuing. Active agriculture is increasing in use, while smaller-scale agricultural activities are increasingly used solely for accommodation and leisure activities. The price of grain rose substantially during the year, meaning that the financial situation of Swedish farmers is better than it has been for many years. This may lead to the pace of restructuring slowing somewhat in the future.

The Länsförsäkringar Alliance retained its strong market-leading position and the market share for 2007 is calculated at approximately 75%. Competition in the market has, however, risen both in large-scale and small-scale agriculture. The launch of new products to meet structural changes and competition in the agricultural sector is now on the agenda.

In January 2007, Hurricane Per caused extensive damage to forests and farm buildings. However, the extent of this damage was not comparable to that caused by Hurricane Gudrun in 2005. Accordingly, the new condition for forest insurance that was introduced at year-end was immediately tested.

Claims costs for 2007 were almost double as high as during a normal year, the most important reason being Hurricane Per at the beginning of the year. Costs for fire damage were also significantly higher in 2007 than during the three previous years and farmers' residential properties incurred claims to a greater extent than in previous years. ■

Agriculture	2007	2006
Premiums earned, gross, SEK M	1,237	1,178
Agriculture, number of insurance policies	194,100	192,400
Tractors, number of insurance policies	265,700	265,200

Healthcare

High demand and increased sales

Demand for insurance solutions in the healthcare areas continued to rise in 2007 and sales for the Länsförsäkringar Alliance rose sharply. 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 for 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 medical 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 healthcare 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.

Despite high demand, market players intensified their pricing pressure and marketing in 2007 which is quite likely to lead to a decrease in profitability. However, the market will be affected by this in the short

term since the medical insurance market is still relatively young and undeveloped. It also offers excellent future prospects.

At the end of November, the Swedish Quality Index released the results of its annual customer satisfaction survey. Once again, the Länsförsäkringar Alliance had the highest level of customer satisfaction in the medical insurance market and also improved on its rating for 2006.

One of the major successes during the year was the introduction of a new healthcare product that is sold together with the occupational pension solution "Free Plan." The product received a highly positive reception and was given to 6,000 new customers. The customer stock for medical insurance now amounts to approximately 35,000 companies and 110,000 policyholders, which is estimated to provide a market share of slightly less than 40% of the medical insurance market. ■

Medical and accident insurance	2007	2006
Premiums earned, gross, SEK M	853	634
Market share, premiums paid, %	16.8	13.7
Medical insurance, number of policyholders	110,000	95,000
Market share, medical insurance, estimate, %	39	39



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.

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 logo-type 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 Dyreförsikring 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.

Development activities

During the year, Agria worked to develop 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 on developing automated services and services requiring more detailed handling will continue in 2008. ■

Key figures	2007	2006
Premiums earned after ceded reinsurance, SEK M	1,089	949
Profit before appropriations and tax, SEK M	139	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

Claims adjustment

Claims service focusing on customers

Each individual regional insurance company offers agricultural, private and commercial customers a wide range of non-life insurance products. The company also has its own claims expertise that offers a claims service close to customers. Local strength combined with the possibility to tie together resources and shared expertise results in a first-class service for all types of claims. The local concept ensures swift processing with skilled employees located close to customers. Approximately 1,000 people work with claims adjustment within the Länsförsäkringar Alliance, and Länsförsäkringar's international network of partners guarantees service also outside Sweden.

Claims adjustment entails an important delivery of the product purchased by the customer. It involves providing an active service to Länsförsäkringar's customers. A claim is adjusted in cooperation with the customer as quickly as possible after the claim has arisen so as to ensure that the details surrounding the claim are as complete as possible. A guiding rule is that the adjustment of claims must be consistent, uniform and fair. For example, language difficulties or disabilities may affect the customer's comprehension or ability to take action, which is why it is important that Länsförsäkringar provides individually adapted service. The goal is that Länsförsäkringar's claims service be perceived as flexible and adapted to customers' individual needs. Länsförsäkringar always strives to take measures and decisions to inform customers of their rights and obligations.

In 2007, slightly more than 600,000 claims were adjusted – more than half of these related to damage to motor vehicles. Another major claims area pertained to household insurance with slightly more than 190,000 claims and where water damage accounted for nearly 16% of claims, at a cost of SEK 1 billion.

The cost of claims affects the price

The price Länsförsäkringar charges for its products is based on the number of claims and the average cost of claims, operating expenses for administering insurance and adjusting claims, and on the investment income obtained on the premium during the period from when the premium is paid to when costs for claims and operations are paid out. When evaluating the various parameters, Länsförsäkringar firstly looks at the confirmed past history and then makes an estimate of future changes that may affect the cost of claims. Such changes may, for example, involve

changes in claims risk and future inflation as well as changes in legislation and legal practice. An estimate is also made of the factors affecting operating expenses and investment income. Based on these parameters, the average price required to conduct healthy and financially sound insurance business is calculated. Finally, the total premium withdrawal is divided between various types of insurance according to their risk exposure. This involves taking differences in risk into account, for example between models of cars, types of housing, mileage and geographical locations.

	Number of claims	Claims cost (SEK M)
Commercial	31,000	2,690
Civil	191,600	1,927
Agriculture	3,200	1,100
Accident	14,800	133
Boat	2,400	26
Private motor vehicle	246,800	2,220
Commercial motor	86,700	1,114

Insurance fraud a growing problem

Insurance fraud is a major and steadily growing problem in the insurance industry and Länsförsäkringar is also affected by attempts at fraud. It is a problem because by extension it affects the customer's costs for insurance and it is also important that the customer is treated fairly in claims adjustment matters. In response to this, a team of 36 investigators at Länsförsäkringar Alliance currently works on investigating suspicious claims. In 2007, their efforts resulted in the nonpayment of insurance claims worth almost SEK 100 M. Almost 25% of these related to payments for personal injury claims and incorrect information was found in more than 55% of cases that were subject to special investigation. Unfortunately, many cases of insurance

fraud remain undetected, and focus will continue to be directed toward work on the development and quality assurance of the investigations operations.

Extensive claims-prevention activities

Extensive claims-prevention activities remained a key focus area. Advice and guidelines are provided to customers both as a preventive measure and after damage has occurred. This type of information is provided in a manner that is as easily understandable and non-bureaucratic as possible to limit the extent of the damage.

Successful work with this type of issue leads to a reduction in environmental impact as well as a decrease in the number of claims. For example, fewer fires contribute to a decrease in carbon dioxide emissions. Calculations indicate that a fire in a private home will lead to emissions of slightly more than 25 tons of gases, dust and waste products.

The regional insurance companies also impose demands on the quality and environmental work of their claims contractors. It is important that damage is repaired with a

high level of quality to avoid damage reoccurring. The contractors are offered further training by Länsförsäkringar to maintain a high level and feedback is given on new experiences.

Claims-prevention work had a broad focus. In 2007, information on the Internet was developed and many well-attended local claims-prevention activities were organized, focusing on such issues as water damage, fire damage, burglary prevention, safe handling of electricity, motor vehicle damage and traffic safety.

Major claims require special resources

A case of major damage is an event that threatens large values or many policyholders and that requires rapid decisions and concentrated efforts. Examples of such events are fires in apartment buildings or factories, natural disasters on a massive scale and epidemics. Decisive action and rapid decisions are required when extreme events occur to reduce

the extent of the damage as far as possible and assist customers who have been affected.

The Länsförsäkringar Alliance has prepared an emergency plan for managing major claims and the regional insurance companies also continuously map the risks that exist in their local area. As part of this work, the competencies in specific subject fields and the requirements arising in conjunction with mass-claims handling are catalogued. The primary purpose of the emergency plan is to create a state of preparedness in the regional insurance company, and also to coordinate existing resources. Local cataloguing makes it easier to organize assistance from other regional insurance companies.

The results are documented and the emergency plans that are drawn up contain checklists, descriptions of procedures and the divisions of responsibilities in the work related to major claims. Due to all of the preparations, the Länsförsäkringar Alliance is well-equipped and prepared for any major

claim that may occur. The emergency plans were very beneficial to the regional insurance companies in the claims work following the Asian tsunami, the hurricanes that have hit the country and other cases of extensive damage in Sweden. The plans are continuously developed and improved by adding experiences. ■



The fire at MKB's property in Potatisåker in Malmö in 2007 was one of the Länsförsäkringar Alliance's most extensive major claims ever and the largest in Länsförsäkringar Skåne's history, with a claims cost of approximately SEK 160 M.

Meeting customer needs across borders

Increased travel requires that claims adjustment services are expanded to be able to provide rapid assistance abroad. For emergency situations, special resources are required. Since 2003, the Länsförsäkringar Alliance has been a major shareholder in SOS International, with a 12% interest. The ability to provide service to customers suffering damage or injury whilst abroad was demonstrated in the face of great adversity in conjunction with the tragic tsunami disaster in 2004. In 2006, SOS International was voted Best Assistance/Claims Handler of the year.

Simpler claims adjustment for traffic accidents abroad

The provisions of the Fourth Motor Insurance Directive require all issuers of motor

vehicle insurance within the EU, the EEA and Switzerland to protect their customers' interests. For example, a person who is hit by a car and injured in another EU/EEA country may now travel home and have his claim adjusted in his home country and in his native language via a representative of the foreign insurance company. Through a well-functioning network of insurance companies, the regional insurance companies are able to provide a high quality service for customers who have suffered damage or injury abroad.

Insuring companies abroad

Insuring a company's operations outside Sweden is often subject to other regulations than those that apply in Sweden. The pack-

age solutions for commercial customers in Sweden are generally very different from those abroad. Insurance regulations in different countries – even between EU countries – are far from harmonized. Through the International Network of Insurance (INI), Länsförsäkringar is able to arrange local non-life insurance in almost all parts of the world. Assistance is received from 60 insurance companies with operations in a total of 80 countries through the INI, giving customers the same level of cover as in Sweden. Through the EurAPCo (European Alliance Partners Company), the regional insurance companies can also assist commercial customers who plan to send employees to work abroad for shorter or extended periods.

Comments on financial results

The Länsförsäkringar Alliance's earnings and key figures for non-life insurance comprise the sum of the earnings of the 24 independent, regional insurance companies and the Länsförsäkringar AB Group.

The non-life insurance operations reported stable profitability. The combined ratio remained unchanged in 2007 and amounted to 93% (93) despite pressed price levels in the market.

In spite of price competition in the commercial market and small increases in portfolios in private insurance, total premiums earned by the Länsförsäkringar Alliance rose 2% to SEK 16,669 M (16,362).

The Länsförsäkringar Alliance has worked on profitability improvements in the form of claims-prevention measures for many years. The trend in claims costs remained stable based on the increase in the number of policies in the insurance portfolio and amounted to SEK 12,063 M (11,878). The claims ratio fell to 72% (73). The large claims that affected the Länsförsäkringar Alliance's customers during the year had a limited impact on net claims costs due to the strong reinsurance cover in the Alliance and to the international reinsurance market. However, in the long term, a large claims burden in the reinsurance

program will impact reinsurance premiums. The largest claim during the year was Hurricane Per that swept across Sweden on January 14, 2007. The gross cost for the hurricane is estimated at slightly more than SEK 500 M.

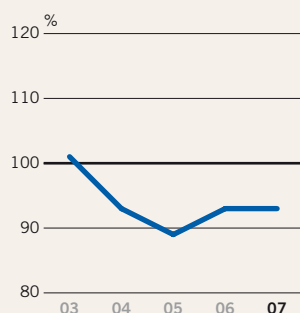
The expense ratio was 21% (20) and was impacted by investments in international ventures and operations support. The Länsförsäkringar Alliance is continuing to invest in the development of rational and customer-friendly IT support. Improved and extended functionality on the Internet was launched in spring 2008 and the development of the motor-vehicle insurance systems is continuing in the platform commissioned in 2006.

The technical result before bonuses and discounts amounted to SEK 2,322 M (2,114). Due to this healthy profit, 18 regional insurance companies will pay bonuses in various forms to their customers, totaling slightly more than SEK 900 M.

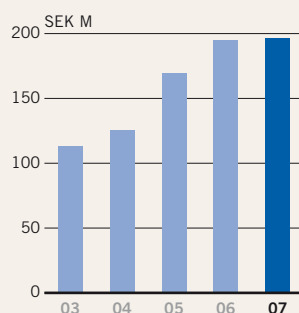
Trends in the financial markets in 2007 were turbulent, although investment income amounted to 6.4%, or SEK 3,660 M. Operating profit amounted to SEK 3,606 M. Solvency capital for the Länsförsäkringar Alliance's non-life insurance operations was further strengthened and the solvency margin totaled 198% (195) at year-end.

Key figures	2007	2006
Premiums earned after ceded reinsurance, SEK M	16,669	16,362
Technical result before bonuses, SEK M	2,322	2,114
Operating profit, SEK M	3,606	4,545
Expense ratio	21	20
Claims percent	72	73
Combined ratio	93	93
Technical result as a percentage of premiums earned after ceded reinsurance	14	13
Solvency capital, SEK M	34,140	32,093
Solvency margin, %	198	195
Return on shareholders' equity, %	11.2	15.8
Total return on investment assets, %	6.4	7.7

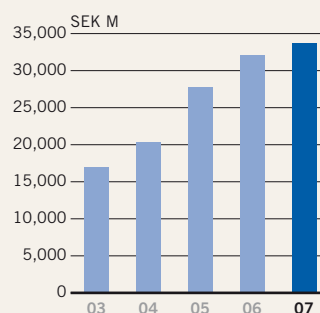
Combined ratio



Solvency margin



Solvency capital



Life assurance and pension insurance

Strong growth and the industry's best return

Focus was again directed to growth in 2007. As well as having the best total return in the industry, continued ventures in the pension insurance market contributed to major sales success, strengthened key figures and advanced market positions.

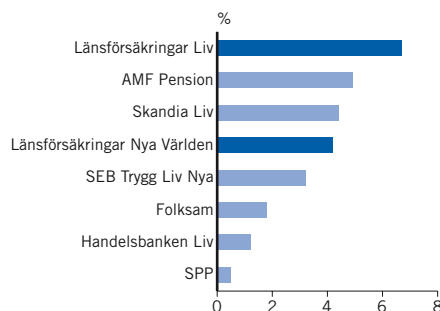
THE NEW management model introduced in 2007 and which in brief involves taking only active positions where it is deemed highly possible to create added value has already proven successful. And sales successes follow successful management. Focus was again directed to growth in 2007 and during the year ventures were continued in the private and occupational pension market. The results of these campaigns are reflected in the substantial increase in growth.

Sales of new life assurance and unit-linked insurance policies amounted to SEK 17,341 M (11,762) during the year, corresponding to an increase of 47%. The market share rose and Länsförsäkringar Liv is now the third largest life-assurance company in Sweden. Unit-linked insurance accounted for the very strongest growth, representing 55% of total new sales. This achievement should be seen as the success of the target-oriented work on creating Sweden's strongest fund offering. The total premium income according to the Swedish Insurance Federation's definition amounted to SEK 10,794 M (10,141). Measured in premium income, the market share declined in 2007 to 7.4% (7.9). One reason for the fall in the market share despite sales successes is that Alecia's market share was boosted by the ITP agreement area, which was not previously exposed to competition, now being included in market-share statistics and that a large portfolio

transfer from Alecia to Handelsbanken impacted the whole market. Another explanation is that Länsförsäkringar Liv transferred group and accident insurance to Länsförsäkringar Sak in a bid to rationalize its operations in 2007.

The return on customers' funds is the key target for life-assurance operations, but a life-assurance company must also have a good balance between fee and cost level. In 2007, the administration result, the difference between fees and costs, was positive for the second consecutive year, even though Länsförsäkringar had reduced or completely removed many fees. The favorable return combined with the positive administration result strengthens finances. ■

Total return, on investment assets, 2007



The year in brief

- The total return for customers with traditional management amounted to 6.7%, which was the industry best.
- The successful asset management gave customers a bonus rate of 10% at year-end
- Key figures in traditional insurance remained strong. Collective consolidation was 114% (114) and the solvency ratio amounted to 152% (136).
- Länsförsäkringar received the highest rating when Swedish financial daily Affärsvärlden announced Life Assurance and Unit-link Insurance Company of the Year in September.
- Länsförsäkringar became an eligible manager of traditional insurance and unit-linked insurance for the new ITP plan and FTP plan.
- Länsförsäkringar came third in the ITP choice. A total of 14% of those individuals making an active pension choice, chose Länsförsäkringar. Only 35% of salaried employees made an active choice.
- The market share rose to 11.1% (9.4) and Länsförsäkringar Liv is now Sweden's third largest life-assurance company.

The Swedish pension system – pension from three sources

The national pension from the state forms the broad base layer of a person's total pension. The next layer comprises an occupational pension, which most people have through their employment. Pension can also be supplemented with savings in private pension savings plans. These various parts have no effect on each other and are simply added together to form the total pension.

1. National pension

The national pension is the old-age pension to which everyone is entitled by law. It comprises an income pension, national supplementary pension, premium pension and guarantee pension. These parts come from the Swedish Social Insurance Agency and the Premium Pension Authority (PPM). Both the employee and the employer pay pension contributions to the national pension. The total contribution is 18.5% of pensionable income; 16% goes to the income pension and 2.5% to the premium pension. Those with a low or no income receive a guarantee pension.

The pension in the new system introduced in 1999 is based on a person's entire life income and is linked to Sweden's economic growth. The system is to tolerate population changes. The size of the pension for the national system is determined by how much money a person earns throughout their life and not just over the 15 years of highest earning, as previously. The size of the pen-

sion also depends on the trend in the salary earner's income in Sweden. If the trend is positive, the pension will be higher. If the trend is negative, the pension will decrease accordingly.

2. Occupational pensions

An occupational pension is a benefit that most people receive from their employment. Nine of ten Swedes receive an occupational pension and for many this occupational pension can amount to 20–50% of their total pension. The market currently features a number of players and is characterized by growing competition. Occupational pensions and their agreements have changed in the same way that the national pension system has. One of the many important changes 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, an amount is reserved and 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.

Possibly the most important agreement that has undergone this change is the pension agreement for private-sector salaried employees, ITP. The new ITP plan affects a large part of the competitive occupational-

pension market in terms of volume, distribution and cost structure.

The changes to the major agreements mean that the portion of the total occupational-pension premium that the individual can choose has successively increased. As a result, this gives the individual greater freedom of choice and action. Although the employer pays the premiums, it is the employee who decides who is to manage the pension.

3. Private pension

Many people need to strengthen their pension through savings in private pension insurance. The new national pension system will probably mean that the gap between the final salary and pension will increase. Uncertainty surrounding the amount of the pension has also increased. It was previously guaranteed that the pension would reach a certain level in relation to income.

In the new system, the pension amount depends on a number of factors such as the trend in the Swedish economy and average length of life, the level of growth, as well as the trend in the premium pension funds selected. There are many indications that the new pension system will provide approximately 50–65% of the final salary of the pension. The pension gap and heightened uncertainty mean that the need for supplementary private savings will increase sharply.



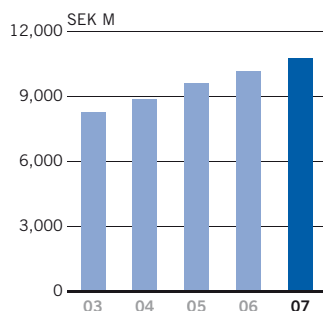
The Swedish life-assurance market

The Swedish life-assurance market can be divided into three sub-markets: *Occupational pension*, *Private Pension* and *Savings*. Long-term pension savings continued to increase during the year. On December 31, 2007, the Swedish life-assurance market had a sales value of SEK 156 billion, up 25% from 2006. For Länsförsäkringar, new sales and market shares in all sub-markets rose.

Increased premiums for traditional management

Premium income from unit-linked insurance declined by 6% to almost SEK 58 billion, while premiums for traditional life-assurance rose 33% to slightly more than SEK 88 billion. Driving these figures was a 25% increase in the occupational pension market.

Premium income



The ITP agreement area, which was not previously exposed to competition and is now included in statistics, rose by 17%. A major portfolio transfer from Alecta to Handelsbanken also impacted market-share statistics. Länsförsäkringar Liv's premium income rose by 6% to SEK 10.8 billion. Measured in premium income, Länsförsäkringar's market share declined slightly in 2007 to 7.4% (7.9).

1. OCCUPATIONAL PENSION

The occupational pension market is the largest of the three sub-markets and the sales value was 71% of the total market. The sales value of the occupational pension market amounted to SEK 111 billion, which was an increase of 31%. A total 83% of Länsförsäkringar Liv's sales value is found in the occupational-pension market and Länsförsäkringar Liv's sales value rose in 2007 to 53% and amounted to SEK 14,463 M (9,479).

Record for sales via insurance brokers

The occupational pension market is being increasingly governed by large-scale pension procurement processes. One example of this is when the slightly larger companies instigate procurement processes to obtain attractive prices, conditions and customized

solutions for their employees. Insurance brokers are important partners in this type of procurement process. The parties work together through Länsförsäkringar Mäklar-service and sales were strong in 2007. The sales value totaled SEK 8,842 M, which is the highest ever figure. Premium income amounted to SEK 3,385 M, an increase of 17% compared with the preceding year.

Given these results, Länsförsäkringar is the second largest player in Sweden in brokered occupational pensions and also has the highest portion of ongoing premiums. The development activities Länsförsäkringar carried out in recent years have resulted in such advantages as higher efficiency in administration, which led to Länsförsäkringar winning the award of "Best Broker desk of the Year" (awarded by industry association SFM).

Pension choices increasingly important

Another important part of the occupational pension market is the procurement of new and changed collective pension agreements 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.



ITP

The new ITP agreement affects private-sector salaried employees born in 1979 or later. The employer pays a certain amount to the employee's pension depending on their level of income, but it is the employee who decides how and where these pension savings are to be invested. Under the ITP agreement, half of the funds is to be invested in traditional insurance. The employees choose themselves whether to invest the other half in traditional insurance or unit-linked insurance. The pension choice is administered by Collectum which processes all choice forms.

A number of insurance companies were eligible for salaried employees to choose. Länsförsäkringar Liv is one of two companies chosen as managers of both traditional insurance and unit-linked insurance.

Between July 1 and November 15, 44,000 salaried employees selected their collective agreement pensions within the framework of the new ITP agreement. Länsförsäkringar came third among salaried employees between the ages of 25 and 29, which corresponded to 14% of the total number of people making an active choice. However, only 35% made an active choice. In total, SEK 403 M of premiums were invested. The majority, SEK 289 M, was invested with Alecta, which was also a non-choice alternative. A total of SEK 43 M in premiums was invested with AMF Pension and SEK 21 M with Länsförsäkringar Liv.

FTP-agreement

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 procured insurance companies finalized for 2009.

Continued high customer rating in the commercial market

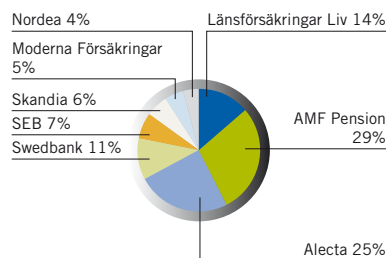
Länsförsäkringar came second in the commercial market in the 2007 customer satisfaction survey carried out by the Swedish Quality Index. Alecta was ranked first with a customer satisfaction rating of 71.1, compared with Länsförsäkringar's rating of 66.3. The average rating for companies in the survey was 63.9.

The Swedish Quality Index is a system for measuring and analyzing actual customers' and other users' opinions of goods and services in Sweden. The Swedish Quality Index is conducted in partnership with the Stockholm School of Economics.

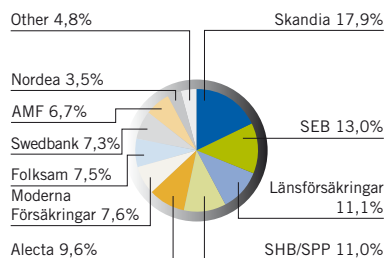
2. PRIVATE PENSION

The Private Pension sub-market, with a sales value of SEK 7.4 billion, remained unchanged compared with 2006. However, Länsförsäkringar Liv's continued ventures in the private market yielded results in 2007 with sales rising 66% to SEK 854 M. The key to this success in this sub-market is that the new Insured Pension product is well suited to the regional insurance companies' offerings. With its simplicity, security and low price, Insured Pension is a product that is entirely in line with Länsförsäkringar's core values.

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



Market share, new sales



Break in customer satisfaction trend in the private market

Throughout the 1990s, life-assurance companies endured a rollercoaster ride in customer satisfaction in the private market. In the first four years of the 2000s, satisfaction measured in the survey declined 9 points from the top level reached in 2000. This trend has now been broken and both the industry average and most individual companies are reporting assured improvements in statistics.

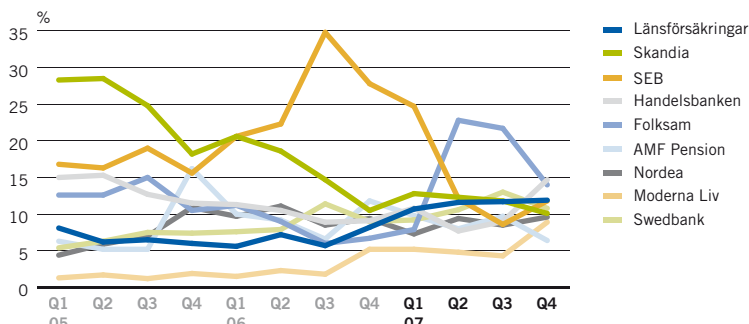
The customer rating for the industry as a whole improved by 2 percentage units during the year. This figure is significantly lower than at the beginning of the new millennium, although the past three years have displayed a rising trend. Swedbank was ranked first in the private market, followed by Handelsbanken in second place and Länsförsäkringar third. Despite its rating being higher than the average, Länsförsäkringar Liv lost its first place, but the company intends to recapture this ranking in 2008.

3. SAVINGS MARKET

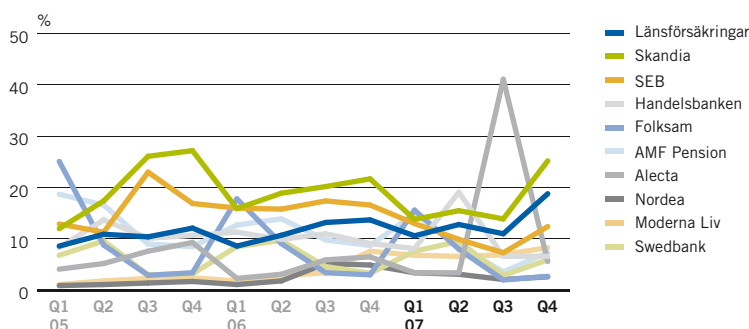
In the savings market, predominantly in endowment assurance, growth rose by 15%. Länsförsäkringar Liv reported growth of 14% and the sales value amounted to SEK 2,024 M (1,769), while Länsförsäkringar's market share remained unchanged. ■



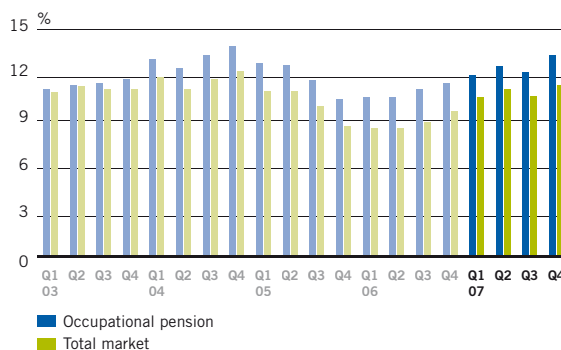
Private market, market share of new sales per quarter



Commercial market, market share of new sales per quarter



Market share of new sales, rolling 12-month figures



Market share of premium income, rolling 12-month figures



Länsförsäkringar's offering

Länsförsäkringar has a broad offering within non-life assurance and pension insurance that is based on different management forms, allowing customers to choose the level of risk.

1. TRADITIONAL MANAGEMENT Even and high return over time

Traditional management provides a guaranteed annual return of at least 3% on saved capital, before fees and tax. Because operations are conducted in accordance with mutual principles, returns that exceed the guaranteed return are preliminarily allocated to customers in the form of bonuses. In the event that the bonuses are lower than the guaranteed return, the preliminary distribution of the bonus is reallocated.

Strong key figures

For several years, Länsförsäkringar has reported favorable investment income, which has strengthened the company's balance sheet.

On December 31, 2007, the total return was 6.7%, which was the strongest result of all pension insurance companies in Sweden in 2007. Successful management provided customers a bonus rate of 10% at year-end. On January 1, 2008, the bonus rate was lowered to 7% before tax and fees, followed by an additional cut to 4% on March 1, 2008. This was a result of the recent turmoil in the financial markets.

High percentage of shares

Investments are primarily made in listed shares and interest-bearing securities, as well as properties and Alternative Investments. Alternative Investments comprise investments in funds that purchase, develop and sell unlisted companies. On December 31, 2007, pension savers' money was invested according to the total return table below.

Return by class of assets

In 2007, return for the equity portfolio was 4.5% (14.9). Of the equity portfolios, emerging markets performed best, with a return of 44.2% (27.2).

The return on bond investments was diminished by rising interest rates. The final return for the fixed-income portfolio was 3.3% (1.1). Currency exposure in the portfolio declined during the year, which slightly reduced the negative effect of the strengthening of the Swedish krona (SEK).

Property holdings primarily comprise office properties in central Stockholm and shopping centers in the form of the partnership in Kista Galleria. The property portfolio generated a return of 12.5% (10.4). Investments in unlisted shares performed exceptionally well. The return on Private Equity shares was 34.1% (42.7).

Solvency

Solvency is a measure of the financial position and strength of a life assurance company.

It shows the value of the company's assets in relation to the guaranteed commitments to customers. The solvency ratio is calculated as the market value of the company's assets in relation to the technical reserves in the balance sheet.

Länsförsäkringar Liv's solvency ratio was 152% (136) on December 31, 2007. This improvement is primarily attributable to the favorable total return on investment assets in 2007 and lower technical reserves for occupational pensions as a result of a higher interest-rate level. The lowest permissible solvency ratio is 104%.

Collective consolidation and bonus

In a traditional life-assurance company, a surplus arises in such situations as when the return on the assets is higher than the guaranteed interest rate. The surplus is preliminarily allocated to customers via the bonus rate. One of the most significant characteristics of traditional management is the method of balanced bonuses. When this method is used, the return on the policyholder's capital does not immediately follow the return generated by the corresponding assets; instead, a certain portion of the surplus is collected in the form of solvency capital. Deficits are dealt with by reallocating the preliminary bonus distribution at a lower bonus rate than the guaranteed interest rate.

Collective consolidation is a measure of a traditional life assurance company's capa-

TOTAL RETURN TABLE

Investment assets in traditional management	Market value, SEK M Jan. 1, 2007		Market value, SEK M Dec. 31, 2007		Total return, %
		%		%	
Interest-bearing securities	50,652	50.9	40,769	39.2	3.3
Shares	35,194	35.4	45,696	43.9	4.5
Alternative Investments	7,936	8.0	11,056	10.7	31.2
Properties	5,691	5.7	6,479	6.2	12.5
Total	99,473	100.0	104,000	100.0	6.7

If we add other assets and management expenses to the above return on investment assets, the total return for traditional management amounts to 7.3% (7.2)

city to provide a bonus and describes the market value of the company's assets in relation to the guaranteed commitments and the preliminary bonus allocation. The measure reflects a situation in which the company would pay out the entire capital assured during a single day. However, the shortest payment period for a traditional life assurance is five years and the average maturity is about 23 years.

At the end of 2007, collective consolidation in Länsförsäkringar Liv was 114% (114).

Debt coverage

Debt-coverage rules are part of the Insurance Business Act. The aim of the rules is to ensure that a life-assurance company, at all times, can fulfill its guaranteed commitments to its customers. Briefly, the rules stipulate that life-assurance companies should choose assets that match the guaranteed values in such areas as maturity and that life-assurance companies should spread their risks in an appropriate manner. Moreover, there are certain absolute limits to the acceptable level of investment in a single class of assets.

Länsförsäkringar Liv's rules for debt coverage stipulate that Länsförsäkringar Liv must have assets approved for debt coverage that exceed the company's guaranteed commitments to its policyholders – that is, a debt-coverage ratio exceeding 100%. Länsförsäkringar Liv's debt-coverage ratio was 111% for private insurance and 110% for occupational pension.

2. NEW WORLD MANAGEMENT

The best of two worlds

New World management is only available at Länsförsäkringar. At year-end, 70% of New World pension and savings capital was invested in shares and 30% in interest-bearing securities. Within the equity portfolio, 20% is to be invested in North American shares, 15% in Swedish shares, 15% in European shares, 10% in Japanese shares and 10% in Asian shares.

Maintaining a large portion of equities increases the possibilities of generating high returns in the long term. The New World guarantee entails that even if the development of the financial market is negative, after five years, or in the case of death, a repayment of paid premiums, with deductions for management fees, tax and guarantee fees, is always guaranteed.

Return amounted to 4.2% (11.1). Slightly falling interest rates in the autumn favored New World's fixed-income investments. However, during the year in general, fixed-income investments generated weaker returns than equity investments. Since the Swedish krona (SEK) strengthened against the dollar (USD) this year, New World has benefited from being currency-neutral. The New World portfolio has generated an average annual return of 7.6% since its inception in 1996.

3. INSURED PENSION

Protects savers in the event of stock market decline

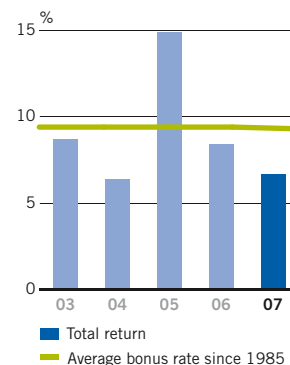
Insured Pension enables customers to take advantage of upturns in the stock market without risking invested funds due to stock market decline. Insured Pension comprises a bond that extends until the year in which the saver plans to retire and a fund for which the return level depends on the trends of global stock exchanges. As a result, the savings perform differently depending on the saver's age.

Insured value

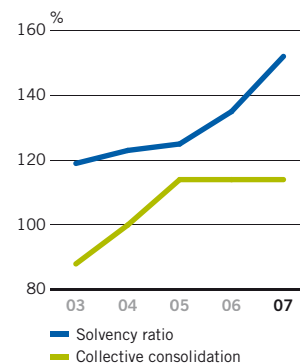
the pension that always grows

For customers who save in Insured Pension until the year they retire, the pension will never be smaller than the total of the deposits, only larger. During the savings period, customers are able to [•?] how large the savings will be on the pension date. This is called the insured value and is the pension that the saver is guaranteed to receive when he or she turns 65. The pension cannot be lower than this amount – in fact, it will probably be higher.

Return and bonus rate



Solvency ratio and collective consolidation in traditional life assurance



Insured value rose 37%

For the average saver, the insured value – that is, the anticipated amount on the pension date – was 37% higher at the end of 2007 than at the beginning of the year. For a 30-year-old with 35 years until retirement, the insured value rose 73%. For a 40-year-old, this increase was 34%. The insured value for savers who are 50-years-old was unchanged in 2007.

Premature withdrawal

Individuals who continue saving until the year they retire always receive a pension that is equal to or larger than the capital they contributed. Individuals who instead choose to end their savings receive an amount that corresponds to the market value of the bond and fund on that day – a method that is similar to the approach used for individuals who prematurely withdraw money from stock-index bonds that guarantee a certain value on the expiration date.

For an average saver who started saving in Insured Pension in January 2007, this amount was 96% of the contributed amount at year-end. Interest rates rose substantially in 2007, causing the market value of the bond to drop.

4. UNIT-LINKED INSURANCE

A strong offering

Pension saving with unit-linked insurance allows the customer to choose the object of investment and level of risk. Customers can

choose between equity funds and fixed-income funds and it is the customers themselves who assume the risk for the trends of the value of the funds. Unit-linked insurance involves a possibility of high returns, but also a higher level of risk than traditional management.

Cutting-edge and broad

Länsförsäkringar's unit-linked insurance offer comprises the company's own funds and funds from leading fund managers in Sweden and abroad. The goal is to have the strongest fund offering in Sweden. The offering is to be clear and high-quality, while meeting the needs of active customers as well as customers who are not interested in switching funds during the duration of their savings.

The offering is to comprise high-quality funds that represent a variety of investment areas and management styles. Länsförsäkringar aims to have an attractive base offering, complemented by specialized funds that meet the needs of more demanding fund savers.

On November 1, 2007, Länsförsäkringar's unit-linked insurance offering was expanded with five new equity funds. Three growth market funds, one US fund and one global fund were selected. At the same time, a new cooperation was launched with US company BlackRock Merrill Lynch. Existing funds in Länsförsäkringar's unit-linked insurance offering include funds from ABN

Amro, Carlson, Catella, Fidelity, Lannebo, Skagen, FIM and SEB. The company's cooperation with SGAM ended at the beginning of 2008.

Fund control

Länsförsäkringar continuously monitors the results of its funds and funds that do not fulfill the company's strict requirements undergo a special review. The manager is contacted to discuss the fund's performance, to propose changes or to end the cooperation. Länsförsäkringar also supplements the offering and makes other changes as necessary to ensure that it meets the company's goals.

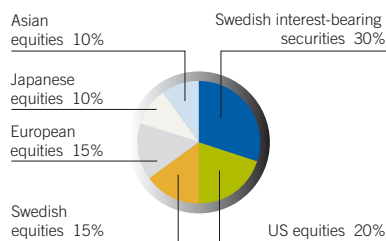
The offering includes several of the best funds in the market and has an average rating of 3.4 according to Morningstar. A total of 13 funds have a rating of five and 17 funds have a rating of four.

Competitive return

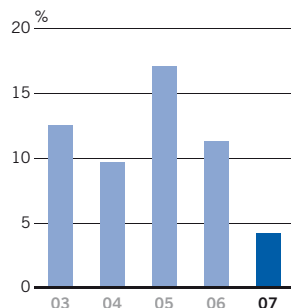
Although the market was characterized by uncertainty and stock market turmoil, 2007 was a positive year for Länsförsäkringar's unit-linked insurance offering. More than three quarters of the funds generated positive returns during the year. The ten funds with the highest returns rose an average of 38%. The strongest funds included those that invest in Asia and Latin America and in such growth markets as China, India and Russia. Funds that invest in technology shares also showed strong growth.

Carlson Asian Small Cap, which rose 67%, generated the strongest return among the funds in the unit-linked insurance offering. ABN Amro China and Fidelity India Focus Fund followed, with increases of 49% and 48%, respectively. Top funds also included ABN Amro Latin America, MLIIF Latin America, FIM Bric, Skagen Kon-Tiki and Länsförsäkringar Asia Fund, with growth between 29% and 34%. ■

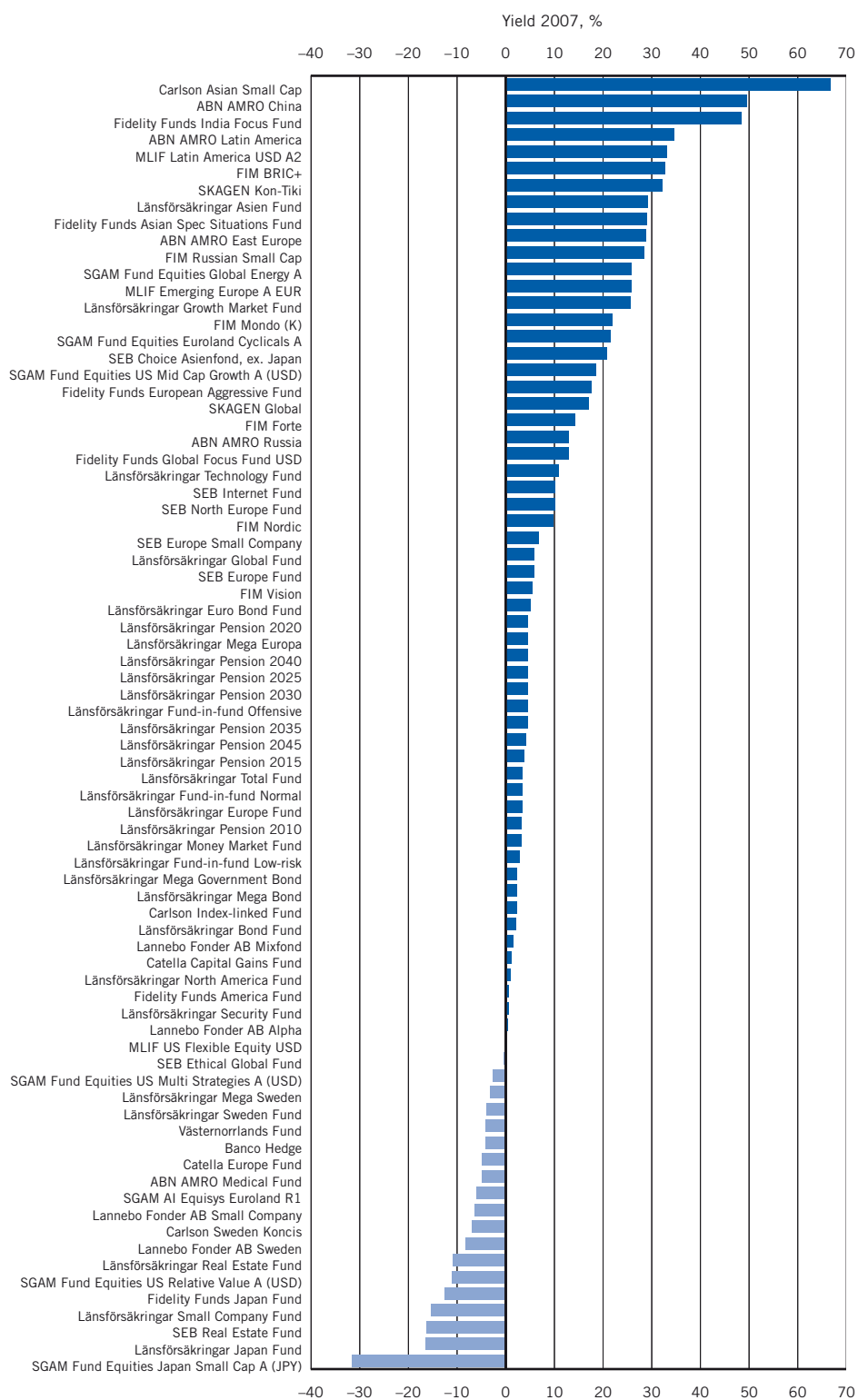
Asset allocation, New World



Return, New World



Yield, Länsförsäkringar's fund offering for insurance saving





Asset management

New management model that generated results

Länsförsäkringar's goal is to create a stable and high return on its policyholders' money. This is achieved through a new, efficient and competitive management model, taking risk levels into consideration.

LÄNSFÖRSÄKRINGAR HAS worked to create a new management model, with an increased focus on total return after expenses. 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, implementing simple and inexpensive passive solutions for capturing market exposure. This approach is supplemented by 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.

Optimizing risk levels

An ALM (Asset Liability Management) analysis or 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. Life-assurance and pension-insurance companies have a two-part goal function. On the one hand, the

solvency ratio should be high and negative changes limited. On the other hand, pension savers want high returns, returns that – to meet the demand for fairness between generations – should also be stable over time.

The implementation of market-valued liabilities, whereby the cash flow from a liability is discounted by the interest rate applicable at any time, sets these two goals against one other. To maintain a stable solvency ratio, the interest-rate risk associated with the liability should be matched. An interest-bearing portfolio with a duration of approximately 20 years will cause major variations in management results, without generating extra returns. These factors have imposed rigorous demands on designing a well-tailored portfolio.

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 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 given the long-term durations of its commitments. Investments make a significant contribution to total return: more than 3.5% in 2007.

Control and follow-up of risk

The Board of Directors is responsible for managing the assets of Länsförsäkringar Liv and the company's customers. 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 Länsförsäkringar Liv's assets according to the guidelines and instructions provided by the Board and in accordance with law and regulations from authorities.

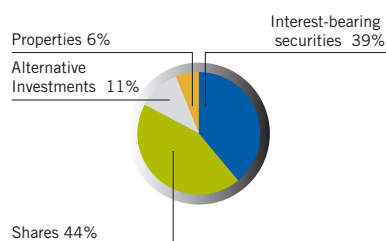
The Group-wide Asset management unit in Länsförsäkringar AB has the task of handling asset management. This assignment includes the responsibility for preparing proposals for strategic allocations, proposing managers for asset management and, after

decisions are made by the Board, assuming responsibility for implementing and following up on decisions that have been made.

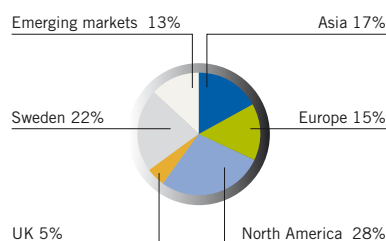
Asset management defines these assignments for the active managers, specifying distinct risk levels and yield requirements. Länsförsäkringar primarily has active managers in the Asian and emerging markets. The managers' task is then to generate the best possible return given the framework and guidelines 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 are now a total of 14 external managers for the active and passive mandates in equities and fixed-income management. ■

Distribution of assets



Distribution of equities exposure



Earnings for Länsförsäkringar Liv

Net profit for the year in the life assurance Group amounted to SEK 11,361 M (7,646). This increase in profit was primarily due to a decrease in technical reserves as a result of high interest-rate levels. Investment income, net, amounted to SEK 8,066 M in 2007, compared with SEK 11,610 M in the preceding year. Operating expenses declined to SEK 1,441 M (1,532).

LÄNSFÖRSÄKRINGAR LIV

Key figures	2007	2006
Net profit for the year, SEK M	11,361	7,646
Premium income in accordance with the Swedish Insurance Federation's definition, SEK M	10,794	10,141
Total assets, SEK M	162,793	153,300
Total return, traditional management, %	6.7	8.0
Return, New World, %	4.2	11.1

LÄNSFÖRSÄKRINGAR LIV, GROUP

Income statement, SEK M	2007	2006
Premium income before ceded reinsurance	6,547	6,496
Premium income after ceded reinsurance	6,150	6,361
Investment income, net	8,066	11,610
Claims payments	-3,698	-4,074
Other technical revenues and expenses	594	237
Change in technical reserves	2,834	-4,029
Operating expenses	-1,441	-1,532
Technical result, insurance operations	12,505	8,573
Non-technical expenses	-195	-194
Profit before tax	12,310	8,379
Tax	-949	-733
NET PROFIT FOR THE PERIOD	11,361	7,646

Balance sheet, SEK M	Dec. 31, 2007	Dec. 31, 2006
ASSETS		
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
TOTAL ASSETS	162,793	153,300

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Share capital	8	8
Funds plus net profit for the period	36,632	26,869
Technical reserves	80,720	85,761
Reserves for life assurances 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 prepaid income	564	451
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	162,793	153,300

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

Banking operations

Challenger in the bank market

In 2007, growth and profit reached record-high levels. Länsförsäkringar strengthened its position in the mortgage market, capturing 7% of market growth in the face of intense competition from other banks. The combination of personal interaction and online bank meetings was a winning concept and the percentage of household-financing customers and Internet bank customers increased. The bank had Sweden's most satisfied retail bank customers and for the third consecutive year, Länsförsäkringar's mortgage customers were the most satisfied customers in the mortgage market, according to the Swedish Quality Index.



Full-service bank

Länsförsäkringar is a full-service bank that interacts with customers at the regional insurance companies' more than 100 branches throughout Sweden. The banking operations directs its services primarily to private individuals and farmers in Sweden and offers a full range of services. Customers can carry out their bank transactions through personal meetings with a private advisor at the regional insurance companies or via Internet or telephone banking, pay for their purchases by card, withdraw cash

from the country's ICA supermarkets, make deposits and withdrawals at Svensk Kassaservice (Swedish Cashier Service), and use ATMs in Sweden and abroad.

The joint banking operations are conducted through the Parent Company, Länsförsäkringar Bank, and the three subsidiaries Länsförsäkringar Hypotek, Länsförsäkringar Fondförvaltning and Wasa Kredit. The assignment includes leading and driving developments in the banking operations, providing service and bank services to the regional insurance companies

and serving as the Länsförsäkringar Alliance's bank.

Deposits and some lending are conducted by the Parent Company. The Parent Company is also responsible for card and payment operations. Länsförsäkringar Hypotek, the bank's mortgage institution, offers lending for private residences, tenant-owned apartments, leisure homes and, to a certain degree, apartment buildings. From 2007, the bank's borrowing operations are carried out in the form of covered bonds from Länsförsäkringar Hypotek. Wasa



Kredit is a finance company that conducts leasing and installment operations, as well as unsecured lending in the Swedish market. Länsförsäkringar Fondförvaltning manages 31 (30) mutual funds with different investment orientations.

Rapid, profit-generating growth

In 2007, the banking operations reported its strongest growth to date. Business volumes grew to SEK 162 billion (140) during 2007. Total lending rose 24% to SEK 67 billion (54). Mortgage lending reported the strongest growth, with a 30% increase to SEK 48 billion (37). The company's position in the market was strengthened and Länsförsäkringar captured 7% of market growth during 2007. Deposits rose 22% to SEK 30 billion (24). Operating profit was strengthened to SEK 238 M (198) and return on equity improved to 5.0% (4.6).

Close customer relations

Customer contact always takes place within the local, independent regional insurance company. From the customer's perspective, the regional insurance companies serve as local banks, just like with non-life insurance and life assurance. By working strategically based on Länsförsäkringar's overall core values – local focus, accessibility and a personal approach – the banking opera-

tions create strong, close customer relations. Different life situations require adapted advisory services and different types of financing, savings, payment solutions and insurance. Internet and telephone banking increase accessibility and improve the adapted customer advisory services.

Länshem Fastighetsförmedling

Mortgage advisory services are also provided through Länsförsäkringar's real-estate brokerage company Länshem Fastighetsförmedling, with branches throughout the country. Länshem offers customers assistance in selling and purchasing homes and financing, insurance solutions and personal financial advice is offered through the regional insurance companies.

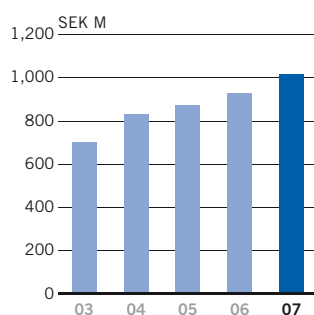
Sweden's most satisfied bank and mortgage customers

Länsförsäkringar had the most satisfied retail bank customers in 2007, according to the Swedish Quality Index. Customers ranked the bank number one in nearly all categories, including image, expectations, product quality, service and value for money. Better-adapted banking products, improved security and accuracy in customer management are key factors for ensuring customer satisfaction. Länsförsäkringar also had the most satisfied

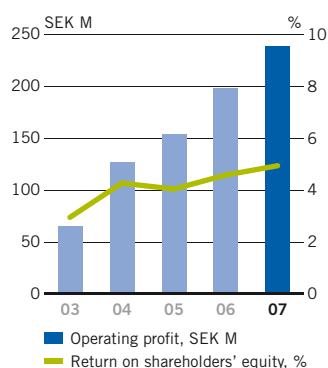
2007 in brief

- Business volumes increased to SEK 162 billion (140).
- Profit before loan losses amounted to SEK 290 M (236) and operating profit amounted to SEK 238 M (198).
- Income was up 8% to SEK 1,106 M (1,023) and operating expenses increased by 4% to SEK 816 M (787).
- The cost/income ratio before loan losses improved to 0.74 (0.77).
- Net interest income rose by 10% to SEK 1,017 M (927).
- Lending to the public increased 24% to SEK 67 billion (54) and deposits from the public rose 22% to SEK 30 billion (24).
- Mortgage lending rose 30% to SEK 48 billion (37) and fund volumes amounted to SEK 65 billion (62).
- The number of customers rose to 665,000 (640,000).

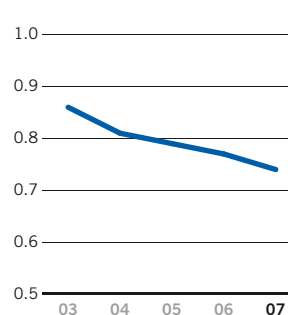
Net interest income



Operating profit



Cost/income ratio





mortgage customers in 2007, according to the Swedish Quality Index, while also increasing its market share in the mortgage market to 3.4% (3.0). The company's products and services are better than other mortgage institutions and banks, according to customers, which is why they are more satisfied and remain loyal.

More full-service customers among private residence owners and farmers

Among private individuals, private residence owners and their families form a strategic target group for the banking operations. The second key strategic group comprises farmers. These target groups have a considerable need for products within banking, insurance and pensions, which

makes them particularly interesting in terms of the full-service customer strategy.

Increased percentage of household-financing customers

Within the banking operations, the percentage of household-financing customers increased to 20% (18) in 2007.

Household financing customers' banks are often their main banks and relationships with these customers are long-term and close. Household-financing customers also have more meetings and, as a result, are able to receive better advice and a larger number of offerings. More customer meetings mean more opportunities for Länsförsäkringar to provide the right advisory services and favorable offerings. House-

Increased competition in the Swedish bank market

For several years, Länsförsäkringar has held a position within banking, insurance and pensions. Industry migration between the banking and insurance sectors has continued and Swedish and foreign players are established in the market. For example, Swedbank initiated cooperation with Folksam and Nordea began selling Vesta non-life insurance.

The banks also gained ground among real-estate brokers with the aim of simplifying the distribution of mortgage lending. The regional insurance companies have owned Länshem Fastighetsförmedling for several years. In 2007, Danske Bank Skandia-mäklarna and DnB NOR acquired Svensk Fastighetsförmedling.

At the same time, the significance of the Internet has grown as online services have improved and developed. Banks, regardless of their size, have become more accessible to customers thanks to Internet banking services. The banks that best understand customer demands for online services will have an advantage. At the end of 2007, the bank had approximately 6.5 million Internet cus-

tomers in a country with a total population of 9 million.

Household mortgage loans

Housing price trends remained strong during the year, with a price increase of 11% for 2007. The strong Swedish economy, increasing incomes, abolished property tax and strengthened purchasing power, combined with low interest rates, were the driving forces behind the trend.

Credit issuing increased in 2007 and total lending from mortgage institutions amounted to SEK 1,412 billion (1,250). Households became more indebted, while the value of the assets increased significantly due to strong housing price trends. In 2007, the repo rate was raised from 3.00% to 4.00%. This increased household interest expenses for mortgages and contributed to a weakening of housing price trends toward the end of the year.

Competition among the banks in the mortgage market was intense. Länsförsäkringar captured 7% of market growth and

strengthened its position as the sixth largest player in the mortgage market.

Savings market

The net wealth of Swedish households increased to SEK 8,864 billion (6,403). The labor market remained strong, incomes increased and household purchasing power strengthened. Household bank savings increased substantially to slightly more than SEK 831 billion (712) at the end of 2007. Länsförsäkringar's market share for deposits was 2.9%.

Approximately 74% of all Swedes save in funds. The range of funds is expanding as customer interest grows. In 2007, some 80 fund companies offered savings in approximately 4,200 funds. At year-end 2007, total fund savings amounted to about SEK 1,650 billion (1,500). Länsförsäkringar is Sweden's fifth largest fund company, with a market share of 3.9%. Customer interest in structured products with asset protection, such as stock index bonds, increased substantially during the year. In 2007, stock index bonds

hold-financing customers use personal accounts, bank cards and Internet banking, and conduct active transactions.

Interaction through several channels

Personal interaction with customers and Internet bank meetings are always adapted to customer requirements.

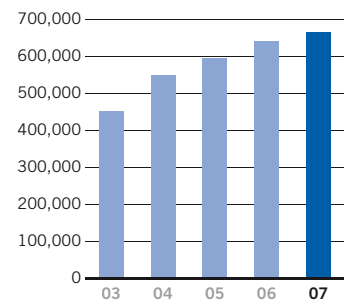
Customers should receive a secure and favorable banking, insurance and pension offering based on their individual finances and life situation. The webshop, which will be launched in the first half of 2008, is an extension of the customer meetings that take place through our Internet banking services. Using the webshop, it will be even easier for customers to manage their involvement, make changes and purchase services within payments, savings, lending

and insurance. Existing customer relations within Länsförsäkringar will be improved and it will become easier for customers to be able to purchase more services.

Regardless of the service required, customers can always choose to take care of their banking business online, through meetings with a private advisor or via telephone banking. Full service is available through all channels. Customers can also pay for their purchases by card, use ATMs in Sweden and abroad, withdraw cash from the country's ICA supermarkets and make deposits and withdrawals at Svensk Kassaservice (Swedish Cashier Service).

Following the closure of Svensk Kassaservice in 2008, an agreement will be signed with a new partner. ■

Number of bank and mortgage customers



totaling SEK 94 billion (59) were sold in the market.

Payment flow

During 2007, the trend of using bank cards as a means of payment continued to increase. The number of payments made with bank cards is growing, with cards being

used increasingly often and for smaller amounts. Bank cards account for approximately 60% of the total number of transactions. The number of payments made via Internet banking is increasing and is the most common method used by customers for paying bills. The payment market will face major changes when SEPA (Single Euro Pay-

ment Area) is fully implemented in 2010. SEPA's objective is to create a common, borderless payment area, primarily within EUR countries, that will also affect non-EUR countries, including Sweden. SEPA aims to enable simpler, cheaper and faster payments within Europe.



Lending – Substantial growth in mortgage loans

LÄNSFÖRSÄKRINGAR'S mortgage volumes increased substantially and its market share was strengthened. The new risk classification approach, IRB, demonstrated that the credit quality of the credit portfolio is extremely high. The geographic spread and loan-to-value ratios are favorable and customers are primarily private individuals using private residences as collateral.

Offering

Länsförsäkringar offers mortgage loans for private residences, tenant-owned apartments, leisure homes and, to a certain extent, apartment buildings, as well as unsecured loans, overdraft facilities and loans to farmers. Leasing and installments

– for machinery financing, cars, campers and leisure boats, for example – are offered by the subsidiary Wasa Kredit.

Operations during the year

Total lending rose to SEK 67 billion (54) during the year, an increase of 24%. Mortgage lending rose to SEK 48 billion (37), an increase of 30%. This increase in mortgage lending was due to market growth, but also to the increasing number of customers who learned that the offering enables customers to gather their household insurance, salary accounts and mortgages in Länsförsäkringar. Länsförsäkringar captured 7% of market growth. At the end of the year, Länsförsäkringar also acquired a retail mortgage stock from Kaupthing Bank worth SEK 1.2 billion.

Loan losses were low and amounted to SEK 51 billion (38). The market share for mortgage loans increased to 3.4% (3.0) and the market share for mortgage loans and bank lending to households increased to 3.2% (2.8).

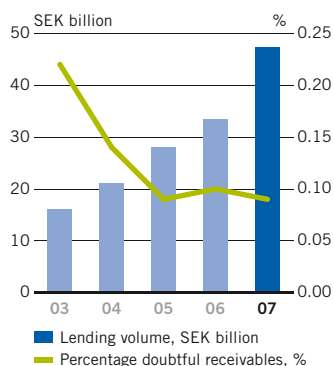
Agricultural operations

When it comes to agricultural credits, Länsförsäkringar has cooperated with Landshypotek for several years to provide first-lien mortgages on agricultural properties. Since this cooperation ended on February 10, 2008, Länsförsäkringar has offered its own first-lien mortgages for agricultural and forestry properties.

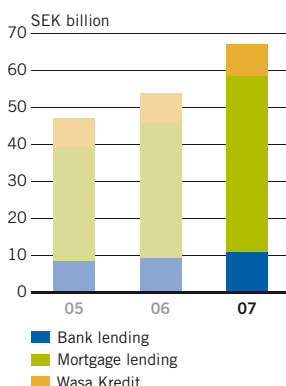
Second-lien mortgages for agricultural properties and operating credits for agricul-



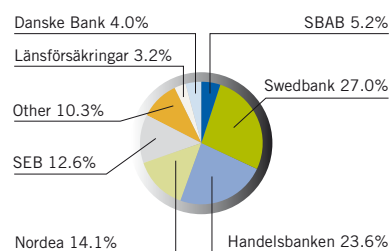
Mortgage lending and doubtful receivables



Lending volumes



Market shares, lending bank and mortgage lending



tural operations were already offered by the bank. On December 31, 2007, agricultural credits amounted to SEK 3.0 billion (2.8). The agricultural market reported positive trends during the year, with rising grain and milk prices. Mortgage lending increased and investments were made in agricultural operations. During the year, Wasa Kredit began offering machinery financing for agricultural operations, a product that has performed favorably. The number of agricultural customers increased to 45,000 (40,000) during the year.

Credit quality

The new risk classification approach, IRB, was introduced in February 2007, and revealed that Länsförsäkringar has excellent

credit quality in its credit portfolio. The geographic spread and loan-to-value ratios are favorable. Customers are private individuals who use private residences as collateral for mortgages. Credit quality and risk classification provide additional opportunities to diversify risks and pricing for customers.

The number of doubtful receivables is low, having dropped during recent years. Loan losses amounted to SEK 51 billion (38).

Household exposure accounts for nearly 95% of the credit portfolio and agricultural operations for slightly less than 5%. In total, 96% of the loans are relatively small, amounting to credit for a maximum of SEK 500,000.

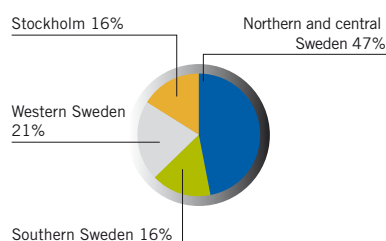
Simplified lending routines

During the year, lending routines were further simplified to create better customer meetings. Measures such as improving the integration of the property register and the Swedish Credit Information Center are intended to provide advisors and customers more efficient credit management. For example, an online loan application service is now included in the credit rating system, which enables customers to have their credit rated immediately and receive a credit decision immediately.

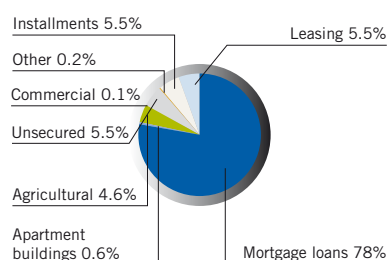
Improvements to and simplification of online credit management will also be carried out in the future. ■



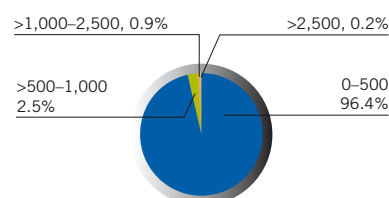
Geographic distribution, mortgages



Loan stock distribution by product



Loan stock distribution by size



Savings – Increased deposits and active fund strategy

DEPOSIT VOLUMES increased, particularly during the second half of the year. Customers transferred their investments to more secure savings, such as savings accounts, fixed-interest accounts and stock index bonds. As part of the company's active fund strategy, Länsförsäkringar placed growing demands on external fund managers.

Offering

Länsförsäkringar has a broad range of savings and investment products. Savings accounts offer a favorable interest rate and free withdrawals. Salary accounts are customers' transaction accounts. Fixed-interest accounts provide customers with fixed-term savings over a period of three months, one, two or five years, with a highly favorable interest rate. Customers can save directly in 31 funds with a variety of investment orientations and purchase stock index bonds. Using our share trading service, customers can purchase Swedish share-related securities listed on the OMX Nordic Exchange Stockholm and the Equities Market Place (Aktietorget) and Swedish interest-bearing securities online. Savings products for agricultural operations include business accounts, investment accounts, forestry accounts and forest damage accounts. For-

estry accounts and forest damage accounts are also available as fixed-interest accounts. Through customer meetings, Länsförsäkringar Liv also offers life assurance, capital insurance and pension insurance.

Operations during the year

In 2007, total deposits increased to SEK 30 billion (24), an increase of 22%. The market share, measured as deposits from households amounted to 2.9% (3.0). This increase in deposits was due to market growth and primarily to customer requirements for more secure investments, particularly during the second half of the year. Fixed-interest accounts and savings accounts increased most.

Fund savers reweighted their holdings from equity funds to fixed-income funds and savings accounts due to the decline of the stock market.

The number of deposit customers rose to 15,000 and transaction volumes in share trading increased by 5%. Deposits from agricultural operations rose to SEK 2.4 billion (2.0).

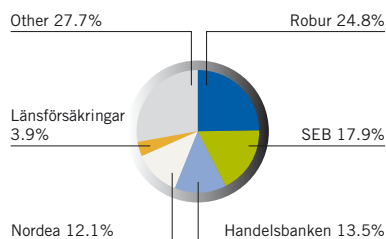
Improved offering to fund savers

Länsförsäkringar is the fifth largest player in the fund market in Sweden, with a market share of 3.9% (3.9). On December 31, 2007, SEK 65 billion (62) was managed in

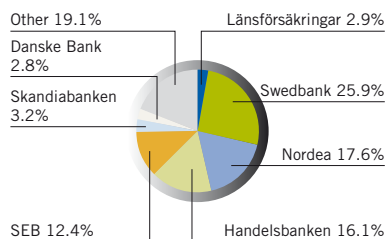
31 (30) securities funds with various investment orientations.

During the autumn, parts of the fund operations were integrated into the bank to provide customers a more homogeneous offering. An offering that includes pregnancy insurance, fund savings and child insurance in a single package was launched in November 2007. A total of 19 (6) funds surpassed their index, which is the highest number to date. In addition, eight funds were upgraded by Morningstar and three received the highest rating during the year. Of the 30 largest fund companies, measured by the number of funds with a Morningstar rating, Länsförsäkringar Fondförvaltning is ranked first, with an average of 3.68 stars with a three-year rating. Morningstar's overall rating comprises a weighted average of the three, five and ten-year ratings. Länsförsäkringar's overall rating is an average of 3.36 stars, corresponding to a fifth-place ranking. The aim of the management strategy is to find the optimal manager for each fund. During the year, four funds changed managers as part of the new strategy, including three fund-in-funds, which resulted in improved yield after the manager switch. On December 31, 2007, three funds were managed by Länsförsäkringar Fondförvaltning and 28 funds had external management.

Market shares, fund



Market shares, deposits



Payments – Increased investment in Internet banking and cards

THE NUMBER OF household financing customers increased during 2007. The bank became a card issuer and bank card use and income from card transactions rose, while the cost of card transactions decreased. Card security also increased, which resulted in more secure transactions.

Offering

Länsförsäkringar's payment services are available online and using bank cards. Bank card customers can withdraw money from all ATMs in Sweden and abroad. The regional insurance companies themselves own and manage 67 (56) ATMs. Bank card customers can also withdraw cash at ICA supermarkets throughout Sweden and make deposits and withdrawals at Svensk Kassaservice (Swedish Cashier Service). Following the closure of Svensk Kassaservice in 2008, an agreement will be signed with a new partner.

Operations during the year

The number of payment transactions rose to 65 million (43), which is an increase of 52%. The number of card customers amounted to 151,000 (127,000) and the number of Internet bank customers to 301,000 (277,000). Of the payment services, bank card transactions, bank giro and private giro accounted for the largest volumes. The increasing volumes demonstrate that expanded online self-service was a major customer success and an excellent complement to personal meetings.

Länsförsäkringar's payment services were improved during the year to make it easier for customers to open accounts and share deposits, order cards, code generators and PIN codes, and start fund savings online. Customer opportunities for improved self-service increase accessibility.

Household financing customers, with salary accounts and bank or credit cards, have all the necessary services to manage

their finances from home. During the year, the number of household financing customers rose to 129,000 (113,000), a customer proportion of 20% (18).

Card issuer and increased security

In May 2007, Länsförsäkringar became a card issuer, thereby reducing its production costs and increasing security. All bank cards have a chip that increases security when the card is used at ATMs and in stores. In the spring, an additional service was launched that enabled PIN codes to be retrieved via the Internet bank rather than being sent to customers. This service is much appreciated by customers because it enables them to receive their new PIN codes faster and more securely. To date this year, the service has been used by more than 60% of card holders. In the autumn, a service that allows customers to order and sign for cards and overdraft facilities online using Bank ID was also launched.

Regional insurance companies' payment flows

Länsförsäkringar and the regional insurance companies benefit from using the company's own bank. An important part of the offering within the Länsförsäkringar Alliance and the regional insurance companies as customers involves managing the flow of their deposits and payments to accounts within the bank.

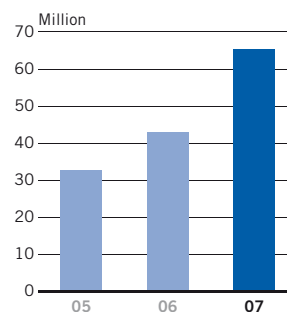
In 2007, the number of transactions by the regional insurance companies increased from three to 12 million.

Cooperation and improvement

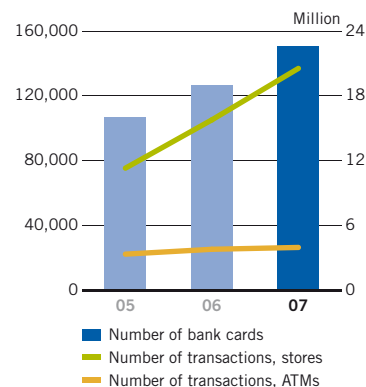
Work on the common European payment structure – the Single European Payment Area (SEPA) – continued during 2007. SEPA aims to simplify customers' use of bank cards in Europe and to create a borderless European payment market. ■



Total number of payments



Number of bank cards and card transactions



Funding

The Banking Group's deposits and lending are stable and increasing. Growth within mortgage lending in the subsidiary Länsförsäkringar Hypotek has prompted the company to diversify its borrowing in the Swedish and international markets. Accordingly, Länsförsäkringar Hypotek began issuing covered bonds on June 18, 2007 to meet the need for capital at competitive terms.

Borrowing strategy

Most of the banking operations' borrowing occurs through 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.

Länsförsäkringar Hypotek focuses primarily on Swedish and European institutional investors. As a new issuer of covered

bonds, the company focuses on establishing a benchmark curve in the Swedish market. Borrowing occurs continuously through tap issues. In 2007, market makers for the covered borrowing were Danske Consensus, Swedbank, SEB and Nordea. A repo facility is linked to the covered bonds to help maintain favorable liquidity.

LÄNSFÖRSÄKRINGAR'S BORROWING PROGRAMS

Program	Currency	Outstanding, SEK M
Länsförsäkringar Hypotek's program for covered medium-term notes	SEK	5,347
Länsförsäkringar Hypotek's program for ongoing issuance of covered bonds	SEK	24,635
Länsförsäkringar Hypotek's program for EUR medium-term covered notes	EUR	753 ¹⁾
Länsförsäkringar Bank's program for MTN	SEK	18.6
Länsförsäkringar Bank's program for issuance of benchmark loans	SEK	0.1
Länsförsäkringar Bank's program for CP	SEK	6,610
Länsförsäkringar Bank's program for ECP	EUR	–
Länsförsäkringar Bank's program for EMTN	EUR	229.8 ¹⁾

¹⁾ Amounts in EUR M.



Introduction

On June 18, 2007, Länsförsäkringar Hypotek introduced covered bonds in the Swedish market. The introduction was executed through an exchange offer directed toward holders of bonds issued under Länsförsäkringar Bank's borrowing programs. The exchange was highly successful, with 100% of investors in the benchmark program and 92% in the Swedish MTN program accepting the offer. On June 26, 2007, a corre-

sponding exchange offer was also implemented for bonds issued under the Parent Company's EMTN program, for which the acceptance rate was 77%. On December 31, 2007, Länsförsäkringar Hypotek had three benchmark loans outstanding, with maturity dates between 2009 and 2011.

On December 31, 2007, long-term borrowing amounted to SEK 46 billion (32), of which covered bonds accounted for SEK 37 billion. Short-term borrowing amounted to

SEK 7 billion (4), with the entire volume conducted through Länsförsäkringar Bank.

OMX bond index

In October, Länsförsäkringar Hypotek's covered-bond loans 501, 502 and 503 were included in the OMX bond index. To be included in the index, bonds must be listed as OMX STO Benchmark Bonds, have a minimum nominal volume of SEK 3 billion and adequate market pricing.

Covered bonds

	The covered bonds received the highest credit rating from Moody's.		Issuance of the covered bonds began.
March 23, 2007	May 29, 2007	June 7, 2007	June 18, 2007
Länsförsäkringar Hypotek received a permit from the Swedish Financial Supervisory Authority to issue covered bonds in accordance with the Swedish Act on Issuance of Covered Bonds (2003:1223).		The bonds received the highest credit rating from Standard & Poor's.	



Rating

In February 2007, Länsförsäkringar Bank's credit rating was raised by Standard & Poor's and Moody's. This 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.

Länsförsäkringar Hypotek's covered bonds received the highest credit rating from Standard & Poor's in May and the highest credit rating from Moody's in June.

Accordingly, Länsförsäkringar Hypotek became one of three players in the market for covered bonds with the highest rating from both rating institutes.

Liquidity management

The bank's liquidity portfolio comprises investments with high credit quality in SEK. The percentage of government securities amounted to approximately 50%.

The remaining portion comprised short-term investments in bank and mortgage securities, as well as covered bonds, or mortgage bonds that will become covered bonds in the near future. The level of liquid-

ity in investments is extremely high and all investments can be used as collateral for loans from the Bank of Sweden. The liquidity available on December 31, 2007 was sufficient to cover refinancing needs for more than 12 months.

In December, the bank became the eighth counterparty to the Bank of Sweden regarding repos and now participates in the system for liquidity compensation, which provides an opportunity for managing access to liquidity. As a repo counterparty, the bank is able to ensure access to cash and cash equivalents independent of other parties. ■

RATING

Company	Long-term rating	Short-term rating	Rating agency
Länsförsäkringar Bank	A/stable	A-1 (K-1)	Standard & Poor's
Länsförsäkringar Bank	A2/stable	P-1	Moody's
Länsförsäkringar Hypotek's covered bonds	AAA	–	Standard & Poor's
Länsförsäkringar Hypotek's covered bonds	Aaa	–	Moody's



Earnings for Länsförsäkringar Bank

LÄNSFÖRSÄKRINGAR BANK, GROUP

Income statement, SEK M	2007	2006
Net interest income	1,017	927
Net commission revenue	-45	-33
Other operating income	134	129
Total operating income	1,106	1,023
Personnel costs	-276	-273
General administration expenses	-468	-438
Other operating expenses	-72	-76
Total expenses before loan losses	-816	-787
Profit before loan losses	290	236
Loan losses, net	-51	-38
Operating profit	238	198
Tax	-63	-59
NET PROFIT FOR THE YEAR	176	139

Balance sheet, SEK M	Dec. 31, 2007	Dec. 31, 2006
ASSETS		
Eligible treasury bills	7,964	-
Lending to the public	67,040	53,884
Bonds and other securities	3,105	5,607
Intangible assets	247	144
Tangible assets	21	8
Other assets	6,717	2,895
TOTAL ASSETS	85,094	62,538

LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY

Deposits and borrowing from the public	29,735	24,379
Issued securities	45,981	31,635
Other liabilities	5,554	3,340
Shareholders' equity	3,824	3,184
TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY	85,094	62,538

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

From 2007, Länsförsäkringar Bank prepares its consolidated accounts in accordance with International Financial Reporting Standards (IFRS). Following implementation of the new regulations, the comparative figures for 2006 have been restated.

The transition to IFRS is primarily affected by IAS 39 and the bank's reporting of financial instruments. The bank applies hedge accounting when it is deemed the method that best reflects the company's operations. The model comprises loan receivables and borrowing at a fixed interest rate for which the interest-rate risk is hedged using a derivative. The remuneration paid by the

customer in conjunction with premature payment of fixed-term borrowing was previously reported as interest income distributed over the remaining duration of the original loan. This remuneration is recognized in income in its entirety on payment as net profit from financial items at fair value.

Certain fees charged to customers in conjunction with granting of credit are now recognized as interest income instead of commission revenue. Fees related to borrowing (classified as transaction costs) are recognized as interest expense over the duration of the issued security. These fees were previously reported as commission expense.







Länsförsäkringar Alliance in figures

The combined earnings of the Länsförsäkringar Alliance are presented on the following pages, followed by key figures from each of the 24 regional insurance companies.

Contents

Länsförsäkringar Alliance, non-life insurance 2007 ..	46
Länsförsäkringar Norrbotten	48
Länsförsäkringar Västerbotten	48
Länsförsäkringar Jämtland	48
Länsförsäkringar Västernorrland	49
Länsförsäkringar Gävleborg	49
Dalarnas Försäkringsbolag	49
Länsförsäkringar Värmland	50
Länsförsäkringar Uppsala	50
Länsförsäkringar Bergslagen	50
Länsförsäkringar Stockholm	51
Länsförsäkringar Södermanland	51
Länsförsäkringar Göteborg och Bohuslän	51
Länsförsäkringar Skaraborg	52
Östgöta Brandstodsbolag	52
Länsförsäkringar Älvsborg	52
Länsförsäkringar Gotland	53
Länsförsäkringar Jönköping	53
Länsförsäkringar Halland	53
Länsförsäkring Kronoberg	54
Länsförsäkringar Kalmar län	54
Länsförsäkringar Blekinge	54
Länsförsäkringar Göinge	55
Länsförsäkringar Kristianstad	55
Länsförsäkringar Skåne	55

Länsförsäkringar Alliance

	Norrbotten	Västerbotten	Jämtland	Västernorrland	Gästrik	Dalarna	Värmland	Uppsala	Bergslagen	Stockholm	Södermanland
NON-LIFE INSURANCE, SEK M											
Profit after ceded reinsurance 2007											
Premiums earned	234	521	359	382	382	924	421	550	731	1,510	440
Investment income transferred from financial operations	11	25	16	25	18	39	21	31	37	81	19
Claims payments	-152	-325	-290	-304	-252	-619	-290	-445	-599	-1 053	-298
Operating expenses	-59	-89	-77	-80	-92	-171	-78	-118	-142	-355	-80
Other income/expenses			5				-4				
Technical result from non-life insurance operations before bonuses and discounts	34	132	13	23	56	174	70	18	27	184	81
Bonuses and discounts		-85	-30		-40	-205		-17		-19	-18
Technical result from non-life insurance operations	34	47	-17	23	16	-32	70	1	27	165	63
Total investment income	17	380	270	260	151	284	54	133	184	181	80
Investment income transferred to insurance operations	-11	-25	-16	-25	-18	-39	-22	-31	-37	-81	-19
Other income/expenses	-2	-9		-5	-7	8	-3	-9	4	-87	-5
Operating profit	38	392	237	253	141	221	98	94	178	178	120
Balance sheet, December 31, 2007											
ASSETS											
Investment assets											
Shares in Länsförsäkringar AB	179	371	258	325	366	687	232	496	546	958	380
Other shares and participations	26	612	312	227		2,249	157	620	1,285	1,279	765
Bonds and other interest-bearing securities	311	753	343	511	615	849	722	727	594	1,943	521
Other investment assets	170	527	95	81	3	153	220	185	424	45	7
Total investment assets	686	2,263	1,008	1,144	984	3,939	1,331	2,028	2,849	4,225	1,673
Reinsurers' portion of technical reserves	95	125	177	104	71	841	95	123	116	286	128
Receivables and other assets	92	240	185	147	178	661	135	220	226	451	144
Cash and bank balances	38	112	368	48	260	230	60	67	112	31	59
Prepaid expenses and accrued income	11	33	21	15	11	18	14	15	18	47	9
Total assets	921	2,773	1,758	1,458	1,504	5,689	1,634	2,453	3,321	5,040	2,014
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES											
Shareholders' equity	210	1,376	527	631	369	2,390	579	991	1,410	698	865
Untaxed reserves	198		339		358					1,215	
Technical reserves (before ceded reinsurance)	423	873	705	608	615	2,410	648	971	1,149	2,529	775
Other provisions and liabilities	58	451	146	204	153	752	334	420	665	379	358
Accrued expenses and deferred income	32	73	41	15	9	137	73	71	96	218	16
Total shareholders' equity, provisions and liabilities	921	2,773	1,758	1,458	1,504	5,689	1,634	2,453	3,321	5,040	2,014
Solvency capital	437	1,698	952	766	797	2,976	774	1,300	1,811	2,160	1,112
Solvency margin, %	182	319	257	200	203	318	185	233	242	142	249

The Länsförsäkringar Alliance is neither a legal entity nor, in the legal sense of the term, a Group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB. The Länsförsäkringar Alliance's earnings from non-life insurance consist of the total of the earnings of the 24 regional insurance companies and of the jointly owned Länsförsäkringar AB Group, excluding the Life Assurance Group and the Banking Group. To achieve the correct total

values for Länsförsäkringar, the balance between the Länsförsäkringar AB Group and the regional insurance companies has been eliminated. The value and changes in the value of the Länsförsäkringar AB share, as well as subordinated loans and the Länsförsäkringar AB Group's liabilities and receivables in the regional insurance companies have been eliminated.

Göteborg och Bohuslän	Skaraborg	Östergöt	Älvsborg	Gotland	Jönköping	Halland	Kronoberg	Kalmar län	Blekinge	Göinge	Kristianstad	Skåne	Länsförsäkringar AB Group, excluding Bank	Länsförsäkringar Alliance
1,073	491	967	811	154	759	515	333	527	241	192	199	1,524	2,430	16,669
51	19	49	50	8	28	32	13	23	11	7	8	74	421	1,120
-754	-356	-704	-581	-103	-533	-359	-235	-343	-158	-115	-148	-1,194	-1,854	-12,063
-232	-86	-200	-166	-35	-104	-106	-65	-97	-54	-40	-31	-222	-689	-3,470
15	7				5				-7				44	67
154	76	112	113	24	155	82	46	110	33	44	27	182	353	2,322
-64	-37	-133	-40	-30	-40	-13	-32	-63	-19	-23				-907
90	38	-21	74	-6	115	69	14	47	14	22	27	182	353	1,415
273	38	155	158	24	126	104	49	96	32	34	35	166	1,290	3,660
-51	-19	-49	-50	-8	-28	-32	-13	-23	-11	-7	-8	-74	-421	-1,120
-25	-8	2	8	6	-10	-6	1	-1	-2	-2	-2	-5	-191	-348
287	50	87	190	16	203	135	51	118	32	46	53	269	1,031	3,606
630	465	692	679	90	555	354	239	352	144	178	191	1,006		
1,838	59	1,561	1,595	223	882	1,026	312	739	337	231	247	1,395	6,643	24,621
862	1,324	920	991	113	321	370	430	426	374	262	245	1,996	10,153	26,565
298	51	775	26	34	365	332	159	246	31	126	53	263	7,292	11,895
3,627	1,899	3,948	3,290	459	2,123	2,082	1,141	1,763	886	797	736	4,661	24,088	63,081
153	146	250	199	33	230	185	99	94	45	58	99	523	5,697	1,176
323	175	374	375	60	246	159	117	163	79	67	75	458	3,326	8,214
151	87	131	228	302	538	78	51	407	29	79	71	139	1,622	5,299
37	20	31	7	14	14	27	7	16	4	11	7	52	253	713
4,292	2,327	4,734	4,099	867	3,151	2,532	1,414	2,443	1,042	1,014	988	5,833	34,987	78,483
1,681	790	2,061	2,016	450	1,312	1,135	570	1,171	470	458	434	2,069	10,017	24,235
														2,111
1,736	880	1,698	1,431	290	1,238	927	591	785	372	342	373	2,644	19,425	35,642
805	282	934	536	123	551	393	191	477	145	209	176	1,083	5,139	14,397
70	376	40	117	5	50	77	62	11	55	5	6	37	407	2,098
4,292	2,327	4,734	4,099	867	3,151	2,532	1,414	2,443	1,042	1,014	988	5,833	34,987	78,483
2,229	1,062	2,643	2,411	536	1,597	1,448	746	1,495	598	587	561	2,759	11,233	34,140
206	206	267	294	352	208	272	217	272	245	302	282	178	414	198

As of 2007, the 24 regional insurance companies and the Länsförsäkringar AB Group apply approved International Financial Reporting Standards (IFRS). For the regional insurance companies, IFRS are applied with certain limitations based on the Swedish Annual Accounts Act for Insurance Companies and the relationship between accounting and taxation, known as legally restricted IFRS. The new accounting principles have not had a significant impact on the income statements

and balance sheets of the regional insurance companies. The Länsförsäkringar AB Group has listed promissory notes and must apply international accounting principles when preparing its consolidated financial statements. For Länsförsäkringar's earnings from non-life insurance, the income statement and balance sheet of the Länsförsäkringar AB Group have been adapted to legally restricted IFRS.

Länsförsäkringar Norrbotten

PRESIDENT Kjell Lindfors

BOARD CHAIRMAN Lars Karbin



	2007		2006	
Key figures				
Operating profit before bonuses and discounts, SEK M	38	81		
Total assets, SEK M	921	841		
Solvency margin, %	182	165		
Number of employees	57	52		
Bank				
Deposits, SEK M	217	179		
Lending, SEK M	117	115		
Mortgage lending, SEK M	536	470		
Fund volumes managed, SEK M	32	36		
Number of customers	5,400	5,300		
			2007	2006
Life assurance				
Premium income, SEK M			114	107
Total insurance capital, SEK M			1,812	1,718
Number of customers			16,500	16,400
Non-life insurance				
Premiums earned, SEK M			234	238
Technical result, insurance operations, SEK M			34	24
Combined ratio after ceded reinsurance, %			90	93
Total yield on asset management, %			3	12
Number of customers			51,600	51,500

Länsförsäkringar Västerbotten

PRESIDENT Ylva Thunqvist

BOARD CHAIRMAN Conny Sandström



	2007		2006	
Key figures				
Operating profit before bonuses and discounts, SEK M	478	252		
Total assets, SEK M	2,773	2,356		
Solvency margin, %	319	309		
Number of employees	144	142		
Bank				
Deposits, SEK M	1,044	871		
Lending, SEK M	374	304		
Mortgage lending, SEK M	1,602	1,317		
Fund volumes managed, SEK M	136	178		
Number of customers	16,600	15,800		
			2007	2006
Life assurance				
Premium income, SEK M			244	256
Total insurance capital, SEK M			3,481	3,241
Number of customers			29,200	28,900
Non-life insurance				
Premiums earned, SEK M			521	512
Technical result, insurance operations, SEK M			132	103
Bonuses and discounts, SEK M			-85	-70
Combined ratio after ceded reinsurance, %			79	84
Total yield on asset management, %			18	10
Number of customers			98,800	97,400

Länsförsäkringar Jämtland

PRESIDENT Sören Westin

BOARD CHAIRMAN Jan Holmberg

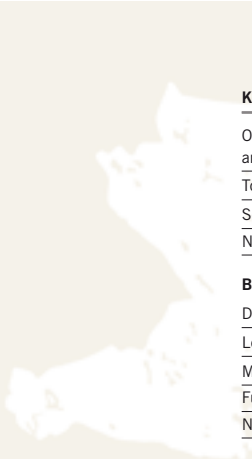


	2007		2006	
Key figures				
Operating profit before bonuses and discounts, SEK M	267	94		
Total assets, SEK M	1,758	1,338		
Solvency margin, %	257	269		
Number of employees	93	90		
Bank				
Deposits, SEK M	507	441		
Lending, SEK M	302	295		
Mortgage lending, SEK M	1,084	916		
Fund volumes managed, SEK M	49	50		
Number of customers	9,200	8,800		
			2007	2006
Life assurance				
Premium income, SEK M			120	109
Total insurance capital, SEK M			1,793	1,524
Number of customers			16,000	15,400
Non-life insurance				
Premiums earned, SEK M			359	345
Technical result, insurance operations, SEK M			13	34
Bonuses and discounts, SEK M			-30	-
Combined ratio after ceded reinsurance, %			102	93
Total yield on asset management, %			20	12
Number of customers			53,000	52,100

Länsförsäkringar Västernorrland

PRESIDENT Leif Johanson

BOARD CHAIRMAN Anders Källström



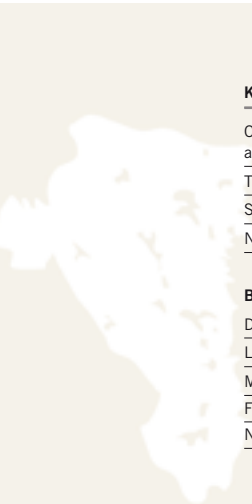
Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	253	54
Total assets, SEK M	1,458	1,161
Solvency margin, %	200	188
Number of employees	102	100
Bank		
Deposits, SEK M	545	466
Lending, SEK M	196	159
Mortgage lending, SEK M	676	519
Fund volumes managed, SEK M	70	77
Number of customers	20,600	21,500

	2007	2006
Life assurance		
Premium income, SEK M	181	175
Total insurance capital, SEK M	3,157	2,958
Number of customers	24,300	23,900
Non-life insurance		
Premiums earned, SEK M	382	387
Technical result, insurance operations, SEK M	23	14
Combined ratio after ceded reinsurance, %	101	101
Total yield on asset management, %	22	7
Number of customers	69,500	70,600

Länsförsäkringar Gävleborg

PRESIDENT Birger Lövgren

BOARD CHAIRMAN Kjell Stafström



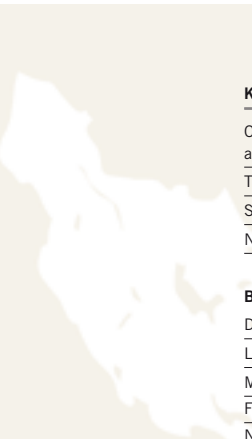
Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	181	126
Total assets, SEK M	1,504	1,257
Solvency margin, %	203	206
Number of employees	133	120
Bank		
Deposits, SEK M	729	591
Lending, SEK M	354	235
Mortgage lending, SEK M	1,424	1,003
Fund volumes managed, SEK M	65	76
Number of customers	12,300	11,100

	2007	2006
Life assurance		
Premium income, SEK M	186	206
Total insurance capital, SEK M	2,861	2,670
Number of customers	26,400	26,100
Non-life insurance		
Premiums earned, SEK M	382	383
Technical result, insurance operations, SEK M	56	72
Bonuses and discounts, SEK M	-40	-25
Combined ratio after ceded reinsurance, %	90	85
Total yield on asset management, %	13	7
Number of customers	80,600	79,900

Dalarnas Försäkringsbolag

PRESIDENT Anders Stigers

BOARD CHAIRMAN Thomas Gustafsson



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	427	552
Total assets, SEK M	5,689	4,828
Solvency margin, %	318	305
Number of employees	208	205
Bank		
Deposits, SEK M	1,254	1,029
Lending, SEK M	639	568
Mortgage lending, SEK M	2,643	2,285
Fund volumes managed, SEK M	133	144
Number of customers	23,600	22,200

	2007	2006
Life assurance		
Premium income, SEK M	396	352
Total insurance capital, SEK M	4,969	4,494
Number of customers	40,600	39,500
Non-life insurance		
Premiums earned, SEK M	924	905
Technical result, insurance operations, SEK M	174	128
Bonuses and discounts, SEK M	-205	-175
Combined ratio after ceded reinsurance, %	85	89
Total yield on asset management, %	7	12
Number of customers	138,800	137,300

Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	98	121
Total assets, SEK M	1,634	1,461
Solvency margin, %	185	159
Number of employees	93	88
Bank		
Deposits, SEK M	449	356
Lending, SEK M	174	160
Mortgage lending, SEK M	563	431
Fund volumes managed, SEK M	40	52
Number of customers	7,500	7,100

Bank		
Deposits, SEK M	449	356
Lending, SEK M	174	160
Mortgage lending, SEK M	563	431
Fund volumes managed, SEK M	40	52
Number of customers	7,500	7,100

Life assurance		
Premium income, SEK M	167	153
Total insurance capital, SEK M	2,573	2,363
Number of customers	24,000	23,800

Premiums earned, SEK M	421	433
Technical result, insurance operations, SEK M	70	86
Combined ratio after ceded reinsurance, %	88	83
Total yield on asset management, %	4	5
Number of customers	78,900	79,500

Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	111	172
Total assets, SEK M	2,453	2,268
Solvency margin, %	233	217
Number of employees	167	155
Bank		
Deposits, SEK M	1,132	992
Lending, SEK M	439	314
Mortgage lending, SEK M	2,489	1,883
Fund volumes managed, SEK M	150	159
Number of customers	18,300	17,200

Bank		
Deposits, SEK M	1,132	992
Lending, SEK M	439	314
Mortgage lending, SEK M	2,489	1,883
Fund volumes managed, SEK M	150	159
Number of customers	18,300	17,200

Life assurance		
Premium income, SEK M	407	321
Total insurance capital, SEK M	5,362	4,914
Number of customers	42,200	41,000

Premiums earned, SEK M	550	569
Technical result, insurance operations, SEK M	18	28
Bonuses and discounts, SEK M	-17	-28
Combined ratio after ceded reinsurance, %	102	99
Total yield on asset management, %	7	10
Number of customers	101,700	101,000



50

Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	178	249
Total assets, SEK M	3,321	2,976
Solvency margin, %	242	221
Number of employees	210	215
Bank		
Deposits, SEK M	1,203	999
Lending, SEK M	628	523
Mortgage lending, SEK M	2,311	1,823
Fund volumes managed, SEK M	136	153
Number of customers	20,100	18,900

Bank		
Deposits, SEK M	1,203	999
Lending, SEK M	628	523
Mortgage lending, SEK M	2,311	1,823
Fund volumes managed, SEK M	136	153
Number of customers	20,100	18,900

Life assurance		
Premium income, SEK M	511	467
Total insurance capital, SEK M	6,602	6,104
Number of customers	50,200	48,800

Premiums earned, SEK M	731	736
Technical result, insurance operations, SEK M	27	67
Combined ratio after ceded reinsurance, %	101	95
Total yield on asset management, %	7	10
Number of customers	146,600	144,000

Länsförsäkringar Stockholm

PRESIDENT Hans Benndorf

BOARD CHAIRMAN Bengt Ljungqvist



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	197	259
Total assets, SEK M	5,040	4,714
Solvency margin, %	142	129
Number of employees	486	456
Bank		
Deposits, SEK M	4,170	3,778
Lending, SEK M	1,028	926
Mortgage lending, SEK M	7,047	5,498
Fund volumes managed, SEK M	596	726
Number of customers	65,000	64,200

	2007	2006
Life assurance		
Premium income, SEK M	2,573	2,404
Total insurance capital, SEK M	38,045	35,162
Number of customers	199,400	193,600
Non-life insurance		
Premiums earned, SEK M	1,510	1,574
Technical result, insurance operations, SEK M	184	43
Bonuses and discounts, SEK M	-19	-
Combined ratio after ceded reinsurance, %	93	101
Total yield on asset management, %	5	9
Number of customers	309,300	310,600

Länsförsäkringar Södermanland

PRESIDENT Anna-Greta Lundh

BOARD CHAIRMAN Axel von Stockenström



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	138	187
Total assets, SEK M	2,014	1,904
Solvency margin, %	249	232
Number of employees	112	109
Bank		
Deposits, SEK M	648	569
Lending, SEK M	244	217
Mortgage lending, SEK M	1,618	1,380
Fund volumes managed, SEK M	75	80
Number of customers	12,100	11,600

	2007	2006
Life assurance		
Premium income, SEK M	223	193
Total insurance capital, SEK M	3,142	2,910
Number of customers	27,000	26,500
Non-life insurance		
Premiums earned, SEK M	440	446
Technical result, insurance operations, SEK M	81	40
Bonuses and discounts, SEK M	-18	-35
Combined ratio after ceded reinsurance, %	86	94
Total yield on asset management, %	5	11
Number of customers	82,000	81,400

Länsförsäkringar Göteborg och Bohuslän

PRESIDENT Ingemar Larsson

BOARD CHAIRMAN Sune Nilsson



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	351	384
Total assets, SEK M	4,292	3,839
Solvency margin, %	206	185
Number of employees	265	264
Bank		
Deposits, SEK M	1,456	1,277
Lending, SEK M	415	353
Mortgage lending, SEK M	2,985	2,234
Fund volumes managed, SEK M	185	243
Number of customers	28,900	28,200

	2007	2006
Life assurance		
Premium income, SEK M	1,257	1,281
Total insurance capital, SEK M	13,749	12,532
Number of customers	78,900	75,800
Non-life insurance		
Premiums earned, SEK M	1,073	1,053
Technical result, insurance operations, SEK M	154	90
Combined ratio after ceded reinsurance, %	-64	-59
Total yield on asset management, %	92	94
Number of customers	8	13

Länsförsäkringar Skaraborg

PRESIDENT Carl Henrik Ohlsson

BOARD CHAIRMAN Hans Jonsson



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	87	188
Total assets, SEK M	2,327	2,293
Solvency margin, %	206	198
Number of employees	133	129

Bank	2007	2006
Deposits, SEK M	838	651
Lending, SEK M	440	393
Mortgage lending, SEK M	1,162	893
Fund volumes managed, SEK M	156	176
Number of customers	23,700	27,000

	2007	2006
Life assurance		
Premium income, SEK M	216	200
Total insurance capital, SEK M	3,835	3,529
Number of customers	29,500	28,900

	2007	2006
Non-life insurance		
Premiums earned, SEK M	491	511
Technical result, insurance operations, SEK M	76	57
Bonuses and discounts, SEK M	-37	-55
Combined ratio after ceded reinsurance, %	90	89
Total yield on asset management, %	2	10
Number of customers	87,000	86,500

Östgöta Brandstodsbolag

PRESIDENT Anders Östryd

BOARD CHAIRMAN Lars-Eric Åström



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	220	354
Total assets, SEK M	4,734	4,524
Solvency margin, %	267	268
Number of employees	276	268

Bank	2007	2006
Deposits, SEK M	2,702	2,204
Lending, SEK M	1,056	799
Mortgage lending, SEK M	2,919	2,336
Fund volumes managed, SEK M	173	185
Number of customers	37,200	35,300

	2007	2006
Life assurance		
Premium income, SEK M	655	596
Total insurance capital, SEK M	6,566	5,927
Number of customers	56,800	54,900

	2007	2006
Non-life insurance		
Premiums earned, SEK M	967	951
Technical result, insurance operations, SEK M	112	84
Bonuses and discounts, SEK M	-133	-148
Combined ratio after ceded reinsurance, %	94	94
Total yield on asset management, %	5	9
Number of customers	172,500	171,400

Länsförsäkringar Älvsborg

PRESIDENT Sten Lundqvist

BOARD CHAIRMAN Fredrik Waern



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	230	532
Total assets, SEK M	4,099	3,805
Solvency margin, %	294	279
Number of employees	216	219

Bank	2007	2006
Deposits, SEK M	1,447	1,242
Lending, SEK M	599	498
Mortgage lending, SEK M	2,885	2,356
Fund volumes managed, SEK M	197	214
Number of customers	56,100	56,200

	2007	2006
Life assurance		
Premium income, SEK M	430	376
Total insurance capital, SEK M	6,032	5,588
Number of customers	52,100	50,800

	2007	2006
Non-life insurance		
Premiums earned, SEK M	811	814
Technical result, insurance operations, SEK M	113	180
Bonuses and discounts, SEK M	-40	-40
Combined ratio after ceded reinsurance, %	92	82
Total yield on asset management, %	6	14
Number of customers	152,000	151,200

Länsförsäkringar Gotland

PRESIDENT Peter Lindvall

BOARD CHAIRMAN Gösta af Petersens



	2007	2006		2007	2006
Key figures					
Operating profit before bonuses and discounts, SEK M	46	76			
Total assets, SEK M	867	815			
Solvency margin, %	352	340			
Number of employees	44	42			
Bank					
Deposits, SEK M	402	301			
Lending, SEK M	334	294			
Mortgage lending, SEK M	861	646			
Fund volumes managed, SEK M	48	28			
Number of customers	6,500	6,000			
			Life assurance		
			Premium income, SEK M	66	57
			Total insurance capital, SEK M	652	574
			Number of customers	7,800	7,400
			Non-life insurance		
			Premiums earned, SEK M	154	152
			Technical result, insurance operations, SEK M	24	18
			Bonuses and discounts, SEK M	-30	-13
			Combined ratio after ceded reinsurance, %	90	92
			Total yield on asset management, %	4	10
			Number of customers	25,900	25,500

Länsförsäkringar Jönköping

PRESIDENT Örian Söderberg

BOARD CHAIRMAN Evert Svensson



	2007	2006		2007	2006
Key figures					
Operating profit before bonuses and discounts, SEK M	243	297			
Total assets, SEK M	3,151	2,780			
Solvency margin, %	208	184			
Number of employees	166	169			
Bank					
Deposits, SEK M	1,256	1,063			
Lending, SEK M	653	559			
Mortgage lending, SEK M	1,660	1,333			
Fund volumes managed, SEK M	113	126			
Number of customers	18,600	17,400			
			Life assurance		
			Premium income, SEK M	339	339
			Total insurance capital, SEK M	5,344	4,947
			Number of customers	38,500	37,500
			Non-life insurance		
			Premiums earned, SEK M	759	760
			Technical result, insurance operations, SEK M	155	191
			Bonuses and discounts, SEK M	-40	-65
			Combined ratio after ceded reinsurance, %	84	85
			Total yield on asset management, %	5	9
			Number of customers	118,400	118,800

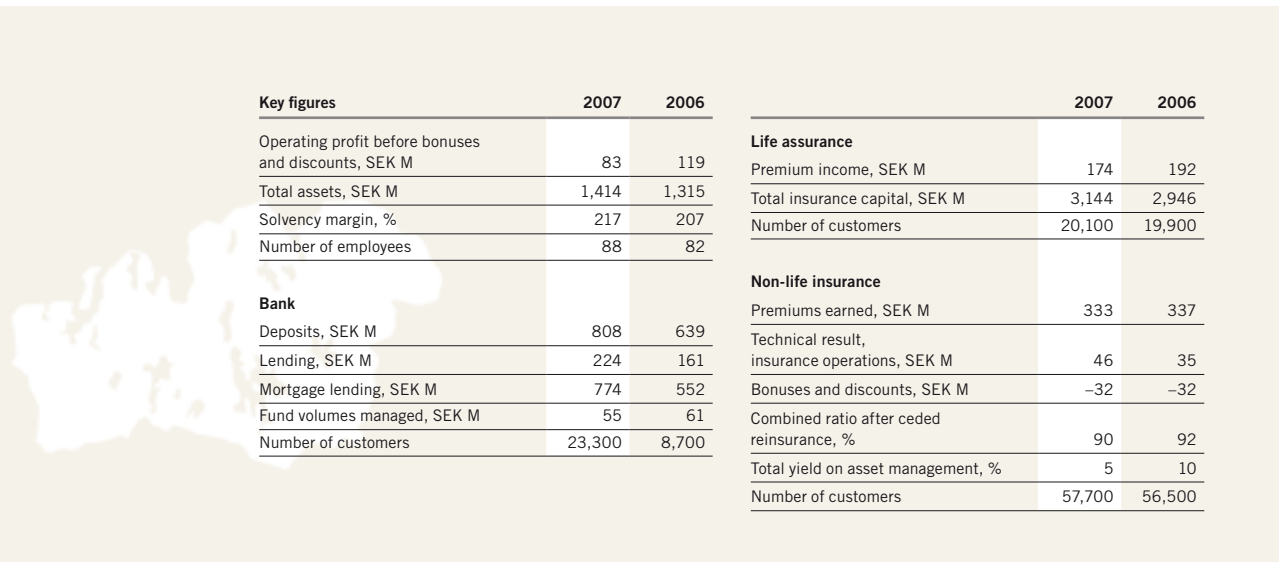
Länsförsäkringar Halland

PRESIDENT Mats Ericsson

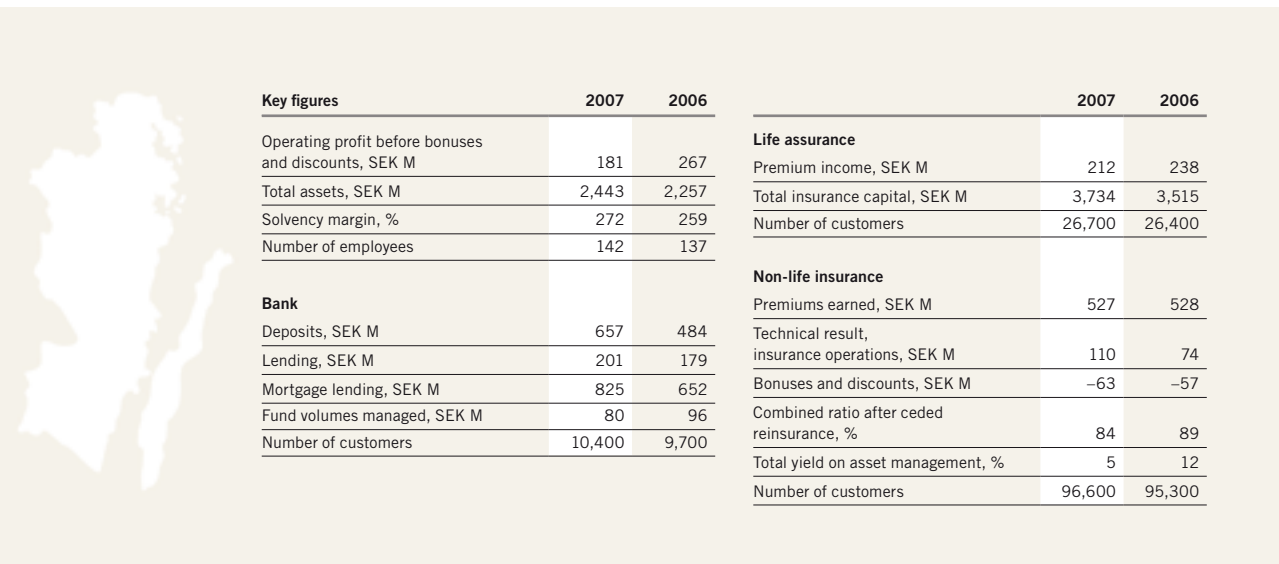
BOARD CHAIRMAN Karin Starrin



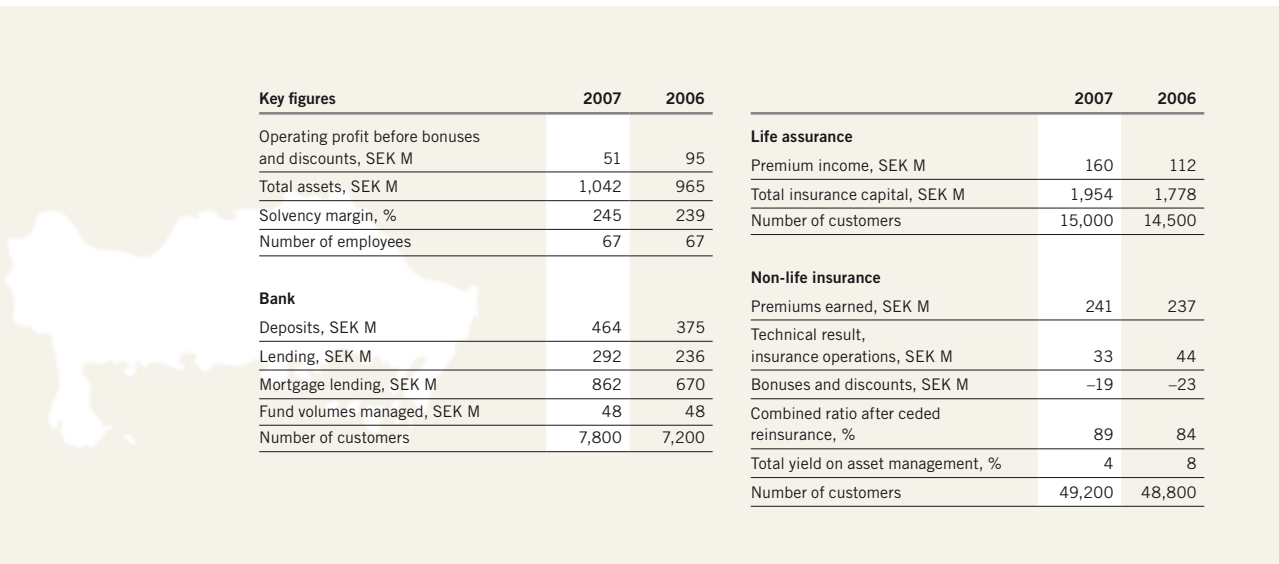
	2007	2006		2007	2006
Key figures					
Operating profit before bonuses and discounts, SEK M	148	211			
Total assets, SEK M	2,532	2,349			
Solvency margin, %	272	260			
Number of employees	143	140			
Bank					
Deposits, SEK M	1,618	1,336			
Lending, SEK M	1,154	1,028			
Mortgage lending, SEK M	2,886	2,385			
Fund volumes managed, SEK M	137	144			
Number of customers	32,500	33,100			
			Life assurance		
			Premium income, SEK M	302	264
			Total insurance capital, SEK M	4,704	4,356
			Number of customers	37,200	35,800
			Non-life insurance		
			Premiums earned, SEK M	515	511
			Technical result, insurance operations, SEK M	82	45
			Bonuses and discounts, SEK M	-13	-
			Combined ratio after ceded reinsurance, %	90	96
			Total yield on asset management, %	5	10
			Number of customers	86,100	86,500



BOARD CHAIRMAN Christer Olander



BOARD CHAIRMAN Anders Åkesson



Länsförsäkringar Göinge

PRESIDENT Klas von Celsing

BOARD CHAIRMAN Ingmar Kristiansson



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	69	106
Total assets, SEK M	1,014	935
Solvency margin, %	301	286
Number of employees	53	52
Bank		
Deposits, SEK M	305	256
Lending, SEK M	77	66
Mortgage lending, SEK M	359	270
Fund volumes managed, SEK M	32	34
Number of customers	4,900	4,500

	2007	2006
Life assurance		
Premium income, SEK M	102	80
Total insurance capital, SEK M	1,587	1,480
Number of customers	11,200	10,900
Non-life insurance		
Premiums earned, SEK M	192	192
Technical result, insurance operations, SEK M	44	42
Bonuses and discounts, SEK M	-23	-23
Combined ratio after ceded reinsurance, %	81	81
Total yield on asset management, %	4	11
Number of customers	33,400	33,300

Länsförsäkringar Kristianstad

PRESIDENT Conny Famm

BOARD CHAIRMAN Göran Trobro



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	53	99
Total assets, SEK M	988	930
Solvency margin, %	282	251
Number of employees	50	50
Bank		
Deposits, SEK M	441	357
Lending, SEK M	185	143
Mortgage lending, SEK M	664	574
Fund volumes managed, SEK M	43	50
Number of customers	6,100	5,700

	2007	2006
Life assurance		
Premium income, SEK M	89	87
Total insurance capital, SEK M	1,371	1,271
Number of customers	11,200	10,900
Non-life insurance		
Premiums earned, SEK M	199	203
Technical result, insurance operations, SEK M	27	45
Bonuses and discounts, SEK M	-	-43
Combined ratio after ceded reinsurance, %	90	80
Total yield on asset management, %	5	9
Number of customers	36,700	36,700

Länsförsäkringar Skåne

PRESIDENT Jan Fock

BOARD CHAIRMAN Otto Ramel



Key figures	2007	2006
Operating profit before bonuses and discounts, SEK M	269	674
Total assets, SEK M	5,833	5,179
Solvency margin, %	178	146
Number of employees	427	426
Bank		
Deposits, SEK M	1,519	1,220
Lending, SEK M	847	714
Mortgage lending, SEK M	5,295	3,945
Fund volumes managed, SEK M	274	307
Number of customers	35,600	32,000

	2007	2006
Life assurance		
Premium income, SEK M	936	1,044
Total insurance capital, SEK M	15,428	14,412
Number of customers	102,700	99,800
Non-life insurance		
Premiums earned, SEK M	1,524	1,477
Technical result, insurance operations, SEK M	182	279
Bonuses and discounts, SEK M	-	-131
Combined ratio after ceded reinsurance, %	93	85
Total yield on asset management, %	4	13
Number of customers	294,300	286,600

Länsförsäkringar AB

Cooperation that strengthens the local offering

The 24 regional insurance companies jointly 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.

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 (publ), 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 role: 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 operating profit amounted to SEK 1,270 M (821) and after tax to SEK 922 M (618). Net

profit for the year is attributable to strengthened earnings in the insurance and banking operations and to 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 operated 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).

For the earnings of Länsförsäkringar AB's subsidiaries that conduct traditional life assurance and unit-linked insurance, refer to page 31, and for the banking and fund operations, refer to page 43. ■

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.

SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	2003	2004	2005	2006	2007
Shareholders' equity per share	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.



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 provides support for 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 environmental and climate activities in local areas and across Sweden. Länsförsäkringar has a highly credible reputation in environmental issues. For

several years, Länsförsäkringar has held climate seminars. Länsförsäkringar was first on the market with recycling insurance 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. SEK 10 M was reserved for research in such areas as traffic safety, healthcare, rehabilitation, climate and the environment. 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.

The Länsförsäkringar Alliance 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 agricultural 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 ship-

ment 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.

According to recent research, people from Halland are at a 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 receiv-

ing 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 in 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 man 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 publically 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 with other health-care treatments available. ■



President of Länsförsäkringar Uppsala, Ann-Christin Norrström, on night patrol with Claims Adjuster Anders Fällås.

Active environmental work within Länsförsäkringar Alliance

The environmental work carried out by the Länsförsäkringar Alliance continued to improve during 2007.

An important step forward involved analyzing the effect of water damage on the climate. Another significant new feature is recycling insurance for agricultural customers.

FOR SEVERAL YEARS, Länsförsäkringar has worked to reduce the environmental impact of its operations. Train travel is increasingly being used for business trips.

The number of environmentally friendly cars used as company cars grew substantially during 2007. 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. To reduce the effects on the climate caused by the properties owned by Länsförsäkringar, a major portion of the electricity that is purchased is ecolabeled, heating takes place using district heating and many energy-saving measures have been taken.

Highly active initiatives, including a number of claims-prevention measures have, have been in progress over a long period of time. Every claim impacts the environment, including the climate. Energy consumption, decontamination, transports and material use that result in claims affect our living conditions, work environment and outdoor environment. In 2007, the results of an extensive analysis of water damage were published. Water damage results in 300 kg of carbon-dioxide emissions. Approximately 80 kg come from transports, 10 kg from dehumidification and 210 kg from manufacturing and handling materials. Länsförsäkringar receives 30,000 claims for water damage annually. This corresponds to enough heat to supply 5,000 private homes with direct-heating electricity for a year. Preventing damage and using smarter construction methods generates considerable potential.

The regional insurance companies set requirements for the contractors they hire to repair damages. It is crucial that the contract-

ors guarantee quality and protect the environment. If the damages are not properly repaired, the risk of new damage increases. Therefore, Länsförsäkringar offers contractors further education and provides information about new findings to enable them to maintain a high level of expertise. To raise the level of competence of its contractors, it is important that Länsförsäkringar is knowledgeable in such areas as construction materials. Accordingly, Länsförsäkringar has tests carried out to determine the suitability of various materials. Länsförsäkringar is also an active party in the Building/Living Dialogue Project, a cooperative venture between the Swedish Government, municipalities and business sector aimed at fostering sustainable community development.

In 2007, Länsförsäkringar conducted a campaign to encourage customers to stop having bank statements sent home. For every customer that waived their right to have a bank statement sent home, the bank donated SEK 10 to the Swedish Society for Nature Conservation's project to review the municipalities' readiness in the event of floods. This campaign resulted in 16,400 customers cancelling their printed bank statements. Reducing paper flow within the regional insurance companies and to customers is a key aspect of Länsförsäkringar's environmental work. Digital solutions and efficient printing and copying solutions are part of the company's efforts to reduce paper consumption. The development of the company's online channel has created significant opportunities to reduce the amount of paper sent to customers and, whenever possible, several documents are sent to customers together in a single envelope.

Recycling insurance for agricultural customers was launched in 2007. It covers the cost of transporting and recycling scrap and environmentally harmful waste from agricultural operations once a year. By launching its recycling insurance, Länsförsäkringar is assuming a tangible environmental responsibility in the market and contributing to keeping agriculture clean. In 2007, approximately 12,000 tons of scrap, 1,381 tons of waste oil, 89 tons of liquid pesticides and 53 tons of non-liquid pesticides were collected.

The environmental work carried out within the Länsförsäkringar Alliance is based on a joint environmental policy. This policy stipulates that the environment shall be taken into consideration in all decisions made and actions undertaken in order to continuously reduce the Alliance's 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.

All of the regional insurance companies and the jointly owned company Länsförsäkringar AB have environmental management systems that are certified in accordance with ISO 14001. 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 within the Alliance. This certification is maintained through continuous audits by the SP Technical Research Institute of Sweden certification company. ■

Employees

Competitive in the labor market

As competition for labor continues to intensify, Länsförsäkringar is focusing on further strengthening its brand and image as an employer.

TO FURTHER STRENGTHEN its ability to compete for critical business expertise, a long-term project has commenced to promote Länsförsäkringar's attractiveness as an employer. Personal customer interaction, the federal company form and strong product, employee and management development are characteristic of the unique and distinct company group and employer that is Länsförsäkringar. 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 group 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.

Another is by also more clearly communicating with 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 Företagsbarometern 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. Our 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 started in 2006 was completed in 2007. The trainees' educational backgrounds were in law, economics specializing in marketing, and civil engineering, 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 13 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 students with multicultural experience by offering internships at participating partner companies. Länsförsäkringar will also participate in the 2008 Diversity Challenge and will offer more internships.



Employee diversity

By utilizing the skills of employees with diverse cultural backgrounds, such as language proficiency and knowledge about other cultures, Länsförsäkringar enhances its competitiveness and generates business value. The company's goal is for its personnel to reflect Sweden's ethnic composition.

As part of the aim to interact with customers on the customers' terms whenever possible, efforts were made during the year to create a common language pool for customer contact using the language skills of the company's employees.

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.

Skills training

To ensure the supply of future leaders, some 30 talented young employees were selected to attend an Assessment Center. After

undergoing analysis, motivation and personality tests, and various simulation and role-play exercises, 15 candidates were 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.

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 Länsförsäkringar to their normal environment for a certain period of time.

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 classroom days and costs for travel.

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.

Länsförsäkringar retains valuable expertise 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. ■



EMPLOYEE STATISTICS

	2007		2006	
	Women	Men	Women	Men
Number of permanent employees, December 31				
24 regional insurance companies	2,073	1,884	2,044	1,864
Länsförsäkringar AB	912	745	881	737
Mäklarservice	67	45	70	40

	2007	2006
Total number of permanent employees	5,726	5,636
Total permanent employees who left during the year	450	438
Total new permanent employees	452	462
Future recruitment needs in the 24 regional insurance companies	303	160

ALL EMPLOYEES

Age range	2007	2006
0 – 30 years	574	553
31 – 40 years	1,615	1,594
41 – 50 years	1,670	1,635
51 – 60 years	1,548	1,551
61–	330	308
Average age, women	44	44
Average age, men	46	45

MANAGEMENT STATISTICS

Age range	2007		2006	
	Female managers	Male managers	Female managers	Male managers
0 – 30 years	4	6	4	3
31 – 40 years	79	87	70	89
41 – 50 years	109	161	95	168
51 – 60 years	49	157	55	152
61–	4	9	4	6
Sub-total	245	420	228	418
Total	665		646	

Average age, managers	2007	2006
Women	44	41
Men	47	47

POSITIONS OF TRUST

	2007		2006	
	Women	Men	Women	Men
President	9	30	6	29
Management teams ¹⁾	105	204	87	200
Board members ²⁾	126	241	115	217
Assembly of representatives ³⁾	330	1,021	333	1,046

¹⁾ Includes union representatives

²⁾ Regular members including union representatives

³⁾ Regular members

SICKNESS ABSENCE

Sickness absence, %	2007	2006
Total absence as percentage of total working hours	3.6	3.8
Absence exceeding 60 consecutive days, as percentage of total working hours	52.9	54.9

Sickness absence by gender	2007	2006
Men	2.3	2.4
Women	4.5	4.4

Sickness absence by age category	2007	2006
Up to age 29	2.2	2.2
Age 30 to 49	3.0	3.2
Age 50 or older	4.5	4.5

All statistics pertain to the 24 regional insurance companies, Länsförsäkringar AB and Mäklarservice.

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 the owner control.

Based on the federal organization and the purpose of the ownership of Länsförsäkringar 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: the players involved are reasonable in number, 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

substantially 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 considerably. 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 enabled 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% shares represented at the General meeting to ensure that the structure of the federation was maintained. This remains a 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 companies, 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 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. ■



Terms and expressions

Administration result, Life

Fees paid by customers minus operating expenses.

Business volume, Bank

The total of deposits and lending.

Alternative Investments

Assets that are not currently regarded as traditional. Alternative Investments currently comprise Private Equity funds and Absolute Return. Absolute Return has, as its goal, to deliver a positive return regardless of the movements of various underlying markets. Absolute Return is based on investments in hedge funds, but has a lower correlation to underlying markets and a lower downside risk than the average for hedge funds.

Run-off result

Profit or loss arising at accounting year-end in the provision for claims outstanding made in the preceding year-end accounts. The 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.

Direct yield

The balance of interest income, interest expense, dividends on shares and participations, operating expenses in asset management, and the surplus (deficit) on company-owned real estate in relation to average managed 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

Costs of marketing, sales and administration.

Expense ratio

Operating expenses as a percentage of 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.

Claims payments

The cost during the fiscal year of claims incurred, whether reported to the company or not. The costs also include run-off result.

Technical result, non-life insurance operations

Premiums earned less claims payments and operating expenses plus income from reinsurance ceded and investment income transferred from financial operations.

Technical reserves

Reserves for unearned premiums and outstanding risks, life assurance reserves and reserves for unsettled claims and comparable commitment in accordance with signed insurance contracts. For life assurance, this shall correspond to the company's guaranteed insurance commitment.

Hedge fund

Fund that, via investments in traditional markets, seeks positive yield regardless of the general trends in these markets.

Investment income transferred from financial operations

Premiums are paid in advance, while operating expenses and claims are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the computed interest – is transferred from investment income to insurance operations.

Capital base

The group-based capital base is calculated as The total 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.

Investment income

The net of the following income and expenses: interest income, interest expense, dividends on shares and participations, surplus (deficit) on company-owned real estate, change in the fair value of properties, shares, interest-bearing securities and derivatives, gains (losses) on the sale of investment assets, currency exchange gains (losses), less operating expenses in asset management.

Capital adequacy, Bank

The capital base in relation to risk-weighted amount. The capital base consists of equity plus subordinated loans less goodwill and intangible assets. The risk-weighted amount is defined as The total of assets in the balance sheet and off-balance sheet commitments valued in accordance with the Capital Adequacy and Large Exposures (Credit Institutions and Securities Companies) Act. Pursuant to the Act, capital adequacy must be at least 8%.

Solvency capital

The total of shareholders' equity, deferred tax liability/ assets, subordinated loans, untaxed reserves and surplus/deficit values of assets.

Solvency margin, (Non-life)

Solvency capital as a percentage of premium income after ceded reinsurance.

Collective consolidation level, (Life)

Value of the company's assets compared with the guaranteed commitments to customers and the preliminarily distributed bonus to customers.

Loan losses, Bank

Probable loan losses are the difference between the amount of credit granted and the amount expected to be recovered, taking into account the borrower's ability to pay and the value of collateral. Actual losses are ascertained, for example, in bankruptcy proceedings or a settlement.

Net investment

The difference between total purchases and sales of assets during the fiscal year.

Investment margin

Net interest in relation to average total assets.

Investment assets

Investment assets are current or long-term assets that take the form of an investment, including real estate and securities in the case of an insurance company.

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.

Terms and expressions, cont.

Premiums earned

The proportion of premium income attributable to the fiscal year.

Private Equity fund

Fund that buys, develops and sells unlisted companies. The bulk of investment is made in mature, profitable companies.

Return on shareholders' equity

Earnings for the period after standard tax in relation to average equity, adjusted for new share issues and dividends.

Interest-bearing

Loans issued in the market by a borrower (such as the government). Long-term securities are normally termed "bonds," while short-term loans are in the form of what are commonly called "bills."

Interest margin, Bank

Difference between average interest on all assets and average interest on all liabilities.

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 appropriations and tax.

Claims ratio

Cost of claims as a percentage of premiums earned.

Solvency ratio (Life)

The market value of assets in relation to guaranteed commitments to policyholders.

Solvency margin

The lowest permitted level of the capital base for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in Chapter 7, Paragraphs 22–55 of the Insurance Business Act.

Net worth

Taxed equity.

Asset allocation

Selection of allocation between various types of assets in a portfolio, for example the desired proportion of equity and fixed-income investments.

Total return ratio

The total of direct yield, realized gains and losses, and unrealized changes in the value of assets in relation to the average value of investment assets.

Combined ratio

Total operating expenses 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" (indirect insurance) 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

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