

2007 Länsförsäkringar Sak Försäkrings AB

ANNUAL REPORT



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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 independent and customer-owned regional 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 Parent Company of a financial group owned by the 24 regional insurance companies and 14 local insurance companies. The Group provides services for the regional insurance companies, is responsible for development operations and common strategies for the Länsförsäkringar Alliance and also conducts business operations via subsidiaries.

Länsförsäkringar Liv

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

Länsförsäkringar Bank

Conducts banking operations targeting private individuals and the agricultural sector.

Länsförsäkringar Sak

Conducts the Länsförsäkringar AB Group's non-life insurance operations, which include medical and

accident insurance, producer liability insurance, cargo insurance and some liability insurance. In addition, insurance is provided for nationwide customers in the commercial automotive area (third-party liability insurance and motor-vehicle insurance). The company also handles the Länsförsäkringar Alliance's internal and external reinsurance.

Länsförsäkringar International

Subsidiary of Länsförsäkringar Sak which is responsible for the establishment of non-life insurance operations in Latvia and Lithuania. Two branches were established in the first quarter of 2008, Nordicia Apdrošināšana in Riga and Nordica Draudimas in Vilnius. Household and homeowners insurance is initially offered. Material-damage and third-party liability insurance will be introduced in the first half of the year.

Agria Djurförsäkring

Insures animals and crops.

Länsförsäkringar Mäklarservice

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

Humlegården

Humlegården is included in the Länsförsäkringar Alliance and is owned by 16 regional insurance companies and Länsförsäkringar Sak. The purpose of the company is to enable its owners to invest jointly in the property market in Stockholm.

Wasa Försäkring Run-Off

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



2007 in brief

- Profit for the year before appropriations and tax was SEK 1,045 M (591). The technical result from insurance operations amounted to SEK 231 M (277).
- The total return on investment assets amounted to 8.4% (6.4).
- Länsförsäkringar Sak conducts operations in non-life insurance. Another main task is to provide services for the regional insurance companies and assume responsibility for the joint development work in the Länsförsäkringar Alliance.
- Continued focus on the healthcare products market. A new medical insurance policy for occupational pension customers was launched during the year, Healthcare Free Plan. The Länsförsäkringar Alliance has a total market share of approximately 40% for medical insurance.
- Insurance operations were established in Latvia and Lithuania.
- Recycling insurance was launched for agriculture.
- Acquisition of insurance portfolio.
- On July 1, the Swedish Government introduced a 32% selective tax on third-party liability insurance premium.

Rating

Credit ratings affect both Länsförsäkringar Sak's possibility to write assumed reinsurance and the Länsförsäkringar AB Group's costs of raising funds in the international capital markets. A high rating entails lower financing costs and a greater possibility to write assumed reinsurance. A forecast is linked to each rating. The forecast states whether the rating in question is positive, stable or negative. As of April 2007, Länsförsäkringar Sak is rated A/Stable by Standard & Poor's and A2/Stable by Moody's.

Board of Directors' Report

The Board of Directors and the Managing Director of Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681, hereby present the Annual Report for 2007 fiscal year. The registered office of the company is in Stockholm.

The consolidated financial statements were not prepared with reference to the Swedish Annual Accounts Act, Chapter 7, Section 2, since the company and its subsidiaries are covered by the consolidated financial statements for Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020. Figures in parentheses refer to the preceding year.



Ownership

Länsförsäkringar Sak Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Sak) is wholly owned by Länsförsäkringar AB (publ), corporate registration number 556549-7020, which is owned by 24 regional insurance companies and 14 local insurance companies.

Organization

Länsförsäkringar Sak (Non-life) is the Parent Company of Länsförsäkringar Grupplivförsäkrings AB, Länsförsäkringar Sak Fastighets AB, the limited partnership Utile Dulci 2, Länsförsäkringar International AB (publ), and of a dormant company owned jointly with Länsförsäkringar Liv Försäkrings AB.

Operations

Länsförsäkringar Sak conducts non-life insurance operations. Most of the non-life insurance in the Länsförsäkringar Alliance is underwritten in the local regional insurance companies with local concessions. However, activities in primarily development areas in the non-life insurance business are conducted within Länsförsäkringar Sak. During 2007, business was underwritten in the areas of medical, accident, producer liability, cargo and some liability insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (third-party liability insurance and motor-vehicle insurance). The company also handles the Länsförsäkringar Alliance's

internal and external reinsurance and underwrites assumed international reinsurance.

Provision for damage claims for third-party liability insurance underwritten up to and including 2003 is handled by Länsförsäkringar Sak. As of 2004, this type of business has been underwritten by the regional insurance companies.

Furthermore, Länsförsäkringar Sak conducts development activities in the area of non-life insurance and offers the regional insurance companies support in the form of services and analyses. Development activities take place in the areas of products, concepts, processes and IT support.

Market trend for non-life insurance

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 57.8 billion (56.4). The number of insurance policies increased compared with 2006 and mobility in the market is also extensive. The market remains characterized by clear competition from small traditional non-life insurance companies, banks that are starting non-life insurance operations, completely new players and foreign companies.

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 changes 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 homeowners insurance	11 517
Third-party liability insurance	10 236
Motor-vehicle insurance	12 499
Medical and accident insurance	5 171
Marine and cargo insurance	1 141
Other types of insurance	3 307

Source: Swedish Insurance Federation

The Länsförsäkringar Alliance's total market share, measured in premiums paid, remained stable in 2007. The market share was 29.4% (29.8). Growth was healthy in household insurance and both the portfolio and market shares also grew in motor-vehicle insurance. In commercial insurance, the Länsförsäkringar Alliance's dominating position was held during the year despite intensifying competition.

Significant events in 2007

Hurricane Per

Hurricane Per swept across Sweden on January 14, 2007. Counties in southern and central parts of Sweden were worst affected by the storm. Damage was mainly confined to forest, but there was also property damage and damage caused by flooding. The total claims costs in the Länsförsäkringar Alliance for Hurricane Per amounted to slightly less than SEK 500 M.

Portfolio transfer

On January 1, 2007, Länsförsäkringar Sak and its subsidiary Länsförsäkringar Grupp-livförsäkrings AB signed an agreement with Länsförsäkringar Liv Försäkrings AB (Life) for a portfolio transfer. The agreement pertains to the transfer of a portfolio of medical and accident insurance for adults, group medical and group accident insurance to Länsförsäkringar Sak and the transfer of a portfolio of group life assurance and employment group life assurance to Länsförsäkringar Grupp-livförsäkrings AB. The Swedish Financial Supervisory Authority (Finansinspektionen) approved the transfer of the insurance portfolios. In conjunction with the transfer, the company Svenska Brand Liv Försäkrings AB (whose name has now been changed to Länsförsäkringar Grupp-livförsäkrings AB) was acquired from Wasa Försäkring Run-Off AB. The operations of the acquired company comprise the

run-off of previously written insurance regarding group insurance operations. The company was acquired at net worth.

Acquisition

On October 9, 2007 Länsförsäkringar Sak and its subsidiary Länsförsäkringar Grupp-livförsäkrings AB signed an agreement for the acquisition of insurance operations from the Lantbrukarnas Riksförbund (LRF). The insurance operations to be acquired comprise individual and group policies for life assurance, medical and accident insurance for LRF Insurance's more than 200,000 customers. These customers mainly consist of LRF's approximately 165,000 members, but also other customers connected to agriculture and forestry. The transfer date is expected to be in 2008 once the necessary concessions and permits have been obtained from the Swedish Financial Supervisory Authority

Tax on premiums

On July 1, 2007, the Swedish Government adopted a 32% selective tax on third-party liability insurance premiums. This tax is intended to cover society's costs for third-party liability claims already received and claims that are received up to the time when a possible extended liability in third-party liability insurance comes into effect. The tax levy is to be financed through an increase in third-party liability insurance premiums. Extensive work was conducted during the

year on the necessary adjustments to systems and information campaigns targeting affected customers.

Establishment of operations in Latvia and Lithuania

The Länsförsäkringar Alliance has decided to establish non-life insurance operations in the Baltic States (Latvia and Lithuania) in 2008. This international venture will be conducted within the framework of a wholly owned, newly formed, public limited liability company with the business name Länsförsäkringar International Försäkringsaktiebolag. The Swedish Financial Supervisory Authority sanctioned the Articles of Association for Länsförsäkringar International Försäkringsaktiebolag under formation and granted the company a license in January 2008. Notification of secondary establishments in the form of branch offices in Latvia and Lithuania has been submitted to the Financial Supervisory Authority. Länsförsäkringar International Försäkringsaktiebolag is a wholly owned subsidiary of Länsförsäkringar Sak.

Events after the reporting date

Vehicle-damage guarantee

Länsförsäkringar Sak and Volkswagen Group Sweden signed an agreement effective January 1, 2008 entailing that Länsförsäkringar Sak will underwrite the vehicle-damage guarantee for the vehicles that Volkswagen Group Sweden sells in the Swedish market. This refers to the makes

of Seat, Audi, Volkswagen and Skoda. The contract period is two years and encompasses about 55,000 cars per year, corresponding to approximately 20% of the new car market.

Operational development and future projects

Länsförsäkringar Sak's role of focusing on development of and service to the regional insurance companies in non-life insurance has been gradually expanded. In addition, changes in demographics, labor-market conditions and public-sector financing systems, among other areas, have meant that the company's organization has developed a greater focus on future-oriented studies and projects.

One challenge is to meet the increasingly tough competition, particularly from some of the large banks that are now starting to sell non-life insurance. New product concepts will be developed to meet future competition, this being one of Länsförsäkringar Sak's roles in relation to the regional insurance companies. A continued focus on full-service customers is crucial.

Demand for insurance solutions in the healthcare area continued to increase in 2007 and sales for Länsförsäkringar have risen as a result. The market for healthcare products remains a high priority area. The medical insurance products shows how private healthcare can supplement public healthcare and that this is a product in demand. The economic boom has led to heightened demand for labor, which in turn has increased interest in

reducing sickness absence and shortening periods of sickness absence among many companies. In addition, employers wish to enhance their attractiveness in a situation with the beginning 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 offer by medical insurance. The number of Länsförsäkringar Sak customers that hold medical insurance is about 110,000, giving a market share of approximately 40%.

One of the year's successes was the introduction of a new medical insurance policy for occupational pension customers in cooperation with Länsförsäkringar Liv Försäkrings AB. The market reaction was positive and the product generated 6,000 new policyholders.

In November 2007, the Länsförsäkringar Alliance launched the En Bra Start concept under Länsförsäkringar Sak's accident project. En Bra Start encompasses pregnancy insurance, child insurance and funds savings for children. Furthermore, a project was run in Länsförsäkringar Sak during the year on improving and developing the possibilities of selling non-life insurance via the Internet.



As a result, customers can now simply purchase insurance for passenger cars, homes, boats, motorcycles and mopeds on Länsförsäkringar's website. In addition, a service was launched whereby customers can report a claim directly via the website. In the environment area, work with recycling insurance continued during the year.

Nine regional insurance companies launched extended agricultural insurance that includes recycling insurance. Another 12 regional insurance companies plan to launch the product in 2008.

Agricultural customers thus have access to a solution offering a simple, cost-efficient and environmentally compatible way of safely solving the handling of scrap and environmentally hazardous waste. Länsförsäkringar Sak and the Håll Sverige Rent are working together to clear the Swedish countryside from scrap and environmentally hazardous waste.

One of the major issues for the Länsförsäkringar Alliance and the insurance industry is

the proposed changes to third-party liability insurance. It was proposed in a Budget Bill in autumn 2006 that third-party liability insurance assume all the costs for occupational rehabilitation and future loss of income in the event of a third-party liability claim. This change is to be implemented in two stages.

The first step was the introduction of a 32% selective tax on third-party liability insurance premiums as of July 1, 2007. The tax is intended to cover society's costs for claims already received and claims that are received up to the time when the extended liability comes into effect. The insurance liability was negative to the introduction since the tax involved a double financing of costs that are already financed by employer's contributions. Despite these misgivings, the tax was implemented and the insurance companies were afforded the right to offset the tax levy by raising third-party liability insurance premiums, including those for current insurance contracts. This resulted in a

one-off levy whereby Länsförsäkringar Sak sent 1.4 million notices on behalf of the Länsförsäkringar Alliance.

The second step involves investigating the possibility of transferring all of the costs for those with third-party liability claims to the insurance companies. The results of the investigation are to be presented on April 30, 2009, with a possible introduction on January 1, 2009. Due to the complexity of the investigation, an extended investigation period has been requested for June 15, 2009.

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

Asset management in Länsförsäkringar Sak

LÄNSFÖRSÄKRINGAR SAK is to create a stable and high return on the investment assets in the company in order to achieve healthy profitability and to ensure that the capital base is sufficient in relation to risks. The reason for this is to guarantee, with a high degree of reliability, the commitments made to customers. This is attained by applying an effective and competitive management model with respect to risk levels.

Development

Länsförsäkringar Sak follows a new management model with an increased focus on total return. In 2007, the new management model was implemented. The strategy involves reducing the active management mandate in markets that are broad, transparent and efficient and instead implement passive, simple and more cost-efficient solutions to capture market exposure. This approach is supplemented by taking active risk where it

is deemed that managers have prime opportunities to generate surplus returns, in terms of both less efficient listed and unlisted markets. The results of the new management model can be seen in the earnings for Länsförsäkringar Sak in 2007, which show a competitive level of return.

Risk levels

Länsförsäkringar Sak is exposed to many different types of risk. In the non-life insurance operations, insurance risk can be divided into three areas: premium risk, reserve risk and disaster risk. The company's earnings are largely controlled by the level of return in asset management, meaning that it is essential that market risks are monitored and managed. Länsförsäkringar Sak utilizes a Dynamic Financial Analysis (DFA) model to quantify risks. The results of the analysis are key to determining the risks that can be taken in the investment portfolio.

For further information on risk management, refer to Note 2 Risk and risk management.

Management model

Länsförsäkringar Sak's portfolio structure regarding market exposure focuses on selecting the distribution of assets required by the portfolios. In addition, major importance is attached to how the desired market exposure is to be achieved. Asset Management has immense expertise in employing other efficient solutions to maintain passive market exposure rather than by using traditional management mandates. For example, by using various derivatives that generate added value through low management costs and simplified administrative management of transactions. Active work is undertaken to protect the portfolio from different types of risk. Combined, these factors offer a portfolio structure that creates scope for action to capture the market exposure deemed suitable.

This means that Länsförsäkringar Sak conducts portfolio management that creates rapid scope for action following changed market conditions at a lower management cost.

Organization and governance

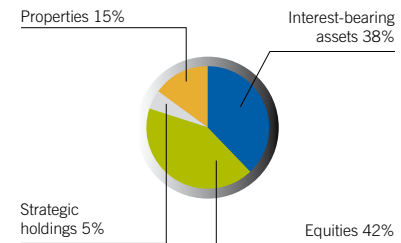
Länsförsäkringar Sak's Board of Directors adopts policies and instructions for the management of investment assets. This entails the Board continuously keeping itself information of the performance of the operations and, in the event of unsatisfactory performance, deciding on corrective measures.

The task of the Asset Management within Länsförsäkringar AB is to conduct asset management activities on behalf of Länsförsäkringar Sak. This mandate includes assuming responsibility for formulating proposals for strategic allocation, proposing management arrangements and, after decisions by the Board, assuming responsibility for implementing and following up decisions.

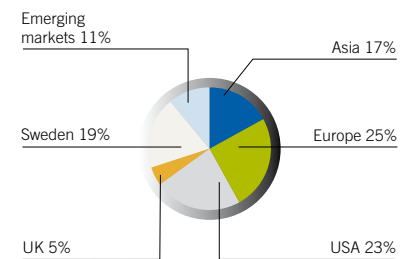
Asset Management defines the assignments for the asset managers, specifying distinct risk levels and yield requirements. The managers' task is then to create the best possible return given the framework and guidelines they have received. This may mean that managers choose a composition of shares that may deviate from that of the portfolio's benchmark index. A large portion of the equities portfolio is index management, which means that the manager does not to deviate from a comparative index.

The outsourced management assignments are evaluated by Asset Management, which regularly analyzes the asset managers and management results. The full introduction of a new management model entailed that Länsförsäkringar Sak now works with several of external managers. Länsförsäkringar Sak has a total of 12 external managers for active mandates in equities and fixed-income management.

DISTRIBUTION OF LÄNSFÖRSÄKRINGAR SAK'S INVESTMENT ASSETS



REGIONAL DISTRIBUTION OF EQUITIES



Environment

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

Länsförsäkringar Sak impacts the environment both directly and indirectly. Emissions of carbon dioxide and paper consumption are significant environmental aspects for

Länsförsäkringar Sak.

The direct impact on the environment derives primarily from business travel and the consumption of electricity, heat and paper.

To reduce this direct impact on the environment, train travel is increasingly used for business trips. The new company car policy allows only environmental cars and permits premature changing of company cars. Since 2006, half of all company cars have been exchanged for environmental cars. In addition, an increasing number of meetings now take place in the form of telephone, video or web conferences as a means of reducing total travel. In the developments pursued by Länsförsäkringar Sak, one of the targets is to reduce the flow of paper both within the

company and sent to customers. To reduce paper consumption, we are working with digital solutions and more efficient printing and photocopying solutions. The development of the Internet channel provides considerable scope for reducing the dispatch of paper documentation to customers. For example, all the conditions for commercial insurance are now available in digital form on the Internet and are no longer sent to customers. Enhancing the efficiency of heating and cooling systems and the use of low-energy lamps to minimize the use of energy are also important in lowering the direct impact of the company on the environment.



The indirect environmental impact arises primarily from water and fire damage incurred by customers of the regional insurance companies. Länsförsäkringar Sak helps to reinforce the regional insurance companies' efforts to reduce the number of claims and lessen the effect of claims received. An environmental program for major claims has been developed, containing rules for the environmental adaptation of entire cleanup and restoration processes following a claim.

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

The ByggaBo Dialogue, of which Länsförsäkringar Sak is a member, is a cooperative venture between the Government, and business sector aimed at fostering sustainable community development. Areas of priority are energy and resource-efficient buildings with healthy indoor environments. The Government has extended the ByggaBo Dialogue by another three-year period to 2009.

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

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

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

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

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

Employees

A LEADERSHIP PROGRAM was arranged by the company in 2007, focusing on enhancing the efficiency of strategic and operative work duties related to management and leadership. The overall aim was to develop business and the delivery capacity of the 24 regional insurance companies, with the target of developing leadership in general and, as a leader, working according to a holistic approach

In 2007, a key area of competencies for all employees of Länsförsäkringar Sak was entrepreneurship. The importance of a strong and clear brand and the awareness and understanding of customers' needs were other focus areas. Creating added value for customers and simultaneously, growth for the company are of central importance to achieving established targets.

At the same time, work is being conducted on quality improvements following the methods set forth by the Swedish Institute for Quality, which includes, for example, process developments in Länsförsäkringar Sak. The target for 2007 was to identify and describe core, controlling and supporting processes and to create a joint process in the operations for product development and claims adjustment.

Business planning is a process in Länsförsäkringar Sak that is conducted each year and involves the majority of employees. Clear and individual targets for employees based on the business plan's action plans are set at

development discussions, which are annual planning and target discussions. As documentation of the development discussion, individual target contracts are prepared for each employee.

A financial stimulus, target-based remuneration, is paid when Länsförsäkringar Sak and the Parent Company Länsförsäkringar AB deliver results in accordance with the overall targets and employees' performance in accordance with the individual goals of the target contract. The model for target-based remuneration encompasses all permanent employees not included in an individual bonus program. The maximum amount of target-based remuneration is decided by the Board based on Länsförsäkringar Sak's operating income.

An annual employee survey, the CEI (Committed Employee Index) is conducted in Länsförsäkringar Sak. The results of the survey are reported to executive management and at all organizational levels. It is the responsibility of each manager to present and discuss the results together with his/her closest employees. Commitment is a key factor for success for individual employees and their working environment and the performance of Länsförsäkringar Sak. The total results of the employee survey were 77.6%, an increase on the results for 2006. This result means that on a scale of 1 to 7, employees

responded overwhelmingly positively to the questions in the survey. The percentage of employees who responded to the employee survey was 95%.

During the year, health and work profiles were implemented in the Sak division. A total of 95% of employees participated. Employees are generally more healthy and have fewer symptoms of poor health. Work-related stress, and also stress in the employees' general lifestyle situations, has declined. A clear shift from risk group to healthy group was noted compared with 2005. Each manager received an individual review of the results and proposals for action plans.

Sickness absence for 2006 was 3.64%. For the rolling 12-month period until September 2007, sickness absence declined to 3.11%. The systematic health program with action plans at both organizational and individual levels based on health and work profiles, preventive rehabilitation and discussions about health issues in development conversations have generated results, such as reduced sickness absence. Long-term healthy employees, which is a new target in the business plan, rose from 68.7% for 2006 to 71.9% in 2007.

All Länsförsäkringar Sak employees have medical insurance as a salary benefit.





Earnings and financial position

INCOME BEFORE appropriations and tax in 2007 totaled SEK 1,045 M (591). The technical result from insurance operations amounted to SEK 231 M (277) and the remaining investment income was SEK 814 M (314) (see also Income from financial operations).

Technical result from insurance operations

Premiums earned after ceded reinsurance increased by 15% compared with the preceding year and totaled SEK 1,340 M (1,158). The increase was primarily due to increased volumes for products within medical insurance. During the year, the insurance portfolio for medical and accident products was acquired from Länsförsäkringar Liv Försäkrings AB. The acquired volume amounts to SEK 167 M.

In 2007, business was transacted in the medical, accident, cargo and certain liability insurance, commercial motor-vehicle insurance for customers active nationwide (third-party liability and motor-vehicle insurance), assumed reinsurance and producer liability insurance.

Claims payments after ceded reinsurance amounted to SEK 1,094 M (916), resulting in a claims percent of 82 (79).

Similar to the preceding year, the claims percent was favorably affected by the settlement results on older year classes. The claims incidence remained favorable throughout the

year. However, the claims incidence for assumed reinsurance was high, primarily attributable to Hurricane Kyrill. Since 2004, most of the third-party liability insurance has been underwritten by the regional insurance companies. Provision for incurred claims for motor third-party liability insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak.

Technical reserves, before ceded reinsurance (gross), declined by SEK 1,377 M, while technical reserves for own account declined by SEK 244 M. The decline in gross reserves and reserves for own account were mainly due to the run-off of provision for incurred claims in third-party liability insurance.

The reserve run-off result, which can be described as short-term measurement of the quality of the provision for claims incurred, amounted to SEK 166 M, gross (99), or slightly more than 1% of the reserve at the beginning of the year for claims incurred. Most of this amount derives from business and property insurance.

Investment income transferred from financial operations amounted to SEK 383 M (368). For third-party liability insurance, which remains the area of operations with the largest technical reserves, and thus the largest return on investment, an interest rate of 3.0% (3.0) was used.

The insurance operations report strong profitability, although the combined ratio has historically been and remains at a high level, since the incidence of transactions of long duration is frequent. This means that the investment income transferred to insurance operations is relatively high compared with premiums earned after ceded reinsurance.

Operating expenses increased compared with the preceding year and amounted to SEK 406 M (333). The expense ratio rose to 30% (29). Income for the year was also charged with costs for the establishment of operations in Latvia and Lithuania, and costs associated with the acquisition of the insurance portfolio. In addition, the service and development operations conducted on assignment by the regional insurance companies are also reported in the insurance operations. In 2007, the operations reported a deficit, which is included as part of operating expenses.

Third-party liability insurance also remained a major area of operations, reporting a profit of SEK 150.5 M (166). Income derives in part from the run-off transactions described above and in part from the national motor-vehicle insurance transactions that will partly continue to be underwritten within Länsförsäkringar Sak.

Assumed reinsurance, consisting of active reinsurance business and run-off business,

generated a positive result during the year. However, during the year the Länsförsäkringar Alliance was affected by a number of major claims, Hurricane Per and many large fires. All insurance areas reported positive results, except for medical and accident. The medical and accident insurance area was charged with a depreciation expense for intangible assets totaling SEK 19 M.

Income from financial operations

The market value of investment assets (excluding shares and participations in

Group companies) totaled SEK 18,528 M (18,017) at year-end. The distribution among different classes of assets is shown in the table below. The total yield for 2007 was 8.4% (6.4), while the five-year average was 7.3% (5.3). Interest-bearing assets provided a total yield of 4.1% (0.9), while equities generated a return of 16.8% (18.0).

Property provided a yield totaling 8.6% (11.2). The total yield includes surplus values from property in Group companies. These

surplus values are not included in investment income in the income statement.

Solvency

Solvency capital increased during the year and amounted to SEK 4,852 M (3,898). The solvency margin rose to 364% (339).

Personnel, salaries and remuneration

Information regarding the average number of employees and salaries and remuneration as well as information on salaries and other remuneration paid to executive management are provided in Note 34 on page 37. Information regarding absence due to illness, as well as gender distribution in executive management, is provided in the same Note.

Change of accounting principles

Effective January 1, 2007, Länsförsäkringar Sak applies legally-restricted IFRS. This means that approved International Financial Reporting Standards, IFRS are applied with the limitations stipulated in law or by other

regulations, the Swedish Financial Supervisory Authority's regulatory code and general advice on annual reports in insurance companies (FFFS 2006:17) or the Swedish Financial Accounting Standards Council's Recommendation RR 32:06 Accounting for Legal Entities.

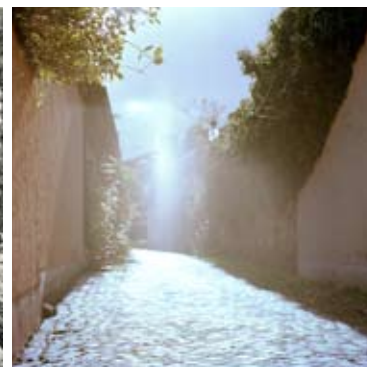
The introduction of legally-restricted IFRS has led to a change in accounting principles and has had an effect on the income statement, balance sheet and disclosures in the notes. To facilitate comparability of Länsförsäkringar Sak's performance and financial position, comparative figures for the preceding fiscal year have been restated.

Proposed appropriation of profits

See page 41 for the proposal for appropriation of profits. The results of operations for the year and the company's financial position on December 31, 2007 are presented in the following income statements and balance sheets and the accompanying notes.

TOTAL INVESTMENT INCOME, LÄNSFÖRSÄKRINGAR SAK (INCLUDING PROPERTIES IN GROUP COMPANIES)

Amount in SEK M Investments	Market value, Jan 1, 2007	%	Market value, Dec 31, 2007	%	Total yield procent
Interest-bearing	9,518	52.8	7,468	40.3	4.1
Equities	5,858	32.5	8,321	44.9	16.8
Property	2,641	14.7	2,739	14.8	8.6
Total	18,017	100	18,528	100	8.4



Five-year overview

RESULTS, SEK M	2003	2004	2005	2006	2007
Premiums earned (after ceded reinsurance)	3,697	2,260	1,045	1,158	1,340
Investment income transferred from financial operations	656	475	391	368	383
Claims payments after ceded reinsurance	-3,315	-2,134	-932	-916	-1,094
Operating expenses	-612	-357	-233	-333	-406
Other income and expenses	19	-	-	-	7
Technical result from non-life insurance operations	444	244	271	277	231
Remaining investment income	172	396	1,585	314	814
Income before appropriations and tax	617	641	1,856	591	1,045
Net profit for the year	478	747	1,621	457	577

Premium income (after ceded reinsurance)

Non-life insurance	3,894	1,137	1,073	1,148	1,332
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FINANCIAL POSITION, SEK M

Investment assets	15,727	16,416	17,312	16,564	16,721
Technical reserves (after ceded reinsurance)	14,215	13,221	12,896	12,461	12,705

Solvency capital

Shareholders' equity	989	1,420	2,517	1,718	2,143
Deferred tax	-77	-183	1	132	128
Untaxed reserves	1,229	1,229	1,229	1,229	1,479
Surplus values	644	633	556	811	1,102
Solvency capital	2,786	3,100	4,304	3,890	4,852
Solvency margin, %	72	273	401	339	364
Capital base 1	1,879	2,257	2,880	4,060	4,238
Required solvency margin	792	595	291	409	452

KEY RATIOS

Insurance operations

Claims percent	90	94	89	79	82
Expense ratio	17	16	22	29	30
Combined ratio	106	110	111	108	112

Asset management, %

Direct yield	3.9	3.0	3.5	3.1	3.1
Total investment income ratio, including properties in Group companies	5.5	4.5	11.7	6.4	8.4

The five-year overview has been restated in accordance with IFRS for 2006. The figures for 2003-2005 were not restated in accordance with IFRS.

Direct yield

Direct yield refers to the balance of interest income, interest expense, dividends on shares and participations, and the operating income for property for those assets encompassed by the investment principles in relation to the average value of these assets during the year.

Total investment income ratio

Total investment income ratio refers to the sum of direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs but excluding management costs, in relation to the average value of these assets during the year.

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Income statement

SEK M TECHNICAL REPORT ON NON-LIFE INSURANCE OPERATIONS		2007	2006
Premiums earned (after ceded reinsurance)			
Premium income	Note 3	3,283.7	3,114.1
Premiums earned for ceded reinsurance		-1,951.6	-1,966.4
Change in provision for unearned premiums and unexpired risks		46.9	-37.3
Reinsurers' portion of change in provision for unearned premiums and unexpired risks		-38.6	47.1
		1,340.4	1,157.5
Investment income transferred from financial operations	Note 4	383.2	368.5
Other technical income (after ceded reinsurance)	Note 5	11.8	-
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-2,601.6	-2,858.2
Reinsurers' portion		1,207.7	1,534.3
	Note 6	-1,393.9	-1,323.9
Change in provision for claims outstanding			
Before ceded reinsurance		-867.2	429.1
Reinsurers' portion		1,167.3	-20.9
		300.1	408.2
Claims payments (after ceded reinsurance)		-1,093.8	-915.7
Operating expenses	Note 7	-406.3	-333.1
Other technical expenses (after ceded reinsurance)	Note 5	-4.4	-
TECHNICAL RESULTS OF NON-LIFE UNDERWRITING		230.9	277.2
NON-TECHNICAL ACCOUNTING			
Technical results of non-life underwriting		230.9	277.2
Investment income, revenue	Note 8	2,528.2	1,582.4
Unrealized gains on investment assets	Note 10	119.5	297.1
Investment income, expenses	Note 9	-421.8	-969.6
Unrealized losses on investment assets	Note 10	-1,028.9	-228.0
Investment income transferred to non-life insurance operations		-383.2	-368.5
Income before appropriations and tax		1,044.7	590.7
Provision to tax allocation reserve		-250.0	-
Income before tax		794.7	590.7
Tax on net profit for the year	Note 11	-217.6	-133.5
Net profit for the year		577.0	457.1

Performance analysis

SEK M	Total	Medical & accident	Household & homeowners	Commercial & property	Motor vehicle	Third-party liability	Marine, air & cargo	TFA	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed reinsurance
Technical results of non-life underwriting											
Premiums earned (after ceded reinsurance)	1,340.4	490.8	–	182.0	150.8	104.3	96.0	–	1,024.0	0.0	316.4
Investment income transferred from financial operations	383.2	34.4	0.6	29.1	2.9	285.4	5.2	0.0	357.6	0.0	25.6
Other technical income (after ceded reinsurance)	11.8					11.8			11.8		
Claims payments (after ceded reinsurance)	–1,093.8	–402.7	–0.4	–58.9	–125.9	–156.2	–73.4	0.2	–817.4	0.6	–277.1
Operating expenses	–406.3	–137.4	–	–63.8	–27.4	–90.4	–25.5	–	–344.3	–	–61.9
Other technical expenses (after ceded reinsurance)	–4.4					–4.4					–4.4
Technical results of non-life underwriting, 2007	230.9	–14.8	0.2	88.4	0.4	150.5	2.3	0.2	227.2	0.7	3.0
Technical results of non-life underwriting, 2006	277.2	3.6	0.1	92.2	8.7	166.4	1.9	0.0	272.8	0.4	4.0
Gross run-off result, 20067	166.0	2.9	–0.2	147.5	8.5	–9.1	0.4	0.2	150.3	0.8	14.9
Technical reserves, before ceded reinsurance											
Provision for unearned premiums and unexpired risks	399.3	121.4	1.1	170.4	62.4	25.2	20.9	–	401.4	0.0	–2.2
Provision for claims outstanding	17,863.6	1,158.4	35.6	1,044.9	38.1	9,852.8	205.6	–	12,335.4	3.1	5,525.1
Total technical reserves, before ceded reinsurance	18,262.9	1,279.8	36.8	1 215.3	100.5	9 878.0	226.6	–	12,736.8	3.2	5,522.9
Total reinsurers' portion of technical reserves											
Provision for unearned premiums and unexpired risks	75.3	–	–	94.4	–	–	1.5	–	95.9	0.0	–20.6
Provision for claims outstanding	5,482.9	19.3	0.7	109.2	0.1	468.9	49.4	–	647.7	–	4,835.2
Total reinsurers' portion of technical reserves	5,558.1	19.3	0.7	203.7	0.1	468.9	50.9	–	743.6	0.0	4,814.5

Notes to performance analysis

SEK M	Total	Medical & Accident	Household & homeowners	Commercial & property	Motor vehicle	Third-party liability	Marine, air & cargo	TFA	Direct insurance Swedish risks	Direct insurance Swedish risks	Assumed reinsurance
Note A Premiums earned (after ceded reinsurance)											
Premium income	3,283.7	502.0	–	375.2	136.5	109.5	106.0	–	1,229.2	0.1	2,054.4
Premiums for ceded reinsurance	–1,951.6	0.5	–	–200.7	–0.7	–16.6	–9.2	–	–226.7	–0.0	–1,724.9
Change in provision for unearned premiums and unexpired risks	46.9	–11.7	–	23.4	15.0	11.5	–1.1	–	37.0	–0.1	9.9
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	–38.6	–	–	–15.9	–	–	0.3	–	–15.6	0.0	–23.0
Note B Claims payments (after ceded reinsurance)											
Claims paid											
Before ceded reinsurance	–2,601.6	–340.2	–1.5	–214.2	–130.7	–592.7	–61.7	0.0	–1,340.9	0.6	–1,261.3
Reinsurers' portion	1,207.7	5.3	0.4	93.2	–0.1	59.1	1.6	–	159.5	–	1,048.1
Change in provision for claims outstanding											
Before ceded reinsurance	–867.2	–65.7	0.8	115.9	4.7	372.3	–48.2	0.2	380.0	–	–, 247.2
Reinsurers' portion	1,167.3	–2.2	–0.1	–53.8	0.1	5.1	34.9	–	–16.0	–	1,183.3

Balance sheet

SEK M		Dec. 31, 2007	Dec. 31, 2006
ASSETS			
Intangible assets			
Other intangible assets	Note 12	133.8	25.6
Investment assets			
Buildings and land	Note 13	93.0	90.0
Investments in Group companies and associated companies			
Shares and participations in Group companies	Note 14	480.0	271.8
Loans to Group companies	Note 15	1,390.0	1,461.3
Shares and participations in associated companies	Note 16	19.0	23.9
Other financial investment assets			
Shares and participations	Note 17	5,325.2	5,782.2
Bonds and other fixed-income securities	Note 18	8,857.2	8,237.1
Derivatives	Note 19	523.4	670.1
Deposits at companies ceding reinsurance		33.1	27.5
		16,720.8	16,563.9
Reinsurers' portion of technical reserves			
Unearned premiums and unexpired risks		75.3	113.8
Claims outstanding		5,482.9	4,311.8
	Note 25	5,558.1	4,425.6
Receivables			
Receivables, direct insurance	Note 20	158.8	197.6
Receivables, reinsurance		297.9	248.9
Other receivables	Note 21	1,400.0	270.8
		1,856.6	717.3
Other assets			
Cash and bank		901.4	776.0
		901.4	776.0
Prepaid expenses and accrued income			
Accrued interest income and rental revenue		126.9	81.8
Prepaid procurement expenses	Note 23	10.5	8.3
Other prepaid expenses and accrued income	Note 24	94.2	52.5
		231.7	142.6
TOTAL ASSETS		25,402.4	22,651.0

SEK M		Dec. 31, 2007	Dec. 31, 2006
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital		200.0	200.0
Other reserves			
Statutory reserve		4.0	4.0
Profit bought forward		1,362.3	1,056.4
Net profit for the year		577.0	457.1
		2,143.4	1,717.5
Untaxed reserves			
Security reserve		1,138.8	1,138.8
Equalization reserve		90.6	90.6
Tax allocation reserve		250.0	–
		1,479.4	1,229.4
Technical reserves (before ceded reinsurance)			
Unearned premiums and unexpired risks		399.3	409.9
Claims outstanding		17,863.6	16,476.4
	Note 25	18,262.9	16,886.2
Other provisions			
Pensions and similar commitments		6.9	8.1
Current tax		221.8	–
Deferred tax	Note 26	127.6	132.2
Other provision	Note 27	198.0	170.6
		554.3	311.0
Deposits from reinsurers			
		51.9	51.0
Liabilities			
Liabilities, direct insurance	Note 28	364.7	336.2
Liabilities, reinsurance		378.5	402.5
Derivatives	Note 19	301.6	311.6
Loans from the Parent Company	Note 29	1,160.0	1,160.0
Other liabilities	Note 30	497.3	77.0
		2,702.2	2,287.2
Accrued expenses and deferred income			
Other accrued expenses and deferred income	Note 31	208.3	168.7
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		25,402.4	22,651.0
Memorandum items			
	Note 33		
Pledge assets		13,816.6	13,482.7
Contingent liabilities		156.6	158.4

Summary of changes in shareholders' equity

Account of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Unrealized gains fund	Profit brought forward	Net profit for the year	Total shareholders' equity
Opening shareholders' equity, January 1, 2006	200.0	4.0	1,061.0	1,252.3		2,517.3
Adjustment for changed accounting principles				-5.9		-5.9
Adjusted shareholders' equity, January 1, 2006	200.0	4.0	1,061.0	1,246.4		2,511.4
Dividend to Parent Company				-1,251.0		-1,251.0
Transfer between restricted and unrestricted equity			-1,061.0	1,061.0		
Net profit for the year					457.1	457.1
Closing shareholders' equity, December 31, 2006	200.0	4.0		1,056.4	457.1	1,717.5
Opening shareholders' equity, January 1, 2007	200.0	4.0		1,519.4		1,723.4
Adjustment for changed accounting principles				-3.6		-3.6
Adjusted shareholders' equity, January 1, 2007	200.0	4.0		1,515.8		1,719.8
Dividend to Parent Company				-150.0		-150.0
Group contributions paid/received				-3.5		-3.5
Net profit for the year					577.0	577.0
Closing shareholders' equity, December 31, 2007	200.0	4.0		1 362.3	577.0	2,143.4
Proposed dividend to Parent Company						-350.0
Number of shares at a par value of SEK 100 each	2,000,000					

Cash-flow statement

SEK M	2007	2006
Operating activities		
Income before tax	1,044.7	590.0
Adjustment for items not included in cash flow	1,172.5	-242.0
Cash flow from operating activities before changes in working capital	2,217.2	348.5
Cash flow from changes in working capital		
Investments in investment assets, net	-925.6	2 534.3
Increase (-)/Decrease (+) in operating receivables	-1,014.6	786.4
Increase (+)/Decrease (-) in operating liabilities	440.5	-342.3
Cash flow from operating activities	-1,499.7	2,978.4
Investing activities		
Shareholders' contribution paid	-134.0	-150.0
Acquisition of subsidiaries	-30.5	-209.8
Change in loans raised	71.3	-
Investments in intangible fixed assets	-135.2	-3.1
Cash flow from investing activities	-228.4	-362.9
Financing activities		
Dividend to Parent Company	-150.0	-1,251.0
Loans raised	Note 16	-
Cash flow from financing operations	-150.0	-2,712.3
Cash flow for the year	339.1	251.7
Cash and cash equivalents, Jan 1	930.1	678.4
Cash and cash equivalents, Dec. 31	1,269.2	930.1

SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

Interest paid and received and dividends received		
Dividend received	80.7	151.7
Interest received	503.5	574.9
Interest paid	-272.3	-259.2
Adjustments for items not included in cash flow		
Depreciation and impairment of assets	38.3	28.7
Unrealized gains/losses, investment assets	909.4	-150.2
Technical reserves after ceded reinsurance	244.8	-395.9
Pension provisions	2.4	22.4
Other provisions	-22.4	253.0
	1,172.5	-242.0
Cash and cash equivalents		
Cash and bank balances	901.4	776.0
Receivables from Group companies		
Länsförsäkringar Bank	120.4	4.2
Länsförsäkringar AB, Group bank account	247.4	149.9
	1,269.2	930.1

Notes to the financial statements

NOTE 1 ACCOUNTING PRINCIPLES

The Annual Report has been prepared in accordance with the Annual Accounts Act for Insurance Companies and the Financial Supervisory Authority's regulatory code and general advice on annual reports in insurance companies (FFFS 2006:17) and the Swedish Financial Accounting Standards Council's Recommendation RR 32:06. Länsförsäkringar Sak applies legally-restricted IFRS, meaning International Financial Reporting Standards approved for application with the limitations stipulated by RR 32:06 and FFFS 2006:17. This also entails that all IFRSs and statements approved by the EU are applied as far as possible within the framework of Swedish law and with respect to the relationship between accounting and taxation.

The accounting principles applied below have been applied consistently for all periods presented in this Annual Report. An exception is the Five-year summary, which is restated for 2007 and 2006 in accordance with legally-restricted IFRS.

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in Swedish kronor. All amounts are rounded to the nearest thousand, unless otherwise stated. Assets and liabilities are reported at acquisition cost, apart from certain financial assets and liabilities valued at fair value. Financial assets valued at fair value comprise derivative instruments, financial assets classified as financial assets valued at fair value in the income statement or properties.

Changed accounting principles from 2007 fiscal year

In accordance with the Swedish Financial Supervisory Authority's (Finansinspektionen) regulatory code and general advice, legally-restricted IFRS are applied from the 2007 fiscal year. For Länsförsäkringar Sak, this means that the following changes to accounting principles have been made.

Insurance contracts are reported in accordance with the principles of IFRS 4 Insurance Contracts, meaning that a new definition of what is considered to be insurance is applied in the accounts. However, for Länsförsäkringar Sak, the new definition did not result in any reclassification of contracts. For further information, refer to the section on Reporting of insurance contracts below.

Financial instruments are reported in accordance with the principles of IAS 39 Financial Instruments: Recognition and Measurement. As a result, all financial instruments were classified according to the categories of financial instruments stipulated in IAS 39. The section on Financial instruments, classification and valuation below describes the classification process. Reporting in accordance with IAS 39 also entails that transaction costs are not included in acquisition cost for financial assets reported at fair value in the income statement. A further change is that listed instruments are valued at their buying rate. The total effect on shareholders' equity in the company is SEK 4 M.

The former unrealized gains fund was dissolved in conjunction with the application of the new accounting principles for financial

instruments. Funds previously reported under the Unrealized gains fund have been transferred to unrestricted shareholders' equity in their entirety. As a result, the company's restricted funds have declined, while unrestricted funds have increased in the corresponding amount.

Assessments and estimates in the financial statements

Preparing the financial statements in accordance with legally-restricted IFRS requires executive management to make a number of assessments and estimates that influence the application of accounting principles and the reported amounts of assets, liabilities, revenue and expenses. Estimates and assessments are based on historical experience and a range of other factors that are considered to be reasonable given the prevailing circumstances. The assumptions and assessments forming the basis of the estimates and assessments are regularly reviewed. The valuation of the provisions is described in the section below on Reporting of insurance contracts and in Note 2 in which information on risks in the operations is provided.

New IFRSs and interpretations that have not yet been applied

A number of new IFRSs, amendments to standards and interpretation statements come into effect in the 2008 fiscal year and, accordingly, were not applied to the preparation of these financial statements.

Foreign currency

Transactions in foreign currency are translated to Swedish kronor when they are recognized in the accounts at the exchange rate on the transaction date. Assets and liabilities in foreign currency are translated to Swedish kronor by applying the exchange rate on the closing date. Unrealized exchange-rate differences that arise as a result are reported in the income statement as exchange-rate gains/losses under asset management's earnings. The currency futures utilized to financially hedge currency exposure in the balance sheet are valued at fair value and effects on earnings are reported under interest income and exchange rate gains/losses.

Related parties

Related legal entities are the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Försäkrings AB Group's companies and all associated companies, Länsförsäkringar Mäklarservice AB, and the 24 regional insurance companies.

Price setting for service operations within the Länsförsäkringar Alliance is based on direct and indirect expenses. A price list is established in connection with the budget process. Overall, the price list aims at spreading costs fairly within the company group based on utilization. Joint development projects and common service are collectively financed and invoiced based on an agreed key.

All service revenue derives from the Länsförsäkringar Alliance. Refer to Note 36 Disclosure regarding related parties.

Insurance contracts

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

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

Länsförsäkringar Sak performs a loss survey of connections in its insurance provisions to ensure that the carrying amount of the provision is sufficiently high for the expected future cash flow.

Premium income

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

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

Premiums earned correspond to the portion of the premium income that is earned. Unearned premiums are reported in Provision for unearned premiums.

Technical reserves

Technical reserves comprise Provision for unearned premiums and unexpired risk and Provision for claims outstanding.

Provision for unearned premiums and unexpired risks

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

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

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

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

If the premium level of insurance contracts already entered into is deemed to be insufficient, a provision is made to unexpired risks.

The change for the period in Provisions for unearned premiums and unexpired risks is reported in the income statement. Changes explained by translating the provision items to the exchange rate on the closing date are reported as exchange-rate gains or exchange-rate losses under the item Investment income.

Provision for claims outstanding

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

With the exception of medical and accident insurance for children and claims paid in the form of annuities, provision for claims outstanding is not discounted.

In the case of medical and accident insurance for children, a business for which active operations are transferred to the regional insurance companies, discounting at a rate of 3.0% is applied. The provision for claims paid in the form of annuities is discounted in line with customary life insurance methods.

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

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

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

Prepaid procurement expenses for insurance contracts

Selling expenses that have a distinct link to signed insurance contracts are recognized as an asset, Prepaid procurement expenses, and are depreciated over their useful lives. A condition for capitalization is that acquisition costs are attributable to a certain insurance contract,

or homogenous groups of contracts that can be followed up, and are deemed to generate a margin that, as a minimum, covers the acquisition costs that are intended to be capitalized. The selling expenses that are to be capitalized are commission expenses. In the non-life insurance operations, the capitalized cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

Operating expenses

All operating expenses are classified in the income statement according to function: acquisition, claims adjustment, administration, commission and shares in profit of ceded reinsurance, investment income, expenses, and in certain cases other technical expenses. Operating expenses for claims adjustment are reported under Claims payments paid. The service operations conducted by Länsförsäkringar Sak are also reported on the line "Operating expenses" at net amount (see Note 7). Operating expenses for financial management are reported under Investment income, expenses.

Reinsurance

Contracts signed between Länsförsäkringar Sak and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner.

For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract as the reinsurers' portion of technical reserves and deposits with companies ceding reinsurance. Receivables from and liabilities with reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Liabilities in reinsurance are primarily settlement against regional insurance companies and also premiums to be paid for reinsurance contracts.

Reinsurers' portion of technical reserves corresponds to the reinsurers' responsibility for technical reserves in accordance with signed contracts. Länsförsäkringar Sak assessed impairments requirements of assets for reinsurance contracts twice a year. If the recoverable amount is lower than the carrying amount of the asset, the asset is written down to the recoverable amount and an impairment loss is expensed in the income statement.

Investment income

Investment income transferred from financial operations

Insurance operations have been attributed an interest rate totaling half of the premiums earned after ceded reinsurance and the average incoming and outgoing provisions for outstanding claims after ceded reinsurance during the year. The interest rate is risk-free interest, and the risk-free interest rate is set at the value of 60-days interest rate. For technical reserves in foreign currency, the 30-day interest rate of each country has been utilized as the risk-free interest rate. For the third-party liability insurance area with long settlement periods, the average for a four-year government bond is utilized as a risk-free interest rate, with a 1% risk deduction.

Investment income, revenue

The item "Investment income, revenue" refers to the return on investment assets and encompasses rental revenue from building and land, dividends on shares and participations, interest income, exchange-rate gains and capital gains.

Investment income, expenses

Costs for investment assets are reported under "Investment income, expenses." The item includes operating expenses for building and land, asset management expenses, interest expense, exchange-rate losses and capital losses.

Realized and unrealized changes in value

For investment assets valued at fair value, the capital gain is the positive difference between the sales price and the acquisition cost. For fixed-income securities, the acquisition cost is the accrued acquisition cost.

Taxes

Taxes are reported in line with IAS 12. Tax on net profit for the year consists of current tax and deferred tax. Taxes are reported in the income statement except when a transaction with a tax effect is reported directly to shareholders' equity.

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

Deferred tax is calculated in accordance with the balance sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The amounts are calculated on the basis of how the temporary differences are expected to be evened out and with the application of tax rates and tax rules that have been decided or announced on the closing date.

Deferred tax claims in tax-deductible temporary differences and loss carry-forwards are reported only when it is likely that this will result in lower tax payments in the future.

Other intangible assets

Other intangible assets are reported at acquisition cost with deductions for accumulated amortization according to plan

Customer register – amortization commences from the date of acquisition of the register. The asset comprises a customer register for insurance products in medical and accident insurance for adults, group accident and group medical insurance.

Proprietary software – amortization commences when the system or part of the system is put into use. The assets comprise proprietary software that is deemed to be of material value for the operations in the forthcoming year. Only expenses related to new developments and major system changes are amortized. Capitalized development expenditure is amortized from the date the asset was utilized in production and over its estimated useful life.

The useful life is set at five years, apart from the customer register for group accident and group medical insurance which has a useful life of eight years. If, at the accounting year-end, there is an indication

that the value according to plan of an intangible asset is higher than its recoverable amount, an assessment is made of the asset's recoverable amount. The term recoverable amount refers to the higher of the asset's net selling price and its value in use. If the established recoverable amount is less than the carrying amount, the asset's carrying amount is written down to the recoverable amount.

Buildings and land

Buildings and land are valued at fair value. The valuation of the property portfolio was carried out by an external appraiser. A location-price analysis based on sales of similar buildings is initially utilized in the valuation. The location-price analysis is supplemented with a cash flow analysis. Since valuation is based on fair value, depreciation is not applied to property.

Financial instruments

Financial instruments reported in the balance sheet include on the asset side accounts receivable, shares and other shareholder' equity instruments, loan receivables, fixed-income securities and derivatives. Liabilities and shareholders' equity include accounts payable, loan liabilities and derivatives.

Classification and valuation

The acquisition cost of a financial instrument classified as a financial asset reported at fair value in the income statement comprises the purchase price excluding transaction costs. Accordingly, transaction costs for these instruments are expensed directly as asset management expenses. For other financial instruments, the acquisition cost corresponds to the instrument's purchase price including transaction costs.

After the instrument has been acquired, the accounting and valuation of financial instruments depends on how the instrument is classified according to the following.

Financial assets valued at fair value in the income statement

Financial instruments in this category are valued continuously at fair value with changes in value reported in the income statement. Derivatives with positive fair values are also included here.

Financial instruments listed on an active market

For financial instruments listed on an active market, the fair value is determined based on the listed buying rate of the asset on the closing date with no additions for transaction costs on acquisition date. A financial instrument is considered to be listed on an active market if list prices are readily available on an exchange, from a trader, broker, industry organization, etc. and these prices represent actual and regularly occurring market transactions based on commercial terms and conditions.

Derivatives

Derivative instruments are reported at fair value based on externally obtained price information.

Shares and fixed-income securities

Shares are valued at fair value. Fair value pertains to the realizable value on the closing date. For shares listed on an authorized exchange or market place, the realizable value normally pertains to the most recent buying rate on the closing date or, if this is not available, the most recently listed price paid. Shares and participations include what is known as Alternative Investments. These comprise units in funds that purchase, develop and sell unlisted companies (called private equity) and hedge funds. The basis of valuation is received from each fund and the valuation of the assets follows the guidelines issued by the European Private Equity and Venture Capital Association.

Bonds and other fixed-income securities are also valued at fair value according to the most recently listed buying rate. Capital gains/losses on bonds and other fixed-income securities are calculated as the difference between the realizable value and the accrued acquisition cost. In the calculation of the accrued acquisition cost, the difference between the acquisition cost and the exercise price are allocated in the income statement over the remaining tenure. The change in accrued acquisition cost is reported at net amount under interest income. Unrealized changes comprise the difference between fair value and accrued acquisition cost.

Other interest-bearing assets and liabilities

Other receivables are valued at fair value. Foreign receivables are valued in their original currency to be subsequently translated at the closing date rate. Exchange-rate differences that arise are reported in the income statement at net amount as exchange-rate gains/losses.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives, that have fixed or fixable payments and that are not listed on an active market. These assets are valued at accrued acquisition cost. Accounts receivable and loan receivables are reported in the amount at which they are expected to be received, meaning after deduction for doubtful debts.

Financial instruments valued at fair value in the income statement

This category of instrument is classified as holdings for trading purposes. All derivatives are classified as held for trading purposes. Financial liabilities held for trading purposes are included in the category of financial liabilities valued at fair value with changes in values reported in the income statement.

Other financial liabilities

Other financial liabilities (Borrowing and other financial liabilities, for example, accounts payable) valued at accrued acquisition cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and immediately available balances at banks and similar institutions.

Untaxed reserves

Changes in untaxed reserves are reported, according to Swedish practice, in the income statement in each company under appropriations.

The accumulated value of the provisions is reported under the heading "Untaxed reserves" in the balance sheet, of which 28% can be considered to be deferred tax liabilities and 72% as restricted shareholders' equity. The deferred tax liabilities can be described as interest-free liabilities with an undetermined tenure. Untaxed reserves are offset, where appropriate, against loss carry-forwards or are subject to taxation when they are dissolved.

Security reserve

The contingency fund is a collective contingency-related strengthening of technical reserves. Access is limited and requires official permission in certain cases.

Equalization reserve

The purpose of the equalization reserve is to even out changes in the results of insurance operations over time. New provisions may not be made to the equalization reserve.

Tax allocation reserve

Swedish tax legislation permits transfers to tax allocation reserves under certain circumstances. Provisions may be made at a maximum of 25% of taxable income. A provision may be reversed for taxation not later than the sixth year after the provision is established. By making provisions to tax allocation reserves, earnings can be equalized for tax purposes between different years.

Pensions

Pensions through insurance

Defined-contribution pension plans are plans according to which the company paid fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are reported as expenses during the period when the employee performed the services to which the contributions refer. Primarily contributions to the Insurance Industry's Pension Fund (FPK) are reported here. This plan encompasses all employees except for a few individuals who have individual solutions.

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

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

Contingent liabilities

Contingent liabilities are reported when a commitment exists that has not been reported as a liability or provision because it is not likely that an outflow of resources will be required.

Cash-flow statement

The cash-flow statement is prepared in accordance with the indirect method. The reported cash flow includes only transactions that involve receipts or payments.

NOTE 2 RISK AND RISK MANAGEMENT

Focus and targets of Länsförsäkringar Sak's risk management

Risks constitute a significant aspect of Länsförsäkringar Sak's operational environment and business activities. To manage the risks, Länsförsäkringar Sak has clearly defined strategies and areas of responsibility, together with a strong commitment to the risk-management process. The main purpose of risk management is to ensure that risks are identified, that risk assessment is impartial, and that the capital base is adequate in relation to the risks. This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers.

The following factors characterize Länsförsäkringar Sak's risk taking:

- conducting non-life insurance operations
- focusing primarily on private individuals and small and medium-sized companies
- relatively low retention in non-life insurance
- operations focus on Sweden
- taking relatively high risk in investment portfolios by having significant exposure to the equities market, on the condition that the company's capital strength permits this. Risks are limited by a high level of diversification in the investment portfolios and by using financial derivatives to limit the size of potential losses.

THE FOLLOWING SUMMARY PROVIDES AN OVERVIEW OF LÄNSFÖRSÄKRINGAR SAK'S RISK EXPOSURE

SEK billion	December 31, 2007	Change from December 31, 2006		December 31, 2007	Change from December 31, 2006
Investments			Shareholders' equity	2.1	0.4
Shares and participations	5.3	-0.5	Untaxed reserves	1.5	0.3
Interest-bearing assets	8.8	0.6	Technical reserves (gross)		
Derivatives	0.5	-0.1	Third-party liability	9.9	-0.4
Other investment assets	0.7	0.1	Commercial and property	1.2	-0.1
Loans to Group companies	1.4	-	Medical and accident	1.3	0.6
			Assumed reinsurance	5.5	1.2
			Other insurance classes	0.4	0.1
Reinsurers	5.6	1.0	Loans from Parent Company	1.2	-
Other assets	3.1	1.6	Other liabilities	2.3	0.6
Total assets	25.4	2.7	Total shareholders' equity and liabilities	25.4	2.7

Länsförsäkringar Sak's largest risk exposure is deemed to be the equities portfolios and the commitments in third-party liability insurance. The company is exposed to many different types of risk. In the non-life insurance operations, insurance risk can be divided into three areas: premium risk, reserve risk and disaster risk. The company's earnings are largely governed by the level of return in asset management, meaning that it is important to follow and handle market risk. Länsförsäkringar Sak employs a Dynamic Financial Analysis (DFA) model for quantifying individual risks and the overall risk profile. The DFA model is based on both the investment and insurance operations and takes into account, for example, the reinsurance structure and allocation of investments. Operational risks, defined as the risk of losses as a result of inappropriate or unsuccessful processes, human error, faulty systems or external events, are found in all parts of the company's operations.

The risk management organization

Länsförsäkringar Sak's process for internal controls and risk management was designed for the purpose of identifying risks and providing a reasonable assurance of reliability in financial reporting,

and to ensure that financial reports are prepared in accordance with the law and generally accepted accounting principles and other requirements imposed on insurance companies.

Länsförsäkringar Sak's Risk Manager is responsible for risk reporting and is charged with analyzing and reporting the total risk exposure and promoting an efficient risk-management organization within the company.

Within Länsförsäkringar Sak, there is a Finance/Risk Committee that prepares and discusses matters relating to risk. In addition to this, the Länsförsäkringar AB Group has a Finance Committee, which serves as a forum for financial business-environment and macroeconomic analyses. The Committee is tasked with preparing and coordinating matters within the asset-management area that, for example, are to be submitted to Länsförsäkringar Sak's Board of Directors for a decision. The Board of Directors of Länsförsäkringar Sak appoints a representative to the Finance Committee.

Within the Länsförsäkringar AB Group's common areas, every effort is made to coordinate procedures and find joint courses of action by establishing Group-wide basic rules. These basic rules

are described in controlling documents comprising policies, guidelines and instructions. The controlling documents must be approved and incorporated in each subsidiary, which is the responsibility of each Managing Director. Examples of controlling documents are the Group manual, reporting manual, guidelines for handling ethical issues, authorization manual and security policy. In addition to the Group-wide controlling documents, Länsförsäkringar Sak has its own company-specific controlling documents, such as the company manual, authorization manual, investment guidelines, insurance guidelines and guidelines for underwriting business. The steering documents are updated and then approved by the Board once each year. Risk management within Länsförsäkringar Sak is decentralized, which means that the heads of the individual business areas take responsibility for the risks management within the parameters set forth by the Board.

An independent review function, Internal Audit, is tasked with supporting the Board of Directors in ensuring that the operations are conducted in accordance with the Board's decisions. By conducting examinations and issuing reports, Internal Audit is to assess whether operations are being conducted efficiently, whether reports to the Board of Directors provide a correct view of operations, and whether operations are being conducted in accordance with the relevant internal and external regulations. Internal Audit reports to the Länsförsäkringar AB Group's Board of Directors and to the Boards of subsidiaries (including that of Länsförsäkringar Sak).

The task of the Compliance Function is to provide support in identifying risks that may arise in operations as a result of deficient compliance with regulations.

Since deficient compliance with regulations could give rise to a risk of financial losses or loss of reputation, the function fulfills a preventive role of assessing such risks and, if necessary, helping to draw up internal rules. The function reports to the Managing Director, executive management and the Board of Directors.

Risk, capital and solvency

Risk management is closely related with the management of the use of Länsförsäkringar Sak's capital. Länsförsäkringar Sak has a capital base that exceeds the statutory necessary solvency margin by a healthy margin. The Swedish Financial Supervisory Authority has further developed a surveillance tool – the traffic-light model – which aims at measuring the exposure to financial risks and insurance risk. Länsförsäkringar Sak reports a significant surplus of capital compared with the requirements imposed.

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

CLASSIFICATION OF RISK

The following classifications of risk are utilized in Länsförsäkringar Sak

Non-life insurance risk	Market risk	Counterparty risk	Operational risk	Strategic risk	Concentration risk	Liquidity risk including financing risk
Premium risk	Interest-rate risk	Reinsurers				
Reserve risk	Equities risk	Counterparties in financial derivatives				
Disaster risk	Property risk	Other counterparty risk				
	Credit-spread risk					
	Currency risk					

The following describes how different types of risks are managed. Information is provided on the size of the exposure for specific risks.

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

Risks in insurance operations

The purpose of non-life insurance operations is to transfer risk from the policyholder to the insurer. The insurer collects premiums from a large number of policyholders and undertakes to compensate them if an insured loss occurs. Correct pricing of insurance contracts is crucial for earnings in insurance operations. However, there is an inherent uncertainty in insurance operations such that unfavorable results may occur. To handle this uncertainty, reinsurance is used to reduce the fluctuation in the earnings of insurance operations.

The insurance operations in Länsförsäkringar Sak comprise the insurance classes Medical and Accident, Commercial and Property,

Motor Vehicle, Third-party Liability, Marine, Air and Cargo, and Assumed Reinsurance. Where appropriate, the Board limits insurance risks through decisions on the highest permissible retention for different types of insurance risks and on the categories of reinsurer that may be used for ceded reinsurance.

The risks in non-life insurance operations comprise premium risks, reserve risks and disaster risks. The implications of these terms and Länsförsäkringar Sak's general methods for handling these types of risk are described below.

SENSITIVITY ANALYSIS, SEK M

	Impact on profit Before tax	Impact on shareholders' equity
1% lower premium level	-13	-9
1% increased claims frequency or higher average claim	-11	-8
1% higher annual claims inflation	-910	-655

Premium risks

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

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

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

REINSURANCE PER CLAIM INCIDENT, SEK M

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

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

Reserve risk

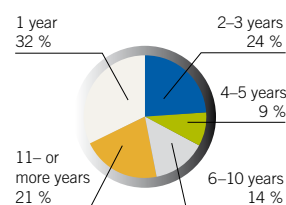
Reserve risk is the risk that the technical reserves will not suffice to cover incurred claims.

The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 18.3 billion. A calculation of the cost of claims outstanding – about SEK 17.9 billion – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in third-party liability insurance, which accounts for most of the company's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. Another significant element in the follow-up work is the regular reviews of claims outstanding that are performed.

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

ESTIMATED DISTRIBUTION OF TENURE OF EXPECTED PAYMENTS, CALCULATED AT PRESENT VALUE, OF CLAIMS OUTSTANDING, GROSS



The following tables shows the trend in estimated claims costs before reinsurance, per claim year

SEK M

	2003	2004	2005	2006	2007	Total
At end of claim year	3,024.8	1,605.3	757.3	825.9	908.6	
One year later	2,962.9	1,531.7	757.3	911.5		
Two years later	2,892.7	1,458.7	794.9			
Three years later	2,503.3	1,491.9				
Four years later	2,481.5					
Estimated claims costs ¹⁾	2,481.5	1,491.9	794.9	911.5	908.6	
Accumulated claims payments	1,631.4	958.3	511.4	561.5	313.6	
Provision for claims payments	850.1	533.6	283.5	350.0	595.0	2,612.2
Provision for claims payments. older year classes						5,978.4
Provision for claims payments for assumed reinsurance						5,524.5
Total Provision for claims payments. gross						14,115.2
Claims annuities reserve. gross						3,212.0
Claims adjustment reserve. gross						536.5
Provision for claims outstanding. gross						17,863.6
Provision for claims payments. reinsurers' portion						-5,474.2
Claims annuities reserve. reinsurers' portion						-
Claims adjustment reserve. reinsurers' portion						-8.7
Provision for claims outstanding. reinsurers' portion						-5,482.9
Provision for claims outstanding. for own account						12,380.7
¹⁾ of which for portfolio assumed in 2007						
Provision for claims payments	51.6	72.6	93.6	107.0		324.8

Disaster risks

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

Länsförsäkringar Sak has low exposure to disaster risks for own account.

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

Market risks

In the management of Länsförsäkringar Sak's assets, assessments are made of the potential for a favorable return and the risk level involved in the creation of long-term investment strategies and for investment-

decisions of a more operational nature. The main asset classes in portfolio management are equities, fixed-income securities and property.

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

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

Changes in interest rates, exchange rates, share prices and prices of commodities, as well as changes in their individual volatilities, influence the market values of financial assets and liabilities.

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

SENSITIVITY ANALYSIS, SEK M

	Impact on profit Before tax
Interest-rate risk, 1% higher interest rate	-125
Equities risk, 10% low share prices	-875
Property risk, 2% higher yield requirement	-53
Currency risk, 10% weaker SEK	-272
Credit spread risk, 1% increase in credit spread	-54

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

Interest-rate risk

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

The desired interest-rate risk is described and a desired target decided for the duration with a rebalancing interval. Derivative instruments, for example, fixed-income swap contracts, are used to manage interest-rate risk. Hedge accounting is applied in the accounts when an effective connection exists between hedged loans and the fixed-income swaps.

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

Fixed-interest periods for Länsförsäkringar Sak's assets and liabilities, net (incl. derivatives) at December 31, 2007, SEK M

Total	Less than 1 year	1–5 years	5–10 years	More than 10 years
Fixed-interest assets less fixed-interest liabilities	162.9	5,390.0	113.4	115.0

The table shows the net nominal interest maturity structure. Länsförsäkringar Sak has a fixed-interest loan from Länsförsäkringar AB amounting to SEK 1,160 M which falls due for payment in 2008.

Equities risk

Equities risk is the risk that the value of assets declines due to falling share prices. The risk is described and decided on a normal portfolio with exposure by region in a rebalancing interval. In certain, selected regions, investments are subsequently made with a number of asset managers to reduce the manager risk in individual regions. For the regions/markets that are not invested in by several asset managers, investments are made in the desired market index.

Property risk

Property risk is the risk that the value of asset will decline due to falling property prices. The property prices are an effect of the assumptions made on applicable yield requirements and rental levels. The assumptions on yield requirements usually follow the applicable interest-rate assumptions.

The property risk in Länsförsäkringar Sak overwhelmingly derives from the ownership of the office property in Stockholm that the Länsförsäkringar AB Group utilizes for its operations.

Credit spread risk

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

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

Bond investments classified by rating	SEK M
AAA – Swedish Government	1,645
AAA – Government securities other than those issued by the Swedish Government	1,825
AAA – other	3,011
AA	1,279
A	–

Currency risk

Currency risk is the risk that the net value of assets, liabilities and insurance undertakings decline due to fluctuations in exchange rates.

Decisions on the size of currency exposure are made in light of prevailing market conditions. The currency distribution in the exposure is primarily explained by the decision to not cover currency risk in investments in equities in emerging markets.

Länsförsäkringar Sak's net exposure in foreign currency, December 31, 2007

Currency	Equivalent in SEK M
HKD	658
AUD	622
KRW	499
Other currencies	640
Total	2,418

The total net currency exposure on December 31, 2007 amounted to 14% of total investment assets.

Counterparty risk

Counterparty risk pertains to the risk that counterparties are unable to fulfill their undertaking and that any collateral provided does not cover the receivable. Länsförsäkringar Sak's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives.

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

Länsförsäkringar Sak regularly assesses impairment requirements on assets related to reinsurance contracts. Receivables that have fallen due for payment are controlled continuously.

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

Exposure to counterparty risks	Financial derivatives (exposure according to market values), SEK M
AAA	–
AA	373
A	–

Exposure to counterparty risks	Reinsurance in percent
AAA	2
AA	43
A	54
BBB	1

The divisions above refer to exposure for purchased, external cover for 2008.

Operational risk

Operational risks are risks of losses as a result of inappropriate or unsuccessful processes, human failure, faulty systems or external events.

Each unit within Länsförsäkringar Sak is responsible for preventing operational risks in its area of responsibility. Risk analyses are performed annually both at company level and in the operating activities. To meet the increasing requirements in incident handling, a common system support is being implemented with the aim of standardizing operating-risk measurement methods throughout the Group. Furthermore, a continuity plan is adopted annually by executive management.

Internal Audit, which reports directly to the Board, examines and evaluates the company's internal control. The task of the Compliance Function is to identify and report on risks that may arise as a result of shortcomings in regulatory compliance.

Concentration risk

From 2004, most of Länsförsäkringar's third-party liability insurance has been underwritten by the local regional insurance companies. Incurred claims for insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak. Of the total technical reserves before ceded reinsurance of SEK 18.3 billion, 54% refers to the third-party liability insurance line of business.

Liquidity risk including financing risk

Liquidity risk including financing risk is the risk that the company's undertakings cannot be fulfilled due to a shortage of cash and cash equivalents or that these undertakings can be fulfilled only by raising borrowings at significantly higher costs than usual. Länsförsäkringar Sak's liquidity risks are limited since premiums are received in advance and large claims payments are usually known well in advance of their maturity dates. In addition, most of Länsförsäkringar Sak's investment assets are available at short notice.

Amounts in SEK M unless otherwise stated

NOTE 3 PREMIUM INCOME

	2007	2006
Direct insurance, Sweden	1,229.2	1,106.6
Direct insurance, other EEA	0.0	–
Assumed reinsurance	2,054.4	2,007.4
Total	3,283.7	3,114.1

NOTE 4 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS

	2007	2006
Transferred investment income	383.2	368.5

Interest rates. %

Provisions for long-term claims in run-off. SEK	3.00	3.00
Provisions for third-party liability, not in run-off. SEK	2.50	2.50
Provisions for claims annuities. SEK (the real discount rate)	3.00	2.20
Provisions for other insurances with long-term claims not in run-off. SEK	2.50	2.50
Provisions for insurances with short-term claims. SEK	2.50	2.00
Provisions in USD	5.10	3.70
Provisions in GBP	4.80	4.59
Provisions in EUR	3.00	2.11
Provisions in other foreign currencies	4.30	3.47

The transferred investment income is calculated on the basis of half the premiums earned after ceded reinsurance and on the basis of the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year.

NOTE 5 OTHER TECHNICAL REVENUE AND EXPENSES

	2007	2006
Portfolio payments	11.8	–
Costs for portfolio transfer	–4.4	–
Total	7.4	–

Parts of the insurance portfolio pertaining to insurance cover for risk-covering customers in commercial motor insurance were sold to the local regional insurance companies.

NOTE 6 CLAIMS PAYMENTS

	2007	2006
Claims paid	–1,218.5	–1,172.2
Operating expenses for claims adjustment	–175.4	–151.6
Total	–1,393.9	–1,323.9

NOTE 7 OPERATING EXPENSES

Total operating expenses. by type of cost

	2007	2006
Personnel costs	–343.6	–335.0
Premises expenses	–30.9	–28.6
Depreciation	–35.3	–23.9
Service income	734.4	613.6
Other expenses	–966.3	–793.3
Total	–641.7	–567.2

Total operating expenses. by function

	2007	2006
Operating expenses in asset management	–59.8	–82.2
Operating expenses in property management	–0.2	–0.2
Operating expenses for claims adjustment	–175.4	–151.6
Operating expenses for procurement and administration	–406.3	–333.1
Total	–641.7	–567.2

Operating expenses

Procurement expenses ¹⁾	–268.5	–270.2
Change in Prepaid procurement expenses	2.1	–8.1
Administrative expenses	–233.0	–180.7
Commissions and profit participation in ceded reinsurance	93.1	125.9
Total	–406.3	–333.1

Of which, expenses for the leasing of premises, equipment and IT equipment

	–30.7	–30.4
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The company rents premises, equipment and IT equipment from the Parent Company, Länsförsäkringar AB.

¹⁾ Of which, commissions for direct insurance	–81.6	–65.1
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NOTE 8 INVESTMENT INCOME. REVENUE

	2007	2006
Rental income from buildings and land	5.1	4.8
Dividends on shares and participations	80.7	151.7
Dividend from associated companies	4.0	–

Interest income

Bonds and other fixed-income securities	363.7	324.4
Other interest income	185.0	128.5
Income from partnership participation	43.7	–

Exchange gains. net

Supplementary purchase price. Länsförsäkringar Fondliv Försäkrings AB	–	92.1
Shares and participations ¹⁾	1,846.1	880.8
Total	2,528.2	1,582.4

¹⁾ Investment assets identified as items valued at fair value in the income statement.

NOTE 9 INVESTMENT INCOME. EXPENSES

	2007	2006
Operating expenses, buildings and land	–2.8	–3.0
Asset management expenses	–60.2	–77.7

Interest expense

Bonds and other fixed-income securities	–68.7	–68.2
Other interest expense	–203.6	–192.4

Income from partnership participation	–	–176.3
Exchange losses. net	–53.5	–240.1
Impairment of shares and participations in associated companies	–3.0	–

Capital losses. net

Bonds and other fixed-income securities ¹⁾	–30.1	–73.9
Other investment assets	–	–138.0
Summa	–421.8	–969.6

¹⁾ Investment assets identified as items valued at fair value in the income statement.

NOTE 10 UNREALIZED GAINS AND LOSSES ON INVESTMENT ASSETS

Unrealized result	Unrealized gains		Unrealized losses	
	2007	2006	2007	2006
Buildings and land	3.0	11.0	–	–
Shares and participations	–	286.1	–896.3	–
Bonds and other fixed-income securities	116.5	–	–	–185.4
Derivatives	–	–	–132.6	–42.6
Total	119.5	297.1	–1,028.9	–228.0

NOTE 11 TAX ON NET PROFIT FOR THE YEAR

	2007	2006
Current tax	–223.1	–
Total current tax	–223.1	–

Deferred tax

Deferred tax income/expense for temporary differences	–518.5	–133.5
Deferred tax income, tax value capitalized during the year	524.0	–
Total deferred tax	5.5	–133.5

Total reported tax income/expense	–217.6	–133.5
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Reconciliation of real tax rate

Income before tax	794.7	590.7
Tax according to prevailing tax rate	–222.5	–165.4
Tax, non-deductible expenses	–301.3	–0.9
Tax, non-taxable income	306.2	32.8
Total tax on net profit for the year	–217.6	–133.5

Prevailing tax rate, %	28	28
Real tax rate, %	27	23

Refer also to Note 26 Deferred tax.

NOTE 12 OTHER INTANGIBLE ASSETS

	2007-12-31	2006-12-31
Opening acquisition cost	44.9	41.9
Additional assets	135.2	3.0
Impairment for the year	–	3.4
Disposals	–	–3.4
Closing acquisition cost	180.1	44.9
Opening accumulated amortization	–19.3	–13.2
Amortization for the year	–27.0	–6.1
Closing accumulated amortization	–46.3	–19.3
Total	133.8	25.6

Of acquisitions for the year, SEK 120.6 M refers to the customer register taken over from Länsförsäkringar Liv in conjunction with the acquisition of the insurance portfolio of medical and accident insurance for adults, group medical and group accident insurance. The asset is amortized over five years. Other intangible assets are proprietary.

NOTE 13 BUILDINGS AND LAND

	Acquisition cost	Fair value	Vacancy rate	Direct yield, %	Change in value ¹⁾
Buildings held for investment purposes, value on December 31, 2007	5.2	93.0	0.0	2.3	–53
Buildings held for investment purposes, value on December 31, 2006	5.2	90.0	0.0	2.0	–33

¹⁾ The change in value refers to changes in fair value if the direct yield requirement is raised by two percentage points.

Change in value for the period	Acquisition cost		Fair value	
	Dec. 31. 2007	Dec. 31. 2006	Dec. 31. 2007	Dec. 31. 2006
Opening balance	5.2	5.2	90.0	79.0
Gains from adjustment of fair value			3.0	11.0
Closing balance	5.2	5.2	93.0	90.0

Summary of values

December 31. 2007	Tax assessment value	Fair value	Acquisition cost
Buildings held for investment purposes	73.3	93.0	5.2

Impact on net profit for the year

	2007	2006
Rental income	5.1	4.8
Direct expenses for properties generating rental income during the period (operating and maintenance expenses, property tax and site leasehold fees)	–2.8	–3.0

The income-statement items above are included in the lines Investment income, revenue and Investment income, expenses.

The properties are situated in the city of Stockholm. No portion of the properties is used in the company's own operations, instead they are leased to external tenants.

The valuation of the properties was performed by external appraisers. The properties are valued at market value. The valuation is based on a cash-flow analysis.

NOTE 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corp. reg. no	Registered offices	Number of shares participations	% of ownership	Shareholders' equity, Dec. 31, 2007	Income, 2007	Carrying value, Dec. 31, 2007
Lita Försäkringsvarumarken AB	556508-9108	Stockholm	75	75	0.1	–	0.0
LF Sak Fastighets AB	556683-6416	Stockholm	1 000	100	68.0	–0.1	68.0
Länsförsäkringar Grupplivförsäkrings AB	516401-6692	Stockholm	28 000	100	159.4	–0.8	160.5
Länsförsäkringar International AB	556682-1210	Stockholm	5000	100	4.5	–2.8	4.5
Utile Dulci 2 HB	916601-0067	Stockholm		100	49.8	438	247.0
Total					281.8	40.1	480.0
Total, December 31, 2006					74.5	–176.4	271.8

All shares and participations are unlisted.

	Dec. 31, 2007	Dec. 31, 2006
Acquisition cost		
Opening balance	271.8	68.1
Added and deducted assets	173.7	203.8
Closing balance	480.0	271.8
Accumulated impairment	–	–
Total carrying amount	480.0	271.8
Fair value	903.0	1 393.0

NOTE 15 LOANS TO GROUP COMPANIES

	Dec. 31, 2007	Dec. 31, 2006
Promissory notes to Utile Dulci 2 HB	1,390.0	1,461.3
Total	1,390.0	1,461.3

The loan to Utile Dulci 2 HB extends from December 19, 2007 to March 19, 2008, with extensions of three months at a time. Interest is three-month STIBOR.

NOTE 16 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corp. reg. no	Registered offices	Number of shares and participations	Portion of equity	Shareholders' equity Dec. 31, 2007	Income, 2007	Carrying value, Dec. 31, 2007
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29	0.8	6.0	0.0
Consulting AB Lennermark & Andersson	556131-2223	Örebro	1,582	29	26.7	5.5	10.7
MIPS AB	556609-0162	Stockholm	250	20	2.1	–1.7	0.0
European Alliance Partners Company AG*	CH-0203026423-1	Zürich	12,331	17	48.2	2.6	8.3
Total					77.8	12.4	19.0

All shares and participations are unlisted

	Dec. 31, 2007	Dec. 31, 2006
Acquisition cost		
Opening balance	23.9	41.2
Added and deducted assets	–1.9	–17.3
Closing balance	22.0	23.9
Accumulated impairment		
Opening balance	–	–
Impairment for the year	–3.0	–
Closing balance	–3.0	
Total carrying amount	19.0	23.9

Summary of financial information regarding associated companies

Information pertains to Länsförsäkringar Sak's participating interest

	2007	2006
Revenue	32.8	34.1
Income	3.6	3.0
Assets	179.4	190.8
Liabilities	161.3	172.2
Shareholders' equity	18.1	18.6

* The reason that European Alliance Partners Company AG is classified as an associated company despite the fact that the participating interest is less than 20% is that Länsförsäkringar Sak is deemed to have a significant influence in the company. Länsförsäkringar Sak is represented on the company's Board of Directors and is entitled to participate in all decisions to be made, including strategic issues and issues regarding guidelines, budget and business plans. Large exchanges of information also take place with the company.

NOTE 17 SHARES AND PARTICIPATIONS

	Fair value. Dec. 31. 2007	Fair value Dec. 31. 2006
Listed shares and participations	4 569.1	5 087.1
Unlisted shares and participations	756.1	695.1
Total	5 325.2	5 782.2
Acquisition cost	4 624.1	4 422.6

Shares and participations are valued at fair value in the income statement.

NOTE 18 BONDS AND OTHER FIXED-INCOME SECURITIES

	Fair value. Dec. 31. 2007	Fair value Dec. 31. 2006
Issued by		
Kingdom of Sweden	1 645.0	4 096.9
Swedish mortgage institutions	4 067.9	1 101.2
Other Swedish issuers	96.4	230.3
Foreign states	1 824.9	2 802.9
Other foreign issuers	1 222.9	5.7
Total	8 857.2	8 237.1
Market status		
Listed securities	8 857.2	8 237.1
	Dec. 31. 2007	Dec. 31. 2006
Accrued acquisition cost	8 943.3	8 399.6

The carrying amounts of the securities compared with their nominal amounts

	Dec. 31. 2007	Dec. 31. 2006
Carrying amount	8 857.1	8 237.1
Nominal amount	8 841.4	7 946.9
Difference	15.7	290.2
Total surplus	59.6	343.7
Total deficit	-43.9	-53.5
Net difference	15.7	290.2

NOTE 19 DERIVATIVES**Derivative instruments with positive values or valued at zero**

	Fair value		Nominal value	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Share options	323.8	94.5	9,300.0	7,000.0
Share forwards	42.1	67.5	2,272.8	936.1
Currency forwards	157.5	431.5	9,150.6	16,277.0
Interest-rate swaps	-	76.4	-	3,228.6
Interest-rate forwards	-	0.2	-	2,917.5
Total	523.4	670.1	20,723.4	30,359.3
Acquisition costs	323.8	94.5		

Derivative instruments with negative values

	Fair value		Nominal value	
	Dec. 31. 2007	Dec. 31. 2006	Dec. 31. 2007	Dec. 31. 2006
Share options	130.5	94.3	9,300.0	7,000.0
Share forwards	73.1	0.2	595.0	493.1
Currency forwards	97.9	217.1	9,093.9	16,067.8
Interest-rate forwards	0.1	-	479.2	-
Total	301.6	311.6	19,468.1	23,561.0

NOTE 20 RECEIVABLES. DIRECT INSURANCE

	Dec. 31. 2007	Dec. 31. 2006
Receivables. policyholders	146.0	130.3
Receivables. insurance brokers	10.6	67.3
Receivables. insurance companies	2.2	0.0
Total	158.8	197.6

NOTE 21 OTHER RECEIVABLES

	Dec. 31. 2007	Dec. 31. 2006
Receivables. Group companies	386.9	170.3
Receivables. Länsförsäkringar Liv Försäkrings AB. Group	532.2	19.1
Receivables. regional insurance companies	–	12.8
Other receivables	480.8	68.5
Total	1 400.0	270.7

NOTE 22 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets valued at fair value in the income statement						
	Assets classified as belonging to the category	Held for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Shares and participations	5,325.2			5,325.2	5,325.2	4,624.1
Bonds and other fixed-income securities	8,857.2			8,857.2	8,857.2	8,943.3
Derivatives		523.4		523.4	523.4	323.8
Receivables			399.8	399.8		
Accrued revenue			126.9	126.9		
Total	14,182.3	523.4	526.7	15,232.5	14,705.7	13,891.3

Financial assets valued at fair value in the income statement					
	Held for trade purposes	Other financial liabilities	Total carrying amount	Fair value	
Derivatives reported as liabilities	301.6	301.6	301.6	301.6	
Other liabilities		1,554.4	1,554.4	–	
Accrued expenses		12.0	12.0	–	
Total	301.6	1,566.5	1,868.1	301.6	

NOTE 23 PREPAID PROCUREMENT EXPENSES

	Dec. 31. 2007	Dec. 31. 2006
Opening prepaid procurement expenses	8.3	16.5
Depreciation for the year	–8.3	–16.5
Provision for the year	10.5	8.3

All acquisition costs have a depreciation period of less than one year.

NOTE 24 OTHER PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31. 2007	Dec. 31. 2006
Other accrued revenue	82.8	50.4
Other accrued expenses	11.5	2.1
Total	94.2	52.5

NOTE 25 TECHNICAL RESERVES

	Gross	Dec. 31, 2007 Reinsurers' portion	Net	Gross	Dec. 31, 2006 Reinsurers' portion	Net
Unearned premiums						
Opening balance	406.7	113.8	292.9	367.8	66.5	301.3
Provisions during the period	-45.1	-38.6	-6.5	39.1	47.1	-8.1
Insurance portfolio taken over	36.22	-	36.2	-	-	-
Change in exchange-rate	0.2	0.1	0.1	-0.2	0.1	-0.3
Closing balance	397.9	75.3	322.7	406.7	113.8	292.9
Unexpired risk						
Opening balance	3.2	-	3.2	5.0	-	5.0
Provisions during the period	-1.8	-	-1.8	-1.8	-	-1.8
Closing balance	1.4	-	1.4	3.2	-	3.2
Claims outstanding						
Claims incurred and reported	9,898.2	2,307.1	7,591.21	10,949.9	1,513.3	9,436.6
Claims incurred but not reported	2,961	1,994.8	967.0	2,468.5	2,817.4	-348.9
Claims annuities	3,056.8	-	3,056.8	2,870.2	-	2,870.2
Claims adjustment costs	559.6	9.9	549.6	640.4	8.8	631.6
Total opening balance	16,476.4	4,311.8	12,164.6	16,928.9	4,339.5	12,589.5
Provisions for the period	867.2	1,167.3	-300.1	-429.1	-20.9	-408.2
Insurance portfolio taken over	511.1	-	511.1	-	-	0.0
Change in exchange-rate	8.9	3.9	5.0	-23.4	-6.7	-16.7
Claims incurred and reported	3,569.2	3,093.6	475.6	9,898.2	2,307.1	7,591.2
Claims incurred but not reported	10,545.9	2,380.5	8,165.4	2,961.8	1,994.8	967.0
Claims annuities	3,212.0	-	3,212.0	3,056.8	-	3,056.8
Claims adjustment costs	536.5	8.7	527.7	559.6	9.9	549.6
Total closing balance	17,863.6	5,482.9	12,380.7	16,476.4	4,311.8	12,164.6

Provision for claims outstanding, before discounting, for medical and accident insurance for children, amounts to SEK 41.5 M. The corresponding amount after discounting is SEK 38.9 M. The discount rate is 3.0%.

NOTE 26 DEFERRED TAX

Reported deferred tax assets and liabilities are attributable to the following:

December 31	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Buildings and land	-	-	25.2	24.3	25.2	24.3
Other financial investment assets	-	-	151.0	429.1	151.0	429.1
Liabilities	-48.6	-47.9	-	-	-48.6	-47.9
Utilization of loss carry-forwards	-	-271.1	-	-	-	-271.1
Deferred tax assets (-)/ deferred tax liability (+)	-48.6	-319.0	176.2	453.5	127.6	134.5
Netting	48.6	319.0	-48.6	-319.0		
Net deferred tax assets (-)/ deferred tax liability (+)	-	-	127.6	134.5	127.6	134.5

The company has no temporary differences with tax effects in Group or associated companies.

NOTE 26 DEFERRED TAX. cont.

Change in deferred tax in temporary differences and loss carry-forwards

	Amount at Jan. 1	Reported in income statement	Reported directly against shareholders' equity	Amount at Dec. 31
Buildings and land	24.3	0.9		25.2
Other financial investment assets	429.1	-276.7	-1.4	151.0
Liabilities	-47.9	-0.7		-48.6
Utilization of loss carry-forwards	-271.1	271.1		-
Deferred tax assets (-)/ deferred tax liability (+)	134.5	-5.5	-1.4	127.6

NOTE 27 OTHER PROVISIONS

	Dec. 31, 2007	Dec. 31, 2006
Pension provisions according to agreement on the possibility of voluntary retirement from the age of 62.	28.4	23.8
Other provisions	169.6	146.8
Total	198.0	170.6

NOTE 28 LIABILITIES. DIRECT INSURANCE

	Dec. 31. 2007	Dec. 31. 2006
Liabilities. policyholders	57.4	44.3
Liabilities. insurance brokers	16.0	16.8
Liabilities. insurance companies	291.3	275.1
Total	364.7	336.2

NOTE 29 LOANS FROM THE PARENT COMPANY

	Dec. 31. 2007	Dec. 31. 2006
Promissory notes from Länsförsäkringar AB (publ)	1,160.0	1,160.0
Total	1,160.0	1,160.0

The loan from the Parent Company Länsförsäkringar AB (publ) extends from December 16. 2003 to December 16. 2008. with interest rate at 5.735%.

NOTE 30 OTHER LIABILITIES

	Dec. 31. 2007	Dec. 31. 2006
Liabilities. Group companies	132.1	1.5
Liability to the Parent Company	13.1	13.5
Liabilities. Länsförsäkringar Liv Försäkrings AB. Group	–	2.7
Liabilities. regional insurance companies	4.1	2.7
Other liabilities	348.1	56.5
Total	497.3	77.0

NOTE 31 OTHER ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31. 2007	Dec. 31. 2006
Premiums. received but not due	35.6	32.6
Accrued vacation and overtime remuneration	16.1	14.8
Other	156.6	121.2
Total	208.3	168.7

NOTE 32 PENSIONS**Defined-benefit pension plans**

The company has a defined-benefit pension plan that is a pension agreement for 2006 for the insurance sector. Persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The conditions for this plan are such that approximately 65% of the pensionable salary at the age of 62 is received as a pension. In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	Dec. 31. 2007	Dec. 31. 2006
Pension commitments		
Pension provisions	9.2	10.0
Other provisions	35.4	32.0
Total	44.6	42.0

Of the amounts reported as Pension provisions, only the following amounts are encompassed by the Swedish Pension Obligations Vesting Act

	9.2	10.0
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NOTE 32 PENSIONS. cont.

	2007	2006
Change in the capital value of the company's own commitments for the year for which no separated assets exist		
Opening capital value on January 1 according to Swedish principles for calculating pension commitments	32.0	9.5
Cost excluding interest expense charged to earnings	2.2	22.2
Interest expense	1.2	0.3
Capital value on December 31	35.4	32.0

Change in the capital value of the company's own commitments for the year which are wholly or partly covered by separated assets

Opening capital value on January 1 according to Swedish principles for calculating pension commitments	10.0	11.9
Pensions paid	–1.4	–1.5
Other change in capital value	0.6	–0.4
Capital value on December 31	9.2	10.0

Change in the capital value of the company's own commitments for the year

Opening capital value on January 1 according to Swedish principles for calculating pension commitments	42.0	21.4
Cost excluding interest expense charged to earnings	2.2	22.2
Interest expense	1.2	0.3
Pensions paid	–1.4	–1.5
Other change in capital value	–0.5	–0.4
Capital value on December 31	44.6	42.0

Fair value of separated assets

Fair value on January 1	18.4	19.5
Return on separated assets	0.5	0.4
Payments to and from pension foundations	–1.4	–1.5
Surplus in separated assets (Fair value of separated assets to the extent that the value does not affect the company's accounts)	–8.4	–8.4
Fair value on December 31	–9.2	10.0

Net pension commitments on December 31	35.4	32.0
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Costs regarding pensions**The company's own pensions**

Cost excluding interest expense	2.2	22.2
Interest expense	1.2	0.3
Return on separated assets	0.5	0.4
Costs for the company's own pensions	3.9	22.9
Costs covered by surplus in separated assets	–0.5	–0.4
Reported net costs attributable to pensions	3.3	22.5

Fair value of separated assets

Units in fixed-income funds	20.9	20.4
Cash and bank balances	3.1	2.9
Other assets	0.0	0.1
Liabilities	–6.6	–5.0
Total	17.5	18.4

Return in % on separated assets	2	1
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NOTE 32 PENSIONS. CONT.

	2007	2006
Assumptions for defined-benefit commitments		
Discount rate	3.5	3.5
Percentage who have entered into voluntary retirement at the age of 62	20%	20%
Capital in separated assets that exceeds the capital value of pension commitments to employees. This is not reported in the balance sheet.	8.4	8.4

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company paid fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are reported as expenses during the period when the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are reported here. This plan encompasses all employees except for a few individuals who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements on defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are reported as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	2007	2006
Costs for defined-contribution plans	50.9	50.2

NOT 33 MEMORANDUM ITEMS

	Dec. 31. 2007	Dec. 31. 2006
Pledged assets		
Investment assets registered on behalf of policyholders, total	13,802.2	13,460.6
of which, for participants' commitments	3,212.0	3,056.8
Bank balances	14.4	22.1
Total	13,816.6	13,482.7
The technical liabilities which correspond to registered assets amount to:	12,704.8	12,460.7

Registered assets in accordance with Chapter 7. Section 11 of the Swedish Insurance Business Act amount to SEK 13,802.2 M. In the event of insolvency, the policyholders have a priority right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act.

	2007-12-31	2006-12-31
Contingent liabilities		
Shareholders in Länsförsäkringsbolagens Fastighets HB Humlegården	0.7	22.4
Shareholders in Utile Dulci 2 HB	42.2	40.6
Premature withdrawal at 62 in accordance with pension agreement, 80%	113.7	95.4
Total	156.6	158.4

In addition there are the following warranties:

Guarantee to ILU covering liability for business signed by the Group company Stockholm Reinsurance Company (UK) Ltd. The insurance portfolio has been transferred to Wasa International Försäkrings AB.

NOT 34 EMPLOYEES AND PERSONNEL COSTS

	2007	2006
Average number of employees		
Salaried employees, Sweden		
Men	156	145
Women	182	174
Total number employed	338	319

	2007	2006
Salaries, remuneration and social security expenses, SEK M		
Salaried employees, Sweden		
Salaries and remuneration	181.4	163.2
of which variable remuneration	5.7	4.2
Social security expenses	131.1	140.0
of which pension costs	58.5	72.5

Board, Managing Director, Sweden

Salaries and remuneration	2.9	2.9
of which salary to Managing Director	2.4	2.4
of which variable remuneration to Managing Director	0.4	0.4
Social security expenses	2.0	1.7
of which pension costs	0.9	0.6

Total salaries, remuneration and social security expenses, SEK M

Salaries and remuneration	184.3	166.1
of which variable remuneration	6.1	4.5
Social security expenses	133.1	141.7
of which pension costs	59.4	73.1

Variable remuneration

Variable remuneration is paid to executives who have a bonus agreement. Remuneration is based on achievement of goals according to the business plan, employee survey index, leadership index and other individual goals. Variable remuneration can amount to a maximum of one month's salary.

Since 2005, Länsförsäkringar Sak has had an incentive system that includes all employees not covered by other bonus agreements. A condition for this remuneration to be paid is that the owners' requirement for return on equity in the Group be fulfilled. The maximum amount that can be received per employee, if the conditions are fulfilled, is determined by the Managing Director of Länsförsäkringar AB. One third of the amount set is paid to everyone regardless of individual performance. Allocation of two-thirds of the amount set is based on the degree of fulfillment of individual goals in the goal contract.

	2007	2006
Sickness absence, %		
Total absence as percentage of total working hours	2.9	3.6
Total absence as percentage of total working hours, men	1.5	2.2
Total absence as percentage of total working hours, women	3.9	4.6
Absence, employees up to age 29	1.6	1.9
Absence, employees age 30 to 49	2.5	2.9
Absence, employees age 50 or older	3.4	4.4
Absence exceeding 60 consecutive days, as percentage of total working hours	48	57.1

Remuneration paid to senior executives

Board members receive fees in accordance with the decision of the Annual General Meeting. No fees are paid to the Board Chairman or employee representatives.

Remuneration paid to the Managing Director and other senior executives consists of the basic salary, variable salary, other benefits and pension. Other senior executives refer to the 11 persons who, along with the Managing Director, comprise the company's executive management.

Variable remuneration is a maximum of three months' salary for the Managing Director and one to three months' salary for other senior executives.

Pension benefits and other benefits for the Managing Director and other senior executives comprise part of overall remuneration.

Variable remuneration

Variable remuneration includes calculated bonus for the 2007 fiscal year. For information on how bonus is calculated, see below. Other benefits pertain to company car, lunch and interest-rate benefits. The pension cost refers to the cost that impacts net profit for the year.

For the Managing Director and other senior executives, variable remuneration was based on the achievement of goals according to the business plan, employee survey index, leadership index and other individual goals.

Pensions

The Managing Director has an agreement that permits retirement at the age of 60. The pension between the age of 60 and 65 is a defined-contribution pension. The pension premium should amount to 18% of pensionable salary. From the age of 65, the conditions comply with pension agreements between the Swedish Insurance Employers' Association (FAO) and FTF. Three senior executives have agreements with a retirement age of 62.

For other senior executives the pension age is 65, and the conditions comply with pension agreements between FAO and FTF.

Severance pay

In the case of the Managing Director a mutual notice period is three months. In the event of dismissal by the company the Managing Director is entitled to severance pay equal to two years' salary. For other senior executives the terms governing central agreements with the labor market parties apply.

The preparation and decision process is applied in the matter of remuneration to senior management.

Remuneration paid to the Managing Director is set by the CEO, and then approved by the Board. Remuneration to other senior executives is decided by the Managing Director.

Remuneration to senior executives

Amounts in SEK

	Basic salary	Variable salary	Other benefits	Pension costs	Total	Pension costs in relation to pensionable salary, %
2007						
Ann Sommer, Managing Director	1,967,442	417,690	69,721	887,903	3,342,756	38
Board members						
Jan Fock, Vice Chairman of the Board	100,751					
Jan Karlsson, Board member	33,583					
Conny Famm, Board member	80,600					
Anders Stigers, Board member	80,600					
Lars-Göran Pettersson, Board member	96,600					
Kjell Lindfors, Board member	4,017					
Sören Westin, Board member	33,583					
Other senior executives (11 individuals)	9,805,098	699,823	332,227	4,685,433	15,522,581	44
Total 2007	12,245,274	1,117,513	401,948	5,573,336	19,338,071	
2006						
Ann Sommer, Managing Director	1,897,516	512,091	73,780	582,576	3,065,963	26
Board members						
Jan Fock, Vice Chairman of the Board	99,250				99,250	
Jan Karlsson, Board member	79,400				79,400	
Conny Famm, Board member	79,400				79,400	
Anders Stigers, Board member	79,400				79,400	
Lars-Göran Pettersson, Board member	99,400				99,400	
Sören Westin, Board member	79,400				79,400	
Other senior executives (11 individuals)	10,357,573	641,307	475,573	4,813,164	16,287,617	43
Total 2006	12,771,339	1,153,398	549,353	5,395,740	19,869,830	

Proportion of women among senior management	2007	2006
Board members	11	10
Other senior executives	60	60

NOT 35 FEES AND REMUNERATION TO AUDITORS

The following fees have been paid to auditors	2007	2006
KPMG Bohlins AB. auditing assignments	2.3	3.0
KPMG Bohlins AB. other assignments	0.9	2.0
SET Revisionsbyrå AB. auditing assignments	0.1	0.1

NOT 36 DISCLOSURE REGARDING RELATED PARTIES

The 24 regional insurance companies have chosen to organize joint operations in the Länsförsäkringar AB Group. The Group has been assigned by the regional insurance companies to conduct operations within areas in which economies of scale offer a decisive competitive benefit and to provide such services to the regional insurance companies, which due to reasons of efficiency, shall be jointly produced and supplied within Länsförsäkringar.

Related legal entities include the Länsförsäkringar AB Group and the Länsförsäkringar Liv Group's companies, all associated companies. Länsförsäkringar Mäklarservice AB and the 24 regional insurance companies with subsidiaries and the 14 local insurance companies. Related key individuals are Board members, senior executives and close relatives to these individuals.

Transaction principles

Transactions between related parties are primarily transactions of a non-recurring and ongoing nature. Transactions of a non-recurring nature include acquisition and sale of assets and similar transactions to a limited extent. Larger transactions of a non-recurring nature shall be based on written agreements and follow market standards with prevailing market conditions.

Transactions of an ongoing nature include goods and services that are supplied to the companies within the Länsförsäkringar AB Group and with the Länsförsäkringar Alliance relating to the implementation of development projects and service. Transactions of this nature shall follow established procedures as specified below.

Pricing

Pricing for the business operation is based on prevailing market conditions. Pricing for service operations within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the budget process. Generally, the purpose of pricing is to allocate costs fairly in the company group based on consumption.

Development projects and parts of services are collectively financed and are invoiced using the established allocation key

Committees

The Länsförsäkringar AB Group includes a number of service committees whose duty is to process all inter-Group transactions relating to various goods and services. The committees discuss the service levels and costs for all goods and services.

Based on these discussions, each internal supplier produces a budget and price list for the forthcoming year.

Decisions

In conjunction with the annual business planning, the executive management within Länsförsäkringar AB decides on the budget and a pricelist for goods and services for each Group-wide unit. The price level for the goods and services purchased by Länsförsäkringar Sak from other companies within the Länsförsäkringar AB Group and from the regional insurance companies is determined by the Board, either by approval of the agreement or within the framework for budget approval.

Transactions with related parties 2007

	Expenses	Revenues	Receivables	Liabilities
Parent Company	309.4	193.7	327.7	1,181.0
Group companies	58.7	375.0	2,243.7	136.0
Länsförsäkringar Liv Group	8.1	0.3	532.4	–
Associated companies	0.0	4.3	–	–
Regional insurance companies	393.3	11.2	4,252.8	5,689.5
Other related parties	14.5	4.5	1.2	–

Bank balances and interest income received from Länsförsäkringar Bank AB amounts to:

Cash and cash equivalents with Länsförsäkringar Bank	120.4	SEK M
Interest income received	1.5	SEK M

Closely related agreements. Länsförsäkringar Sak

Agreement	Counterparty	Date
Assignment agreement regarding asset management	Länsförsäkringar AB	July 1. 2007
Partnership agreement regarding Utile Dulci 2 HB	Länsförsäkringar AB	December 15. 2006
Commission agreements	24 regional insurance companies	November 15. 2006
Agreement regarding sales	Länsförsäkringar Mäklarservice AB	Under renegotiation
Management agreement regarding Utile Dulci 2 HB	Humlegården Fastigheter AB	October 11. 2007
Agreement regarding transfer of insurance portfolio	Länsförsäkringar Liv Försäkringsaktiebolag	January 22. 2007
IT framework agreement	Länsförsäkringar IT Center AB	January 31. 2005

Länsförsäkringar AB

Länsförsäkringar AB and its subsidiaries are operationally organized in divisions. Group-wide units, service centers and executive staff. The starting point of the organization is that ongoing operations must be conducted within the divisions, and for the purpose of creating economies of scale, certain functions were also organized centrally within the Länsförsäkringar AB Group.

Included in Länsförsäkringar AB's centrally organized functions are maintenance and development of the joint computer system and services such as legal, personnel, communications and security services. In addition, Länsförsäkringar Sak leases equipment from Länsförsäkringar AB, who purchases and owns the equipment.

Länsförsäkringar Sak leases its office premises from the Parent Company Länsförsäkringar AB, which in turn leases from the property owner Utile Dulci 2 HB. The property company is an associated company of Länsförsäkringar Sak.

Länsförsäkringar Sak has a loan from the Parent Company Länsförsäkringar AB for SEK 1.160 M.

Utile Dulci 2 HB

The company is financed by Länsförsäkringar Sak through a loan of SEK 1.390 M.

Länsförsäkringar Gruppliv

The company is a subsidiary of Länsförsäkringar Sak and was acquired on February 14. 2007 at net worth. During the year a portfolio was transferred from Länsförsäkringar Liv to Länsförsäkringar Gruppliv.

Länsförsäkringar IT Center AB

IT services and products are provided through Länsförsäkringar IT Center AB (ITC), which is a wholly-owned subsidiary of Länsförsäkringar AB. The ITC services that are to be delivered to Länsförsäkringar Sak are stated in the framework agreement between parties. The purpose of the agreement is to allocate responsibility between ITC and Länsförsäkringar Sak and to comply with operational requirements governed by laws and regulations.

Länsförsäkringar Sak also debits the services of IT Center AB within non-life insurance against the regional insurance companies.

Humlegården Fastigheter AB

Länsförsäkringar Saks' property holdings are managed by Humlegården Fastigheter AB.

Other Group companies

The Group company Wasa Försäkring Run Off AB processes parts of the portfolio in Länsförsäkringar Sak in run-off.

Länsförsäkringar Bank AB handles subsidized loans to personnel on behalf of Länsförsäkringar Sak, following procedural credit rating from the bank.

Länsförsäkringar Liv AB

On January 1, 2007, Länsförsäkringar Sak and its subsidiary Länsförsäkringar Grupplivförsäkrings AB signed an agreement with Länsförsäkringar Liv Försäkrings AB regarding a portfolio transfer. The agreement pertains to an insurance portfolio of medical and accident insurance for adults, group medical and group accident insurance to

Länsförsäkringar Sak and an insurance portfolio of group life and employment group life assurance to Länsförsäkringar Grupplivförsäkrings AB. The portfolio transfer was approved by the Swedish Financial Supervisory Authority. The total purchase consideration of the portfolio transfer amounted to SEK 240 M.

24 regional insurance companies and Länsförsäkringar Mäklarservice AB

A large part of customer contact is handled through the 24 regional insurance companies and Länsförsäkringar Mäklarservice. Länsförsäkringar Sak pays commissions to the 24 regional insurance companies and Länsförsäkringar Mäklarservice for remuneration pertaining to the sale of its insurance products.

Länsförsäkringar Sak performs development projects and services for the regional insurance companies within several areas including personal injury claims adjustment, legal and actuarial services, product and concept development and development of IT support. All Länsförsäkringar Sak's service revenues are generated from the regional insurance companies.

Länsförsäkringar Sak processes and debits the regional insurance companies' internal and external reinsurance. The cooperation between the 24 regional insurance companies and Länsförsäkringar Sak reduces the risk for each individual regional insurance company.

Transactions between Länsförsäkringar Sak and its Board and management

Remunerations to the Board and senior executives of Länsförsäkringar Sak are stated in Note 31. In general, there exist no transactions between these individuals and their related parties beyond normal customer transactions.

NOT 37 RECOVERABLE DATE OF ASSETS AND LIABILITIES

Investment assets are of a liquid nature and can, after an active decision is made, be converted into cash within one year. Information on the nominal maturity structure of interest-bearing assets is found in Note 2.

Of technical reserves, 75% of the balance for claims outstanding and 38% of the balance for unearned premiums and unexpired risks is expected to be paid after more than 12 months. Of the reinsurers' portion, 57% of claims outstanding and 36% of the balance for unearned premiums and unexpired risks is expected to be recovered after more than 12 months.

Other items that are expected to be recovered after more than 12 months are 50% of the balances, receivables and liabilities pertaining to reinsurance.

NOT 38 SUPPLEMENTARY DISCLOSURES ON INCOME-STATEMENT ITEMS PER INSURANCE CLASS

	Total	Medical and accident	Motor vehicle third-party liability	Motor vehicle, other classes	Marine air and cargo	Fire and other property damage	General liability	Legal cover	Total, direct insurance	Assumed rein- surance
2007										
Premiums earned, gross	3,310.0	469.8	121.0	151.6	104.9	223.8	173.8	1.0	1,245.7	2,064.3
Claims payments, gross	-3,450.2	-387.3	-220.4	-125.9	-109.3	12.3	-109.4	-1.8	-941.7	-2,508.5
Operating expenses, gross	-494.6	-132.6	-90.4	-27.4	-25.6	-28.4	-43.8	-0.1	-348.2	-146.4
Income from ceded reinsurance	477.8	37	47.5	-0.7	27.7	-155.4	-13.0	0.0	-90.5	567.9
Income	-156.9	-46.5	-142.2	-2.4	-2.2	52.4	7.7	-0.9	-134.3	-22.6
Premium income, gross	3,283.7	502.0	109.5	136.6	106.0	196.4	177.9	0.9	1,229.2	2,054.4

Proposed appropriation of profits

As shown in the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolag (publ), the unrestricted shareholders' equity as below is at the disposal of the Annual General Meeting:

Profit brought forward	1,362,330,512 kronor
Net profit for the year	577,040,687 kronor
Total	1,933,371,198 kronor

The Board of Directors and Managing Director propose that SEK 350,000,000 of profits be distributed to the Parent Company and that SEK 1,589,371,198 be carried forward.

Stockholm, March 4, 2008

Tommy Persson
Chairman

Lars-Göran Pettersson

Conny Famm

Jan Fock
Vice Chairman

Kjell Lindfors

Anders Stigers

Ann Sommer
Managing Director

Tomas Jönsson
Employee Representative

Johan Wehlin
Employee representative

My audit report was submitted on March 4, 2008

Stefan Holmström
Authorized Public Accountant

Audit report

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF LÄNSFÖRSÄKRINGAR SAK
FÖRSÄKRINGSAKTIEBOLAG (PUBL) CORPORATE REGISTRATION NUMBER 502010-9681

I have audited the annual accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2007. These accounts and the administration of the company and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the Managing Director. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion

concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. I also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

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

I recommend to the general meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the Managing Director be discharged from liability for the fiscal year.

Stockholm, March 4, 2008

Stefan Holmström
Authorized Public Accountant

Board of Directors and auditors

BOARD OF DIRECTORS

Elected by the Annual General Meeting

Tommy Persson, Chairman, Managing Director and CEO of Länsförsäkringar AB

Conny Famm, Managing Director, Länsförsäkringar Kristianstad

Jan Fock, Managing Director, Länsförsäkringar Skåne

Kjell Lindfors, Managing Director, Länsförsäkringar Norrbotten

Anders Stigers, Managing Director, Dalarnas Försäkringsbolag

Employee representatives

Tomas Jönsson, Swedish Confederation of Professional Associations (SACO), Länsförsäkringar Sak Försäkrings AB

Johan Wehlin, FTF, Länsförsäkringar Sak Försäkrings AB

Managing Director

Ann Sommer

Appointed by the Federation of Swedish Farmers

Lars-Göran Pettersson

AUDITORS

Elected by the Annual General Meeting

Stefan Holmström, Authorized Public Accountant, KPMG Bohlins AB

Deputy Auditor

Gunilla Wernelind, Authorized Public Accountant, KPMG Bohlins AB

Länsförsäkringar Sak Försäkrings AB

