



If Skadeförsäkring AB (publ)

(incorporated with limited liability in the Kingdom of Sweden)

€150,000,000 Non-cumulative Fixed/Floating Rate Capital Contribution Securities

Issue price: 100.00 per cent.

The €150,000,000 Non-cumulative Fixed/Floating Rate Capital Contribution Securities (the **Securities**) are issued by If Skadeförsäkring AB (publ) (the **Issuer**).

Interest on the Securities will be payable annually in arrear on 16th June of each year, up to and including 16th June, 2015 (the **First Call Date**) with the first payment being due on 16th June, 2006. Thereafter interest will be payable quarterly in arrear on 16th March, 16th June, 16th September and 16th December of each year commencing 16th September, 2015. Interest will accrue from and including 16th June, 2005 to but excluding the First Call Date at a rate of 4.943 per cent. per annum and thereafter at a floating rate of interest as described under "*Conditions of the Securities – Interest*".

Application has been made for the listing of the Securities on the Luxembourg Stock Exchange.

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in the Securities. In particular, potential investors should be aware of the following: (i) the Securities are undated and deeply subordinated; (ii) the Securities are perpetual securities with no fixed final redemption date; (iii) the principal amount in respect of the Securities may be converted into conditional capital contributions in certain circumstances; (iv) conditional capital contributions may only be reconverted and reinstated in certain circumstances; (v) the Issuer will or may not pay accrued interest in certain circumstances; (vi) the Securities may be redeemed at the option of the Issuer, in whole but not in part (a) on the First Call Date and on any Interest Payment Date thereafter and (b) at any time prior to the First Call Date in the event of certain tax or regulatory changes affecting the Issuer, in each case, subject to prior approval of the Swedish Financial Supervisory Authority (Finansinspektionen) (SFSA); (vii) the Securities carry no voting rights; and (viii) there has been no prior public market for the Securities. See "Investment Considerations".

The Securities are expected to be assigned, on issue, a rating of 'Baa2' by Moody's Investors Service Limited and a rating of 'BBB' by Standard & Poor's Rating Services, a division of The McGraw Hill Companies Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Securities will initially be represented by a temporary global security (the **Temporary Global Security**), without interest coupons, which will be deposited on or about 16th June, 2005 (the **Closing Date**) with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System, (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Security will be exchangeable for interests in a permanent global security (the **Permanent Global Security** and, together with the Temporary Global Security, the **Global Securities**), without interest coupons, on or after 27th July, 2005 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Security will be exchangeable for definitive Securities only in certain limited circumstances — see "*Summary of Provisions relating to the Securities while represented by the Global Securities*".

JPMorgan

Sampo Bank plc

14th June, 2005

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer, having made all reasonable enquiries, confirms that as of the date of this Offering Circular this Offering Circular contains or incorporates all information which is material in the context of the Securities, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Managers (as defined under "Subscription and Sale" below). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or any of its Subsidiaries (as defined in this Offering Circular) since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or the Managers to subscribe for, or purchase, any of the Securities. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

*The Managers and J.P. Morgan Corporate Trustee Services Limited (the **Trustee**) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Trustee or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Securities or their distribution.*

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Managers or the Trustee that any recipient of this Offering Circular should purchase any of the Securities. Each investor contemplating purchasing Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

*The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Securities and on distribution of this document, see "Subscription and Sale" below.*

In connection with the issue of the securities, J.P. Morgan Securities Ltd. or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the securities at a level higher than that which might otherwise prevail for a limited period after the closing date. However there may be no obligation on J.P. Morgan Securities Ltd. or any agent of its to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

*All references in this document to **U.S. dollars** and **USD** refer to the currency of the United States of America, to **euro**, **EUR** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended, to **British pounds** and **GBP** refer to the currency of the United Kingdom, to **Swedish Krona** and **SEK** refer to the currency of the Kingdom of Sweden, to **Norwegian Krone** and **NOK** refer to the currency of the Kingdom of Norway, to **Danish Krone** and **DKK** refer to the currency of the Kingdom of Denmark, to **Canadian Dollar** and **CAD** refer to the currency of Canada and to **Yen** and **JPY** refer to the currency of Japan.*

*All references in this document to **MSEK** refer to millions of Swedish kronor, to **MNOK** refer to millions of Norwegian kroner, to **MEUR** refer to millions of euro, to **MGBP** refer to millions of British pounds and to **MUSD** refer to millions of U.S. dollars.*

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Company Names and Definitions used in this Offering Circular

Baltic countries	Estonia, Latvia and Lithuania
If	Issuer, If Holding or If Group depending on the context
If Group or Group	If Holding and all its subsidiaries
If Holding	If Skadeförsäkring Holding AB (publ) (in Swedish), corp. reg. no: 556241-7559 If P&C Insurance Holding Ltd (publ) (in English)
Issuer	If Skadeförsäkring AB (publ) (in Swedish), corp. reg. no: 516401-8102 If P&C Insurance Ltd (publ) (in English)
If Vahinkovakuutusyhtiö Oy	If Skadeförsäkringsbolag Ab (in Swedish), corp. reg. no: 1614120-3 If P&C Insurance Company Ltd (in English)
Sampo	Sampo plc, corp. reg. no: 0142213-3
Sampo Group	Sampo plc and all its subsidiaries
SFSA	The Swedish Financial Supervisory Authority (<i>Finansinspektionen</i>)
Swedish Insurance Business Act	The Swedish Insurance Business Act (<i>Försäkringsrörelselagen (1982:713)</i>)

Summary of the Offering

Any defined terms used in this Summary of the Offering have the meanings given to them in the Conditions of the Securities

Issuer	If Skadeförsäkring AB (publ), a limited liability insurance company registered with the Swedish Trade and Industry Registry and under the supervision of the SFSA.
Securities	EUR 150,000,000 principal amount of non-cumulative fixed/floating rate capital contribution securities.
Issue Price	100.00 per cent. of the principal amount.
Status	<p>The Securities constitute and will constitute unsecured, subordinated obligations of the Issuer. In the event of the voluntary or involuntary liquidation (<i>likvidation</i>) or bankruptcy (<i>konkurs</i>) of the Issuer, the rights of the Securityholders to payments of the principal amount of the Securities and any other amounts due in respect of such Securities, whether or not the whole or any part of the principal amount of the Securities has been made available in meeting losses of the Issuer and such amount has been converted into conditional capital contributions as described below, will rank:</p> <ul style="list-style-type: none">(i) <i>pari passu</i> without any preference among themselves;(ii) at least <i>pari passu</i> with any present or future outstanding Capital Contribution Securities of the Issuer whether or not converted into conditional capital contributions as described below;(iii) in priority to payments to holders of all classes of ordinary share capital and preference share capital of the Issuer in their capacity as such holders and any other obligation of the Issuer expressed by its terms to rank junior to the Securities; and(iv) junior in right of payment to the payment of any present or future claims (a) of policyholders of the Issuer, in their capacity as policyholders, (b) of other unsubordinated creditors of the Issuer, and (c) of creditors of the Issuer in respect of Subordinated Indebtedness or in respect of conditional capital contributions created by the conversion and utilisation of Subordinated Indebtedness (in each case other than Capital Contribution Securities).
Maturity	The Securities are perpetual securities and have no fixed maturity date. The Issuer may only redeem the Securities in certain circumstances. See "Redemption".
First Call Date	16th June, 2015.
Interest	<p>From and including 16th June, 2005 to but excluding the First Call Date, interest on the Securities will accrue at a rate of 4.943 per cent. per annum and will be payable on 16th June in each year commencing 16th June, 2006 until and including the First Call Date. From and including the First Call Date, interest will accrue at a floating interest rate per annum and will be payable quarterly in arrear on 16th March, 16th June, 16th September and 16th December of each year commencing 16th September, 2015. From and including the First Call Date the rate of interest for each interest period shall be the sum of the relevant Screen Rate at 11.00 a.m. (Brussels time) on the relevant Interest Determination Date and the Margin.</p>
Non Payment Notices	As provided below, the Issuer will or may elect not to pay any interest payment (in whole or in part) which would otherwise fall due in respect of the Securities on any Interest Payment Date by delivery of

a notice signed by two authorised signatories of the Issuer to the Trustee and the Principal Paying Agent (such notice a **Non Payment Notice**) not less than 14 days prior to the relevant Interest Payment Date.

The Issuer will deliver a Non Payment Notice in respect of any Interest Payment Date if and to the extent that the amount of Available Distributable Funds is less than the aggregate interest amount due on the Securities and any Capital Contribution Securities on such date.

In any other circumstances the Issuer may (in its sole discretion) deliver a Non Payment Notice.

The amount of interest otherwise payable on each Security shall be reduced *pro rata* by reference to the total amount of interest not to be so paid as specified in the relevant Non Payment Notice.

Non-cumulative

If, and to the extent that, the Issuer makes no or partial payment of interest in accordance with a Non Payment Notice, the right of Securityholders to receive accrued but unpaid interest in respect of any such interest period will be lost.

The Issuer will have no obligation to make such payments of unpaid interest or to pay interest thereon, whether or not payments of interest in respect of subsequent interest periods are made, and such unpaid interest will be deemed not to have accrued or been earned for any purpose.

Dividend Stopper

If in accordance with the terms of a Non Payment Notice the Issuer makes less than a full payment of interest that would otherwise be payable on such interest payment date, the Issuer:

- (i) shall not make or pay any distribution in respect of any class of its share capital (including preference share capital) or any obligation of the Issuer expressed to rank junior to the Securities for the Dividend Stopper Period;
- (ii) will make payment of interest in respect of the Securities and any Capital Contribution Securities on a *pro rata* basis for the Dividend Stopper Period; and
- (iii) shall not redeem, purchase or otherwise acquire any Securities or Capital Contribution Securities during the Dividend Stopper Period.

Under the Swedish Insurance Business Act (Försäkringsrörelselagen) shareholders representing at least one-tenth (1/10) of the total number of shares of the Issuer may claim a mandatory distribution provided that the Issuer has available distributable profits as determined in accordance with chapter 12 of the Swedish Insurance Business Act (Försäkringsrörelselagen). The holding company of the Issuer, If Skadeförsäkring Holding AB (publ), will covenant in the Trust Deed that, for so long as it is the holder of at least one-tenth (1/10) of the total number of shares of the Issuer, it will not claim a mandatory distribution during any Dividend Stopper Period.

Redemption

The Securities may be redeemed by the Issuer, subject to the prior approval of the SFSA, (a) on the First Call Date, (b) on any Interest Payment Date thereafter, (c) upon the occurrence of a Special Event on any date prior to the First Call Date or (d) on any date before the First Call Date in case the Issuer is required to pay additional amounts (see "Taxation").

Redemption Conditions

Currently SFSA approval will only be given if the redemption does not cause the Issuer's Capital Base to fall below the Margin of Solvency or the Guarantee Amount required under the Swedish

Insurance Business Act (*Försäkringsrörelselagen*) (or such other laws that may replace the Swedish Insurance Business Act).

If the Issuer has converted any principal and/or interest into Converted Amounts, until such Converted Amounts have been reconverted and reinstated, the Issuer shall have no right or obligation to redeem the Securities.

Redemption Prices

In the case of redemption in accordance with "Redemption – (a), (b) or (d)" above, the Securities will be redeemed at the Redemption Amount.

In the case of redemption in accordance with "Redemption – (c)" above, the Securities will be redeemed at an amount equal to the greater of (i) the Redemption Amount and (ii) the Make-Whole Amount plus Accrued Interest.

Taxation

All payments in respect of the Securities will be made without withholding or deduction for or on account of Swedish withholding taxes, unless required by law. If such withholdings or deductions are required, the Issuer shall pay additional amounts, subject to customary exceptions.

Utilisation and Conversion

To the extent that may be required to avoid the Issuer being obliged to enter into liquidation (*likvidation*) or bankruptcy (*konkurs*), the Issuer may (i) decide that any or all Accrued Interest be cancelled and (ii) once all Accrued Interest has been cancelled, decide that the principal amount or a part thereof of the Securities will be utilised in meeting losses of the Issuer by writing down the principal amount of the Securities by the amount required to avoid liquidation or bankruptcy and converting such amount (the **Converted Amount**) into a conditional capital contribution (*villkorat kapitaltillskott*).

If, and to the extent that, any Accrued Interest is cancelled, the right of Securityholders to receive such Accrued Interest will be lost. The Issuer will have no obligation to make such payments of unpaid interest or to pay interest thereon, whether or not payments of interest in respect of the remainder of the interest period to which the Accrued Interest related or subsequent interest periods are made, and such unpaid interest will be deemed not to have accrued or been earned for any purpose. The amount of interest otherwise payable on each Security shall be reduced *pro rata* by reference to the total amount of Accrued Interest cancelled by the Issuer.

The rights of the Securityholders, the Couponholders and the Trustee in respect of the principal amount so utilised will thereupon be converted into rights of providers of conditional capital contributions.

Interest will not accrue on the Converted Amount until such time as it has been reconverted and reinstated. Reconversion and reinstatement as debt of all or any portion of the Converted Amount may only be made out of Available Distributable Funds, subject to a resolution of the shareholders passed at a general meeting and subject to the rules in Chapter 12 of the Swedish Insurance Business Act (*Försäkringsrörelselagen*).

Utilisation of the Converted Amount for the purpose of meeting losses shall be made:

- prior to the utilisation for the same purpose of Subordinated Indebtedness issued by the Issuer (other than, for the avoidance of doubt, Capital Contribution Securities) ranking senior to the Securities;

- following the utilisation for the same purpose of the principal amount of capital contribution securities ranking junior to the Securities (if any); and
- *pro rata* to the principal amount of Capital Contribution Securities outstanding at the time of such utilisation.

The principal amount of each Security converted on the date of such utilisation and conversion shall be the Converted Amount divided by the number of Securities outstanding on such date.

Utilisation of the Converted Amount as aforesaid may only be made if:

- the SFSA shall have given its approval thereto (if, at the time such utilisation is made, such approval is required); and
- the Articles of Association of the Issuer shall, in connection with the implementation of such decision, have been amended by the incorporation of duly registered Articles of Association substantially to the following effect (including all defined terms) and a copy of such resolution having been delivered to the Trustee (unless the same is provided for under Swedish law or unless the Articles of Association have previously been amended in connection with a prior utilisation of the Securities or of Capital Contribution Securities for the purpose of meeting losses and the Articles of Association have not since been amended):

“Until an amount equal to the Converted Amount has been reinstated as debt in full in the balance sheet of the Issuer, the Issuer may neither distribute dividends nor otherwise make payments to its shareholders (except (i) in respect of claims that, in bankruptcy (*konkurs*) or liquidation (*likvidation*), would have priority in right of payment over the Securities and Capital Contribution Securities, or (ii) in connection with the distribution of assets in the event of merger as provided by law) nor redeem any capital contributions that may have been made by shareholders (*aktieägartillskott*). Reconversion and reinstatement shall first be made in respect of Subordinated Indebtedness (other than, for the avoidance of doubt, Capital Contribution Securities) issued by the Issuer. Reconversion and reinstatement as debt of all or any portion of the Converted Amount shall be made *pro rata* with any amounts converted in respect of Capital Contribution Securities of the Issuer ranking *pari passu* with the Securities. The principal amount of each Security reconverted and reinstated as debt on the date of such reconversion and reinstatement shall be the relevant portion of the Converted Amount divided by the number of Securities outstanding on such date. For the avoidance of doubt, capital contribution securities expressed to rank junior to the Securities shall be reconverted and reinstated as debt only after the [*insert reference to the Securities and any Capital Contribution Securities*] have been so reconverted and reinstated. No amendment or variation to this article may be made without the prior written consent of the trustee for the Securities which consent may be given by such trustee if it is satisfied that to do so will not be materially prejudicial to the interests of the Securityholders”.

Cancellation of any Accrued Interest and utilisation of the principal amount of the Securities (as described above) shall not constitute an Event of Default or a Non Payment Event.

Events of Default

If any of the following events shall have occurred and be continuing, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Securities then outstanding or by an Extraordinary Resolution of the Securityholders shall (subject in each case to being indemnified and/or secured to its satisfaction), institute such steps as it thinks desirable or as it shall have been requested to take with a view to having the Issuer declared bankrupt (*konkurs*) or put into liquidation (*likvidation*) but not otherwise:

- (a) a court or agency or supervisory authority in the Kingdom of Sweden (having jurisdiction in respect of the same) shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding-up or liquidation of its affairs, and such proceedings, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or
- (b) the Issuer shall file a petition to take advantage of any insolvency statute or voluntarily suspend payment of its obligations; or
- (c) proceedings shall be commenced for the dissolution of the Issuer through merger with another company, except when such company assumes, on a basis subordinated to the same extent as the Securities, all obligations contracted by the Issuer in connection with the Securities and under the Trust Deed.

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Securities then outstanding or by an Extraordinary Resolution of the Securityholders shall (subject in each case to being indemnified and/or secured to its satisfaction), institute steps in order to obtain a judgment against the Issuer for any amounts due in respect of the Securities if the Issuer is declared bankrupt (*konkurs*) or put into liquidation (*likvidation*) by a competent court.

Non-payment

If the Issuer shall default in the payment of principal or premium (if any) in respect of any Security which has become due and payable in accordance with the terms hereof or the Issuer shall default for a period of 14 days in the payment of interest in respect of any Security which has become due and payable in accordance with the terms hereof, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Securities then outstanding or by an Extraordinary Resolution of the Securityholders shall (subject in each case to being indemnified and/or secured to its satisfaction), institute such steps, including the obtaining of a judgment against the Issuer for any amount due in respect of the Securities, as it thinks desirable or as it shall have been requested to take with a view to obtaining payment of the amount due or having the Issuer declared bankrupt (*konkurs*) or put into liquidation (*likvidation*). For the avoidance of doubt, interest shall not be due and payable if a Non Payment Notice relating to the relevant Interest Payment Date has been delivered.

Form and Denomination

The Securities will be in bearer form in the denomination of €1,000.

The Securities will be represented initially by the Temporary Global Security without interest coupons which is to be deposited with a common depository on behalf of Euroclear and Clearstream, on or about 16th June, 2005.

Interests in the Temporary Global Security will be exchangeable for interests in the Permanent Global Security, without interest coupons or talons, not earlier than 40 days after 16th June, 2005 upon certification as to non-US beneficial ownership.

The Permanent Global Security will be exchangeable for definitive Securities in bearer form only in the limited circumstances to be set out therein.

Use of Proceeds

The net proceeds of the issue of the Securities, after deduction of underwriting fees and other expenses, will be applied by the Issuer for its general corporate purposes.

Governing Law

The Securities and the Trust Deed will be governed by English law, except for the provisions of the Securities and the Trust Deed related to subordination, conversion, utilisation, reconversion and reinstatement, which will be governed by the laws of the Kingdom of Sweden.

Selling Restrictions

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended and are subject to certain restrictions on transfer.

Ratings

The Securities are expected to be assigned, on issue, a rating of 'Baa2' by Moody's Investors Service Limited and a rating of 'BBB' by Standard & Poor's Rating Services, a division of The McGraw Hill Companies Inc. The ratings reflect only the views of the rating agencies and do not represent the views of the Issuer. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Trustee

J.P. Morgan Corporate Trustee Services Limited

Principal Paying Agent

JPMorgan Chase Bank, N.A.

Listing

Application has been made for the Securities to be admitted to listing on the Luxembourg Stock Exchange.

Investment Considerations

The following is a summary of certain aspects of the Securities about which prospective Securityholders should be aware. This summary is not intended to be exhaustive and prospective Securityholders should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision. The Issuer believes that the risks described below are the principal risks inherent in the transaction for Securityholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Securities may occur for other reasons and the Issuer does not represent that the statements below regarding the risk of holding the Securities are exhaustive. There can be no assurance that payment to Securityholders of interest, principal or any other amounts on or in connection with the Securities are made on a timely basis or at all.

Liability under the Securities

The Securities will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Securities will not be obligations or responsibilities of and will not be guaranteed by If Holding, the If Group or the Sampo Group. Furthermore, no person other than the Issuer will accept any liability whatsoever to Securityholders in respect of any failure by the Issuer to pay any amount due under the Securities.

The Issuer's ability to meet its obligations under the Securities

The ability of the Issuer to meet its obligations under the Securities will be ultimately dependent on its financial situation. Certain specific considerations include the following.

Asset Management

The Issuer believes that it has taken appropriate measures to optimise the management of its investment assets. The If Group's investment assets are managed partly by the If Group's proprietary asset management organisation and partly by the Sampo subsidiary Mandatum Asset Management, see "*Description of the Issuer – Asset management*". Within the run-off operations, investment assets are as of the date of this Offering Circular exclusively invested in bonds with a high credit rating and a maximum duration of two years, in order to minimise the risk. However, there can be no assurances that losses will not occur in the management of the assets or that the management will result in a positive development.

Business Strategy

By capitalising on the benefits offered by its Nordic organisation in such areas as product development, pricing and risk selection, and through the introduction of standardised work processes, the If Group expects that it can establish a lower cost level than its competitors, which provides competitive advantages, see "*Description of the Issuer – Business mission, strategy and financial objectives – Strategy*". However, the Issuer cannot make any assurances that the strategy pursued will be successful or not changed and any such failure or change may make it more difficult to achieve the targets, which may have an impact on the Issuer's financial position.

Financial Objectives

The Issuer has defined certain financial objectives, see "*Description of the Issuer – Business mission, strategy and financial objectives – Financial objectives*". The Issuer believes that the objectives are set on the basis of reasonable assumptions and that it will be possible to achieve these financial objectives. However, the Issuer cannot give any assurances that the Issuer will be successful in achieving the financial objectives or that they will be maintained over time.

Risk Management

The Issuer places a high priority on risk management and regards it as one of its core competencies. The Issuer has established comprehensive risk management procedures, see "*Description of the Issuer – Risk management*". Despite these measures, there cannot be any assurances that the measures are sufficient to cover the existing risks. Also, new risks may be identified which will require that new or additional measures may have to be taken to limit the risks in relation to the business in an appropriate and controlled manner.

One important part of the risk management is the control of the Issuer's technical provisions. Technical provision estimates are regularly reviewed and updated, using the most current information. The Issuer believes, based on information currently available, that its technical provisions are adequate, see "*Description of the Issuer – Risk*".

management – Technical provisions'. However, because the establishment of technical provisions is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing technical provisions.

The Securities

Ratings of Securities

The ratings assigned to the Securities by the rating agencies are based on the Issuer's financial situation, but take into account other relevant structural features of the transaction, including, *inter alia*, the terms of the Securities, and reflect only the views of the rating agencies. The ratings address the likelihood of full and timely payment to the Securityholders of all payments of interest on each interest payment date and repayment of principal on the final payment date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the rating agencies as a result of changes in or unavailability of information or if, in the rating agencies' judgement, circumstances so warrant. Other rating agencies could seek to rate the Securities and if such "unsolicited ratings" are lower than the comparable rating assigned to the Securities by the rating agencies described herein, such shadow ratings could have an adverse effect on the value of the Securities. For the avoidance of doubt and unless the context otherwise requires any references to "ratings" or "rating" in this Offering Circular are to ratings assigned by Moody's and by Standard & Poor's only. Future events could have an adverse impact on the ratings of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

An investment in the Securities may not be suitable for all prospective Securityholders

The Securities are not suitable investments for all investors. In particular, prospective Securityholders should not purchase the Securities unless they understand the prepayment, credit, liquidity and market risks associated with the Securities.

The Securities are complex securities. Prospective Securityholders should possess, either alone or together with an investment advisor, the expertise necessary to evaluate the information contained in this Offering Circular in the context of its financial situation and tolerance for risk. Potential Securityholders should carefully consider, among other things, the factors described in this section before purchasing the Securities.

Prepayments may reduce the yield on the Securities

As described in "Conditions of the Securities", certain events can lead to the prepayment of the Securities and, consequently, the prepayment of some of the principal of the Securities. The investment performance of the Securities may vary materially and adversely from a Securityholder's expectations due to prepayments on the Securities. The actual yield may not be equal to the yield that is expected at the time the Securities were purchased. Moreover, the total return on a Securityholder's investment may not be what was anticipated, and the expected weighted average life of the Securities may not be realised. In deciding whether to purchase Securities, an independent decision should be made as to the appropriate prepayment assumptions to be used.

Change of law

The structure of the issue of the Securities and the ratings which have been or are expected to be assigned to the Securities are based on the relevant laws in effect as at the date of this Offering Circular. Furthermore, the Issuer operates in a heavily regulated environment and has to comply with extensive regulations in Sweden and elsewhere. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices after the date of this document.

The Securities are Deeply Subordinated Obligations

The Securities are unsecured, deeply subordinated obligations of the Issuer and are currently the most junior debt instruments of the Issuer, ranking behind claims of policyholders of the Issuer, in their capacity as policyholders, other unsubordinated creditors of the Issuer and creditors of the Issuer in respect of Subordinated Indebtedness or in respect of conditional capital contributions created by the conversion and utilisation of Subordinated Indebtedness (in each case other than Capital Contribution Securities), at least *pari passu* with any present and future outstanding Capital Contribution Securities of the Issuer whether or not converted into conditional capital contributions and currently in priority to payments to holders of all classes of ordinary share capital and preference share capital of the Issuer in their capacity as such holders and any other obligation of the Issuer expressed by its terms to rank junior to the Securities. Consequently, Securityholders could suffer direct and

materially adverse consequences, including suspension of, on a non-cumulative basis, interest payments and, if the Issuer's financial position were to deteriorate, conversion of principal into conditional capital contributions (*villkorat kapitaltillskott*). If the Issuer were to liquidate (whether voluntarily or involuntarily), Securityholders could lose their entire investment.

Under Swedish law, there are no established rules on certain matters relating to the ranking of claims of providers of conditional capital contributions (*villkorat kapitaltillskott*) in a liquidation (*likvidation*) or bankruptcy (*konkurs*) of the issuer of such securities. The ranking of the claims of providers of conditional capital contributions (*villkorat kapitaltillskott*) is subject to the terms and conditions of the securities. There are no statutes or precedents under Swedish law concerning priority among subordinated obligations. See "Rights of Providers of Conditional Capital Contributions in Bankruptcy or Liquidation".

Perpetual nature of the Securities

The Securities have no fixed final redemption date and Securityholders have no rights to call for the redemption of the Securities. Although the Issuer may redeem the Securities in certain circumstances (including at its option on the First Call Date or any Interest Payment Date thereafter or following the occurrence of certain tax or regulatory changes affecting the Issuer) there are limitations on its ability to do so. Therefore, Securityholders should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

Restrictions on Interest Payments

In the following circumstances, the Issuer will or may elect not to pay any interest payment (in whole or in part) which would otherwise fall due in respect of the Securities by delivery of a Non Payment Notice prior to the relevant Interest Payment Date. The Issuer will deliver a Non Payment Notice in respect of any Interest Payment Date if and to the extent that the amount of Available Distributable Funds is less than the aggregate interest amount due on the Securities and any Capital Contribution Securities on such date. In any other circumstances the Issuer may (in its sole discretion) deliver a Non Payment Notice. The amount of interest otherwise payable on each Security shall be reduced *pro rata* by reference to the total amount of interest not to be so paid as specified in the relevant Non Payment Notice. If, and to the extent that the Issuer makes no or partial payment of interest in accordance with a Non Payment Notice, the right of Securityholders to receive accrued but unpaid interest in respect of any such Interest Period will be lost.

If in accordance with the terms of a Non Payment Notice the Issuer makes less than a full payment of interest that would otherwise be payable on such Interest Payment Date, the Issuer shall not make or pay any distribution in respect of any class of its share capital (including preference share capital) or any obligation of the Issuer expressed to rank junior to the Securities for the Dividend Stopper Period, will make payment of interest in respect of the Securities and any Capital Contribution Securities on a pro rata basis for the Dividend Stopper Period and shall not redeem, purchase or otherwise acquire any Securities or Capital Contribution Securities during the Dividend Stopper Period.

In determining whether or not to pay a dividend on its ordinary share capital out of Available Distributable Funds, the Issuer is subject to relevant principles of Swedish law, including Chapter 12, Section 2 of the Swedish Insurance Business Act (*Försäkringsrörelselagen*), which provides that "Distribution of profits may not be made in any amount which, given due consideration to the financing needs of the company or group, its liquidity or financial position, would contravene sound business principles".

Limitations on Dividend Stopper

Under the Swedish Insurance Business Act (*Försäkringsrörelselagen*) shareholders representing at least one-tenth (1/10) of the total number of shares of the Issuer may claim a mandatory distribution provided that the Issuer has available distributable profits as determined in accordance with chapter 12 of the Swedish Insurance Business Act (*Försäkringsrörelselagen*). The holding company of the Issuer, If Skadeförsäkring Holding AB (publ) will covenant in the Trust Deed that, for so long as it is the holder of at least one-tenth (1/10) of the total number of shares of the Issuer, it will not claim a mandatory distribution during any Dividend Stopper Period. In the event that If Skadeförsäkring Holding AB (publ) disposes of shares representing at least one-tenth (1/10) of the total number of shares of the Issuer, this covenant will not bind the new holder or holders of such disposed shares.

Conversion into Conditional Capital Contributions; Write-down of Principal

To the extent that may be required to avoid the Issuer being obliged to enter into liquidation (*likvidation*) or bankruptcy (*konkurs*), the Issuer may (i) decide that any or all Accrued Interest be cancelled and (ii) once all

Accrued Interest has been cancelled, decide that the principal amount of the Securities or a part thereof will be utilised in meeting losses of the Issuer by writing down the principal amount of the Securities by the amount required to avoid liquidation or bankruptcy and converting such amount (the **Converted Amount**) into a conditional capital contribution (*villkorat kapitaltillskott*). If, and to the extent that, any Accrued Interest is cancelled, the right of Securityholders to receive such Accrued Interest will be lost. Utilisation of the Converted Amount for the purpose of meeting losses shall be made prior to the utilisation for the same purpose of Subordinated Indebtedness issued by the Issuer (other than, for the avoidance of doubt, Capital Contribution Securities) ranking senior to the Securities and will be made following the utilisation for the same purpose of the principal amount of capital contribution securities ranking junior to the Securities (if any) and *pro rata* to the principal amount of Capital Contribution Securities outstanding at the time of such utilisation. Interest will not accrue on the Converted Amount until such time as it has been reconverted and reinstated. Reconversion and reinstatement as debt of all or any portion of the Converted Amount may only be made out of Available Distributable Funds and subject to the rules in Chapter 12 of the Swedish Insurance Business Act (*Försäkringsrörelselagen*) and, if made, shall first be made in respect of Subordinated Indebtedness.

Redemption upon Occurrence of a Special Event or in Relation to Withholding Tax

The Issuer will have the right, upon the occurrence of a Special Event or for withholding tax reasons, to redeem the Securities at any time prior to the First Call Date. Redemption for withholding tax reasons will be at a redemption amount equal to the original principal amount (being €1,000) of each Security, together with interest (if any) on the outstanding principal amount accrued to, but excluding the date of redemption. No make-whole premium reflecting any changes in the prevailing interest rates will be payable upon such redemption. On redemption upon the occurrence of a Special Event a make-whole premium may be payable. There can be no assurance that Securityholders will be able to reinvest the amounts received upon any such redemption at a rate that will provide the same rate of return as their investment in the Securities.

No Voting Rights

The Securities are non-voting. Consequently, Securityholders cannot influence, *inter alia*, any decisions by the Issuer's shareholders to write down the principal amount of the Securities by the amount required to avoid liquidation or bankruptcy or any other decisions by the Issuer's shareholders concerning the capital structure of the Issuer.

No Prior Public Market

The Securities constitute a new issue of securities. Prior to this offering, there has been no public market for the Securities. Although application has been made to list the Securities on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect the liquidity and the market prices of the Securities, which may trade at a discount to the price at which a purchaser purchased the Securities.

Conditions of the Securities

The following is the text of the Conditions of the Securities which (subject to modification) will be endorsed on each Security in definitive form (if issued):

The €150,000,000 non-cumulative fixed/floating rate capital contribution securities (the **Securities**, which expression shall in these Conditions, unless the context otherwise requires, include any further securities issued pursuant to Condition 16 and forming a single series with the Securities) of If Skadeförsäkring AB (publ) (the **Issuer**) are constituted by a Trust Deed dated 16th June, 2005 (the **Trust Deed**) made between the Issuer, If Skadeförsäkring Holding AB (publ) and J.P. Morgan Corporate Trustee Services Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Securities (the **Securityholders**) and the holders of the interest coupons appertaining to the Securities (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 16th June, 2005 (the **Agency Agreement**) made between the Issuer, the initial Paying Agents and the Trustee are available for inspection during normal business hours by the Securityholders and the Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Securities at Trinity Tower, 9 Thomas More Street, London E1W 1YT and at the specified office of each of the Paying Agents. The Securityholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

Defined terms used in these Conditions and not defined in the text are defined in Condition 19.

1. Form, Denomination and Title

1.1 Form and Denomination

The Securities are in bearer form, serially numbered, in the denomination of €1,000 each with Coupons and one Talon attached on issue.

1.2 Title

Title to the Securities and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Security or Coupon as the absolute owner for all purposes (whether or not the Security or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Security or Coupon or any notice of previous loss or theft of the Security or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. Status

2.1 Ranking

The Securities constitute and will constitute unsecured, subordinated obligations of the Issuer. In the event of the voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, the rights of the Securityholders to payments of the principal amount of the Securities and any other amounts due in respect of the Securities, whether or not the whole or any part of the principal amount of the Securities has been made available in meeting losses of the Issuer and such amount has been converted into conditional capital contributions as described below, will rank:

- (a) *pari passu* without any preference among themselves;
- (b) at least *pari passu* with any present or future outstanding Capital Contribution Securities of the Issuer whether or not converted into conditional capital contributions as described below;
- (c) in priority to payments to holders of all classes of ordinary share capital and preference share capital of the Issuer in their capacity as such holders and any other obligation of the Issuer expressed by its terms to rank junior to the Securities; and
- (d) junior in right of payment to the payment of any present or future claims (x) of policyholders of the Issuer, in their capacity as policyholders (y) of other unsubordinated creditors of the Issuer, and (z) of creditors of the Issuer

in respect of Subordinated Indebtedness or in respect of conditional capital contributions created by the conversion and utilisation of Subordinated Indebtedness (in each case other than Capital Contribution Securities).

2.2 Further Capital Contribution Securities

The Issuer reserves the right to issue Capital Contribution Securities in the future, provided, however, that any such obligations may not in the event of voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer rank prior to the Securities.

3. Utilisation, Conversion, Reconversion and Reinstatement

3.1 Utilisation and Conversion

To the extent that it may be required to avoid the Issuer being obliged to enter into liquidation (*likvidation*) or bankruptcy (*konkurs*), the Issuer may (i) decide that any or all Accrued Interest be cancelled and (ii) once all Accrued Interest has been cancelled, decide that the principal amount of the Securities or a part thereof will be utilised in meeting losses of the Issuer by writing down the principal amount of the Securities by the amount required to avoid liquidation or bankruptcy and converting such amount (the **Converted Amount**) into a conditional capital contribution (*villkorat kapitaltillskott*).

If, and to the extent that, any Accrued Interest is cancelled, the right of Securityholders to receive such Accrued Interest will be lost. The Issuer will have no obligation to make such payments of unpaid interest or to pay interest thereon, whether or not payments of interest in respect of the remainder of the interest period to which the Accrued Interest related or subsequent interest periods are made, and such unpaid interest will be deemed not to have accrued or been earned for any purpose. The amount of interest otherwise payable on each Security shall be reduced *pro rata* by reference to the total amount of Accrued Interest cancelled by the Issuer.

Upon cancellation of Accrued Interest or utilisation of the Converted Amount (as described above), the Issuer shall give notice to the Trustee, the Principal Paying Agent, any stock exchange on which the Securities are listed and the Securityholders in accordance with Condition 12 and shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer specifying the amount of such cancellation or utilisation and the reasons therefor and the Trustee shall be entitled to accept the certificate as sufficient evidence thereof in which event it shall be conclusive and binding on all parties.

Interest will not accrue on the Converted Amount until such time as it has been reconverted and reinstated.

Utilisation of the Converted Amount for the purpose of meeting losses shall be made:

- (i) prior to the utilisation for the same purpose of Subordinated Indebtedness (other than, for the avoidance of doubt, Capital Contribution Securities) issued by the Issuer ranking senior to the Securities;
- (ii) following the utilisation for the same purpose of the principal amount of capital contribution securities ranking junior to the Securities (if any); and
- (iii) *pro rata* to the principal amount of Capital Contribution Securities outstanding at the time of such utilisation.

The principal amount of each Security converted on the date of such utilisation and conversion shall be the Converted Amount divided by the number of Securities outstanding on such date.

Utilisation of the Converted Amount as aforesaid may only be made if: (i) the SFSA shall have given its approval thereto (if, at the time such utilisation is made, such approval is required); and (ii) the Articles of Association of the Issuer shall, in connection with the implementation of such decision, have been amended by the incorporation of duly registered Articles of Association substantially to the following effect (including all defined terms) and a copy of such resolution having been delivered to the Trustee (unless the same is provided for under Swedish law or unless the Articles of Association have previously been amended in connection with a prior utilisation of the Securities or of Capital Contribution Securities for the purpose of meeting losses and the Articles of Association have not since been amended):

“Until an amount equal to the Converted Amount has been reinstated as debt in full in the balance sheet of the Issuer, the Issuer may neither distribute dividends nor otherwise make payments to its shareholders (except (i) in respect of claims that, in bankruptcy (*konkurs*) or liquidation (*likvidation*), would have priority in right of payment over the Securities and Capital Contribution Securities, or (ii) in connection with the distribution of assets in the event of merger as provided by law) nor redeem any capital contributions that may have been made by shareholders (*aktieägartillskott*). Reconversion and reinstatement shall first be made in respect of Subordinated Indebtedness (other than, for the avoidance of doubt, Capital Contribution Securities) issued by the Issuer. Reconversion and reinstatement as debt of all or any portion of

the Converted Amount shall be made *pro rata* with any amounts converted in respect of Capital Contribution Securities of the Issuer ranking *pari passu* with the Securities. The principal amount of each Security reconverted and reinstated as debt on the date of such reconversion and reinstatement shall be the relevant portion of the Converted Amount divided by the number of Securities outstanding on such date. For the avoidance of doubt, capital contribution securities expressed to rank junior to the Securities shall be reconverted and reinstated as debt only after the [*insert reference to the Securities and any Capital Contribution Securities*] have been so reconverted and reinstated. No amendment or variation to this article may be made without the prior written consent of the trustee for the Securities which consent may be given by such trustee if it is satisfied that to do so will not be materially prejudicial to the interests of the Securityholders''.

The Trustee shall have no obligation to monitor compliance by the Issuer with the provisions of the Articles of Association of the Issuer and will have no liability in the event of any breach by the Issuer of their terms.

Cancellation of any Accrued Interest and utilisation of the principal amount of the Securities (as described above) shall not constitute an Event of Default or a Non Payment Event.

3.2 *Reconversion and Reinstatement*

Reconversion and reinstatement as debt of all or any portion of the Converted Amount may only be made out of Available Distributable Funds, subject to a resolution of the shareholders passed at a general meeting and subject to the rules in Chapter 12 of the Swedish Insurance Business Act (*Försäkringsrörelselagen*).

Reconversion and reinstatement shall first be made in respect of Subordinated Indebtedness (other than, for the avoidance of doubt, Capital Contribution Securities) issued by the Issuer.

Reconversion and reinstatement as debt of all or any portion of the Converted Amount shall be made *pro rata* with any amounts converted in respect of Capital Contribution Securities of the Issuer ranking *pari passu* with the Securities.

The principal amount of each Security reconverted and reinstated as debt on the date of such reconversion and reinstatement shall be the relevant portion of the Converted Amount divided by the number of Securities outstanding on such date.

For the avoidance of doubt, capital contribution securities expressed to rank junior to the Securities shall be reconverted and reinstated as debt only after the Securities (and any Capital Contribution Securities) have been so reconverted and reinstated.

Upon reconversion and reinstatement as debt of all or any portion of the Converted Amount as described above, the Issuer shall give notice to the Trustee, the Principal Paying Agent and the Securityholders in accordance with Condition 12.

If and to the extent that the Converted Amount has been reconverted and reinstated as debt in the balance sheet of the Issuer, interest thereon shall start to accrue again, and become payable in accordance with the terms of the Securities, as from the date of such reinstatement.

3.3 *Conversion following reconversion and reinstatement*

The principal amount of the Securities may be utilised and converted as described above on one or more occasions.

3.4 *No set-off*

No Securityholder who shall in the event of the liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer be indebted to it shall be entitled to exercise any right of set-off or counterclaim against amounts owed by the Issuer in respect of the Securities held by it.

4. Interest

4.1 *Interest Rate and Interest Payment Dates*

The Securities bear interest on their outstanding principal amount from and including 16th June, 2005 to but excluding the First Call Date, payable annually in arrear on 16th June of each year (each a **Fixed Interest Payment Date**) commencing on 16th June, 2006 up to and including the First Call Date.

From and including the First Call Date the Securities bear interest on their outstanding principal amount payable quarterly in arrear on, subject to as provided in the next paragraph, 16th March, 16th June, 16th September and

16th December in each year (together with each Fixed Interest Payment Date, each an **Interest Payment Date**) commencing on 16th September, 2015.

If any Interest Payment Date falling after the First Call Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day and the Interest Period shall be extended or shortened accordingly.

During any period(s) in which part of the principal amount of the Securities has been utilised and converted as aforesaid, interest shall accrue on the remaining balance of the outstanding principal amount of each Security at the appropriate rate of interest but no interest shall accrue in respect of the part of the principal amount so utilised and converted.

4.2 Non Payment Notices

As provided below, the Issuer will or may elect not to pay any interest payment (in whole or in part) which would otherwise fall due in respect of the Securities on any Interest Payment Date by delivery not less than 14 Business Days prior to the relevant Interest Payment Date of a notice (such notice a **Non Payment Notice**) signed by two authorised signatories of the Issuer to the Trustee and the Principal Paying Agent specifying whether no or less than all interest that would otherwise be payable on such Interest Payment Date shall be paid and specifying the basis upon which the Non Payment Notice is delivered. If in accordance with the terms of a Non Payment Notice the Issuer makes less than a full payment of interest that would otherwise be payable on an Interest Payment Date, no Event of Default under Condition 9 or a Non Payment Event under Condition 10 shall have occurred.

The Issuer will deliver a Non Payment Notice in respect of any Interest Payment Date if and to the extent that the amount of Available Distributable Funds is less than the aggregate interest amount due on the Securities and any Capital Contribution Securities on such date.

In any other circumstances the Issuer may (in its sole discretion) deliver a Non Payment Notice.

The amount of interest otherwise payable on each Security shall be reduced *pro rata* by reference to the total amount of interest not to be so paid as specified in the relevant Non Payment Notice.

If, and to the extent that, the Issuer makes no or partial payment of interest in accordance with a Non Payment Notice, the right of Securityholders to receive accrued but unpaid interest in respect of any such Interest Period will be lost. The Issuer will have no obligation to make such payments of unpaid interest or to pay interest thereon, whether or not payments of interest in respect of subsequent Interest Periods are made, and such unpaid interest will be deemed not to have accrued or been earned for any purpose.

If in accordance with the terms of a Non Payment Notice the Issuer makes less than a full payment of interest that would otherwise be payable on such Interest Payment Date, the Issuer:

- (i) shall not make or pay any distribution in respect of any class of its share capital (including preference share capital) or any obligation of the Issuer expressed to rank junior to the Securities for the Dividend Stopper Period;
- (ii) will make payment of interest in respect of the Securities and any Capital Contribution Securities on a *pro rata* basis for the Dividend Stopper Period; and
- (iii) shall not redeem, purchase or otherwise acquire any Securities or Capital Contribution Securities during the Dividend Stopper Period.

Under the Swedish Insurance Business Act (Försäkringsrörelselagen) shareholders representing at least one-tenth (1/10) of the total number of shares of the Issuer may claim a mandatory distribution provided that the Issuer has available distributable profits as determined in accordance with chapter 12 of the Swedish Insurance Business Act (Försäkringsrörelselagen). The holding company of the Issuer, If Skadeförsäkring Holding AB (publ), has covenanted in the Trust Deed that, for so long as it is the holder of at least one-tenth (1/10) of the total number of shares of the Issuer, it will not claim a mandatory distribution during any Dividend Stopper Period.

If the Issuer intends to make no or a partial payment of interest in accordance with a Non Payment Notice, the Issuer shall give notice to the Trustee, the Principal Paying Agent, any stock exchange on which the Securities are listed and Securityholders in accordance with Condition 12 stating the amount payable, if any, not more than 14 nor less than seven Business Days prior to the relevant Interest Payment Date.

4.3 Interest Accrual

Each Security will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal or premium (if any) in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

4.4 Fixed Rate of Interest

In relation to any Interest Period from and including 16th June, 2005 to but excluding the First Call Date, the rate of interest will be 4.943 per cent. per annum.

Subject to Condition 3 and Condition 4.2, the amount of interest payable on each Fixed Interest Payment Date shall be €49.43 in respect of each €1,000 in principal amount of the Securities. If interest is required to be paid in respect of a Security on any other date, it shall be calculated by applying the rate of interest to the outstanding principal amount of such Security, multiplying the product by the Fixed Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

4.5 Floating Rate of Interest

The rate of interest payable in respect of the Securities (the **Floating Rate of Interest**) for each Interest Period from and including the First Call Date will be determined on the basis of the following provisions:

(a) On each Interest Determination Date, the Principal Paying Agent or its duly appointed successor will determine the Screen Rate at approximately 11.00 a.m. (Brussels time) on that Interest Determination Date. If the Screen Rate is unavailable, the Principal Paying Agent will request the principal Euro-zone office of each of the Reference Banks to provide the Principal Paying Agent with the rate at which deposits in euro for three months are offered by it to prime banks in the Euro-zone interbank market at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question and for a Representative Amount.

(b) The Floating Rate of Interest for the Interest Period shall be the Screen Rate plus the Margin or, if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Principal Paying Agent of such rates, plus the Margin.

(c) If fewer than two rates are provided as requested, the Floating Rate of Interest for that Interest Period will be the arithmetic mean of the rates quoted by major banks in the Euro-zone, selected by the Principal Paying Agent, at approximately 11.00 a.m. (Brussels time) on the first day of such Interest Period for loans in euro to leading European banks for a period of three months commencing on the first day of such Interest Period and for a Representative Amount, plus the Margin. If the Floating Rate of Interest cannot be determined in accordance with the above provisions, the Floating Rate of Interest shall be determined as at the last preceding Interest Determination Date or if none shall be 4.943 per cent. per annum.

4.6 Determination of Floating Rate of Interest and Floating Interest Amount

The Principal Paying Agent shall, as soon as practicable after 11.00 a.m. Brussels time on each Interest Determination Date, but in no event later than the third Business Day thereafter, determine the euro amount (the **Floating Interest Amount**) payable in respect of interest on each €1,000 in principal amount of the Securities for the relevant Interest Period. The Floating Interest Amount shall be determined by applying the Floating Rate of Interest to the outstanding principal amount of such Security, multiplying the sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

4.7 Publication of Floating Rate of Interest and Floating Interest Amount

The Principal Paying Agent shall cause the Floating Rate of Interest and the Floating Interest Amount for each Interest Period and the relative Interest Payment Date to be notified to the Issuer, the Trustee and to any stock exchange or other relevant authority on which the Securities are at the relevant time listed and to be published in accordance with Condition 12 as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Floating Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

4.8 Determination by the Trustee

The Trustee shall, if the Principal Paying Agent defaults at any time in its obligation to determine the Floating Rate of Interest and the Floating Interest Amount in accordance with the above provisions, determine the Floating Rate of Interest and the Floating Interest Amount, the former at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in paragraph 4.6 and the determinations shall be deemed to be determinations by the Principal Paying Agent and in doing so the Trustee shall be entitled to seek (at the expense of the Issuer) and rely upon advice from any reputable investment bank or other reputable and suitably qualified expert deemed appropriate by the Trustee for such purpose.

4.9 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them), the Principal Paying Agent or the Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Paying Agents and all Securityholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, or the Securityholders or the Couponholders shall attach to the Reference Banks (or any of them), the Principal Paying Agent or, if applicable, the Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition.

5. Payments and Exchanges of Talons

5.1 Payments in respect of Securities

Payments of principal, premium (if any) and interest in respect of each Security will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Security, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

5.3 Missing Unmatured Coupons

Each Security should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons). Upon the date on which any Security becomes due and repayable, all unmatured Coupons appertaining to the Security (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

5.4 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and interest on the Securities are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Security or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4.3, be entitled to any further interest or other payment if a Presentation Date is after the due date.

5.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

5.7 *Initial Paying Agents*

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in Europe which so long as the Securities are listed on the Luxembourg Stock Exchange shall be in Luxembourg; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th–27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Securityholders promptly by the Issuer in accordance with Condition 12.

6. **Redemption and Purchase**

6.1 *No Fixed Maturity Date*

The Securities have no fixed maturity date and are only redeemable as described further below.

Currently SFSA approval as required under Conditions 6.2 to 6.5 below will only be given if the redemption does not cause the Issuer's Capital Base to fall below the Margin of Solvency or the Guarantee Amount required under the Swedish Insurance Business Act (*Försäkringsrörelselagen*) (or such other laws that may replace the Swedish Insurance Business Act).

If the Issuer has converted any principal and/or interest into Converted Amounts, until such Converted Amounts have been reconverted and reinstated in full, the Issuer shall have no right to redeem the Securities.

In no circumstances will the Issuer have the obligation to redeem the Securities.

6.2 *Redemption for Withholding Tax Reasons*

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden, or any change in the application or official interpretation of the laws or regulations of the Kingdom of Sweden, which change or amendment becomes effective after 14th June, 2005, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, subject to having received the prior approval of the SFSA and having given not less than 30 nor more than 45 days' notice to the Securityholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities, at any time prior to the First Call Date at the Redemption Amount, provided that, prior to the First Call Date, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Securities then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders and the Couponholders.

6.3 *Redemption at the Option of the Issuer*

The Issuer may, subject to having received the prior approval of the SFSA and having given not less than 30 nor more than 45 days' notice to the Securityholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities on the First Call Date or on any following Interest Payment Date at the Redemption Amount.

6.4 Redemption on a Special Event

Upon the occurrence of a Special Event, the Issuer may, subject to having received the prior approval of the SFSA and having given not less than 30 nor more than 45 days' notice to the Securityholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities at any time prior to the First Call Date at an amount equal to the greater of (i) the Redemption Amount and (ii) the Make-Whole Amount plus (without duplication) Accrued Interest. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that a Special Event has occurred and cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the occurrence of a Special Event, in which event it shall be conclusive and binding on the Securityholders and the Couponholders.

6.5 Purchases

The Issuer or any of its Subsidiaries may (subject to having received the prior approval of the SFSA) at any time purchase Securities (provided that all unmatured Coupons appertaining to the Securities are purchased with the Securities) in any manner and at any price.

6.6 Cancellations

All Securities which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Securities or surrendered with the Securities, and accordingly may not be held, reissued or resold.

6.7 Notices Final

Upon the expiry of any notice as is referred to in paragraph 6.2, 6.3 or 6.4 above the Issuer shall be bound to redeem the Securities to which the notice refers in accordance with the terms of such paragraph.

7. Taxation

7.1 Payment without Withholding

All payments in respect of the Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Securityholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Security or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Security or Coupon by reason of his having some connection with the Kingdom of Sweden other than the mere holding of the Security or Coupon; or
- (b) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) presented for payment in the Kingdom of Sweden; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Security or Coupon to another Paying Agent in a Member State of the European Union; or
- (f) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date.

7.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Securities shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8. Prescription

Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal or premium (if any)) and five years (in the case of interest) from the Relevant Date in respect of the Securities or, as the case may be, the Coupons, subject to the provisions of Condition 5. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this paragraph or Condition 5.

9. Events of Default

9.1 Events of Default

If any of the following events (**Events of Default**) shall have occurred and be continuing, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Securities then outstanding or by an Extraordinary Resolution of the Securityholders shall (subject in each case to being indemnified and/or secured to its satisfaction), institute such steps as it thinks desirable or as it shall have been requested to take with a view to having the Issuer declared bankrupt (*konkurs*) or put into liquidation (*likvidation*) but not otherwise:

- (a) a court or agency or supervisory authority in the Kingdom of Sweden (having jurisdiction in respect of the same) shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding-up or liquidation of its affairs, and such proceedings, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or
- (b) the Issuer shall file a petition to take advantage of any insolvency statute or voluntarily suspend payment of its obligations; or
- (c) proceedings shall be commenced for the dissolution of the Issuer through merger with another company, except when such company assumes, on a basis subordinated to the same extent as the Securities, all obligations contracted by the Issuer in connection with the Securities and under the Trust Deed .

9.2 Bankruptcy or Liquidation

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Securities then outstanding or by an Extraordinary Resolution of the Securityholders shall (subject in each case to being indemnified and/or secured to its satisfaction), institute steps in order to obtain a judgment against the Issuer for any amounts due in respect of the Securities if the Issuer is declared bankrupt (*konkurs*) or put into liquidation (*likvidation*) by a competent court.

9.3 Enforcement

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Securities then outstanding or by an Extraordinary Resolution of the Securityholders shall (subject in each case to being indemnified and/or secured to its satisfaction), institute such proceedings against the Issuer and/or If Skadeförsäkring Holding AB (publ) as it may think fit or that it shall have been requested to take to enforce any obligation, condition, undertaking or provision binding on the Issuer and/or If Skadeförsäkring Holding AB (publ) under the Trust Deed or Securities provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

9.4 No other remedy against the Issuer

No remedy against the Issuer, other than as provided in Conditions 9.1, 9.2, 9.3 or 10 or proving or claiming in the bankruptcy or liquidation of the Issuer in the Kingdom of Sweden or elsewhere, shall be available to the Trustee or the Securityholders or Couponholders, whether for the recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Securities.

9.5 *Trustee not bound to take proceedings*

The Trustee shall not be bound to take any proceedings mentioned in Conditions 9.1, 9.2, 9.3 or 10 or any other action in relation to the Trust Deed, the Securities or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Securityholders or so requested in writing by the holders of at least one quarter in principal amount of the Securities then outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction.

9.6 *Securityholders not entitled to proceed directly against the Issuer and/or If Skadeförsäkring Holding AB (publ)*

No Securityholder or Couponholder shall be entitled to proceed directly against the Issuer and/or If Skadeförsäkring Holding AB (publ) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10. **Non-Payment**

If the Issuer shall default in the payment of principal or premium (if any) in respect of any Security which has become due and payable in accordance with the terms hereof or the Issuer shall default for a period of 14 days in the payment of interest in respect of any Security which has become due and payable in accordance with the terms hereof (such event a **Non Payment Event**), the Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in principal amount of the Securities then outstanding or by an Extraordinary Resolution of the Securityholders shall (subject in each case to being indemnified and/or secured to its satisfaction), institute such steps, including the obtaining of a judgment against the Issuer for any amount due in respect of the Securities, as it thinks desirable or as it shall have been requested to take with a view to obtaining payment of the amount due or having the Issuer declared bankrupt (*konkurs*) or put into liquidation (*likvidation*). For the avoidance of doubt, interest shall not be due and payable if a Non Payment Notice relating to the relevant Interest Payment Date has been delivered.

11. **Replacement of Securities and Coupons**

Should any Security or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent or the Paying Agent in Luxembourg upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued.

12. **Notices**

All notices to the Securityholders will be valid if published in an English language daily newspaper with general circulation in Luxembourg as the Trustee may approve. It is expected that publication will normally be made in the *d'Wort* or the *Tageblatt*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Securities are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Securityholders in accordance with this paragraph.

13. **Substitution**

The Trustee may, with the prior consent of the SFSA, but without the consent of the Securityholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Securities, the Coupons and the Trust Deed of any other company being a Subsidiary of the Issuer, subject to:

- (a) the Securities being unconditionally and irrevocably guaranteed by the Issuer;
- (b) the Trustee being satisfied that the interests of the Securityholders will not be materially prejudiced by the substitution;
- (c) each rating agency which at that time has a current rating for the Securities confirming that such substitution will not in itself trigger a downgrade in the rating of the Securities by such rating agency; and

- (d) certain other conditions set out in the Trust Deed being complied with.

14. Meetings of Securityholders, Modification, Waiver, Authorisation and Determination

14.1 Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in outstanding principal amount of the Securities for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the outstanding principal amount of the Securities held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the outstanding principal amount of the Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Securityholders will be binding on all Securityholders, whether or not they are present at the meeting, and on all Couponholders.

14.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Securityholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or a Non Payment Event shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest or an error which in the opinion of the Trustee is proven.

14.3 Trustee to have Regard to Interests of Securityholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Securityholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

14.4 Notification to the Securityholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Securityholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 12.

15. Indemnification of the Trustee and its Contracting with the Issuer

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

15.2 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and/or any person or body corporate associated with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries and/or any person or body corporate associated with the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in

relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. Further Issues

Save as provided in Condition 2.2, the Issuer is at liberty from time to time without the consent of the Securityholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Securities) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Securities) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Securityholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

17. Governing Law and Submission to Jurisdiction

17.1 Governing Law

The Trust Deed, the Securities and the Coupons are governed by, and will be construed in accordance with, English law except with respect to Conditions 2 and 3, which will be governed by, and construed in accordance with, Swedish law.

17.2 Jurisdiction of English Courts

Each of the Issuer and If Skadeförsäkring Holding AB (publ) has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Securityholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Securities or the Coupons and accordingly has submitted to the exclusive jurisdiction of the English courts.

Each of the Issuer and If Skadeförsäkring Holding AB (publ) has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and (where entitled under the Trust Deed to do so) the Securityholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed, the Securities or the Coupons respectively (together referred to as **Proceedings**) against the Issuer and/or If Skadeförsäkring Holding AB (publ) in any other court of competent jurisdiction in Europe and concurrent Proceedings in any number of jurisdictions in Europe.

17.3 Appointment of Process Agent

Each of the Issuer and If Skadeförsäkring Holding AB (publ) has, in the Trust Deed, irrevocably and unconditionally appointed If P&C Insurance Ltd (publ), London branch at the latter's registered office for the time being (being on 14th June, 2005, 2nd Floor, 40 Lime Street, London EC3M 7AW) as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

18. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. Definitions

For the purposes of these Conditions:

Accrued Interest means interest accrued from the immediately preceding Interest Payment Date or, if none, 16th June, 2005, to the time of payment, redemption or utilisation, as the case may be;

Available Distributable Funds of the Issuer means, at any time, that amount which, under the laws of the Kingdom of Sweden from time to time in force, is available as of the end of the immediately preceding financial year as shown in the adopted audited balance sheet of the Issuer for such financial year to be distributed by the Issuer to its shareholders (adjusted for any loss incurred thereafter as shown in the Issuer's semi-annual financial

statements) as such amount is reduced from time to time by the payment by the Issuer of any amounts in respect of its shares, the Securities or other Capital Contribution Securities since the date such adopted balance sheet was published;

Business Day means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and a TARGET Settlement Day;

Capital Base means the capital base of the Issuer, calculated as stipulated from time to time in Chapter 1, Section 8(a) of the Swedish Insurance Business Act (*Försäkringsrörelselagen*) (or such other laws that may replace the Swedish Insurance Business Act);

Capital Contribution Securities means subordinated and undated debt instruments of the Issuer expressed by their terms to rank junior to Subordinated Indebtedness and *pari passu* with the Securities;

A **Capital Event** is deemed to have occurred if it has been determined that securities of the nature of the Securities no longer qualify as being part of the Capital Base of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) either by the SFSA or as a consequence of changes in the laws of the Kingdom of Sweden and which can not be avoided by the Issuer taking reasonable measures available to it;

Dividend Stopper Period means with respect to any Interest Payment Date or the equivalent term in any Capital Contribution Security, one calendar year from and including the earlier of (i) the date on which less than a full interest payment is paid on the Securities or (ii) the date on which less than a full scheduled interest payment on any Capital Contribution Security has been paid;

Euro-zone means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended;

First Call Date means 16th June, 2015;

Fixed Day Count Fraction means (i) the actual number of days in the period from and including the date from which interest begins to accrue for the relevant period of calculation (the **Accrual Date**) to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date;

Guarantee Amount means the guarantee amount to be maintained by the Issuer in such amount as is calculated in accordance with the provisions as stipulated from time to time in Chapter 1, Section 8(a) of the Swedish Insurance Business Act (*Försäkringsrörelselagen*) (or such other laws that may replace the Swedish Insurance Business Act);

Interest Determination Date means the second TARGET Settlement Day before the commencement of the Interest Period for which the rate will apply;

Interest Period means each period beginning on (and including) 16th June, 2005 or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

The **Make-Whole Amount** will be calculated by the Principal Paying Agent, and will be equal to the sum of the Present Values on the date of redemption of (i) the original principal amount (being €1,000) of the Securities discounted from the First Call Date and (ii) the remaining scheduled payments of interest (deducting any amount in respect of the period from and including the most recent Interest Payment Date to but excluding the date fixed for redemption) on the Securities payable on each Interest Payment Date to and including the First Call Date (assuming full payment of each);

For this purpose:

Adjusted Comparable Yield means the yield at the date of redemption on the euro benchmark government security selected by the Principal Paying Agent (with the advice of three brokers of and/or market makers in, euro benchmark government securities selected by the Principal Paying Agent) determined to be appropriate for determining the Make-Whole Amount;

The **Present Values** will be calculated by the Principal Paying Agent by discounting the original principal amount (being €1,000) of the Securities and the remaining interest payments to the First Call Date (deducting any amount in respect of the period from and including the most recent Interest Payment Date to but excluding the date fixed for redemption) on an annual basis, applying the Fixed Day Count Fraction and using the Adjusted Comparable Yield plus 0.50 per cent.;

Margin means 2.65 per cent. per annum;

Margin of Solvency means the margin of solvency required to be maintained by the Issuer as stipulated from time to time in Chapter 1, Section 8(a) of the Swedish Insurance Business Act (*Försäkringsrörelselagen*) (or such other laws that may replace the Swedish Insurance Business Act);

outstanding principal amount means, in relation to any Security, as at any particular date, its original principal amount (being €1,000) less, if applicable, the amount thereof that has been utilised and converted in accordance with Condition 3 and not reconverted and reinstated in accordance with such Condition;

Presentation Date means a day which (subject to Condition 8):

(a) is, or falls after, the relevant due date;

(b) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of the specified office of the Paying Agent at which the Security or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET Settlement Day;

Redemption Amount means the original principal amount (being €1,000) of each Security together with Accrued Interest;

Reference Banks means the principal Euro-zone office of each of four major banks engaged in the Euro-zone interbank market selected by the Principal Paying Agent provided that, once a Reference Bank has been selected by the Principal Paying Agent, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;

Relevant Date means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Securityholders by the Issuer in accordance with Condition 12;

Representative Amount means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time;

Screen Rate means the rate for three month deposits in euro which appears on the Telerate Page 248 (or such replacement page on that service which displays the information);

SFSA means the Swedish Financial Supervisory Authority (*Finansinspektionen*);

Special Event means the occurrence of any of a Tax Event or a Capital Event;

Subordinated Indebtedness means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer to the claims of policyholders, in their capacity as policyholders, and all other unsubordinated creditors of the Issuer but for the purposes of the Securities shall not include the Securities or any Capital Contribution Securities which shall rank junior to Subordinated Indebtedness;

Subsidiary means any company which is for the time being a subsidiary (within the meaning of the Swedish Insurance Business Act (Sw: *Försäkringsrörelselagen* (1982:713)) or a subsidiary undertaking (within the meaning of the Swedish Insurance Business Act (Sw: *Försäkringsrörelselagen* (1982:713)));

TARGET Settlement Day means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open; and

Tax Event means the receipt by the Issuer of an opinion of counsel in the Kingdom of Sweden (experienced in such matters) to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax affecting taxation, (ii) any governmental action or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such governmental action or any interpretation or pronouncement that provides for a position with respect to such governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification, or change is effective or such pronouncement or decision is announced on or after 14th June, 2005, there is more than an insubstantial risk that (A) the Issuer is, or will be, subject to more than a *de minimis* amount of other taxes, duties or other governmental charges or civil liabilities with respect to the Securities or (B) the treatment of any of the

Issuer's items of income or expense with respect to the Securities as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be respected by a taxing authority, which subjects the Issuer to more than a *de minimis* amount of additional taxes, duties or other governmental charges, which in either such case cannot be avoided by the Issuer taking measures reasonably available to it.

Summary of Provisions Relating to the Securities while Represented by the Global Securities

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Securities and in the Global Securities which will apply to, and in some cases modify, the Conditions of the Securities while the Securities are represented by the Global Securities.

1. Exchange

The Permanent Global Security will be exchangeable in whole but not in part (free of charge to the holder) for definitive Securities only:

- (a) upon the happening of any "Event of Default" as defined in Condition 9 or any Non Payment Event pursuant to Condition 10;
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Securities in definitive form and a certificate to such effect signed by two authorised signatories of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Security (acting on the instructions of one or more of the Accountholders) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Securityholders, of its intention to exchange the Permanent Global Security for definitive Securities on or after the Exchange Date.

On or after the Exchange Date the holder of the Permanent Global Security may or, in the case of (c) above, shall surrender the Permanent Global Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Security the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security and a Talon), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Security, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Securities.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 27th July, 2005, no payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. Payments of principal, premium (if any) and interest in respect of Securities represented by a Global Security will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of such Global Security to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Securityholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Security by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Securities. Payments of interest on the Temporary Global Security (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Securities are represented by one or both of the Global Securities and such Global Security(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Securityholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 12, provided that, so long as the Securities are listed on the Luxembourg Stock Exchange, notice will also be given by

publication in a daily newspaper published in Luxembourg if and to the extent that the rules of the Luxembourg Stock Exchange so require. Any such notice shall be deemed to have been given to the Securityholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

4. Accountholders

For so long as all of the Securities are represented by one or both of the Global Securities and such Global Security(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Securities (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Securities for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Securityholders) other than with respect to the payment of principal, premium (if any) and interest on such principal amount of such Securities, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Security in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Security.

5. Prescription

Claims against the Issuer in respect of principal, premium (if any) and interest on the Securities represented by a Global Security will be prescribed after 10 years (in the case of principal and premium (if any)) and five years (in the case of interest) from the Relevant Date.

6. Cancellation

Cancellation of any Security represented by a Global Security and required by the Conditions of the Securities to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Security on the relevant part of the schedule thereto.

7. Utilisation, conversion, reconversion and reinstatement

Utilisation, conversion, reconversion and reinstatement will be effected by endorsement by or on behalf of the Principal Paying Agent on the relevant part of the schedule to the relevant Global Security.

8. Euroclear and Clearstream, Luxembourg

References in the Global Securities and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

Rights of Providers of Conditional Capital Contributions in a Bankruptcy or Liquidation

The following is a summary of advice received by the Issuer from its Swedish legal advisers. It should be noted, however, that there is no established Swedish law on certain matters relating to the ranking of claims of holders of conditional capital contributions in a bankruptcy (konkurs) or liquidation (likvidation). The following summary therefore does not purport to be definitive and is qualified in its entirety by the terms and conditions of the Securities.

Under Swedish law, there are no established rules on certain matters relating to the ranking of claims by the Securityholders or providers of conditional capital contributions in a bankruptcy or liquidation. In the absence of such rules, the ranking of claims by the Securityholders or the providers of conditional capital contributions is governed by the terms and conditions of the Securities. Providers of conditional capital contributions are neither creditors nor shareholders of the Issuer. They are conditional capital contributors who may be repaid if there are distributable funds (*fritt eget kapital*) available for such purposes in connection with the bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer. In any such bankruptcy (*konkurs*) or liquidation (*likvidation*), the rights of the providers of conditional capital contributions will be as set out in any article of the Articles of Association adopted from time to time by the shareholders of the Issuer (as described in Condition 3.1 (*Utilisation and Conversion*) above). Such article (if adopted and retained in such form until any bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer) would, in the event of bankruptcy (*konkurs*) or liquidation (*likvidation*), mean that providers of conditional capital contributions would be paid amounts represented by their conditional capital contributions ahead of shareholders, as the Issuer, according to the aforesaid article, may neither distribute dividends "nor otherwise make payments" to its shareholders unless an amount equal to the converted amount has been "reinstated as debt in full in the balance sheet of the Issuer".

Use of Proceeds

The net proceeds of the issue of the Securities, amounting to approximately €148,900,000, will be applied by the Issuer for its general corporate purposes.

Capitalisation of the Issuer

The following table shows the consolidated capitalisation, including indebtedness, of the Issuer and its subsidiaries as at 31st December, 2004.

	31st December, 2004
	(SEK millions)
Debt	
Subordinated debt.....	1,776
Total Debt	1,776
Equity	
Share capital.....	104
Retained earnings and other reserves	
Profit carried forward.....	8,167
Net profit for the year.....	3,354
Statutory reserve	140
Fund for unrealised gains.....	656
Other restricted reserves.....	2,398
Total Equity	14,819
Total Capitalisation	16,595

As at 31st December, 2004, the authorised and issued share capital of the Issuer amounted to SEK 104,430,600 comprised of 1,044,306 ordinary shares, each with a par value of SEK 100. The shares are owned by If Holding.

A dividend of SEK 4,500 million was distributed from equity to the Issuer's shareholder on 29th March, 2005.

As at 31st December, 2004, contingent liabilities of the Issuer were as set out in Note 36 on page F-24 of this Offering Circular.

Other than as set out above, there has been no material change to the capitalisation or indebtedness of the Issuer since 31st December, 2004.

Description of the Issuer

Corporate History and Group Structure

The Issuer, is a limited liability insurance company registered with the Swedish Trade and Industry Registry and under the supervision of the SFSA. The Issuer is owned to 100 per cent. by the Swedish holding company If Holding. The registered offices of the Issuer and If Holding are in Stockholm, Sweden.

If Holding is wholly owned by Sampo. Sampo is the Finnish holding company of Sampo Group. Sampo is a public limited company incorporated under the laws of the Republic of Finland. Its registered office and headquarters is in Helsinki, Finland.

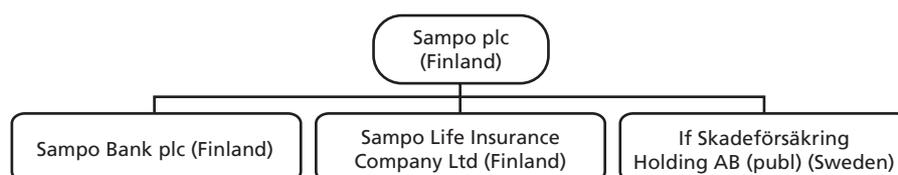
Sampo Group

Sampo Group was formed through a merger effected at year-end 2000 of Sampo Insurance Company plc, a company listed on the Helsinki Stock Exchange, and Leonia plc, the holding company of a banking group wholly owned by the Republic of Finland. During the year 2001 Sampo acquired 100 per cent. of the shares of Mandatum Bank plc, a leading investment bank in Finland and Scandinavia which also had a retail-banking network.

In January 2002 the property and casualty insurance business of Sampo Group was acquired by If Holding to form the leading pan-Nordic property and casualty insurance group. By this transaction Sampo became the largest shareholder of If Holding with a 38.05 per cent. holding. During 2004, Sampo acquired the remaining shares in If Holding. The first stage of the acquisition, which was contingent on the approval of the authorities concerned, involved acquiring Försäkringsaktiebolaget Skandia's (publ), Livförsäkringsaktiebolaget Skandia's (publ) and Storebrand ASA's shareholdings (a total of 51.89 per cent.) with effect on 1st April, 2004. The acquisition was completed on 5th October, 2004 when Varma Mutual Pension Insurance Company's holding (10.06 per cent.) was acquired.

Sampo Group's strategy is to be the most innovative, cost efficient and customer-oriented bank and insurance group in the Nordic and Baltic countries. Sampo Group's core business areas are property and casualty insurance (marketed under the If brand in the Nordic countries and in Estonia, Lithuania and Latvia), banking and long-term savings (marketed under the Sampo brand in Finland, Estonia, Lithuania, Latvia and Sweden). In Finland, Sampo Group also operates in certain market segments under the Mandatum and Kiinteistömaailma (Realty World) brands.

The chart below outlines the current corporate structure of the Sampo Group, in a simplified format only showing the main corporate entities:



If Group

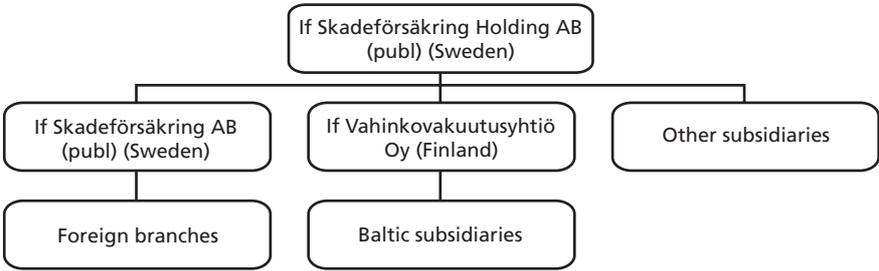
The If Group's property and casualty insurance business has deep roots in the Nordic, specifically Finnish, Norwegian and Swedish, insurance history. The current operations of If Holding and the Issuer were formed in March 1999, through the merger of the property and casualty insurance operations of Försäkringsaktiebolaget Skandia (publ) in Sweden and Storebrand ASA in Norway. In January 2002, the property and casualty insurance operations of the Sampo Group were acquired by If Holding. Skandia's insurance operations date back to 1855 and Storebrand's even further, to 1767. Sampo's Finnish insurance business has its origin in Turku. Turku Workmen's Compensation Company, a mutual insurance company offering statutory insurance to industrial corporates was founded in 1897. In the early 1900s, Turku Workmen's Compensation Company joined Sampo Mutual Insurance Institution (founded in 1909).

If Holding is the parent company of the If Group. The role of this company is to own and manage shares in property and casualty insurance companies. If Holding owns the Issuer in Sweden and If Vahinkovakuutusyhtiö Oy in Finland. If Holding does not conduct any insurance operations.

The Issuer conducts insurance operations in Sweden and in seven additional countries. The Issuer’s operations in Denmark and Norway are conducted by branches in these two countries. In addition, the Issuer has branch offices in France, the Netherlands, the United Kingdom and Germany, for Nordic customers that conduct international business, as well as a branch in Finland. As at 31st December, 2004, If Reseförsäkring AB was a wholly-owned subsidiary of the Issuer. If Reseförsäkring AB has conducted travel insurance operations in Norway since the If Group’s formation. During 2004 permission was received to merge (by absorption) If Reseförsäkring AB with the Issuer. The merger was effective 10th January, 2005, when If Reseförsäkring AB ceased to exist as a separate legal entity. The Issuer further owns two run-off companies and a related service company. As of 2004 year end the run-off companies constituted approximately 1 per cent. of total assets and liabilities of the Issuer and its subsidiaries.

If Vahinkovakuutusyhtiö Oy and its subsidiaries conduct insurance operations in Finland and in Estonia, Latvia and Lithuania. If Vahinkovakuutusyhtiö Oy and its subsidiaries were added to the If Group in 2002 when If Holding acquired the property and casualty insurance operations of the Sampo Group.

The chart below outlines the current corporate structure of the If Group, in a simplified format only showing the main corporate entities:

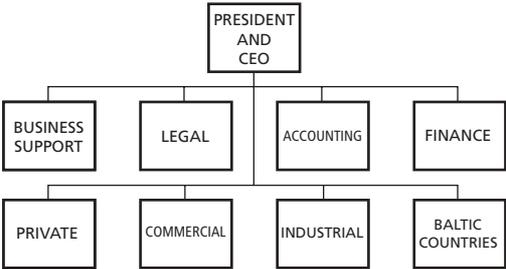


Subsidiaries in the If Group not shown in the chart above are not deemed material to the Issuer or the If Group generally.

Operations

The If Group conducts its business operations on a pan-Nordic basis. Operations are mainly divided in accordance with the customer segments within the Private, Commercial and Industrial business areas. The Baltic countries comprise a separate business area. Corporate support functions, such as IT, Human Resources and Communications, are also organised in accordance with a Nordic structure.

The chart below outlines the current operational structure of the If Group:



The Issuer’s business is conducted within the framework of the If Group’s pan-Nordic customer-oriented operational structure. The Issuer therefore forms part of the If Group’s Private, Commercial and Industrial business areas (with If Vahinkovakuutusyhtiö Oy constituting the other part). Reporting and follow-up is conducted in accordance with the customer segments rather than based on the legal structure.

Business Overview

The If Group is the leading property and casualty insurance provider across the Nordic region with a pan-Nordic market share of approximately 22 per cent. (Source: If estimate based on annual reports). The Issuer is the second largest property and casualty insurance company in the Swedish and Norwegian markets with market shares of 23 per cent. and 31 per cent. respectively (Source: Swedish and Norwegian insurance associations, 2004 data). In

addition, the Issuer ranks fifth among the direct property and casualty insurers in Denmark with a market share of approximately 6 per cent. (Source: Danish insurance association, 2003 data). If Vahinkovakuutusyhtiö Oy, including its subsidiaries, is the largest property and casualty insurance company in the Finnish market with a market share of 30 per cent. (Source: Finnish insurance association, 2004 data). In addition If Vahinkovakuutusyhtiö Oy, including its subsidiaries, is one of the market leaders in the Baltic countries.

The If Group offers insurance solutions to approximately 3.6 million customers in Sweden, Norway, Finland, Denmark and the Baltic countries as well as to Nordic customers with international operations. Customers include individuals as well as small, medium and large businesses. The If Group underwrites all classes of property and casualty insurance except credit insurance. The marine and energy portfolio was divested during 2004 to Gard Marine & Energy (Bermuda).

For 2004, the If Group reported gross premiums written of SEK 37,742 million. Of these premiums approximately 77 per cent. were attributable to the Issuer and its subsidiaries. For 2004, the Issuer and its subsidiaries reported gross premiums written of SEK 29,048 million. Of these premiums approximately 49 per cent. were attributable to the Private segment

- **Private** is the largest business area in the If Group, with approximately 48 per cent. of the If Group's total gross premiums written in 2004 and approximately 3.0 million customers. As of 31st December 2004, Private had about 2,806 full-time employees, representing approximately 42 per cent. of the If Group's total work force. Private provides insurance to individuals, including property and casualty cover in the home and household, motor and accident insurance segments, in addition to a number of supplementary policies such as travel, summer cottages and domestic animal policies. Brands include If, Europeiske (travel insurance in Norway) and branded car insurance in cooperation with car manufacturers and branded workshops, such as Saab Försäkring and Volvia. During 2005 complementary personal insurance products will be launched. In 2004, 40 per cent. of gross premiums written for the If Group's Private business area came from Sweden, 35 per cent. from Norway, 20 per cent. from Finland and 5 per cent. from Denmark. 47 per cent. of gross premiums written were distributed through customer centres, 17 per cent. through branch offices, 10 per cent. through agents, 14 per cent. through car dealers, 5 per cent. through telephone sales and 7 per cent. through other sales channels.

Approximately 30 per cent. of the Issuer's and its subsidiaries' gross premiums written in 2004 were attributable to the Commercial segment.

- **Commercial** is the second largest business area in the If Group, with approximately 30 per cent. of the If Group's total gross premiums written in 2004 and approximately 350,000 customers. As of 31st December 2004, Commercial had about 2,085 full-time employees, representing approximately 31 per cent. of the If Group's total work force. Commercial provides insurance primarily to small and medium sized companies (companies with up to 500 employees) conducting business in Sweden, Norway, Finland and Denmark. About 60 per cent. of the customers are small companies that are offered standardised insurance solutions, while the remaining 40 per cent. require more specialised insurance solutions and counselling. Products offered include property, liability, motor, transport, accident and workers' compensation. In 2005, health care products have been introduced. In 2004, 24 per cent. of gross premiums written for the If Group's Commercial business area came from Sweden, 42 per cent. from Norway, 24 per cent. from Finland and 10 per cent. from Denmark. 39 per cent. of gross premiums written were distributed through the If Group's own sales force, 20 per cent. through customer centres, 18 per cent. through brokers, 11 per cent. through agents, 7 per cent. via co-operation agreements with associations, organisations and franchisees and 5 per cent. through other sales channels.

Approximately 16 per cent. of the Issuer's and its subsidiaries' gross premiums written in 2004 were attributable to the Industrial segment.

- **Industrial** is the third largest business area in the If Group, with approximately 16 per cent. of the If Group's total gross premiums written in 2004 and approximately 1,000 customers. As of 31st December 2004, Industrial had about 344 employees, representing approximately 5 per cent. of the If Group's total work force. The business area's customers are large companies with a Nordic base. Customers are primarily companies with sales exceeding SEK 500 million, with more than 500 employees and complex insurance requirements. Industrial's product lines are similar, in general, to those offered in Commercial. Industrial also provides insurance consultancy services to certain Nordic self-insurers, or captives. In 2004, 43 per cent. of gross premiums written for the If Group's Industrial business area came from Sweden, 17 per cent. from Norway, 26 per cent. from Finland and 14 per cent. from Denmark.

The remainder of the Issuer's and its subsidiaries' gross premiums written in 2004 were attributable to the marine and energy portfolio, which was sold to Gard Marine & Energy (Bermuda) (5 per cent.).

The fourth business area of the If Group is the Baltic countries. However, the Issuer has no business in the Baltic countries.

The following table sets forth, for the years indicated, the Issuer's and its subsidiaries' gross premiums written by principal line of business:

	Year ended 31st December	
	2004	2003
	(SEK millions)	
Property	9,560	10,362
Motor Third Party Liability	5,190	4,782
Motor Other	7,177	6,989
Accident & Health	1,967	1,819
Liability	1,265	1,354
Marine, Aviation and Transport	2,567	3,242
Other, including reinsurance accepted	798	919
Travel insurance, Norway	524	535
Total	29,048	30,002

In 2004, 43 per cent. of gross premiums written by the Issuer and its subsidiaries came from Sweden, 47 per cent. from Norway and 10 per cent. from Denmark.

Distribution

In the Nordic market, sales activities and the handling of insurance and claims matters are being conducted increasingly via cost-effective channels, such as telephone and the Internet.

In Sweden, sales methods have changed significantly since the beginning of the 1990s, and telephone is the main method used today. In general, brokered business has increased within commercial and industrial insurance, while sales via the companies' own representatives have decreased. As a result of the introduction of net pricing, which means that the broker's fee is separated from the insurance premium paid by customers, the If Group noted a decline in brokered industrial and commercial business in Sweden during 2004, to 43 per cent. (52 per cent. in 2003). Sales by telephone or the Internet accounted for about 76 per cent. of the If Group's sales to private customers in Sweden during 2004.

In Norway, the insurance companies' own sales representatives still account for a large but declining proportion of sales. Other common sales channels include franchise offices, where independent salespeople conduct sales work on behalf of insurers. Industrial insurance is usually sold via brokers. During 2004, representatives accounted for approximately 22 per cent. of the If Group's sales of commercial insurance in Norway, company salespeople for 33 per cent. and call centres for 23 per cent. An increasing share of private customers are electing to purchase insurance cover by telephone or via the Internet, channels that accounted for 55 per cent. of the If Group's total sales to private customers in Norway in 2004.

In Denmark, private insurance is sold mainly via the companies' own salespeople and local sales offices, as well as by telephone, whose importance has increased steadily. For major insurance commitments, the companies have generally established key account departments. About 54 per cent. of the If Group's commercial and industrial business in Denmark was brokered during 2004 (52 per cent. in 2003).

In Finland, sales are conducted via proprietary local sales offices or through agents. In recent years, there has been an increase in the importance of brokers, who now account for 20 per cent. of the If Group's sales of commercial and industrial insurance (21 per cent. in 2003). Customers increasingly conduct their business by telephone or the Internet, channels that accounted for approximately 21 per cent. of the If Group's sales to private individuals in Finland during 2004 (18 per cent. in 2003). As previously described, the If Group's Finnish insurance operations are mainly conducted through the subsidiary If Vahinkovakuutusyhtiö Oy. The Issuer has only an insignificant presence in Finland through its branch.

Asset Management

A proprietary asset management organisation was formed within the If Group in 2004. During autumn 2004, cooperation with the external managers – Catella, Den Norske Bank, Nordea and Storebrand – was therefore terminated. The If Group's investment assets are managed partly by the If Group's proprietary asset management organisation and partly by the Sampo subsidiary Mandatum Asset Management. The If Group's asset management organisation manages Scandinavian and U.S. interest-bearing securities and Scandinavian equities. Mandatum Asset Management manages European interest-bearing securities and global equities. Within the run-off operations, investment assets are exclusively invested in bonds with a high credit rating and a maximum duration of two years, in order to minimise risk.

Business mission, strategy and financial objectives

The If Group offers competitive insurance solutions in the Nordic region and Baltic countries and the If Group's overall objective is to create value for its customers, employees and shareholders. Steady improvements in service, products and processes will secure stable long-term profitability.

Vision

The If Group's vision is to be the leading property and casualty insurance provider in the Nordic region and to offer stability and security to customers through competitive insurance solutions and unrivalled insurance expertise. Being the leading player mainly entails that:

- Customers will view the If Group as the foremost insurance expert with the most competitive insurance solutions.
- By offering a secure working environment with favourable development potential, employees will regard the If Group as the most attractive employer in the industry.
- The ultimate shareholders will view the If Group as a stable investment that offers limited risk combined with an attractive return.

Business mission

The If Group develops and sells property and casualty insurance solutions that offer customers security in their business operations, housing and daily lives.

Strategy

By capitalising on the benefits offered by the Nordic organisation in such areas as product development, pricing and risk selection, and through the introduction of standardised work processes, the If Group can establish a lower cost level than its competitors, which provides competitive advantages.

- Sharper customer focus
Superior customer service and care are important factors in ensuring that current customers continue to select the If Group as their insurance provider. Availability and rapid claims adjustment are key factors affecting customer loyalty. Tailor-made customer concepts and programmes that reward loyal customers represent significant initiatives in attracting and retaining customers. Customised digital solutions simplify the administration of insurance cover and provide private individuals and commercial customers with increased accessibility.
- Selective growth
The If Group commands a strong position in the Nordic market and will continue its efforts to retain it. In addition, continuing growth in the Baltic countries is strategically important. The If Group will strengthen its market position by means of organic growth and selective acquisitions in strategically significant product areas.
- Investment strategy based on balanced risk
The If Group seeks a low risk level and a balance between the risks in its insurance and investment portfolios. The aim of the If Group's investment strategy is to maintain a balance between its insurance commitments and its investment assets in terms of, for example, currency and duration. Surplus capital is to be invested, in an effort to enhance the total return.

Financial objectives

- The If Group's overall long-term financial objective is to achieve a return on economic capital corresponding to 17.5 per cent.
- The If Group aims to maintain a stable credit rating corresponding to Standard & Poor's and Moody's financial strength rating in the "A" range.

Employees

On 31st December, 2004, the If Group had 6,702 full-time employees in 14 countries with approximately 90 per cent. working in the Nordic countries. On 31st December, 2004, the number of people employed by the Issuer was 3,979 with 1,829 employees in Sweden, 1,725 in Norway, 394 in Denmark and 31 internationally. The If Group's headquarters is in Solna, just outside Stockholm in Sweden.

Competition

The If Group operates in an evolving and highly competitive market. The If Group's competitors include larger, diversified insurance conglomerates as well as local, often mutual, single-country competitors operating in the national markets of Sweden, Norway, Finland and Denmark. Specifically, these are Länsförsäkringar, Trygg-Hansa and Folksam (Sweden); Gjensidige, Vesta and Sparebanken 1 (Norway); Pohjola, Tapiola and Fennia (Finland); Tryg, Codan, Topdanmark and Alm. Brand (Denmark). Internationally, certain of the If Group's lines of business compete with those of Zurich, AIG and FM Global among others.

Recent Developments

The Issuer's investment in Gard Marine & Energy (Bermuda) was divested on 1st February, 2005. Gard P&I acquired the Issuer's shareholding (42 per cent.) and became the holder of all of the shares in the company. The subordinated capital subscribed by the Issuer in connection with Gard Marine & Energy's formation (USD 15 million) was also included in the transaction. The sale gave rise to a capital gain of SEK 7 million for the Issuer.

On 10th January, 2005, the Swedish Companies Registration Office (*Bolagsverket*) registered the wholly owned subsidiary If Reseförsäkring AB, as having been merged into the Issuer. As a result of the merger, If Reseförsäkring AB's assets, provisions, liabilities and untaxed reserves have been taken over by the Issuer, which gave rise to a negative merger difference, calculated at the merger date 1st January, 2005, whereby retained earnings in the Issuer were reduced by SEK 56 million on the merger date.

On 7th-9th January, 2005, a storm swept through northern Europe, affecting also the Nordic countries, particularly Sweden and Denmark. Gross claims costs for the If Group were substantial, although well below the If Group's capacity of SEK 5 billion in catastrophe cover. As the If Group's reinsurance protection covers claims in excess of SEK 200 million per event, the net cost for the If Group will be SEK 200 million in addition to some reinstatement premiums. Around 85 per cent. of this cost will be affecting the result of the Issuer. The net effect of this event is therefore not material in relation to the Issuer's total business.

On 5th April, 2005, Anders Nordman resigned as Head of Industrial business area and left the Board of Directors of the Issuer. Anders Nordman was replaced by Morten Thorsrud, previously Head of Underwriting in the Industrial business area.

Capital Adequacy and Solvency Requirements

The Issuer is obliged to meet regulatory requirements with respect to capital adequacy and solvency. The Issuer must at all times maintain a sufficient capital base consisting mainly of equity and untaxed reserves. The required level of the capital base is based on the nature and size of the business: the solvency margin. Under the Insurance Business Act, which, in this respect, is based on EU directives, the solvency margin shall be determined on the basis of a ratio related to the higher of two amounts; the first based on premium volumes for the most recent financial year (*premieindex*), the second based on the average claims cost for the last three financial years (*skadeindex*).

The Issuer is not obliged to file its statutory solvency declaration until the first of the day of the general meeting of the shareholders and 15th May in the year following the end of its financial year. The solvency declaration of the Issuer as at 31st December, 2004, showed a solvency requirement of SEK 4,682 million and a solvency capital of SEK 9,279 million (after reduction of proposed dividend for 2004, paid in March 2005). The excess was approximately SEK 4,597 million or approximately 98 per cent. above the minimum solvency requirement. The solvency requirement has since 31st December, 2002, increased with approximately 7 per cent. while the solvency capital at the same time has increased with approximately 30 per cent., also when adjusting for dividends paid.

The If Group and the Issuer target a financial strength rating in the "A" range from Standard & Poor's and Moody's and aim to have a capitalisation which is in line with the rating agencies' requirements for such a rating.

On 20th March, 2002, the so-called Solvency I Directive regarding non-life insurance (2002/13/EC) was published. This directive sets out rules on the solvency margin requirements for non-life insurance undertakings and aims at updating some of the requirements in the previous directives.

The directive has been implemented in Sweden through changes in the Swedish Insurance Business Act. The changes were effected from 1st January, 2004, and imposed among other things stricter solvency margin requirements. However, insurance companies having a licence to conduct insurance business granted prior to 20th March, 2002, like the Issuer, have a transitional period of five years from 20th March, 2002 (being the date when the directive was officially published) to implement the changes.

The Issuer has not yet implemented the changes but will do so prior to 20th March, 2007. The Issuer intends to implement these requirements during 2007 and expects that the implementation will have no significant impact on the solvency requirement for the Issuer, although the capital base may decrease as less of the Issuer's subordinated loans may qualify for inclusion in its capital base.

Risk Management

The If Group and the Issuer place a high priority on risk management and regard it as one of its core competencies. The Issuer has established comprehensive risk management procedures which enable it to control and monitor risks and the accumulation of such risks. Risk control mechanisms have been established at different levels throughout the Issuer's organisation.

The Issuer aims to ensure that its net asset value can sustain adverse developments, such as large catastrophic claims or a dramatic fall in equity prices and a consequent adverse investment result, without the need for new capital infusions and without falling below regulatory solvency levels, attempting at all times to maximise economic value while generating appropriate after-tax income and sufficient liquidity to meet corporate and policyholder obligations.

The Issuer's net asset value includes equity, retained earnings, untaxed reserves, deferred tax liabilities and surplus values.

The Issuer's risk management policies, including its policies for overall asset allocation, its reference portfolio, its strategy in respect of hedging and reinsurance, the level of risk it adopts, its reserving policy and its underwriting policy are approved by the Issuer's board of directors. The Issuer's board of directors is also ultimately responsible for monitoring its investment, hedging, reinsurance, reserving and underwriting activities.

The risks faced by the Issuer and how it manages them

The Issuer's operations are exposed to a number of risks, including:

- underwriting risk;
- provision risk;
- investment risk;
- currency risk;
- operational risk; and
- credit and liquidity risk.

For a discussion of how the Issuer manages the aggregated effect of all these risks on its net asset value, see *Dynamic Financial Analyses* below.

Underwriting risk

Underwriting risk relates to the process by which applications for insurance coverage are reviewed to determine whether the coverage being requested can be provided and the pricing of such coverage.

A prominent type of risk is claims having wide-ranging financial implications, for example large industrial fires or natural catastrophes, such as severe windstorms. These tend to occur randomly, and insurance premiums must, over the course of time, be adequate to cover the expected cost for these. In private lines, which constituted approximately half of the Issuer's total gross premium income for the year 2004, large single claims are less common. However, another important risk is an unforeseen increase in the frequency or the average size of small and medium-sized claims. This could be caused by increased economic activity potentially affecting several lines of business, but also by other factors relating only to one, or a few, lines of business.

The Issuer follows detailed underwriting guidelines that are intended to properly assess and quantify the risks it will undertake, regulate the size of sums insured and define the risk types it should accept. The Issuer sets requirements which its customers have to fulfil before it will provide insurance. Depending on the customer or the line of business, such requirements may include, for example, the implementation of security systems, sprinkler systems or other risk-reducing measures. As part of the underwriting process, the Issuer offers its customers advice designed to reduce the likelihood of suffering losses.

Large claims are nevertheless an expected part of the property and casualty insurance business and the Issuer enters into reinsurance contracts to reduce its exposure to events having a large financial impact. Such events include weather-related events, large fires and general liability claims. By entering into reinsurance contracts and thereby spreading the effect of large claims among reinsurers the amount of capital a single insurer needs to put up is reduced, and hence works to reduce the overall capital cost of insurance. In addition to reducing capital costs, reinsurance is a critical element in managing the overall risk of the Issuer's property and casualty portfolio. How much exposure the Issuer retains and how much it reinsures is described under *Reinsurance* below.

Provision risk

Provision risk relates to the adequacy of technical provisions, or reserves.

The Issuer's technical provisions are intended to cover its liabilities and costs relating to claims incurred before the balance sheet date and the remaining risk period of policies in force at the balance sheet date. The policies and guidelines governing the way in which the Issuer calculates its technical provisions are approved by the Issuer's board of directors. The Issuer has a staff of qualified actuaries responsible for monitoring, on a continuous basis, the levels of its technical provisions in order to ensure that they accord with the Issuer's established policies and guidelines. Furthermore they develop methods and systems to establish and monitor the levels of its technical provisions and to perform the necessary calculations. Calculations are based on generally accepted actuarial principles and methods, and comply with current recommendations issued by associations of actuaries in Europe and the United States.

The Issuer's internal actuaries base their estimates on experience with similar cases and historic trends, such as reserving patterns, changes in exposure, loss payments, pending levels of unpaid claims, product mix and levels of claims reported, as well as court decisions and economic conditions.

When needed, external actuaries are commissioned to check the internal assessments of the technical provisions. During spring 2004 a review was performed by external actuaries. In certain areas where specialist expertise is required, the Issuer commissions assistance from external advisors when assessing the technical provisions. The Issuer believes, based on information currently available, the opinion of its Chief Actuary and the opinion of its external actuaries, that its technical provisions are sufficient to cover its liabilities.

For a more detailed discussion of the Issuer's technical provisions, see *Technical Provisions* below.

Investment risk

Investment risk is the risk of loss to the Issuer's investment portfolio occurring through adverse changes in the level of prices in financial markets.

The Issuer collects premiums in advance and, at a later date, the Issuer makes payments to policyholders when claims occur. In the interim, it manages these assets so as to generate investment returns in order to increase its profits. At the same time, the Issuer also manages the level of risk and maintains liquidity in its investments. The Issuer's investment portfolio consists of approximately 81 per cent. of fixed-income securities as of 31st December, 2004, making interest rate risk a major risk within its investment operations. The Issuer is also exposed to changes in equity prices and foreign currency exchange rates. For a discussion of foreign currency exchange rate risks, see *Currency risk* below.

Interest rate risk is the price sensitivity of a fixed-income security to changes in interest rates. The Issuer views these potential changes in price within the overall context of asset and liability management. Its internal actuaries estimate the payout pattern of its liabilities to determine their duration. The Issuer sets duration targets for its fixed-income investment portfolios after consideration of the duration of the liabilities, which it believes assists in mitigating the overall effect of its interest rate risk. By matching the duration of its assets and liabilities, it reduces interest rate risk on its net assets.

The management of investment risks is integral to the Issuer's operations. The Issuer has investment guidelines that define the overall framework for managing the investment risks. Also included in the guidelines are overall asset class allocation, geographical distribution of investments, aggregate interest rate risk of investment assets, currency exposure, credit limits, and counterparty exposure limits. The guidelines are based on many factors, including a thorough analysis of the underlying characteristics of the insurance contracts and liabilities for which investments are made, underwriting results and the resulting tax position, regulatory requirements, fluctuations in interest rates and equity prices and consideration of other investment risks.

The Issuer's strategic asset allocation is established pursuant to a reference portfolio contained within its investment policy, which was approved by its Board of Directors on 9th December, 2004. The Issuer's reference portfolio is compiled to reflect the asset mix it aims for, taking into account applicable legal restrictions. See *Regulation*.

The Issuer's reference portfolio for 2005 has been formed on two main principles: matching and diversification. Matching means that the management of investment assets must be adapted to insurance liabilities in terms of currencies and maturities. Adaptation is conducted in a manner that ensures that variations in interest rates, inflation and exchange rates have a minimum effect on the Issuer's financial position. Surplus assets, meaning those remaining after liabilities have been matched, are invested using diversification as the primary principle, which means that the investments are spread across various asset categories and markets.

The Issuer's reference portfolio for 2005 is shown in the table below:

Asset class	Reference weight (%)	Minimum weight (%)	Maximum weight (%)
Fixed-income total	85.5	70.0	100.0
Equities total.....	14.5	0.0	30.0
Commodities	0.0	(4.0)	4.0

The table sets out a reference weighting for each asset class. The reference weighting is the Issuer's target weighting for asset allocation based on market value. The table also sets out minimum and maximum weightings within which the Issuer's actual portfolio weightings for the various asset classes must lie.

In respect of the Issuer's fixed-income portfolio, additional risk limitations are set using durational restrictions. The Issuer has established reference durations for each currency and minimum and maximum durations for the total fixed-income portfolio. In each case, the duration is the discounted weighted average time to maturity.

The Issuer also employs stress-testing to check its ability to survive severe market fluctuations without violating minimum regulatory requirements in respect of its net asset value. Stress-testing means that the Issuer formulates scenarios for its investment portfolio, expressed as percentage declines in the market values of each asset class, and calculates the total effect on its net asset value. In periods of unusually large market movements, the relationship between movements in each asset class generally changes. The Issuer's stress test takes this into consideration.

The Issuer calculates the effect of the scenarios on a monthly basis or after a large downward move in the capital markets and makes necessary adjustments in order to rebalance its investment portfolio accordingly. Constant monitoring allows for changes in asset allocation during times of high volatility.

The Issuer had investment assets of approximately SEK 58 billion as at 31st December, 2004. Fixed-income investments accounted for approximately 81 per cent. of these investments, while equities accounted for approximately 14 per cent. (not including exposure from equity derivatives). The balance of the Issuer's investment assets comprised derivative instruments, shares and participations in group companies, deposits with credit institutions and properties.

Currency risk

Currency risk is the risk that the Issuer will incur economic losses due to adverse changes in foreign currency exchange rates. This risk arises in relation to the Issuer's net asset and liability exposures and in relation to a translational risk into Swedish kronor, the functional currency of the Issuer's consolidated financial statements.

The Issuer has branches in seven different countries. The functional currency of the Issuer's foreign operations is generally, but not always, the currency of the local operating environment, since their business is primarily transacted in such local currency.

The Issuer reduces the risks relating to currency fluctuations by, to a large degree, maintaining investments in those currencies in which it expects to have unpaid claims or other liabilities. Such investments have characteristics similar to the Issuer's liabilities in those currencies. Due in part to the Issuer's diversified investment policy its investment assets also represent exposures to non-Nordic currencies, especially U.S. dollars and euro. Exchange rates may fluctuate and this would affect the Issuer's transactional currency risk. The Issuer broadly hedges such currency exposures in its balance sheet through the use of forward currency contracts, for a discussion of which see *Use of derivatives* below. Currency hedging entails costs, however, and natural hedges are therefore identified first. The Issuer reviews its hedging requirements at least monthly, adjusting for significant exposures where appropriate between such reviews. In addition to the hedging of the currency exposure in the insurance operations and the investment assets, an active currency management is pursued in order to achieve excess return with a balanced and controlled level of risk.

The functional currency of the Issuer's consolidated financial statements is the Swedish krona and its results and balance sheet items are translated into this currency. Fluctuations in foreign currencies against the Swedish krona will generally affect the Issuer's premiums and operating income as reported in its income statement. Fluctuations in operating income consequent upon changes in foreign exchange rates are mitigated since, due to the structure of its business, the Issuer has significant assets, on the one hand, and costs and liabilities, on the other hand, denominated in the foreign currencies in which premiums are received. As a result, revenues and expenses are naturally hedged. The Issuer's balance sheet is affected primarily by the translation of net assets of foreign subsidiaries into Swedish krona at rates that vary over time. The principal currency creating translational foreign exchange rate risk for the Issuer is the Norwegian krona.

Operational risk

Operational risks relate to potential losses caused by a breakdown in information, communication, settlement and transaction systems and procedures. These risks can also include failure by personnel to obtain proper internal authorisations, improper document transactions, equipment failure, inadequate training or errors or frauds by personnel.

The Issuer has established procedures to monitor the operational risks it has in each of its business areas. These procedures involve, among other things, regular operational assessment and internal auditing aimed at identifying, analysing, appraising and evaluating the Issuer's main operational risks, and follow up and report on such risks on a quarterly basis. The internal audit process involves regular follow-up meetings between members of the audit team and the Issuer's personnel within each of its business areas in order to assess performance and cost levels. In addition, the Issuer has extensive on-the-job development programmes through its human resource department, at both management and employee level, in order to ensure the qualitative implementation of its policies, strategies and working practices.

Credit and liquidity risk

Credit risk is the risk that financial counterparties may default on their obligations, causing the Issuer to suffer a loss. Credit risk includes the risk that a government or corporate institution will not fulfil its obligations or otherwise obstruct the remittance of funds by debtors, particularly in the context of fixed-income securities.

An important source of credit risk for the Issuer relates to reinsurance. For a discussion of how the Issuer manages this particular risk, see *Reinsurance* below. Moreover, the Issuer has credit risk in its investment portfolio where it holds debt securities from corporate issuers as well as governments. The Issuer manages this risk by setting credit risk and rating guidelines in its investment policy. The Issuer uses Standard & Poor's and Moody's ratings to judge the creditworthiness of corporate issuers in whose securities it invests. The Issuer further limits its exposure to credit risk by reference to the maximum allowable exposure guidelines within its investment policy, as set out in the table below.

With respect to counterparty risks in equity derivative transactions, the Issuer's investment guidelines require transactions to be entered into with recognised clearing institutions as well as banks, investment banks or wholly owned subsidiaries thereof, provided that such banks or investment banks have a rating of at least "A-" / "A3" from Standard & Poor's or Moody's.

The following table sets out the Issuer's maximum allowable exposure for issuer and counterparty risk per issuer and per counterparty and for rating categories as a whole.

Rating category	Credit Risk Limits							Unrated
	AAA	AA	A	BBB	BB	B	CCC or lower	
Per issuer/counterparty	10%	8%	5%	4%	2%	0.5%	0.4%	0.5%
Total in rating category	100%	75%	50%	30%	15%	5%	3%	3%

The limits shown in the table above pertain to all issuers or counterparties, as the case may be, singularly or within the same consolidated group. The division pertain to ratings in domestic currency and the percentages pertain to the sum of the market value of the Issuer's total investments. The limitations set out in the table above also include exposure for issuer risk relating to corporate debt and counterparty risk relating to equity, interest rate and currency derivatives. Counterparty risk exposure in derivative contracts is defined as the market value of the derivative contract.

Liquidity risk is the risk that the Issuer is unable to meet short-term cash requirements. The Issuer considers this a minor risk, since premiums are collected in advance, large claims payments are usually known a long time in advance and its investment portfolio comprises securities which are readily marketable in the capital markets to raise funds where necessary.

Use of derivatives

The Issuer may use a variety of derivative instruments, including swaps, caps, floors, forwards and exchange traded futures and options, in accordance with its policy and in order to achieve its objectives of adjusting the portfolio risk profile while minimising transaction costs and tax liabilities.

The Issuer uses interest rate derivatives to manage its interest rate risk. Interest rate derivative contracts may only be entered into with counterparties with a rating from Standard & Poor's or Moody's of at least "A-" and "A3" respectively.

The Issuer uses equity derivatives in order to protect its equity portfolios from any anticipated decline in value, as well as to enhance the return on its equity investment portfolio consequent upon any anticipated rise in value. Such derivatives are an integral part of its overall investment policy, described above. In accordance with its investment policy, the Issuer may enter into equity index forward contracts and other forward contracts, provided that the asset class, geographical area and other restrictions contained within its reference portfolio are complied with. Put and call options may only be written against underlying securities.

The Issuer also uses derivative contracts to hedge currency exposure, see *currency risk* above.

Dynamic Financial Analyses

In addition to the specific risks described above, which are associated with the Issuer's insurance business and the investment assets backing its liabilities, all of which affect the Issuer's net asset value, the Issuer's net asset value is also exposed to the aggregated effect of such risks. Conversely, some of the risks it faces work in opposite directions, creating natural hedges. For the purpose of synthesising the risks faced, the Issuer uses a Dynamic Financial Analyses (DFA) model. The DFA model used is a market-recognised simulation model which has been customised to the specific needs of the Issuer.

The purpose of the DFA model is not to mitigate any single source of risk, but to decide on the Issuer's overall capital needs, the allocation of such capital to its different business areas and lines of business in order to achieve consistent profit-targets throughout the organisation, the allocation of investments between asset classes and regions and the requirements for reinsurance, as well as the Issuer's currency hedging strategy in order to optimise the utilisation of capital.

The Issuer's DFA model is a stochastic financial model which incorporates all underwriting, reserving, currency and investment risk into an aggregated measure, representing the volatility of the change in net asset value during a particular year. The level of this volatility is compared with the actual net asset value to determine whether the Issuer is sufficiently capitalised. The required capitalisation from the DFA model must then be compared with what is required from rating and legal perspectives. The Issuer's current capitalisation target is based on rating requirements of both Standard & Poor's and Moody's in order for it to maintain its "A" range financial strength ratings.

Based on the DFA work, the Issuer allocates capital to lines of business and business areas for the purposes of performance measurement. Such allocation is done based on contribution to overall company risk and takes, among many things, into account the different lines of business' reserve levels.

Reinsurance

To service its customers, the Issuer sometimes takes on large individual risks. It is also possible that a large number of the Issuer's risks could be affected in a single event, such as a windstorm. To avoid carrying capital to manage these exposures and as a strategic tool to manage the insurance liabilities, reinsurance, which is insurance for insurance companies, is purchased.

The reinsurance purchased is covering the whole If Group, including the Issuer, which means that the same retentions, capacities and rating requirements apply for the Issuer as for the If Group.

The selection of reinsurance companies is based on criteria related to solvency, reliability, the ability to offer a full range of services and products and diversification – the spreading of risk across counterparties – as well as developing strong relationships with the Issuer's reinsurance partners for the sharing of risks.

To manage the credit risk inherent in reinsurance the If Group has strict requirements on the rating of the reinsurers it cedes business to. Generally, for all core reinsurance programmes, including the catastrophe programme, a credit rating of "A-" or better by Standard & Poor's or AM Best is required. For lines of business where it can take a long time between a loss occurring and being finally paid, such as liability, an even higher rating is required. In exceptional circumstances the If Group is prepared to relax its rating requirements on a case by case basis, after authorisation by its Reinsurance Committee. Currently a few reinsurers with a lower rating have been authorised, who instead have placed collateral for their undertakings by issuing bank guarantees for the benefit of the If Group.

In addition to the rating requirements the reinsurance security policy states the maximum involvement a reinsurer is allowed to have. For example reinsurers rated "A" should each have a maximum exposure per risk or per treaty not exceeding SEK 500 million, a maximum ceded premium per year not exceeding SEK 150 million and not more than 30 per cent. of any reinsurance programme. Exceptions to this policy have to be authorised by the Reinsurance Committee.

For 2005, through a variety of reinsurance programmes relating to all of its lines of business, the If Group's retentions are between SEK 100 million and SEK 200 million for single risks and SEK 200 million per event. The 2005 reinsurance programme is divided into:

- a core programme, pursuant to which the Issuer exploits the ability of its reinsurers to take on risk with a lower capital cost than the Issuer can, thus helping to improve its return on equity; and
- a programme, pursuant to which the Issuer purchases reinsurance for single claims and event claims below the core programme to stabilise the result.

The Issuer's largest likely exposure is estimated to be a windstorm over western Norway, although the probability of a really severe Norwegian windstorm is very low. To protect the Issuer's capital against such a catastrophe, or a similar catastrophe, the If Group purchases reinsurance for catastrophes up to SEK 5 billion. This capacity is chosen as both statistical modelling and the use of catastrophe models indicate probabilities for breaching the SEK 5 billion capacity, acceptably low for the Issuer as well as for regulators and rating agencies.

Technical provisions

The premiums for the Issuer's insurance contracts are established and paid in advance, either for the whole contract period or in several instalments. The expenses and the claims covered by the Issuer's insurance contracts will be incurred over the periods in which the contracts are in force. Claims are often reported to the Issuer with some delay and, in many cases, it takes additional time to determine the actual amount of the claim to be paid. Consequently, there is a time-lag from when the premiums are received to when the cost for the contracts is known and the claims paid. The Issuer is most exposed to reserve risk in lines of business where this time-lag is long.

In order to reflect the Issuer's expected cost for claims and administration, technical provisions are established, pursuant to internal policies and guidelines and applicable insurance laws and regulations at the time the Issuer's insurance contracts commence. These provisions are intended to cover the expected costs of claims and administration for the remaining risk period of policies in force at the balance sheet date and the estimated remaining costs for all unsettled claims incurred before the balance sheet date.

The Issuer's technical provisions can be broken down into five components:

- Unearned premium provisions
- Unexpired risk provisions
- Claims provisions
- Annuities provisions
- Claims handling provisions

With the exception of annuity provisions, no other provisions are discounted.

The table below sets forth the Issuer's technical provisions before ceded reinsurance as at 31st December, 2004.

	(SEK millions)
Unearned premium	12,264
Unexpired risk	0
Claims	33,465
Annuities	3,242
Claims handling.....	1,170
Total technical provisions	50,141

Unearned premium provisions

The Issuer's provision for unearned premium derives from premiums written. As these premiums are written for insurance cover and administrative expenses for a period of time (generally one year) and are earned over the duration of the period, the Issuer does not immediately record the full amount of the premium as earned in its income statement. Instead, the premiums are earned on a *pro rata* basis over the risk period. The provision for unearned premium represents that share of the booked premium income that corresponds to the remaining portion of the total risk period for business in force.

Unexpired risk provisions

If the Issuer's provision for unearned premium, calculated on a *pro rata* basis as described above, is insufficient to cover the expected costs during the remaining risk period of policies in force, a provision for unexpired risk will be made. Provision for unexpired risk will be calculated on the basis of the difference between the expected cost, taking into account future investment income, and the provision for unearned premium.

Claims provisions

The Issuer's claims provision relates to claims payments the Issuer estimates that it will have to pay in the future and consists of provision in respect of notified claims and incurred but not reported claims (IBNR). Large claims are normally estimated individually while small claims can be estimated individually or by statistical methods. The provision in respect of IBNR claims is estimated using statistical methods. The statistical methods are based on the Issuer's historical experience of its business and takes account of historic late reported claim trends, reserving practice, loss payments, changes in its internal operational procedures and other such factors. Property claims, including theft and fire, are typically detected and reported to the Issuer without long delays, and amounts required settling the claims are usually established within a reasonable amount of time. Such claims are categorised as short-tailed claims. For liability claims, including motor third party liability, a much longer period normally elapses before the insured becomes aware of the claim and reports it to the Issuer. Additional time will normally elapse before a decision as to the liability of the insured and the amount of the claim is reached. If the claim involves personal injuries, the whole process will normally be even longer and the uncertainty greater. Such claims are categorised as long-tailed claims. During the time from the occurrence to the final settlement of a claim, the claims provision may have to be adjusted due to new facts or to changed conditions. Changed conditions include, for example, changes in inflation, court rulings, legislation and the public welfare systems.

Annuities provisions

Pursuant to local regulations in Denmark, Sweden and Finland, in certain circumstances personal injuries are indemnified by annuities rather than by payment of a lump sum. The Issuer's provision for annuities relates to those vested annuities under which it makes fixed or variable payments at some future time to annuitants who have suffered personal injury. Such provision is calculated using generally accepted actuarial techniques, taking investment income, inflation and mortality into account.

Claims handling provisions

The Issuer's provision for claims handling relates to the costs it expects to incur internally in connection with outstanding claims. In determining an adequate level for such provision, the Issuer takes into account the historic running costs of its claims handling units, adjusted to reflect any change in the volume of business it transacts.

Adequacy of provisions

On the basis of the Issuer's internal procedures which analyse, among other things, experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims and product mix, as well as court decisions and economic conditions, the Issuer believes, based on information currently available, that its technical provisions are adequate. Technical provision estimates are regularly reviewed and updated, using the most current information. Any adjustments resulting from changes in provision estimates are reflected in current results of operations.

Management

Directors

The Issuer is a Swedish insurance company under the supervision of the SFSA. The Issuer is governed primarily by the Swedish Insurance Business Act.

The registered office of the Board of Directors, both for If Holding and for the Issuer, is in Stockholm.

In accordance with the Issuer's Articles of Association, the Board of Directors consists of eight directors elected by the general meeting of shareholders for a term up to and including the following annual general meeting. In accordance with Swedish legislation regarding employees' right to board representation, two directors are appointed to the board by the labour unions representing the Issuer's employees. In addition, the labour unions appoint two alternate directors for their appointed directors.

Under the Swedish Insurance Business Act, the managing director and at least half the number of directors of the Issuer must be resident within the EEA, unless the SFSA or, in matters of extraordinary importance, the Swedish Government grants an exemption.

The table below sets out the names of the current ten members of the Board of Directors of the Issuer and the alternate employee representatives of the Issuer, their positions and their respective ages. The Issuer's board members were elected on 29th March, 2005, with the exception of Morten Thorsrud, who was elected on 5th April, 2005, and the employee representatives and their alternates, which are appointed by the labour unions.

Name	Position	Age
Torbjörn Magnusson	Chairman of the Board	42
Hannu Kokkonen	Managing Director	58
Tom Melbye Eide	Member	44
Ivar Martinsen	Member	44
Gunnar Rogstad	Member	49
Jan Svensson	Member	60
Ricard Wennerklint	Member	36
Morten Thorsrud	Member	34
Arild Lorentzen	Employee representative	61
Ulla-Britt Lundqvist	Employee representative	56
Håkan Hamberg	Alternate employee representative	53
Brit Holm-Fredriksen	Alternate employee representative	39

Senior executives

The following executives in the If Group are employed by the Issuer:

Name	Position in If Group	Age
Johan Börjesson	Head of Human Resources	38
Ivar Martinsen	Head of Commercial Business Area	44
Tom Melbye Eide	Chief Legal Counsel	44
Katarina Mohlin	Head of Corporate Communications	44
Gunnar Rogstad	Head of Private Business Area	49
Jan Svensson	Head of Business Support	60
Morten Thorsrud	Head of Industrial Business Area	34
Kjell Rune Tveita	Head of IT	42
Ricard Wennerklint	Chief Financial Officer	36

The President and CEO of the If Group, Torbjörn Magnusson, is employed by If Holding. Hannu Kokkonen, President and CEO of the Issuer and If Vahinkovakuutusyhtiö Oy and Head of Baltic business area, is employed by If Vahinkovakuutusyhtiö Oy.

Regulation

Set forth below is a summary of certain material provisions concerning the regulatory and supervisory environment of the property and casualty insurance business conducted by the Issuer. This description is a summary of certain legal issues and does not purport to be complete.

General

Swedish insurance companies are licensed and supervised by the SFSA. Such companies are primarily governed by the Swedish Insurance Business Act, which is based on EU directives. The regulation of Swedish insurance companies' international operations within the EEA is described below.

A Swedish insurance company is not permitted to carry out any other business than the business for which it is licensed, unless special circumstances arise. A license to conduct insurance business is valid until further notice or, under certain circumstances, for a definite time not exceeding ten years.

International operations

The EU has adopted legislation with a view to harmonising the member states' regulation of the insurance industry, thus creating a single European market in this respect. This was to a large extent achieved through the adoption of the third generation of insurance directives in 1992. These EU directives have been implemented in Sweden.

Through the adoption of the 1992 EU directives, the single passport principle was established in the insurance business. Accordingly, a licence from a competent authority in a member state is valid throughout the EEA. A licensed company may carry out its business within the EEA directly or through branches, without any further requirements of authorisations in the countries concerned. The home state authority is solely responsible for the supervision of the insurance company's activities within the EEA. Where an insurance company licensed in another member state carries on business through a branch, the competent authorities of the home state may, after informing the competent authorities of the host state directly or through intermediaries, carry out on-the-spot verification of the information necessary to ensure the financial supervision of the company. The authorities of the host state may participate in that verification.

The Issuer operates its cross-border activities through branches in Denmark, Finland, France, Germany, Norway, the Netherlands and the United Kingdom. Accordingly, the SFSA is responsible for the supervision of such branch activities, save with respect to Finland and Norway, see *Nordic supervisors' cooperation* below. However, the operations must still be in compliance with the laws of the countries where the branches operate in respect of activities such as marketing, consumer protection, insurance contract requirements and personal data protection.

In October 1998, the EU adopted a directive (97/78/EC) on the supplementary supervision of insurance undertakings within insurance groups. The directive has been implemented in Sweden through changes in the Swedish Insurance Business Act that entered into force on 1st January, 2001. The changes imposed, among other things, a general requirement for a Swedish insurance company within an insurance group to maintain appropriate control over how the company is affected by intra-group transactions and agreements, such as loans, guarantees and off-balance sheet transactions, elements eligible for the solvency margin, investments, reinsurance operations and agreements to share costs. Further, a Swedish insurance company must make a calculation of its solvency margin on a group level, consolidating (proportionally to its holdings) its subsidiaries and associated insurance companies in which it owns at least 20 per cent. of the share capital or the votes. The solvency margin and the intra-group transactions must be specially reported to the SFSA on a group level.

Nordic supervisors' cooperation

The supervisory authorities in Sweden, Finland and Norway have entered into a letter of intent (*avsiktsförklaring*) dated 3rd September, 2004, regarding the cooperation on the supplementary supervision of the Sampo Group based on the principles laid down in EU directive 2002/87/EC. The provisions of the letter of intent shall, to the extent possible, be supplementary to those contained in the Agreement signed on 11th March, 2002, by the Nordic supervisory authorities regarding cooperation on the supervision of the insurance undertakings included in the If Group.

Pursuant to the letter of intent, the authorities have declared that the Financial Supervisory Authority in Finland (*Fi. Rahoitustarkastus*) shall be appointed coordinator and thus be responsible for the coordination and exercise of the supplementary supervision. The tasks of the coordinator are defined in Article 11 of Directive 2002/87/EC.

The Financial Supervisory Authority in Finland is responsible for the supervision of the entire Sampo Group. Also, the Financial Supervisory Authority in Finland exercises the supervision of the parent company Sampo plc, Sampo Bank plc and, among others, the insurance companies belonging to the Sampo Group.

The SFSA is responsible for the supervision of the Issuer and its Swedish subsidiaries and foreign branches. In addition, the SFSA exercises supplementary supervision of the If Group, which is a subgroup (*underkoncern*) of the Sampo Group.

The Insurance Supervisory Authority in Finland (*Fi. Vakuutusvalvontavirasto*) is responsible for the supervision of Sampo Life Insurance Company Ltd and the Finnish company If Vahinkovakuutusyhtiö Oy. In addition, the Insurance Supervisory Authority in Finland exercises supplementary supervision of the Baltic subsidiaries of these companies. The Insurance Supervisory Authority in Finland also exercises certain supervision of the Issuer's branch in Finland.

The Financial Supervisory Authority of Norway (*No. Kredittilsynet*) exercises certain supervision of the Issuer's and its subsidiaries' branches in Norway in accordance with the Agreement from 2002 regarding cooperation on the supervision of the Issuer's group.

A supervisory group comprising representatives of the supervisory authorities is responsible for the overall coordination of the supervision of the Sampo Group.

Substantial shareholdings

Pursuant to the Swedish Insurance Business Act, an acquisition resulting in a substantial holding of shares in an insurance company must not take place until consent has been obtained from the SFSA. For these purposes, a substantial holding means a direct or indirect ownership of at least 10 per cent. of the votes or the share capital, or a holding providing a substantial influence on the management of the insurance company. Such consent is also needed for acquisitions resulting in an aggregate holding equal to or in excess of 20, 33 or 50 per cent. of the votes or the share capital, or if the insurance company will become a subsidiary. Similarly, disposals resulting in a holding falling below any of these thresholds must be notified to the SFSA before such transactions are completed.

A shareholder failing to obtain the necessary consent for an acquisition from the SFSA may be restricted from voting at a general meeting. A shareholder with a shareholding in breach of a decision by the SFSA is not only prevented from voting at a general meeting to the extent his shareholding conflicts with any decision, but he may also be required to dispose of such shares. Failure to notify a substantial acquisition may constitute a criminal offence under the Swedish Insurance Business Act.

When a Swedish insurance company becomes aware of an acquisition or disposal of a substantial holding of its shares, it is required to promptly notify the transaction to the SFSA. Further, it is obliged to report the names of persons with substantial holdings and the size of such holdings to the SFSA annually. Legal entities with a substantial holding directly or indirectly in an insurance company must promptly notify the SFSA of any changes in its management.

In the event that a substantial shareholder acts, or is expected to act, in a manner contrary to the requirements under the authorisation, the SFSA can limit the shareholder's right so that he may only act in respect of those shares not constituting a substantial holding. Similarly, where a shareholder has grossly neglected obligations in business activities or other economic matters or has a record of severe criminal activities, rights that attach to this shareholding may be restricted. In exceptional circumstances, the SFSA may request that the district court appoints an administrator for the shares which, pursuant to the above, may not be represented by the shareholder.

Technical provisions and investments

An insurance company's technical provisions should at all time cover liabilities that may reasonably be expected to arise under its outstanding insurance policies. Accordingly, investment of insurance company funds is regulated to ensure that the investments match the liabilities and that the funds are invested with adequate risk management and sufficient liquidity.

Generally, assets used to match debts where the risk is located within the EEA must be located within the EEA, and for risks outside the EEA, investments must be made within Sweden. However, investments may be made outside the EEA, provided that it is not detrimental to the policyholders. The insurance company is required to draw up investment guidelines and maintain a register of the assets used to match potential liabilities. Certain categories of policyholders have priority to the assets listed in the investment register.

Borrowing Restrictions

Pursuant to the Swedish Insurance Business Act, an insurance company may only borrow money in order to make its fund management more efficient or if it is otherwise required by the insurance business conducted, provided that the total borrowings are minor in relation to the scope of the business and the size of the capital base. The SFSA may, in certain circumstances, grant an exemption from this limitation.

Reserve coverage ratio

Pursuant to the Swedish Insurance Business Act (which, in this respect, is based upon EU directives), a Swedish insurance company must at all times have approved investment assets which value at least matches the company's technical provisions, net of reinsurance. The relation between approved investment assets and net technical provisions is called the reserve coverage ratio. The company's reserve coverage must at all times be at least 100 per cent.

The valuation of the investment assets for these purposes is regulated. Furthermore, the Swedish Insurance Business Act defines which assets and at which amounts various assets qualify for debt coverage. The Swedish Insurance Business Act's limits are defined by the following two matrices, one for various classes of assets and one for so-called single-exposure investments.

Matrix/Asset classes

	Limit values (Max. % of net technical provisions)
Government and municipal bonds and bonds issued by certain international organisations	100%
Premium receivables from government and municipalities and premiums from certain international organisations	100%
Reserve deposits with reinsurance policyholders	100%
Premium receivables, regarding a certain premium period and which have not become due	100%
Mortgage and corporate bonds and bank balances	75% ¹
Listed equities, excluding real estate stocks and stock in operating subsidiaries	25%
Real estate, real estate stocks, real estate loans	25%
Loans secured by other adequate collateral	10%
Unlisted securities	10%
Cash	3%

Matrix/Single-party investments

	Limit values (Max. % of net technical provisions)
Real estate or real estate complexes ..	5%
Shares and corporate bonds issued by same issuer	5%
Mortgage bonds or shares issued by mortgage institutions	10% ²
Securities in funds managed by same fund company..	10%

The Swedish Insurance Business Act's matrices aim to ensure an elementary diversification of the assets that are intended to cover the company's legal insurance commitments. Assets in excess of those dedicated to cover the company's legal insurance commitments may be invested more freely, however, with observance of sound diversification for these assets as well.

Non-Swedish group companies should comply with applicable laws and regulations in the implementation of the investment policy.

With respect to regulating foreign investments and foreign exchange risks, the SFSA has issued general advice on the handling of foreign exchange risks. This general advice requires that at least 80 per cent. of the net technical

1 Of which, corporate bonds maximum 50%.

2 However, the total investments exceeding 5% may amount to a maximum of 40% of technical provisions, net of reinsurance and shares by the same issuer are not allowed to exceed 55% of technical provisions, net of reinsurance.

provision in a single currency must be covered by investments in that currency. However, in certain situations, an insurance company does not need to have assets in a currency that does not account for more than 7 per cent. of the total assets in other currencies, including Swedish kronor.

Internal control

The SFSA has issued general advice concerning internal governance and control of certain companies under its supervision, which applies to insurance companies. The general rule is that the board of directors has the ultimate responsibility for a company's operations and should establish objectives and strategies for the business, and should follow up that these objectives are met. Furthermore, the board of directors of a parent company of a group should procure that internal instructions for governance and control are established for the licensed business conducted by companies in the group. Among other things, internal instructions on risk handling and control should be established.

In relation to internal governance and control, the SFSA advises companies to adapt their organisations to the changes in internal and external risks occurring over time. Certain additional criteria of importance to the internal control are:

- (i) proper routines to highlight any diversion from established internal guidelines and objectives;
- (ii) delegation of responsibilities and duties so that conflicts of interest are avoided, and safeguard that no single person handles the entire process of a transaction; and
- (iii) ensure that information and reporting systems provides updated and relevant information on the company's operations and risk exposure.

Moreover, an insurance company should have an internal audit function, independent from the operations, reporting directly to the board of directors.

Taxation

The following summary outlines certain Swedish tax considerations relating to the Securities for prospective investors that are not considered to be Swedish residents for Swedish tax purposes, if not otherwise stated.

Sweden

Under Swedish tax laws in effect on the date of this Offering Circular there is no withholding tax in respect of payment made by the Issuer in respect of any Securities to Securityholders not resident for tax purposes in Sweden, nor are any Swedish taxes payable by Securityholders not resident for tax purposes in Sweden on interest, principal or premium received in respect of any Securities or payment received on redemption of any Securities. Thus Securityholders who are not resident for tax purposes in Sweden or for any other reason subject to Swedish income tax or any other Swedish taxes are not liable to Swedish tax on receipt of interest, principal or premium on, or redemption of or on capital gains on the sale of any Securities.

Swedish private individuals with residence in Sweden for tax purposes may be subject to withholding tax in respect of payment made by the Issuer in respect of any Securities.

Generally, for Swedish corporations and private individuals with residence in Sweden for tax purposes, all capital income (e.g. interest received in respect of any Securities) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations, e.g. investment companies and life companies.

EU Directive on the Taxation of Savings Income

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Subscription and Sale

J.P. Morgan Securities Ltd. and Sampo Bank plc (the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 14th June, 2005, jointly and severally agreed to subscribe or procure subscribers for the Securities at the issue price of 100.00 per cent. of the principal amount of Securities, less a selling concession of 0.30 per cent. and a combined management and underwriting commission of 0.30 per cent. of the principal amount of the Securities. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Kingdom of Sweden

Each Manager has confirmed and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Securities or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in compliance with the laws of the Kingdom of Sweden.

Republic of Italy

The offering of the Securities has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may

copies of this Offering Circular (in preliminary or final form) or of any other document relating to the Securities be distributed in the Republic of Italy, except:

- (i) to professional investors ("*operatori qualificati*"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the **Financial Services Act**) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Securities or distribution of copies of this Offering Circular (in preliminary or final form), Preliminary Offering Circular or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the **Banking Act**), as amended; and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (c) in accordance with any other applicable laws and regulations.

General

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction unless the aggregate amount to be paid by such investor is equal to or exceeds SEK 300,000 (or the equivalent thereof in any other currency) and except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms.

General Information

Authorisation

1. The issue of the Securities was duly authorised by a resolution of the Board of Directors of the Issuer dated 2nd May, 2005.

Listing

2. Application has been made to list the Securities on the Luxembourg Stock Exchange. A legal notice relating to the issue of the Securities and the constitutional documents of the Issuer are being lodged with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) where such documents may be examined and copies obtained.

Clearing Systems

3. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0221854119 and the Common Code is 022185411.

No significant change

4. There has been no significant change in the trading position of the Issuer or any of its Subsidiaries and there has been no material adverse change in the financial position or prospects of the Issuer or any of its Subsidiaries since 31st December, 2004.

Litigation

5. Neither the Issuer nor any of its Subsidiaries is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or any of its Subsidiaries.

Accounts

6. With effect from 1st January, 2005 the independent auditor of the Issuer has been Ernst & Young AB. Prior to that date, the independent auditor of the Issuer was KPMG Bohlin AB, Tegelbacken 4A, P.O. Box 16106, S-10323 Stockholm, Sweden who has audited the Issuer's annual accounts, without qualification, in accordance with generally accepted auditing standards in the Kingdom of Sweden for each of the three financial years ended on 31st December, 2004.

U.S. tax

7. The Securities and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents

8. Copies of the following documents will be available from the specified offices of the Paying Agent for the time being in Luxembourg so long as any of the Securities remains outstanding:

- (a) the Articles of Association (with an English translation thereof) of the Issuer;
- (b) the audited consolidated and non-consolidated financial statements of the Issuer in respect of the year ended 31st December, 2003 and for the year ended 31st December, 2004 (the Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis);
- (c) the latest published unaudited consolidated interim and audited consolidated and non-consolidated yearend financial statements of the Issuer published after the date of this Offering Circular. The Issuer publishes six-monthly unaudited consolidated interim financial statements; and
- (d) the Subscription Agreement, the Trust Deed, and the Agency Agreement.

Replacement Capital

It is the Issuer's intention to redeem the Securities in whole (but not in part) only to the extent the Issuer has received approval from the SFSA to, and subsequently has, raised funds in the period of six months preceding such redemption by the issuance of securities with equal or greater equity characteristics as the Securities, in an aggregate amount at least equal to the original principal amount of the Securities.

Reliance by the Trustee

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other expert or other person in accordance with, and for the purposes of, the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the Auditors or any such other expert or other person in connection therewith contains any limit (whether monetary or otherwise) on the liability of the Auditors or any such other expert or other person in respect thereof.

Presentation of Financial Information

This Offering Circular contains the Issuer's audited financial statements as of and for the year ended 31st December, 2004 and the Issuer's audited financial statements as of and for the year ended 31st December, 2003. The Issuer prepares its financial statements in accordance with Swedish Generally Accepted Accounting Principles, or Swedish GAAP. The reporting currency for the Issuer's financial statements is Swedish kronor (SEK).

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FIVE-YEAR NON-CONSOLIDATED FINANCIAL STATEMENTS SUMMARY FOR THE ISSUER

Condensed income statement

MSEK	2004	2003	2002	2001	2000
Premiums earned, net of reinsurance	24 618	25 710	24 354	21 750	17 054
Claims paid, net of reinsurance	-18 242	-20 541	-21 146	-20 136	-14 881
Operating expenses	-4 256	-4 768	-4 796	-5 017	-4 162
Allocated investment return transferred from the non-technical account	1 556	1 636	1 884	1 524	1 140
Other technical revenues, net of reinsurance	216	-	-	-	-
Technical result	3 892	2 037	296	-1 879	-849
Investment return and other items	270	218	-2 288	-1 074	-779
Result before income tax	4 162	2 255	-1 992	-2 953	-1 628
Income taxes	-1 046	-418	460	852	429
Net profit/loss for the year	3 116	1 837	-1 532	-2 101	-1 199

Balance sheet, December 31, current value

MSEK	2004	2003	2002	2001	2000
Assets					
Intangible assets	4 441	4 750	5 965	5 886	5 147
Investment assets	58 303	50 850	45 819	39 490	33 955
Reinsurers' share of technical provisions	6 569	4 950	6 052	6 449	6 629
Deferred tax assets	79	907	1 444	1 022	-
Receivables	4 878	5 984	6 085	5 654	6 017
Other assets, prepayments and accrued income	3 080	2 730	3 114	3 107	3 953
Total assets	77 350	70 171	68 479	61 608	55 701
Shareholders' equity, provisions and liabilities					
Shareholders' equity	13 073	9 537	8 140	7 799	7 453
Untaxed reserves	3 021	2 756	2 613	1 899	1 921
Subordinated debt	1 776	1 783	1 791	1 823	-
Deferred tax liability	296	118	119	130	122
Surplus/deficit in interest-bearing securities	142	226	447	-11	59
Technical provisions	50 141	46 988	48 184	44 519	37 275
Creditors	7 292	7 319	5 902	4 285	8 167
Provisions, accruals and deferred income	1 609	1 444	1 283	1 164	704
Total shareholders' equity, provisions and liabilities	77 350	70 171	68 479	61 608	55 701

MSEK	2004	2003	2002	2001	2000
Key data, property and casualty operations:					
Claims ratio	74.1%	79.9%	86.8%	92.6%	87.3%
Expense ratio	17.3%	18.5%	19.7%	23.1%	24.4%
Combined ratio	91.4%	98.4%	106.5%	115.7%	111.7%
Cost ratio	23.1%	24.6%	26.5%	30.5%	31.4%
Key data, asset management:					
Direct return ratio ¹⁾	2.5%	2.7%	3.8%	3.9%	4.3%
Total return ratio ¹⁾	5.2%	5.0%	2.5%	2.7%	4.0%
Return on equity	33.1%	26.6%	-17.0%	-35.7%	-14.9%
Regulatory capital ²⁾	9 367	9 670	7 140	5 242	4 407
Solvency margin	4 670	4 770	4 358	3 815	2 783
Solvency capital	18 229	13 513	11 666	10 618	9 555
Solvency ratio	72.2%	50.6%	46.3%	46.9%	53.8%

1) Calculations are based on guidelines prepared by the Swedish Insurance Association's accounting board.

2) The calculations take the proposed dividend of MSEK 4,500 into account.

**AUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED
31ST DECEMBER 2003 AND 2004 FOR THE ISSUER**

PARENT COMPANY INCOME STATEMENT

MSEK		2004	2003
Technical account of property and casualty insurance			
Premiums earned, net of reinsurance			
Premiums written, gross	Note 1	28 524	29 465
Premiums ceded	Note 1	-3 854	-2 775
Change in provision for unearned premiums and unexpired risks		-433	-954
Reinsurers' share of change in provision for unearned premiums and unexpired risks		381	-26
		24 618	25 710
Allocated investment return transferred from the non-technical account	Note 2	1 556	1 636
Other technical income, net of reinsurance		216	-
Claims incurred, net of reinsurance			
Claims paid			
Gross		-16 899	-20 542
Reinsurers' share		-140	1 885
Change in provision for claims outstanding			
Gross		-2 354	-1 573
Reinsurers' share		1 151	-311
	Note 3	-18 242	-20 541
Operating expenses	Note 4	-4 256	-4 768
Technical result		3 892	2 037
NON-TECHNICAL ACCOUNT			
Investment result			
Investment income	Note 5	2 581	2 586
Unrealized gains on investment assets	Note 6	489	1 156
Investment charges	Note 7	-243	-754
Unrealized losses on investment assets	Note 8	-147	-4
		2 680	2 984
Allocated investment return transferred to the technical account	Note 2	-1 678	-1 782
Interest expense, subordinated debt		-158	-129
Amortization, goodwill	Note 9	-345	-358
Result before appropriations and income taxes		4 391	2 752
Appropriations	Note 10	-229	-497
Result before income taxes		4 162	2 255
Tax	Note 11	-1 046	-418
Net profit for the year		3 116	1 837

BALANCE SHEET FOR PARENT COMPANY ON DECEMBER 31

MSEK		2004	2003
Assets			
Intangible assets			
Goodwill	Note 12	4 440	4 722
Other intangible assets	Note 12	1	28
		4 441	4 750
Investment assets			
Land and buildings	Note 13	13	58
Investments in Group and associated companies	Note 14	609	753
Other financial investment assets	Note 15	57 527	49 813
Deposits with ceding undertakings		12	0
	Note 16, 17	58 161	50 624
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		881	471
Provisions for claims outstanding	Note 18	5 688	4 479
	Note 19	6 569	4 950
Deferred tax assets	Note 20	79	907
Debtors			
Debtors arising out of direct insurance operations	Note 21	4 106	4 141
Debtors arising out of reinsurance operations	Note 22	498	917
Other debtors	Note 23	274	926
		4 878	5 984
Other assets			
Tangible assets	Note 24	116	123
Cash and bank balances		1 027	910
Securities settlement claims		218	10
		1 361	1 043
Prepayments and accrued income			
Accrued interest and rent		550	342
Deferred acquisition costs	Note 25	784	994
Other prepayments and accrued income	Note 26	385	351
		1 719	1 687
Total assets		77 208	69 945

BALANCE SHEET FOR PARENT COMPANY ON DECEMBER 31

MSEK		2004	2003
Shareholders' equity, provisions and liabilities			
Shareholders' equity			
Share capital		104	104
Statutory reserve		140	140
Fund for unrealized gains		656	354
Other restricted reserves		248	248
Profit carried forward		8 809	6 854
Net profit for the year		3 116	1 837
		13 073	9 537
Untaxed reserves	Note 27	3 021	2 756
Subordinated debt	Note 28	1 776	1 783
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		12 264	11 680
Provisions for claims outstanding	Note 29	37 877	35 308
	Note 30	50 141	46 988
Provisions for other risks and charges			
Deferred tax liability	Note 20	296	118
Other provisions	Note 31	582	590
		878	708
Deposits received from reinsurers		-	-
Creditors			
Creditors arising out of direct insurance operations	Note 32	1 350	1 337
Creditors arising out of reinsurance operations		164	404
Derivatives	Note 39	1 159	854
Other creditors	Note 33	4 619	4 724
		7 292	7 319
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		65	29
Other accruals and deferred income	Note 34	962	825
		1 027	854
Total shareholders' equity, provisions and liabilities		77 208	69 945
Memorandum items			
Assets and corresponding collateral pledged for own liabilities and as provisions for reported obligations	Note 35	2 032	2 054
Assets covered by policyholders' beneficiary rights	Note 35	2 672	2 471
Contingent liabilities	Note 36	69	76

CASH FLOW STATEMENT FOR THE PARENT COMPANY

MSEK	2004	2003
From insurance operations		
Premium flows, direct insurance	28 809	29 697
Claim payments, direct	-16 955	-20 614
Reinsurance	-3 722	-1 092
Costs of operations	-3 941	-4 431
	4 191	3 560
From investment operations		
Current income/return, direct	1 293	1 588
	1 293	1 588
From other operations	361	1 592
Cash flow for the year	5 845	6 740
Net change in cash and bank balances	117	-55
Net investments in investment assets	5 728	6 795

In the income statement of a property and casualty insurance company, all premiums written are accrued over the contractual period. Claims provisions are posted continually using statistical models for anticipated claims, and the actual claims reserves are made when the claims occur. The claim is finally settled through payment to the policyholder. The cash flow arising from an insurance contract and a claim thus differs considerably from how reporting for income is conducted. The link between the income statement and cash flow is reported in the insurance business's balance sheet, where accrual items are reported in technical provisions (premium and claims provisions) and in the receivables and liabilities that comprise outstanding items attributable to insurance contracts. In insurance companies with extensive operations, the law of large numbers means that the effects of the underlying differences between accounting and real cash flow are reduced considerably.

The cash flow statement shows how cash flow arises and how it affects the Group's bank balances and investment assets. Cash flow is generated primarily in insurance operations (technical operations) and in the form of the yield from investment assets. In technical operations, the flows encompass premiums written, claims payments and operating costs, which are reported in gross flows. Premium and claims payments in reinsurance operations, which are primarily settled through periodic settlements, are reported in the above compilation in the form of their net flows.

Cash flow can also derive from other types of financial operations in the form of transactions relating to the owners (capital contributions, share issues and dividends), the raising of subordinated loans and interest payments, as well as flows generated from currency hedging throughout the entire operation.

The cash flow statement is based on the income-statement items that are directly linked with external flows. These items are then adjusted in the cash flow statement in line with the period's changes in the balance sheet (counterparty receivables/liabilities) that are directly linked to the profit/loss item in question. The balance-sheet items reported in the Group consist mainly of receivables/liabilities in foreign currency and are thus the subject of continual revaluation at the exchange rate prevailing at each closing date. In the cash flow statement, the effect of this translation is eliminated through the revaluation of balance-sheet items using the same exchange rate at the beginning and end of the period. Consequently, the individually reported cash flow items are not directly visible as differences in the balance sheet and notes presented in other parts of the annual report.

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Restricted equity				Unrestricted equity		
	Share capital	Statutory reserves	Fund for unrealized gains	Other restricted reserves	Profit brought forward	Net profit for the year	Total shareholders' equity
Equity at the beginning of 2003	104	140	2	248	7 646	-	8 140
Group contributions received	-	-	-	-	387	-	387
Tax effect of Group contributions	-	-	-	-	-108	-	-108
Transfer between restricted and unrestricted equity	-	-	352	-	-352	-	0
Translation differences ¹⁾	-	-	-	-	-719	-	-719
Net profit for the year	-	-	-	-	-	1 837	1 837
Equity at end of 2003	104	140	354	248	6 854	1 837	9 537
Equity at beginning of 2004	104	140	354	248	8 691	-	9 537
Group contributions received	-	-	-	-	501	-	501
Tax effect of Group contributions	-	-	-	-	-140	-	-140
Transfer between restricted and unrestricted equity	-	-	302	-	-302	-	0
Translation differences ¹⁾	-	-	-	-	59	-	59
Net profit for the year	-	-	-	-	-	3 116	3 116
Equity at end of 2004	104	140	656	248	8 809	3 116	13 073

1) The accumulated translation difference at the end of 2004 corresponded to an expense of MSEK 160 (expense: 219).

The share capital comprises 1,044,306 shares with a par value of SEK 100 each.

**NOTES TO THE TECHNICAL ACCOUNTS – PROPERTY AND CASUALTY INSURANCE
OPERATIONS (MSEK)**

1. Premiums written

	2004			2003		
	Gross	Ceded	Net	Gross	Ceded	Net
Premiums paid and credited ¹⁾	28 524	-3 300	25 224	29 465	-2 775	26 690
Portfolio premiums	-	-554	-554	-	0	0
Total	28 524	-3 854	24 670	29 465	-2 775	26 690

¹⁾ Of which, insurance agreements for direct property and casualty insurance written in:

Sweden	12 095		12 360
Rest of EEA	15 814		16 186
Other countries	-		883
Total	27 909		29 429

2. Allocated investment return transferred from the non-technical account

The estimated return on the assets that correspond to the technical provisions is transferred from the finance operations (non-technical account) to the technical result. The return is estimated on the basis of the net of average technical provisions, less deferred acquisition costs, plus the technical result before the investment return and average balances outstanding. The interest rates used in the calculation for each currency match the interest rate for government bonds with a maturity that approximates with the technical provisions. The transferred investment return is divided into two parts, one part that adds the annuity result by means of a reduction of paid claims and one part that is reported separately as the allocated investment return.

The following calculated interest rates have been used for the most important currencies:

	2004	2003
Swedish kronor	4.4%	4.8%
US dollars	2.7%	3.8%
British pounds	4.5%	4.9%
Norwegian kroner	5.1%	6.3%
Danish kroner	3.6%	4.4%
Euro	3.7%	4.1%

3. Claims paid

	2004			2003		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims costs attributable to current-year operations						
Claims paid	-7 627	490	-7 137	-8 233	381	-7 851
Operating expenses for claims adjustment	-1 432	-	-1 432	-1 563	-	-1 563
Claims portfolios	-	-147	-147	-	-	-
Change in claims reserve for incurred and reported losses	-4 551	535	-4 016	-5 678	397	-5 281
Change in claims reserve for incurred but not reported losses (IBNR)	-5 011	329	-4 682	-4 944	398	-4 547
Claims-adjustment costs	-38	-	-38	-116	-	-116
Claims costs attributable to prior-year operations						
Claims paid	-7 770	1 532	-6 238	-10 692	1 721	-8 971
Annuities	-270	-	-270	27	-	27
Claims portfolio	-77	-2 015	-2 092	-105	-217	-322
Change in claims reserve for incurred and reported losses	6 048	69	6 117	6 902	-527	6 376
Change in claims reserve for incurred but not reported losses (IBNR)	1 475	218	1 693	2 287	-579	1 708
	-19 253	1 011	-18 242	-22 115	1 574	-20 541
	2004			2003		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims costs attributable to current-year operations						
Claims paid	-15 397	2 022	-13 375	-18 925	2 103	-16 822
Annuities paid	7	-	7	51	-	51
Claims portfolio	-77	-2 162	-2 239	-105	-217	-322
Operating expenses for claims adjustment	-1 432	-	-1 432	-1 563	-	-1 563
	-16 899	-140	-17 039	-20 542	1 885	-18 657
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	1 497	604	2 101	1 224	-130	1 094
Change in claims reserve for incurred but not reported losses (IBNR)	-3 536	547	-2 989	-2 658	-181	-2 839
Change in claims provision for annuities	-277	-	-277	-24	-	-24
Claims-adjustment costs	-38	-	-38	-116	-	-116
	-2 354	1 151	-1 203	-1 573	-311	-1 884
Total insurance claims	-19 253	1 011	-18 242	-22 115	1 574	-20 541

The general principles for the valuation of technical provisions are unchanged. The provision for annuities is calculated in accordance with normal actuarial principles taking inflation and mortality into consideration, and discounted to take the anticipated future investment return into account. To cover costs for the upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return is added to annuity results. See Note 2.

4. Operating expenses

	2004	2003
Internal acquisition costs	-1 633	-1 813
External acquisition costs ¹⁾	-1 148	-1 485
Change in deferred acquisition costs, gross	-184	35
Administrative expenses, insurance	-1 604	-1 748
Reinsurance commission and profit participation	286	206
Change in deferred acquisition costs, ceded	16	15
Other technical income and expense	11	22
Total	-4 256	-4 768

¹⁾ Of which, commissions in direct insurance

	-1 093	-1 411
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Total operating expenses are allocated in the income statement as follows:

Asset-management costs	-88	-110
Claims-adjustment costs	-1 432	-1 563
Internal acquisition costs	-1 633	-1 813
Administration costs, insurance	-1 604	-1 748
Total	-4 757	-5 234

Total operating expenses

Salaries and remuneration	-1 758	-1 825
Social security costs	-477	-475
Pension costs	-488	-335
Other personnel costs	-155	-206
Total personnel costs	-2 878	-2 841
Premises costs	-303	-328
Depreciation	-68	-222
Other costs	-1 508	-1 843
Total	-4 757	-5 234

NOTES TO THE NON-TECHNICAL ACCOUNTS (MSEK)

5. Investment income

	2004	2003
Operating surplus, land and buildings		
Rental income	0	-
Operating expenses	0	0
Dividend on shares and participations	90	37
Of which, subsidiaries	27	-
Interest income, etc.		
Bonds and other interest-bearing securities	1 457	1 457
Other interest income	68	353
Other interest income, Group companies	22	-
Exchange-rate gains, net	-	197
Capital gains, net		
Bonds and other interest-bearing securities	944	517
Other financial revenues	-	25
Total	2 581	2 586

6. Unrealized gains on investment assets

	2004	2003
Land and buildings	5	-
Shares and participations	484	1 156
Total	489	1 156

7. Investment charges

	2004	2003
Asset management costs	-88	-110
Interest costs, etc.		
Other interest costs, Group companies	-3	-14
Exchange-rate losses, net	-64	-
Capital losses, and write-downs net		
Land and buildings	-5	-21
Shares and participations	-43	-569
Other financial costs	-40	-40
Total	-243	-754

8. Unrealized losses on investment assets

	2004	2003
Land and buildings	-	-4
Fixed-income derivatives	-147	-
Total	-147	-4

9. Goodwill amortization

	2004	2003
Amortization of goodwill attributable to assets and liabilities arising from the formation of If Amortization is based on an estimated life of 20 years. Also refer to Accounting Principles.	-289	-302
Amortization attributable to acquisition of Volvia portfolio Amortization is based on an estimated life of 10 years.	-56	-56
Total	-345	-358

10. Appropriations

	2004	2003
Change in contingency provision	-229	-497
Total	-229	-497

11. Taxes

	2004	2003
Current tax	-40	23
Deferred tax	-1 006	-441
Total	-1 046	-418
Specification of current taxes:		
Group contributions	140	109
Non-Swedish units	-167	-86
Coupon tax	-13	-
Total	-40	23
Specification of deferred tax:		
Tax loss carryforwards	-893	-818
Temporary differences pertaining to goodwill	-17	209
Other temporary differences	-96	71
Write-down of expensed tax	-	97
Total	-1 006	-441
Difference between reported tax and tax based on current Swedish tax rate:		
Profit before taxes	4 162	2 255
Tax according to current tax rate, 28%	-1 165	-631
Current tax ¹⁾	-180	-86
Current tax attributable to Group contributions	140	109
Permanent differences, net	62	76
Deferred tax attributable to goodwill	-17	209
Deferred tax to cover Group contributions received ²⁾	0	-109
Other deferred tax ³⁾	127	-
Adjustment of prior-year taxes	-13	14
Reported tax	-1 046	-418

1) Booked current tax in branches plus coupon tax.

2) Deferred tax does not cover Group contributions received because the company intends to claim a deduction for foreign taxes. In 2003, Group contributions received were covered by deferred tax in the form of a reversal of tax loss carryforwards.

3) The specification is based on a tax rate of 28 per cent. For 2004, however, the company is formulating taxable profit to enable a deduction of foreign taxes. For 2003, there was no potential for a deduction, due to existing carryforwards.

NOTES TO THE BALANCE SHEET

12. Intangible assets

	Goodwill		Software and other intangible assets	
	2004	2003	2004	2003
Acquisition value, opening balance	6 266	7 210	211	172
Acquisitions during the year	-	-	-	-
Investments	-	-	-	39
Sales and scrappage	-	-	-	-
Reclassifications	-	-	-	-
Translation differences	85	-944	-	-
Closing accumulated acquisition value	6 351	6 266	211	211
Opening amortization	-1 544	-1 383	-183	-34
Sales and scrappage	-	-	-	-
Reclassifications	-	-	-	6
Amortization during the year	-345	-358	-27	-155
Translation differences	-22	197	-	-
Closing accumulated amortization	-1 911	-1 544	-210	-183
Closing planned residual value	4 440	4 722	1	28

13. Land and buildings

2004	Acquisition value	Current value	Current value per leasable sq. m., SEK	Total area, sq. m.	Vacancy rate	Direct yield
Office and commercial properties						
Sweden, metropolitan region ¹⁾	3	5	4 177	1 245	0.0%	-
Other properties						
Norway	8	8	2 751	2 890	0.0%	-
Total ²⁾	11	13	6 928	4 135	0.0%	-
Preceding year	60	58	8 026	7 270	7.7%	-

1) The total tax-assessment value of properties in Sweden is MSEK 4 (32).

2) The proportion of properties used in If's own business is 76 per cent. (82).

14. Investments in Group and associated companies

	Head Office	Number of shares	Holding, %	Currency	Par value	Book value 2004	Book value 2003
Sweden							
If Reseförsäkring AB (corp. reg. no. 516401-7849)	Stockholm	950 000	100	MSEK	48	230	230
Consulting AB							
Lennermark & Andersson (corp. reg. no. 556131-2223)	Örebro	1 209	22	MSEK	0.12	7	7
Norway							
Cirrus Reinsurance Company Ltd. A/S	Bergen	50 000	100	MNOK	50	-	52
Gard Services A/S	Arendal	20 000	40	MNOK	20	-	92
United Kingdom							
Marlon Insurance Company Ltd.	London	15 000 000	100	MGBP	30	372	372
USA							
Amphion Holding Inc., USA	Miami	1 000	100	MUSD	0	0	0
Total						609	753

Changes in investments in Group companies

	2004	2003
Opening balance	753	855
Added		
Purchase of shares in Consulting AB Lennermark & Andersson	-	1
Shareholder contribution to Cirrus Reinsurance Company Ltd. A/S	-	66
Deducted		
Dividend from Amphion Holding Inc. USA, the company is under liquidation	-	0
Sale of shares in Cirrus Reinsurance Company Ltd. A/S	-52	-154
Sale of Gard Services A/S	-92	-
Currency translation, branch holdings	-	-15
Closing balance	609	753

15. Other financial investment assets

	Acquisition value		Current value		Book value	
	2004	2003	2004	2003	2004	2003
Shares and participations (Note 42)	7 448	4 861	8 348	5 352	8 348	5 352
Bonds and other interest-bearing securities (Table I)	47 355	42 342	47 496	42 458	47 355	42 342
Other loans	1	1	1	1	1	1
Deposits with credit institutions	247	924	247	924	247	924
Derivatives (Note 39)	1 576	1 194	1 576	1 372	1 576	1 194
Total	56 627	49 322	57 668	50 107	57 527	49 813

Table 1 Bonds and other interest-bearing securities

	Nominal value	%	Current value	%	Book value	%
Swedish government	10 554	23.4	11 801	24.8	11 719	24.7
Swedish mortgage companies	19 870	44.1	20 284	42.7	20 252	42.8
Swedish finance companies	2 660	5.9	2 639	5.6	2 640	5.6
Swedish industrial companies	2 778	6.2	2 775	5.8	2 764	5.8
Foreign governments	3 143	7	3 179	6.7	3 172	6.7
Foreign mortgage companies	243	0.5	243	0.5	243	0.5
Foreign finance companies	3 486	7.7	4 005	8.4	3 996	8.4
Foreign industrial companies	1 505	3.3	1 708	3.6	1 711	3.6
Other foreign issuers	861	1.9	862	1.8	856	1.8
Total	45 099	100	47 496	100	47 355	100

Distributed by rating class

	Current value in %
AAA	35
AA	26
A	29
BBB	6
< BBB	2
Not rated	2
Total	100

Periods of fixed interest

	Years
Swedish fixed-income securities	1.2
Danish fixed-income securities	1.0
European fixed-income securities	1.7
US fixed-income securities	-7.8
Weighted period of fixed interest	0.2

Years to maturity ¹⁾

	Current value in %
<1	52
1-2	8
2-3	10
3-4	8
4-5	6
5-6	0
6-7	0
7-8	1
8-9	1
9-10	6
10-15	8
15-30	1
>30	-
Total	100

1) The maturity is not adjusted to take into account the possibility of premature redemption of bonds.

Table I – Bonds and other interest-bearing securities, continued

Accumulated amounts to be amortized	
Accrued acquisition value < Nominal value	231
Accrued acquisition value > Nominal value	-2 315
Total	-2 084

16. Investment assets by currency, book value

	SEK	NOK	DKK	GBP	EUR	USD	CAD	JPY	Total
Land and buildings	5	8	-	-	-	-	-	-	13
Investments in Group and associated companies	609	-	-	-	-	-	-	-	609
Shares and participations	1 936	2	2	-	3 305	3 023	-	81	8 349
Bonds and other interest-bearing securities	39 362	-	2 867	-	171	4 926	28	-	47 355
Other loans	0	-	-	0	0	-	-	-	0
Deposits with credit institutions	-	-	-	-	51	196	-	-	247
Derivatives	1 552	24	-	-	-	-	-	-	1 576
Deposits with companies that have ceded reinsurance	-	13	-	-	-	-	-	-	13
Total	43 463	47	2 869	0	3 527	8 146	28	81	58 161
Per.cent	75	0	5	0	6	14	0	0	100

17. Return on investment assets ¹⁾

	Current value Dec 31, 2003	Net investment	Change in value	Current value Dec 31, 2004	Direct return	%	Total return	%
Land and buildings	58	-44	-1	13	-1	-1.5	-1	-3.2
Shares and participations	5 315	2 475	567	8 357	61	0.9	628	9.4
Bonds and other interest-bearing securities	43 830	4 065	834	48 729	1 258	2.8	2 092	4.6
Other loans and deposits with credit institutions	916	-665	-1	250	8	1.4	8	1.3
Total	50 119	5 831	1 399	57 349	1 326	2.5	2 727	5.2

1) The table has been prepared in accordance with instructions issued by the Swedish Insurance Association's accounting board. The current value includes accrued interest and rental income, cash and bank balances, derivative instruments and securities settlement. Investments in group and associated companies, as well as deposits with ceding undertakings, are excluded from the return calculation.

18. Reinsurers' share of provision for claims outstanding

	2004	2003
Incurred and reported claims	3 283	2 626
Incurred but not reported claims (IBNR)	2 405	1 853
Total	5 688	4 479

19. Reinsurers' share of technical provisions

	2004	2003
Change during the year		
Opening balance	4 950	6 052
Translation differences	87	-765
Change in provision	1 532	-337
Closing balance	6 569	4 950

20. Deferred tax

	2004	2003
Deferred tax asset, gross		
Tax loss carryforwards	-	893
Other temporary differences	79	162
Deferred tax asset	79	1 055
Deferred tax liability, gross		
Temporary difference	179	148
Deferred tax attributable to untaxed reserves	117	118
Deferred tax liability	296	266
Deferred tax asset according to balance sheet, net	79	907
Deferred tax liability according to balance sheet, net	296	118

21. Debtors arising out of direct insurance

	2004	2003
Receivables from policyholders	4 273	4 243
Receivables from insurance companies	23	78
Bad debts provision	-190	-180
Total	4 106	4 141

Age analysis	Not due and younger than six months	Older than six months	Total
Receivable	4 074	222	4 296
Of which, provision	-52	-138	-190
Total	4 022	84	4 106

22. Debtors arising out of reinsurance

	2004	2003
Receivable from reinsurers	744	1 262
Bad debts provision	-246	-345
Total	498	917

Age analysis

	Not due and younger than six months	Older than six months	Total
Receivable	302	441	743
Of which, provision	-17	-228	-245
Total	285	213	498

23. Other receivables

	2004	2003
Receivable from Group companies	268	704
Receivable from related companies	-	152
Other	6	70
Total	274	926

24. Tangible assets

	Office equipment		Computer equipment		Vehicles		Other assets	
	2004	2003	2004	2003	2004	2003	2004	2003
Acquisition value, opening balance	178	183	113	118	48	45	100	126
Investments	16	12	6	5	17	13	3	7
Sales and scrappage	-6	0	-15	-2	-19	-13	-1	-7
Reclassifications	-	0	-	-	-	3	-	-10
Translation differences	2	-17	1	-8	0	0	1	-16
Closing accumulated acquisition value	190	178	105	113	46	48	103	100
Opening depreciation	-112	-96	-106	-94	-14	-14	-84	-89
Sales and scrappage	6	0	15	1	10	8	1	0
Reclassifications	-	-	-	-1	-	-	-	5
Depreciation during the year	-18	-28	-5	-19	-9	-8	-9	-12
Translation differences	-1	12	0	7	-1	0	-1	12
Closing accumulated depreciation	-125	-112	-96	-106	-14	-14	-93	-84
Closing planned residual value	65	66	9	7	32	34	10	16

24. Tangible assets, continued

Operational leasing agreements

The company's operational leasing pertains mainly to premises and vehicles

Total future minimum lease payments	2004	2003
< 1 years	201	200
1-5 years	584	642
> 5 years	48	239
Total	833	1 081
Total lease payments during the year	204	220
Of which, minimum lease payments	203	216
Of which, contingent rents	1	4

Operational leasing for which the Issuer is the lessor pertains to income from the leasing out of premises. Total lease payments during the year were less than MSEK 0.5.

25. Deferred acquisition costs

	2004	2003
Depreciation period, mainly one year	784	994
Total	784	994

The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. Sales costs include operating expenses such as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are accrued in a manner that matches the accrual of unearned premiums.

26. Other deferred costs and accrued income

	2004	2003
Accrued income	110	81
Deferred costs	275	270
Total	385	351

27. Untaxed reserves

	CB 2003	Change	Translation difference	CB 2004
Contingency reserve	2 756	229	36	3 021

28. Subordinated debt

	Original nominal value	Maturity	CB
Subordinated loan, issued 2001	MEUR 200	20 years	1 776

The loan was issued based on ten years of fixed interest. After ten years, it becomes subject to a variable interest rate. The loan is listed on the Luxembourg Exchange.

29. Provision for claims outstanding, gross

	2004	2003
Incurring and reported claims	16 166	17 549
Incurring but not reported claims (IBNR)	17 299	13 704
Provision for claims-adjustment costs	1 170	1 128
Provision for annuities and sickness benefits	3 242	2 927
Total	37 877	35 308

30. Technical provisions, gross

	2004	2003
Change during the year		
Opening balance	46 988	48 184
Translation differences	366	-3 723
Change in provision	2 787	2 527
Closing balance	50 141	46 988

31. Other provisions

	2004	2003
Provision for pensions and similar commitments	317	290
Other	265	300
Total	582	590

The provision for pensions pertains to unfunded pension obligations in the Norwegian branch. The "Other" item pertains to restructuring reserves for decided organizational changes in Sweden and Norway. Further information about pension obligations is presented in Note 1 to the consolidated balance sheet.

32. Creditors arising out of direct insurance

	2004	2003
Payables to policyholders	1 336	1 309
Payables to insurance brokers	7	25
Payables to insurance companies	7	3
Total	1 350	1 337

33. Other liabilities

	2004	2003
Taxes	41	52
Accounts payable	127	162
Securities settlement liabilities	415	0
Payables to Group companies	3 586	4 033
Other	450	477
Total	4 619	4 724

34. Other accruals and deferred income

	2004	2003
Other accrued costs, related companies	-	65
Other accrued costs	962	760
Total	962	825

Other accrued costs mainly consist of personnel-related provisions, such as vacation-pay liabilities, social security fees, commissions and bonus-related liabilities.

35. Pledged assets

	2004	2003
Pledged assets and equivalent securities		
Other financial investment assets ¹⁾	2 032	2 054
of which, on behalf of Group companies	-	-
Assets covered by policyholders' beneficiary rights		
Other financial investment assets	2 672	2 471

1) 10% comprises pledged cash assets and 90% comprises pledged securities.

36. Contingent liabilities

	2004	2003
Surety and guarantee undertakings	69	76
of which, on behalf of Group companies	-	-

The Issuer provides insurance with mutual undertakings within the Nordic Nuclear Insurance Pool and within the Norwegian Natural Perils' Pool.

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group as of 1st March, 1999, the Issuer and If Holding issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ), under which the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

The Issuer and If Holding have separately entered into contracts with Försäkringsaktiebolaget Skandia (publ) and Tryg-Baltica Forsikrings AS whereby Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (U.K.) Ltd. in favour of the Institute of London Underwriters.

OTHER NOTES

37. Average number of employees, salaries and remuneration

Average number of employees	2004		2003	
	Average number of employees	Of whom, women	Average number of employees	Of whom, women
Sweden ¹⁾	1 798	51%	1 763	52%
Denmark	397	51%	399	52%
France	6	28%	6	33%
Netherlands	5	31%	7	29%
Norway	1 743	49%	1 802	49%
United Kingdom	9	52%	8	50%
Germany	10	43%	12	33%
Total	3 968	50%	3 997	50%

1) Agents are not included. If has 70 spare-time agents in Sweden.

Percentage of women in executive management	2004	2003
Board of Directors	10%	18%
Other senior executives	9%	9%

Sickness absence, employees in Sweden	2004 January- December	2003 July- December
Total sickness absence as a percentage of ordinary working hours	4%	4%
Percentage of total sickness absence pertaining to continuous sickness absence of 60 days or more	51%	41%
Sickness absence as a percentage of each category's ordinary working time		
Sickness absence by gender		
Men	2%	2%
Women	7%	6%
Sickness absence by age category		
29 years or younger	6%	5%
30-49 years	4%	4%
50 years or older	4%	4%

Salaries and remuneration for senior management and other employees, distributed by country, MSEK	2004		2003	
	Senior management ¹⁾	Other employees	Senior management ¹⁾	Other employees
Sweden	35	721	15	756
Denmark	-	208	-	209
France	-	4	-	3
Netherlands	-	4	-	5
Norway	22	753	10	816
United Kingdom	-	5	-	4
Germany	-	6	-	7
Total	57	1 701	25	1 800

1) Including bonuses and similar payments amounting to MSEK 35 (6), and severance pay of MSEK 0 (3) to senior executives.

Principles

The Chairman of the Board and other Board members receive director fees in an amount decided by the Annual General Meeting. Remuneration to the CEO and other members of Group Management consists of a basic salary, potential bonus and financial instruments (variable compensation), other benefits and pensions. The distribution between basic salary and bonus should be proportionate to the position-holder's responsibilities and authority. The maximum bonus payable to the CEO is 40 per cent. of basic salary. The maximum bonus payable to other members of Group Management is 50 per cent. of basic salary. The bonus is based on the Group's performance and outcomes in relation to individually set goals. Pension benefits, variable remuneration and other benefits paid to the CEO and other members of Group Management are payable as part of their total remuneration.

Remuneration and other benefits during the year, SEK thousands ¹⁾	Basic salary/ Director fees	Variable payments	Other benefits	Pension costs 2)	Financial instruments, etc. 3)
Chairman of the Board	3 423	1 279	500	1 103	5 674
Other Board Members	11 739	3 466	471	4 644	18 499
President	1 797	585	88	639	2 025
Other members of Group management	6 204	378	300	1 233	4 725
Total	23 163	5 708	1 359	7 619	30 923

1) The figures for remuneration and benefits also include remuneration to senior executives that was paid by other companies in the If Group and pertain to the President and one Board member.

2) Most of If's senior executives have defined-benefit pension plans.

3) Financial instruments comprise the calculated value of incentive programs for senior executives. Also read under the "Financial instruments" heading below.

Pensions and severance pay

Hannu Kokkonen is the President and Chief Executive Officer of the Issuer and of the Finnish property and casualty insurance company If Vahinkovakuutusyhtiö Oy. In the event of early termination of Kokkonen's employment initiated by the company, he will be entitled to salary during a period of notice amounting to 6 months and severance pay amounting to 1.5 years' salary.

The current pension agreements with members of group management constitute a lifetime pension right, with survivor's protection. The retirement age varies between 60 and 65 years. The pension rights are based on either defined-benefit or defined-contribution plans. The defined-benefit pensions correspond to 60–70 per cent. of pensionable income and the defined-contribution pensions correspond to approximately 50 per cent. of pensionable income. A precondition in both cases is that the executive works until the normal retirement age.

In the event of early termination of employment initiated by the company, members of group management will

be entitled to salary during a period of notice of 6–12 months and, in most cases, severance pay amounting to at least one year's salary and at most two years' salary.

A number of other senior executives in the Group are entitled to defined-benefit pensions, with survivor's protection, as of age 60, corresponding to 60–70 per cent. of pensionable income and calculated in the above manner. In the event of early termination of employment initiated by the company, these senior executives will be entitled to salary during a period of notice of 6–12 months, and severance pay amounting to at least one year's salary and at most two years' salary.

Financial instruments, etc.

	If's incentive program			Sampo's incentive program
	Number of units	Theoretical value	Estimate 2004	Estimate 2004
Chairman of the Board	135 000	10 238	3 375	2 299
President	81 000	6 143	2 025	-
Other senior executives	1 591 650	110 745	41 550	2 299
Total	1 807 650	127 126	46 950	4 598

If's incentive program for senior management is based on the value trend for the company's shareholders and the trends for the company's combined ratio and investment result. The program extends until 2008. The maximum cost of the program was originally estimated at MSEK 270. Based on the portion that had been allotted to senior executives at December 31, 2004, the theoretical cost throughout the duration of the program is MSEK 127. During 2004, MSEK 63 was paid out for prior years. Social security costs for this amount totalled MSEK 19. Provisions of MSEK 47 were posted during 2004, which means that a total of MSEK 110 has been expensed to date. Social security fees on the MSEK 47 amount to MSEK 14.

The program covers 61 executives. Each recipient of payments will receive a fixed and an individual share of the program. The portion of the total program that is targeted at the President amounts to 3 per cent..

Sampo's incentive program is a multiyear program. The outcome is determined by Sampo's share-price performance for 2004 to 2007. The program has a threshold, which means that no bonus is paid unless the company is profitable, and a ceiling that maximizes the amount paid. In addition, the program requires that 20 per cent. of the net bonus paid – bonus after tax – must be used to purchase Sampo shares, which must be retained for at least two years.

38. Performance analysis per class of insurance

2004	Accident and health	Motor, third party	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability
	Premiums written, gross	1 967	5 190	7 177	2 567	9 560
Premiums earned, gross	1 899	4 964	6 964	2 649	9 558	1 261
Claims incurred, gross	-2 655	-5 008	-4 451	-1 404	-4 603	-852
Operating expenses, gross	-313	-894	-1 020	-355	-1 591	-263
Profit/loss from ceded reinsurance	132	-13	-53	-1 125	-765	-68
Technical result before investment return	-937	-951	1 440	-235	2 599	78
	Legal expenses	Assistance	Other	Total direct insurance	Reinsurance accepted	Total property & casualty and reinsurance
Premiums written, gross	4	-	307	28 036	487	28 524
Premiums earned, gross	4	-	309	27 608	482	28 090
Claims incurred, gross	-2	-	-176	-19 151	-102	-19 253
Operating expenses, gross	-13	-	-56	-4 504	-54	-4 559
Loss from ceded reinsurance		-	-25	-1 917	-242	-2 159
Technical result before investment return	-11	-	52	2 036	84	2 120
2003	Accident and health	Motor, third party	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability
	Premiums written, gross	1 819	4 782	6 989	3 242	10 362
Premiums earned, gross	1 773	4 402	6 750	3 285	10 044	1 320
Claims incurred, gross	-2 386	-5 037	-4 455	-2 866	-5 521	-1 365
Operating expenses, gross	-326	-827	-1 075	-578	-1 764	-284
Profit/loss from ceded reinsurance	257	15	-24	68	-927	-236
Technical result before investment return	-682	-1 447	1 196	-91	1 832	-565
	Legal expenses	Assistance	Other	Total direct insurance	Reinsurance accepted	Total property & casualty and reinsurance
Premiums written, gross	5	-	331	28 884	581	29 465
Premiums earned, gross	4	-	320	27 898	612	28 510
Claims incurred, gross	-6	-	-2	-21 638	-477	-22 115
Operating expenses, gross	-15	-	-47	-4 916	-71	-4 987
Loss from ceded reinsurance	-	-	-106	-953	-54	-1 007
Technical result before investment return	-17	-	165	391	10	401

39. Derivatives

Equity derivatives	2004			2003		
	Current value	Book value	Nominal amount	Current value	Book value	Nominal amount
Contracts with a positive or zero value recognized in balance sheet						
Options	-	-	-	0	0	53
Futures	8	8	1 189	-	-	-
Total	8	8	1 189	0	0	53
Of which, cleared	8	8	1 189	0	0	53
Contracts with a negative value recognized in balance sheet						
Options	-	-	-	4	4	101
Total	-	-	-	4	4	101
Of which, cleared	-	-	-	4	4	101
Fixed-income derivatives						
	2004			2003		
	Current value	Book value	Nominal amount	Current value	Book value	Nominal amount
Contracts with a positive or zero value not recognized in balance sheet						
Futures	-	-	-	53	0	23 468
Swaps	-	-	-	125	0	8 731
Total	-	-	-	178	0	32 199
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet						
Futures	-145	-145	17 537	-	-	-
Total	-145	-145	17 537	-	-	-
Of which, cleared	-145	-145	-17 537	-	-	-
Currency derivatives						
	2004			2003		
	Current value	Book value	Nominal amount	Current value	Book value	Nominal amount
Contracts with a positive or zero value recognized in balance sheet						
Forwards	1 568	1 568	35 413	1 194	1 194	34 505
Total	1 568	1 568	35 413	1 194	1 194	34 505
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet						
Forwards	-1 014	-1 014	59 830	851	851	29 967
Total	-1 014	-1 014	59 830	851	851	29 967
Of which, cleared	-	-	-	-	-	-

40. Auditors' fees

	2004	2003
Audit fees		
KPMG	10	9
Other	1	2
Total	11	11
Consultancy fees		
KPMG	2	2
Ernst & Young	2	2
Other	9	9
Total	13	13

41. Performance analysis per line of insurance 2004

	Accident and health	Householders and homeowners	Commercial and real estate	Motor	Motor, third party liability	
Premiums earned, net of reinsurance	263	1 246	2 053	3 358	2 877	
Return transferred from investment operations	49	36	148	90	370	
Other technical income	-	-	-	-	-	
Claims incurred, net of reinsurance	-533	-893	-1 125	-2 394	-2 790	
Operating expenses	-50	-159	-530	-353	-443	
Insurance operations result	-271	230	546	701	14	
Prior-year claims result, 2004	-308	48	194	93	-398	
Provision for unearned premiums and unexpired risks, gross	132	662	1 035	2 517	1 339	
Provision for claims outstanding, gross	1 711	642	3 485	533	12 177	
Technical provisions before ceded reinsurance	1 843	1 304	4 520	3 050	13 516	
Provision for unearned premiums and unexpired risks, ceded	6		54	152		
Provision for claims outstanding, ceded	2	0	667	12	67	
Reinsurers' share of technical provisions	8	0	721	164	67	
	Marine, air and transport	Other	Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums earned, net of reinsurance	339	128	10 264	13 965	389	24 618
Return transferred from investment operations	10	2	705	813	38	1 556
Other technical income	-	-	-	216	-	216
Claims incurred, net of reinsurance	-252	-97	-8 084	-9 902	-256	-18 242
Operating expenses	-85	-21	-1 641	-2 562	-53	-4 256
Insurance operations result	12	12	1 244	2 530	118	3 892
Prior-year claims result, 2004	17	-3	-357	-320	-114	-791
Provision for unearned premiums and unexpired risks, gross	61	64	5 810	6 366	88	12 264
Provision for claims outstanding, gross	271	9	18 828	18 215	834	37 877
Technical provisions before ceded reinsurance	332	73	24 638	24 581	922	50 141
Provision for unearned premiums and unexpired risks, ceded	12		224	648	9	881
Provision for claims outstanding, ceded	47		795	4 707	186	5 688
Reinsurers' share of technical provisions	59	0	1 019	5 355	195	6 569

Supplementary disclosures to performance analysis

Premiums earned, net of reinsurance	Accident and health	Householders and home-owners	Commercial and real estate	Motor	Motor, third party liability
Premiums written, gross	275	1 283	2 428	3 698	2 976
Premiums for ceded reinsurance	-9	-21	-382	-158	-4
Change in provision for unearned premiums and unexpired risks	-3	-16	16	-190	-95
Reinsurers' share of change in provision for unearned premiums and unexpired risks	0	0	-9	8	0
Total	263	1 246	2 053	3 358	2 877

Premiums earned, net of reinsurance	Marine, air and transport	Other	Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums written, gross	700	128	11 488	16 549	487	28 524
Premiums for ceded reinsurance	-363	0	-937	-2 824	-93	-3 854
Change in provision for unearned premiums and unexpired risks	-5	0	-293	-135	-5	-433
Reinsurers' share of change in provision for unearned premiums and unexpired risks	7	0	6	375	0	381
Total	339	128	10 264	13 965	389	24 618

Supplementary disclosures to performance analysis, continued

Claims incurred, net of reinsurance	Accident and health	Householders and homeowners	Commercial and real estate	Motor	Motor, third party liability	
Claims paid						
Gross	-244	-812	-1 127	-2 526	-1 514	
Reinsurers' share	3	0	156	94	17	
Change in provisions for claims outstanding						
Gross	-285	-81	-223	35	-1 263	
Reinsurers' share	-7	0	69	3	-30	
Total	-533	-893	-1 125	-2 394	-2 790	
Claims incurred, net of reinsurance	Marine, air and transport	Other	Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Claims paid						
Gross	-291	-95	-6 609	-10 000	-290	-16 899
Reinsurers' share	86		356	-492	-4	-140
Change in provisions for claims outstanding						
Gross	-60	-2	-1 879	-663	188	-2 354
Reinsurers' share	13		48	1 253	-150	1 151
Total	-252	-97	-8 084	-9 902	-256	-18 242

The "Claims incurred" item includes portfolio premiums and claims-handling costs. The "Change in provisions" item also includes the change in the claims-handling reserve.

42. Shares and participations

Shares and participations, by sector			
Issuer	Country	Number	Book value, SEK 000s
Listed companies			
Commodities			
Boliden	SE	335 000	9 514
Sandvik	SE	31 472	8 435
SCA B	SE	94 695	26 846
SSAB A	SE	89 600	14 336
			51 131
Industrial companies			
Assa Abloy B	SE	423 000	48 011
Atlas Copco B	SE	43 000	11 933
Haldex	SE	99 600	11 603
Kinnevik B	SE	404 250	28 601
Sweco B	SE	40 000	5 080
Svedbergs B	SE	205 000	30 135
Trelleborg B	SE	285 400	32 250
			167 612
Information technology and telecommunication companies			
Cyber Com	SE	103 000	3 121
Ericsson B	SE	5 425 168	115 014
Gunnebo	SE	505 000	42 041
Micronic	SE	63 500	4 239
Tele2	SE	288 500	75 299
Teliasonera Se	SE	600 936	23 917
Transcom A	SE	84 500	2 873
Transcom B	SE	72 000	2 570
WM Data B	SE	500 000	7 200
			276 273
Healthcare and pharmaceutical companies			
Astrazeneca	GB	255 250	61 643
Gambro B	SE	200 000	18 650
Getinge	SE	332 600	27 523
			107 816
Consumer products			
Electrolux B	SE	279 137	42 429
Hennes Mauritz B	SE	209 011	48 386
Saab B	SE	43 000	4 967
Scania B	SE	233 000	61 279
			157 061
Financial companies			
Investor B	SE	536 400	45 326
SHB A	SE	156 302	27 040
			72 366
Total			840 258

Issuer	Country	Number	Book value, SEK 000s
Unlisted companies			
Assuranderørernes Hus B	DK	13 600	49
Bilskadeinstituttet	NO	359	840
Gard Marine & Energy Limited (Bermuda)	BM	80 000	543 033
Forsikringshøjskolen	DK	1	1 823
SOS International a/s	DK	2 915 613	4 366
Studentbolaget i Ronneby	SE	30	3
			550 114
Holdings of fund units			
APS Japan Growth Fund JPY	JP	141 555	80 841
Dnb Aktiehedgefond Primus	SE	472 124	49 985
Mandatum Baltic Kasvu	FI	22 181 522	60 007
Mandatum Emerging Asia Kasvu	FI	4 672 254	826 367
Mandatum Europe Enhanced Index	FI	140 775 189	1 567 853
Mandatum North America Enhanced Index USD	FI	203 493 140	1 904 752
Mandatum Russia Kasvu	FI	4 975 261	44 228
Mandatum US Small Cap Value Kasvu USD	FI	99 071 783	1 118 339
Sampo Aasia Osake Kasvu	FI	855 579 952	806 052
XACT OMX fund	SE	6 718 580	499 526
			6 957 951
Total			8 348 323

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31ST
DECEMBER 2003 AND 2004 FOR THE ISSUER**

CONSOLIDATED INCOME STATEMENT

MSEK	2004	2003
Technical account of property and casualty insurance		
Premiums earned, net of reinsurance		
Premiums written, gross	29 048	30 002
Premiums ceded	-3 856	-2 722
Change in provision for unearned premiums and unexpired risks	-444	-966
Reinsurers' share of change in provision for unearned premiums and unexpired risks	381	-26
	25 129	26 288
Allocated investment return transferred from the non-technical account	1 582	1 679
Other technical income, net of reinsurance	216	-
Claims incurred, net of reinsurance		
Claims paid		
Gross	-17 193	-21 057
Reinsurers' share	-186	1 890
Change in provision for claims outstanding		
Gross	-2 345	-1 374
Reinsurers' share	1 184	-293
	-18 540	-20 834
Operating expenses	-4 324	-4 907
Technical result	4 063	2 226
 NON-TECHNICAL ACCOUNT		
Investment result		
Investment income	2 601	2 484
Unrealized gains on investment assets	489	1 218
Investment charges	-285	-655
Unrealized losses on investment assets	-147	-21
	2 658	3 026
Allocated investment return transferred to the technical account	-1 704	-1 825
Interest expense, subordinated debt	-158	-127
Amortization, goodwill	-348	-362
Result before income taxes	4 511	2 938
Tax	-1 157	-688
Net profit for the year	3 354	2 250

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

MSEK	2004	2003
Assets		
Intangible assets		
Goodwill	4 493	4 777
Other intangible assets	18	50
	4 511	4 827
Investment assets		
Land and buildings	13	58
Investments in Group and associated companies	7	106
Other financial investment assets	58 834	51 074
Deposits with ceding undertakings	13	0
	58 867	51 238
Reinsurers' share of technical provisions		
Provisions for unearned premiums and unexpired risks	881	471
Provisions for claims outstanding	5 949	4 722
	6 830	5 193
Deferred tax assets	313	1 055
Debtors		
Debtors arising out of direct insurance operations	4 167	4 219
Debtors arising out of reinsurance operations	481	913
Other debtors	190	1 006
	4 838	6 138
Other assets		
Tangible assets	118	125
Cash and bank balances	1 075	958
Securities settlement claims	218	11
	1 411	1 094
Prepayments and accrued income		
Accrued interest and rent	567	348
Deferred acquisition costs	811	1 015
Other prepayments and accrued income	172	405
	1 550	1 768
Total assets	78 320	71 313

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

MSEK	2004	2003
Shareholders' equity, provisions and liabilities		
Shareholders' equity		
Share capital	104	104
Statutory reserve	140	140
Fund for unrealized gains	656	354
Other restricted reserves	2 398	2 195
Profit carried forward	8 167	6 622
Net profit for the year	3 354	2 250
	14 819	11 665
Subordinated debt	1 776	1 783
Technical provisions (gross)		
Provisions for unearned premiums and unexpired risks	12 466	11 866
Provisions for claims outstanding	38 467	35 929
	50 933	47 795
Provisions for other risks and charges		
Deferred tax liability	1 215	1 083
Other provisions	Note 1 1 159	603
	2 374	1 686
Deposits received from reinsurers	-	0
Creditors		
Creditors arising out of direct insurance operations	1 327	1 338
Creditors arising out of reinsurance operations	191	502
Derivatives	1 160	860
Other creditors	4 671	4 800
	7 349	7 500
Accruals and deferred income		
Reinsurers' share of deferred acquisition costs	64	29
Other accruals and deferred income	1 005	855
	1 069	884
Total shareholders' equity, provisions and liabilities	78 320	71 313
Memorandum items		
Assets and corresponding collateral pledged for own liabilities and as provisions for reported obligations	2 069	2 054
Assets covered by policyholders' beneficiary rights	2 672	2 471
Contingent liabilities	69	76

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Other provisions

	2004	2003
Provision for pensions and similar commitments	894	301
Other	265	302
Provision for other risks and costs	1 159	603

The consolidated reporting of defined-benefit pension plans complies with the Financial Accounting Standards Council's recommendation RR 29. This applies to the entire Group as of 2004. No retroactive recalculations were conducted in connection with the introduction of RR 29. The liability reported in the comparative figure for 2003 pertains to unfunded defined-benefit pension obligations expensed in the Norwegian part of the Group.

Pension obligations, and the pension cost accrued during the fiscal period, are calculated using actuarial methods. Earned pension rights are calculated on a straight-line basis during the employment period. The calculation of pension obligations is based on anticipated future pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated liability is discounted to present value using an interest-rate based on the current market rate adjusted to take into account the duration of the company's pension obligations. After deducting plan assets, a net asset or liability is entered in the balance sheet. The net obligation reported in the closing balance for 2004 pertained to defined-benefit pension plans for employees in Sweden and Norway. The pension benefits arising in the other countries covered by the Group's operations have been classified as defined-contributions plans.

The following actuarial assumption have been used for the calculation of defined-benefit pension plans in Sweden and Norway:

	Sweden, Dec 31, 2004	Sweden, Jan 1, 2004	Norway, Dec 31, 2004	Norway, Jan 1, 2004
Discount interest rate	4.75%	5.50%	5.00%	6.00%
Anticipated return	4.75%	5.50%	6.00%	6.50%
Salary growth	3.25%	3.25%	2.75%	3.00%
Price inflation	2.00%	2.00%	2.50%	2.50%

Obligations pertaining to employee benefits

	Funded plans	Unfunded plans	Total
Present value of estimated pension obligation	2 349	374	2 723
Investments in pension assets at current value	1 608	-	1 608
Net obligation/liability	741	374	1 115
Non-reported actuarial gains/losses	-332	-16	-348
Net pension obligation entered in the balance sheet	409	358	767

Amount entered in income statement

	2004
Costs pertaining to current-year service	119
Interest expense on obligation	128
Anticipated return on plan assets	- 91
Actuarial gains (plus) or losses (minus) reported for the year	-
Losses (plus) or gains (minus) on reductions and settlements	125
Pension cost	281

Specification of change in net liability entered in the balance sheet

Net liability on Jan 1, 2004, excluding employer contributions	810
Net cost entered in income statement	281
Exchange-rate differences on foreign plans	10
Contributions	-237
Paid out pensions and settlements	-97
Net liability on Dec 31, 2004	767
Provision for employer contributions	127
Provision for pensions	894

CHANGES IN SHAREHOLDERS' EQUITY, GROUP

MSEK	Restricted equity				Unrestricted equity		Total shareholders' equity
	Share capital	Statutory reserves	Fund for unrealized gains	Other restricted reserves	Profit brought forward	Net profit for the year	
Equity at the beginning of 2003	104	140	-	2 345	7 539	-	10 128
Group contributions received	-	-	-	-	264	-	264
Tax effect of Group contributions	-	-	-	-	-74	-	-74
Transfer between restricted and unrestricted equity	-	-	354	-93	-261	-	0
Translation differences	-	-	-	-57	-846	-	-903
Net profit for the year	-	-	-	-	-	2 250	2 250
Equity at end of 2003	104	140	354	2 195	6 622	2 250	11 665
Equity at beginning of 2004	104	140	354	2 195	8 872	-	11 665
Effect of changed accounting principles	-	-	-	-	-592	-	-592
Group contributions received	-	-	-	-	412	-	412
Tax effect of Group contributions	-	-	-	-	-115	-	-115
Transfer between restricted and unrestricted equity	-	-	302	4	-306	-	0
Translation differences	-	-	-	199	-104	-	95
Net profit for the year	-	-	-	-	-	3 354	3 354
Equity at end of 2004	104	140	656	2 398	8 167	3 354	14 819

ACCOUNTING PRINCIPLES

The annual report has been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL) and the SFSA's regulations.

Consolidated accounts

The Issuer and its subsidiaries are consolidated with the parent company, If Holding, which prepares complete consolidated accounts. For formal reasons, consolidated income statements and balance sheets, and a specification of changes in shareholders' equity for the Issuer and its subsidiaries, are also included in this annual report. The accounting principles applied in these financial statements follow the principles stated below, apart from the reporting of appropriations/untaxed reserves and pension costs/ pension obligations, which comply with the Financial Accounting Standards Council's (SFASC) recommendations RR 1:00 and RR 29, respectively.

Translation of the accounts of foreign branches

Foreign branches are classified as independent operations. In accordance with SFASC's Recommendation RR 8, the balance sheets and income statements of foreign branches are translated to Swedish kronor (SEK) in accordance with the current method, which means that balance sheets are translated at year-end exchange rates, while income statements are translated at the average rates for the period in which the item arose. Any translation difference arising from shareholders' equity being translated at year-end rates that differ from the rates used at the beginning of the year is entered directly in shareholders' equity. The translation difference is entered directly in shareholders' equity after deductions for exchange-rate differences on loans in foreign currency that have been raised to finance investments in Group companies, and the result arising from currency forward contracts raised to hedge these investments.

Valuation of intangible assets

Intangible assets, including goodwill, are valued at acquisition value when they are entered in the balance sheet for the first time. Acquisition value includes both the purchase price and expenses directly attributable to the acquisition. Assets are included at historical acquisition value less accumulated amortization according to plan. This is based on the asset's historical acquisition value and its estimated period in use. The annual amortization rate is 20 per cent. for rights and similar assets. The estimated economic life of goodwill in acquired companies and portfolios is generally 10 years. The goodwill associated to assets and liabilities resulting from the merger of Skandia and Storebrand's property and casualty insurance portfolios is considered to have such a long-term value that the amortization period has been set at 20 years.

Costs for the internal development of intangible assets are valued at acquisition value based on the direct and indirect expenses for the development (programming and testing) of computer systems, etc, that are expected to result in future economic benefits for the company. Only those costs connected to new development and major system changes that are approved in the appropriate manner by the board are capitalized. Capitalized development costs are amortized as of the date when the asset is put into production and over its estimated period of use. The periods of use are determined individually by asset and may not exceed ten years.

Valuation of tangible assets

In connection with their acquisition, tangible assets are valued at acquisition value. Acquisition value includes not only the purchase price but also expenses directly attributable to the acquisition. Machinery and equipment are reported at historical acquisition value, less accumulated depreciation according to plan. These deductions are based on historical acquisition prices and the estimated period in use of the asset concerned. Depreciation is applied at annual rates of 20–33 per cent.

Write-downs

If, at the reporting date, there is any indication that the value of a tangible or intangible asset has declined, the recoverable value of the asset is calculated. The recoverable value is the higher of the asset's net sales value and useful value. If the established recoverable value is less than the book value and this is adjudged to be a permanent change of value, the asset is written down to its value in use. If, at a later date, a higher value in use is established, a previous write-down may be reversed.

Valuation of investment assets

Investment assets are reported in their original currencies and are stated at current value, accrued acquisition value or the lower of cost or current value (LCM), depending on the type of asset in question. Realized gains and losses consist of the difference between acquisition cost and the selling price. Unrealized changes in value are defined as the difference between acquisition value and current value. If an asset is sold, previously unrealized changes in value are reversed. The valuation principles used for the various asset classes are described below.

Purchases and sales of securities and currencies are reported in the balance sheet on the transaction date. The counterparty's receivable/ liability is reported gross between the transaction date and the settlement date under the "Other assets" or "Other liabilities" headings. Business transactions involving receivables/ liabilities reported net via clearing organization are entered in the balance sheet in a net amount per counterparty.

Equities • Equities are stated at current value. In the case of shares listed on an authorized stock exchange or marketplace, the sales value normally refers to the closing price paid on the accounting date. Unlisted securities are reported at current value and valued as a rule in accordance with the principles issued by EVCA (European Private Equity & Venture Capital Association), which normally mean that the investment is valued at acquisition value, unless something of material importance occurs that shows that this value is not representative. For example, new share issues or partial sales to an independent party at a changed value usually require a new valuation. Significantly weaker earnings or an event that may be assumed to significantly and permanently weaken the investment value also necessitate a new valuation. The value of private equity funds is based on the fund manager's valuation, which is in turn based on principles applied by EVCA, BVCA or another relevant institution. All value changes, both realized and unrealized, are entered in the income statement. Unrealized gains reported in a manner that has a positive effect on equity are entered in a reserve for unrealized gains.

Shares in Group companies are reported at acquisition value, with due consideration for required write-downs.

Shareholdings representing at least 20 per cent. of the votes for all shares outstanding in the company concerned and where the Issuer has a significant influence are classified as associated companies.

Land and buildings • Land and buildings are valued at current value. Current value is defined as the net sales value and is established annually by external assessors applying recognized and accepted valuation methods. Accepted valuation methods include the location price method (current prices paid for comparable properties within the same area/location) or cash flow models, applying current market interest rates in order to calculate the present value of the property. Since valuation is based on current value, the properties are not depreciated. Unrealized gains credited to equity are allocated to the fund for unrealized gains.

Interest-bearing securities • Interest-bearing securities are valued at accrued acquisition value, whereby the difference between their acquisition value and redemption price is accrued in the income statement over their remaining term. Realized changes in value are entered in the income statement.

Derivatives • Equity and currency derivatives are stated at current value, while fixed-income derivatives are stated at the lower of cost or current value (LCM) on the accounting date. All derivative transactions are valued individually. Hedge accounting is applied for certain fixed-income derivatives raised in order to adjust the duration of issued subordinated loans to the corresponding weighted duration of technical liabilities.

Borrowing • Loans constituting investment assets are valued at acquisition value less anticipated credit losses. Valuation is performed individually per asset item.

Receivables

Receivables are reported in the amount expected to be received. Provisions for doubtful receivables are normally posted on the basis of individual valuations of the receivable. Receivables pertaining to standard products are valued on the basis of confirmed losses during prior periods. No need for group-based reserves for sector and region-specific credit losses has been identified.

Receivables and liabilities in foreign currencies/Currency hedges

Assets and liabilities of individual companies and branches denominated in foreign currencies are translated to SEK at year-end exchange rates. Unrealized translation differences thus arising are reported net in the income statement as foreign exchange gains/losses. The currency forward contracts used to hedge the exchange-rate

exposure in the balance sheet are booked at current value and, according to the Financial Accounting Standards Council's RR 8 recommendation, the effects are reported in the income statement among exchange-rate gains/losses and interest income/expense.

The following exchange rates were used for the principal currencies from If's viewpoint:

Exchange rates (SEK)		
Currency	Year-end exchange rate	
	2004	2003
US dollars	6.62	7.19
British pounds	12.79	12.88
Danish kroner	1.21	1.22
Norwegian kroner	1.09	1.08
Euro	9.02	9.08

Solvency capital

Solvency capital comprises shareholders' equity, untaxed reserves, subordinated loans and surplus/deficit values in investment assets not reported in the balance sheet. Deferred tax assets and liabilities that affect equity in the accounts are reversed when calculating solvency capital. Since equities and real estate are reported at current value, shareholders' equity includes the difference between the current value of the assets and their acquisition value, i.e. the surplus value of these assets. Surplus value is reported as a reserve for unrealized gains, after deduction of deferred tax, and is included in restricted equity. Finally, solvency capital includes non-booked surplus value attributable to interest-bearing securities and fixed-income derivatives. The surplus value comprises the difference between the assets' current value and accrued acquisition value.

Valuation of technical provisions and recognition of premiums

Technical provisions consist of the provision for unearned premiums and unexpired risks, plus the provision for claims outstanding, and correspond to the liabilities under insurance contracts.

Premiums written • For property and casualty insurance and reinsurance, written premiums are reported according to the maturity principle. This entails that premiums written are reported in the income statement when premiums fall due for payment.

Provision for unearned premiums and unexpired risks • The provision for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. In property and casualty insurance and reinsurance, the provision for unearned premiums is normally calculated on a strictly proportional basis over time, i.e. is calculated on a pro rata temporis basis.

If premium levels are adjudged to be insufficient to cover anticipated claims costs and operating expenses, the provision for unearned premiums has to be augmented by a provision for unexpired risks. Calculation of the provision for unexpired risks must also take into account installment premiums not yet due.

Provision for claims outstanding • The provision for claims outstanding is intended to cover the anticipated future payments for all claims incurred, including claims not yet reported to the company (the "IBNR" provision). The provision for claims outstanding includes claim payments plus all costs for claim settlements.

The provision for claims outstanding in direct property and casualty insurance and reinsurance is calculated with the aid of statistical methods or through individual assessments of individual claims. Often a combination of the two methods is used, meaning that large claims are assessed individually while small claims and the supplement for claims incurred but not reported (the IBNR provision) are calculated using statistical methods. The provision for claims outstanding is not discounted, with the exception of provisions for vested annuities, which are discounted to present value using generally accepted actuarial methods, taking anticipated inflation and mortality into account.

Deferred acquisition costs

Costs of sales that have a clear connection with the writing of insurance contracts are reported as an asset, namely as deferred acquisition costs. Costs of sales pertain, for example, to operating expenses such as commission, marketing costs, salaries and payroll overheads for sales personnel, which vary according to, and are directly or indirectly related to, the acquisition or renewal of insurance contracts. The sales costs are accrued

in a manner that corresponds to the accrual of unearned premiums. The amortization period ordinarily does not exceed 12 months.

Pension costs and pension obligations

Pension obligations within the Issuer comprise pension plans in several national systems governed by local collective bargaining agreements and social insurance legislation and consist of both defined-contribution and defined-benefit pensions. The reporting of pension costs and obligations within If complies with the principles applied locally in each country. The reporting principles for pensions in Sweden, Denmark and Finland resemble each other, in that the pension cost consists of the premium paid for securing pension obligations via insurance in a life insurance company. In Norway, however, the method for reporting pensions complies with local principles formulated on the basis of rules established for American companies (US GAAP). This entails that the booked cost of defined-benefit pensions is calculated on the basis of assumptions regarding pensionable income at the retirement age and also taking into account the financial consequences arising from the pension plan's assets and obligations. For information on the principles applied in the consolidated income statement and balance sheet, also refer to Note 1, page F-39.

Reporting of results

Result before income taxes • The result before income taxes consists of the technical result of property and casualty insurance operations, and the non-technical result, which mainly comprises investment income, a deductible item pertaining to the allocated investment return reported in the technical result, costs for borrowing and goodwill amortization. The degree of detail in the income statement is regulated by the Swedish Annual Accounts Act for Insurance Companies.

Income statement

Costs of insurance operations • Administrative expenses pertain to both direct and indirect costs, broken down according to the following functions:

- Acquisition
- Claims settlement
- Administration
- Asset management
- Other

Claims-settlement costs are included in the insurance business's administrative expenses, but are reported among claims incurred in the income statement.

Operating expenses of the insurance business include, in addition to administrative expenses, acquisition costs and accrual of acquisition costs.

Allocated investment return • The total investment return is reported in the non-technical result. Part of the return is allocated from the non-technical account to the technical result based on the net of the insurance operations' average technical provisions and outstanding net receivables. When calculating this return, an interest rate that reflects the return on medium-term government bonds is usually applied, taking into consideration the insurance operations' cash flow over time.

Income taxes

Paid tax • Income taxes are calculated individually for each company in accordance with the tax rules in the country concerned. Paid taxes also include non-deductible coupon taxes in respect of dividends received.

The company's foreign branches are taxed on their results in the country concerned. In Sweden, the company is liable for taxation on all income, including the results from the foreign branch offices. If the company pays tax in Sweden for its foreign income, with the aim of avoiding double taxation, a deduction for the taxes paid abroad is normally allowed. Income taxes abroad are attributable to taxes on the foreign branches' income and withholding taxes on the return on foreign investment assets.

Income tax rates during the year amounted to 28 per cent. of taxable income for companies in Sweden and Norway and 30 per cent. in Denmark.

Deferred tax • The company's income statement is prepared in accordance with the full-tax method. This means that temporary differences between the amounts reported and actual taxation are recognized in the company's accounts. For income reported in the income statement for the period but which is not taxed until a later period, a deferred tax cost is charged, which results in a corresponding liability item – deferred tax liabilities. Similarly, costs that will not result in tax deductions until a later period give rise to a deferred tax revenue and corresponding deferred tax assets. Deferred tax assets and deferred tax liabilities are reported net in those cases where they pertain to the same tax authority and can be offset against each other. Tax loss carryforwards are reported as deferred tax assets if it is considered likely that they can be used to offset taxable profits in the future.

Appropriations and untaxed reserves

Tax legislation in Sweden allows companies to reduce their taxable income for a specific year by making appropriations to untaxed reserves. Where applicable, these reserves are offset against tax-loss carryforwards or become taxable when they are reversed.

In accordance with Swedish practice, changes in untaxed reserves are reported in the income statement. Appropriations to untaxed reserves are shown in the income statement under the heading Appropriations, as are Group contributions received and granted. The accumulated total of these appropriations is reported in the balance sheet under the "Untaxed reserves" heading.

Of untaxed reserves, 28 per cent. is considered a deferred tax liability and 72 per cent. as shareholders' equity. The deferred tax liability may be described as a non-interest-bearing liability with an unspecified maturity. As of 2005, however, it is proposed that tax allocation reserves should be charged with a standard tax income amounting to 72 per cent. of the government lending rate.

The various types of untaxed reserves are described below.

Contingency reserve • The contingency reserve represents a collective strengthening of the company's technical provisions. Access to the reserve is restricted to loss coverage and also requires the approval of the regulatory authorities.

Tax allocation reserve • Swedish tax legislation allows appropriations to a tax allocation reserve under certain conditions. The appropriation may not exceed 25 per cent. of taxable income. An appropriation must be reversed for taxation not later than in the sixth year after it was posted. Appropriations to the tax allocation reserve may be used to even out earnings from year to year for tax purposes.

Deferred tax • In addition to taxes paid, provisions are made for deferred taxes on income-statement items that affect both earnings for the year and taxable income, but in different accounting periods (timing differences). The timing differences normally pertain to the depreciation of equipment etc. write-downs and unrealized gains. For example, unrealized gains on securities may be exempt from taxation up to the period in which the gain is actually realized.

Group contributions

Swedish tax legislation permits contributions to be granted and received by Swedish limited companies under certain conditions, whereby the donor has the right to the deduction and the recipient is subject to the tax obligation.

If complies with the pronouncement of the Standards Interpretation Committee of the Swedish Financial Accounting Standards Council (September 1998) concerning the reporting of Group and shareholder contributions, and consequently reports group and shareholder contributions directly within shareholders' equity.

Change in accounting principles If Group

The European Union has issued an ordinance declaring that as of 2005 exchange-listed companies must apply international accounting principles developed by IASB and approved by the European Commission. The Issuer's ultimate parent company, Sampo plc, is listed on Helsinki Stock Exchange and will apply the new regulations. The basic view applied in the EU ordinance – that the international accounting principles will constitute a superior “best practice” – has to a certain extent also been incorporated in Swedish legislation. One of the results of this is that non-listed groups are to be given an opportunity to apply IFRS/IAS in their Swedish reporting. In its reporting instructions for 2005, the Swedish Financial Supervisory Authority has also prescribed, as a main principle, that the international accounting rules approved by the EU shall be applied both in the Group and in the individual insurance companies, to the extent permitted by the Annual Accounts Act. Accordingly, as of 2005, the If Group will apply the international accounting principles in its consolidated accounts. The international principles, generally known as IFRS/IAS, largely comply with the recommendations formulated by the Financial Accounting Standards Council, which have constituted generally acceptable accounting practices in Sweden. However, the international rules and regulations have been refined over the past two years, in part through comprehensive modernization work that has affected most of the recommendations previously issued, and in part because completely new fundamental rules and regulations have been formulated for insurance contracts (IFRS 4). The first phase of IFRS 4 comprises principles for reporting contracts whose purpose is to transfer insurance risks. To ensure that the reporting rules and regulations can be kept independent of differences in the definitions of insurance contracts in the various national insurance laws, the standard contains its own definition. In principle, the IFRS 4 principle for the types of contracts that qualify as insurance contracts can continue to be applied, in accordance with the national principles previously applied. During the second phase of IFRS 4, however, the intention is that IFRS 4 will contain rules governing the reporting of insurance contracts on the basis of the balance sheet and of fair value, and not on the basis currently applied of accrual accounting focused on the income statement.

Since 2003, the If Group has engaged in preparations for the transition to IFRS/IAS. The development work that has been conducted simultaneously within IASB and ambiguities concerning the presentation of the definitive draft principles have impeded the If Group's analyses, mainly within the area involving the reporting of insurance contracts. The late dates at which the new accounting standards were definitively adopted by the IASB, approval of the European Commission was received and the formulation of supplementary Swedish standards have also affected the If Group's work. The accounting effects that the If Group will become subject to in connection with the transition to IFRS/IAS are estimated to be relatively limited, however. The compulsory requirement for full fair valuation of all derivatives will mean that the hitherto applied accounting principles for fixed-income derivatives, the lower of cost and current value principle, will be changed. Due to the strong connection between fixed-income derivatives and the portfolio of interest-bearing securities, these will also be reported at fair value, with the revaluation effects reported in the income statement. The technical result for 2005 will not be affected by the new principles. However, technical items in the balance sheet will be affected somewhat by the effects of, for example, certain associated contracts (captive agreements) that are currently reported gross.

PROPOSED APPROPRIATION OF EARNINGS

Unrestricted funds in the company amount to MSEK 11,925. No allocation to statutory reserves is proposed.

Unrestricted funds in the Group amount to MSEK 11,521.

The profits available for appropriation by the Annual General Meeting amount to MSEK 11,925, of which the net profit for 2004 accounts for MSEK 3,116. The Board of Directors and the President propose that MSEK 4,500 be distributed as dividends to the shareholder and that the remaining MSEK 7,425 be carried forward.

Stockholm, March 14, 2005

Torbjörn Magnusson
Chairman of the Board

Jan Svensson

Tom Melbye Eide

Ricard Wennerklint

Gunnar Rogstad

Anders Nordman

Ulla-Britt Lundqvist

Arild Lorentzen

Ivar Martinsen

Hannu Kokkonen
President

Our audit report was issued on March 14, 2005

KPMG Bohlins AB

Auditor appointed by the Swedish Financial
Supervisory Authority

Anders Holm
Authorized Public Accountant

Hans Stenberg
Authorized Public Accountant
Deloitte & Touche AB

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

This audit opinion is an extract of our official Audit report for the financial year 2004, prepared for the purpose of this Offering Circular

To the board of directors of If Skadeförsäkring AB (publ)

We have audited the annual accounts, the consolidated accounts and the accounting records for If Skadeförsäkring AB (publ) for the year 2004. The board of directors and the managing director are responsible for these accounts and for ensuring that the Annual Accounts Act for Insurance Companies is applied when the annual accounts and the consolidated accounts are compiled. Our responsibility is to express an opinion on the annual accounts based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable 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. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish 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.

Stockholm, March 14, 2005

KPMG Bohlins AB

Anders Holm
Authorized Public Accountant

Hans Stenberg
Authorized Public Accountant
Appointed by the Swedish Financial Supervisory
Authority

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