

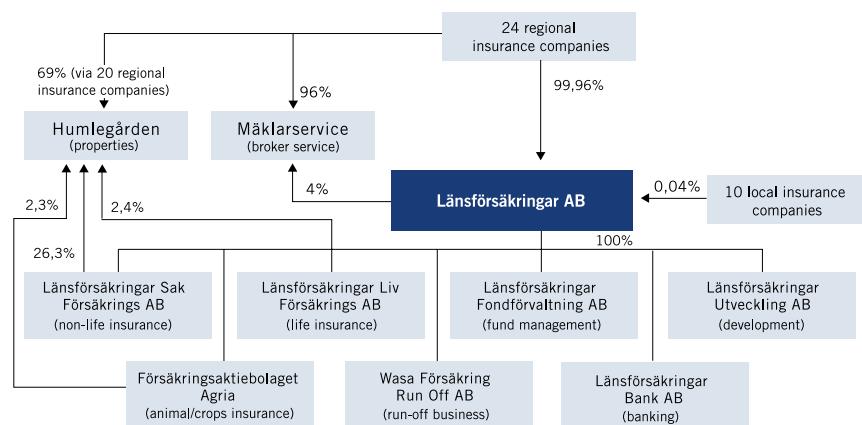
# Länsförsäkringar AB

ANNUAL REPORT 2002



# Länsförsäkringar AB

The 24 independent, regional insurance companies in Sweden cooperate in the jointly owned Länsförsäkringar AB and its subsidiaries. Länsförsäkringar AB's basic task is managing and coordinating the joint strategic and development process within Länsförsäkringar. Länsförsäkringar AB is a financially strong hub in Länsförsäkringar Alliance. The aim is to ensure that the regional companies have the prerequisites for success in their local markets. Operations are conducted via subsidiaries in life, accident, third-party motor, industrial and animal insurance and reinsurance, and in banking, mutual fund and asset management. Länsförsäkringar AB also coordinates IT development.



## Definitions

### Länsförsäkringar Alliance

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

### Länsförsäkringar

Länsförsäkringar is a communications concept used in internally and in externally information as a designation for the Länsförsäkringar Alliance.

### Regional insurance companies

24 independent and customer-owned regional mutual insurance companies, each conducting insurance operations in a specific geographical region, and responsible for virtually all customer contacts in the Alliance's areas of operations.

### Länsförsäkringsbolagens förening

A non-profit association comprising the 24 regional companies and 10 local insurance companies. The association's aims are to further the interests of its members and promote the concept of insurance at the local level.

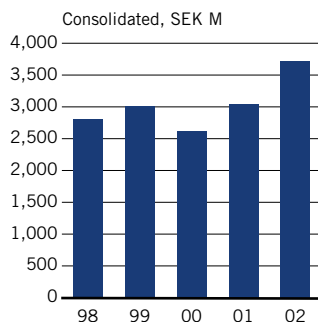
### Länsförsäkringar AB

The Parent Company of a financial group owned by the 24 regional insurance companies and 10 local insurance companies. The Group provides services for the regional insurance companies in the following areas: non-life insurance, life insurance, banking, mutual funds, asset management and animal insurance. The Group is also responsible for development operations.

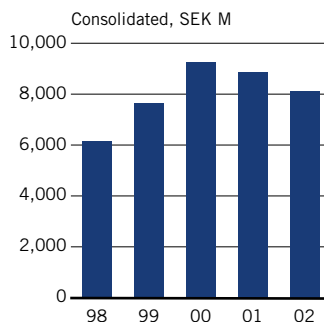
### Länsförsäkringar Sak

Conducts the Länsförsäkringar AB Group's non-life insurance operations.

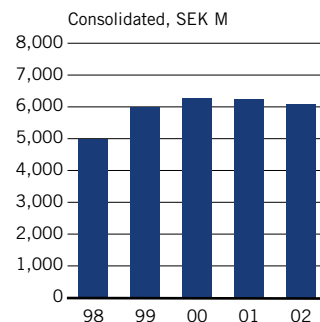
#### Premiums earned for own account, non-life insurance



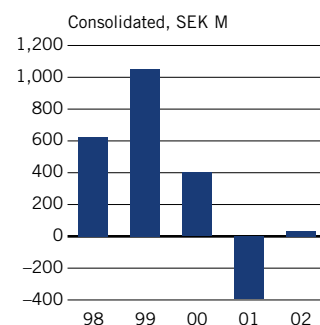
#### Premium income, net, life insurance



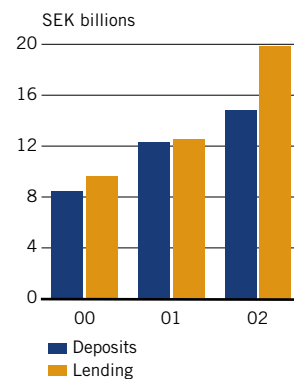
#### Net asset value



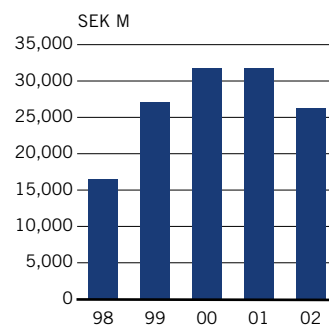
#### Operating result



#### Deposits and lending. Bank group



#### Managed fund volume



#### Länsförsäkringar Liv

Conducts traditional life insurance business and, via its Länsförsäkringar AB Fondliv subsidiary, unit-linked life insurance. Operations are managed in accordance with mutual principles, and hence all profits accrue to customers.

#### Länsförsäkringar Fonder

Conducts mutual fund management operations for traditional equity and fixed-income funds.

#### Länsförsäkringar Bank

Conducts banking operations with a focus on private individuals and the agricultural sector.

#### Länsförsäkringar Mäklarservice (Broker Service)

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

#### Agria Djurförsäkring

Insures animals and crops.

# Contents

Comments by the Managing Director .....	6
Owners, business concept and forms of cooperation .....	8
Financial management .....	10
Business environment .....	12
Employees .....	16
Board of Directors' report .....	20
Five-year summary .....	25
Consolidated income statement .....	26
Consolidated balance sheet .....	27
Performance analysis – group .....	28
Income statement – Parent Company .....	30
Balance sheet – Parent Company .....	30
Cash-flow statement – Parent Company .....	31
Valuation and accounting principles .....	32
Notes – group .....	36
Additional information .....	44
Notes – Parent Company .....	44
Financial investment assets – group .....	47
Auditors' report .....	50
Life group .....	51
Board of Directors and auditors .....	52
Senior management .....	53
Terms and expressions .....	54
Addresses .....	55

# Financial key figures

<b>LÄNSFÖRSÄKRINGAR AB CONSOLIDATED<sup>1)</sup></b>					
<b>SEK M</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Premiums earned for own account	2,806	3,017	2,624	3,039	3,716
Operating result	625	1,052	402	–395	34
<b>Financial position</b>					
Investment assets (market value)	14,509	12,953	16,961	16,648	17,646
Net asset value	4,986	5,983	6,272	6,257	6,092
Solvency margin, %	154	239	232	191	157
<b>Key figures</b>					
<b>Non-life operations</b>					
Claims ratio	110	93	98	100	94
Operating expense ratio	31	26	28	27	24
Combined ratio	141	118	126	127	118
<b>Asset management</b>					
Direct return, %	4.8	4.1	2.8	2.6	2.9
Total return, %	14.2	6.3	6.9	1.9	4.3
<b>LIFE GROUP<sup>2)</sup></b>					
Premium income for own account	–	4,827	9,361	8,857	8,127
Result for the year	–	11,626	–4,563	–12,738	–12,442
<b>Financial position</b>					
Investment assets (market value) SEK billion	84.2	100.7	96.9	91.5	79.0
Collective consolidation, SEK billion	3.5	34.4	29.4	28.9	14.0
Collective consolidation ratio, %	–	126	108	98	86
Solvency ratio, %	–	–	173	141	120
<b>BANK GROUP</b>					
Operating income	322	332	451	536	649
Result for the year	–27	13	55	1	20
Lending to the public	6,247	7,963	9,620	12,453	19,861
Deposits and borrowing from the public	7,565	8,149	9,207	13,293	16,378

<sup>1)</sup> Länsförsäkringar Liv Försäkrings AB group is not consolidated since the company operates on mutual principles. However, Svenska Brand Livförsäkring AB is included in the Länsförsäkringar AB group as 2001.

<sup>2)</sup> On December 31, 1998, the company took over the life insurance operations conducted previously in Länsförsäkringar Liv Försäkringsaktiebolag and Wasa Livförsäkring, ömsesidigt. Accordingly, the company does not report an income statement for 1998. Operations were conducted based on mutual principles and earnings accrue to the life-insurance policyholders.





PRIVATA AFFÄRER

## The challenger has grown up

Competitive interest rates, low fees and Sweden's most satisfied customers made Länsförsäkringar the "Bank of the Year" in 2002. After having been named "Challenger Bank of the Year" a year earlier by *Privata Affärer* magazine, the challenger has grown up. The award is solid evidence that Länsförsäkringar has developed successfully into a full-service bank for private persons and farmers.

### Privata Affärer's citation was as follows:

*"The challenger has grown up. Länsförsäkringar now offers the most important banking services and a large network of offices throughout the country. Its interest rates are among the best in the market, its fees are competitive and a bonus system benefits those who are also insurance customers."*

*An ambitious training program for the bank's advisors and very good marks from customers in a number of surveys show that the award for the year is well-deserved."*

## Good ratings for Länsförsäkringar

For the second consecutive year, Länsförsäkringar AB was awarded an A1 rating in 2002 by the Moody's rating institute (July 2002). This was due to Länsförsäkringar's strong and stable presence in Sweden, the high solvency margin of the regional insurance companies, the low risk profile in non-life insurance and Länsförsäkringar AB's strategic role within Länsförsäkringar. Länsförsäkringar Sak received an A rating, with the prospect "stable" from Standard & Poor's, which was the highest rating of all insurance companies in

Sweden (November 2002). Länsförsäkringar Bank was rated K1 for short-term borrowing and BBB+ for long-term borrowing by Standard & Poor's (July 2002).

Company	Institute	Rating
Länsförsäkringar AB	Moody's	A1
Länsförsäkringar Sak	Standard & Poor's	A
Länsförsäkringar Bank	Standard & Poor's	K1/BBB+
Humlegården	Standard & Poor's	A
Länsförsäkringar Liv	Standard & Poor's	Api
Agria	Standard & Poor's	A-pi

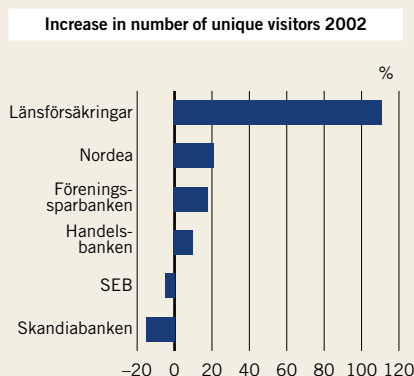
## Major market successes



Länsförsäkringar's market shares continued to grow in all three core areas: in non-life insurance, to 29.2% (28.7); in life insurance and unit-linked insurance by 2.8 percentage points, to 10.5% (7.7), and in banking to 2.6% (2.5).

### Länsförsäkringar grew fastest on the Internet

Among Swedish banks and insurance companies, Länsförsäkringar grew fastest on the Internet in 2002. The number of persons who visited the regional insurance companies' websites and the common home page, or who used Internet services during the course of a month, more than doubled during the year.



The other insurance companies had too few visitors to make it possible to measure an increase.

Source: Nilsen Netratings

### Länsförsäkringar and Sweden Post in bank-service cooperation

During the year Länsförsäkringar and the Swedish Post began a cooperation that made it possible for Länsförsäkringar's nearly 400,000 bank customers to carry out a number of banking services in Sweden Post's offices, in stores and through rural mail carriers throughout the country.

### Brand name promotion again wins awards

Länsförsäkringar's "Fängelset" was awarded the gold medal in the financial-

advertising class at the European "Eurobest" competition for advertising films, Eurobest is one of the most prestigious advertising competitions in Europe. The film was developed to

show that Länsförsäkringar is offering banking as well as insurance services. At the awards ceremony in London Länsförsäkringar also received the Epica Awards prize.

### Länsförsäkringar started share trading via the Internet

Länsförsäkringar's challenge to the large banks – which resulted in the "Bank of the Year" award in November – also included the introduction of share trading via the Internet. Customers were then able to begin trading Swedish shares via the Internet and by telephone. The service is simple and user-friendly and also contains tools and services for the advanced trader.

### Good image and attractive employer

During the spring Länsförsäkringar was ranked in a tie for fifth place among companies that consumers consider to have the best image, according to a study conducted by International Business Survey. Ikea and Ica were the Swedish companies that headed the list. No other insurance company or bank was among the top 20 companies.

In the rating of Sweden's most popular employers, Länsförsäkringar ranked eleventh again in 2002, thereby confirming its year-earlier position.



## Cooperation with ABN AMRO in asset management

Better possibilities for a high and secure return, lower management fees and a larger number of international funds to choose from. Those were some of the reasons why Länsförsäkringar last spring signed a cooperation agreement with one of the world's leading asset managers, ABN AMRO. Under the terms of the cooperation, ABN AMRO will handle the management of the

greater part of Länsförsäkringar's assets. The assets consist of savings funds of the regional companies' life insurance and mutual fund customers. Responsibility for the return to customers remains with Länsförsäkringar, and customer-contact persons are still available in the 24 regional insurance companies, Länsförsäkringar is also exercising ownership responsibility and

making decisions on the direction of strategic investments, and on levels of risk. Since ABN AMRO took over management of the assets the relative return on shares and interest-bearing securities has improved. However, the period has been too short to permit a proper comparison with the situation when operative management was being conducted under Länsförsäkringar's auspices.



### **“A single financial package is the best pillow”**

The marketing program during the past year focused on communicating the clear advantages, to private persons and farmers, in placing all their financial business with Länsförsäkringar. Under the slogan, “A single financial package is the best pillow,” Länsförsäkringar offered customers full-service insurance and financial solutions for housing.

### **Austerity in life insurance operations**

Länsförsäkringar's life insurance operations underwent structural changes during the past year, due in part as a consequence of the financial crisis. The Life Division in Länsförsäkringar AB created a new organization that became effective January 1, 2003 with a staff of 450 persons, resulting in a surplus of approximately 100 persons. Costs in the life insurance operations have been reduced by SEK 200 M on an annual basis.

### **Regional companies to write automobile insurance**

During the year it was decided that, beginning January 1, 2004, third-party liability insurance be written by the regional insurance companies and that Länsförsäkringar Sak will stop offering the coverage on that date. This further strengthens the local concept and competitiveness in the field of third-party liability insurance is increasing, since business decisions will be made closer to the customer and liability and property damage insurance will be written by the same insurer.

## **Länsförsäkringar decided to introduce right of transfer**

Länsförsäkringar decided to introduce the right of transfer for both existing and new customers. The rights are being introduced by stages and in the first stage the 300,000 Government employees who selected Länsförsäkringar in last autumn's choice of pensions will be able to transfer their pension-savings. The next stage will comprise all new products being sold and the objective is that all of Länsförsäkringar's pension customers will have transferred during 2004.

## **Länsförsäkringar's fixed-income fund management again ranks first**

Länsförsäkringar was named “Fixed-income Fund Manager of the Year” for 2002 by *Sparöversikt* magazine. The award was based on an evaluation of the funds' results in recent years and also takes into account the risk taken to achieve results.

Länsförsäkringar has a tradition of successful management of both short- and long-term interest-rate funds and the award confirms that the cooperation with ABN AMRO is off to a good start. There is good continuity on the fixed-income team since a number of Länsförsäkringar's fund managers

transferred to ABN AMRO's subsidiary, Alfred Berg, during the year.

Länsförsäkringar has six fixed-income funds. The long-term interest-rate funds – where the Bond Fund, the Eurobond Fund, the Mega Bond and the Mega Government Bond Fund had a return of more than 7% – developed best during the year. Länsförsäkringar's short-term funds also developed favorably. The Liquidity Fund and the Money Market Fund rose by more than 4%. Management fees in Länsförsäkringar's fixed-income funds range between 0.15 and 0.60%.

## **Sweden's most satisfied customers**

For the second consecutive year Länsförsäkringar had Sweden's most satisfied customers in both banking and insurance, according to the “Svenskt Kvalitetsindex” (Swedish Quality Index), which is compiled annually at the Stockholm School of Economics. The average results for the entire industry declined, compared with the preceding year. The premium increases during the year and the weaker return on life insurance were the probable causes. This is having an impact on customer satisfaction and the loss is generally greatest for companies at the top of the list. Länsförsäkringar has had the most satisfied customers in the private market for eleven years in a row. In the corporate market (non-life insurance), the Alliance has headed the list since 1994 when Länsförsäkringar participated for the first time.

# The strength of our joint operations is a requirement for success

At the same time as Länsförsäkringar AB's role as a strategy, service and development company clarified during the year, the need for a unified and financially strong group has never been greater than it is today. The group's extensive banking activities is a good example of operations that are completely dependent on a strong financial position and good credit ratings for Länsförsäkringar AB.

Länsförsäkringar AB with subsidiaries is a major player in Sweden's financial sector. With our subsidiaries, including the traditional life insurance company that is operated under mutual principles and, therefore, is not consolidated in the group, total assets amount SEK 149 billion. Länsförsäkringar AB's financial position is strong and represents a cornerstone for the success of the entire Alliance. The bank's profitability, for example, is dependent on a good rating, which, in turn, requires a financially strong owner. Länsförsäkringar AB's subsidiaries also have strong assets, and the life insurance company's solvency is good. During 2002, accordingly, the Länsförsäkringar AB group and its subsidiaries within non-life insurance, life insurance and banking activities all received good credit ratings from the rating institutes.

Länsförsäkringar AB's basic objectives are to manage the strategic development of the Alliance and develop business and areas of operation that, when they reach maturity, are transferred to the regional insurance companies. During 2002, as an example, a decision was made to transfer our third-party liability insurance operations, with gross premiums earned of SEK 2,403 M, to the regional insurance companies, based on customer geographical locations. Länsförsäkringar AB also coordinates some of the operations of the regional

insurance companies, partly by providing support in terms of product development, IT-development and operational management of joint systems. In parallel, Länsförsäkringar AB is also the regional insurance companies' center of expertise and has developed specialist skills in such areas as IT, legal and market communications.

## Two worlds create a strong force

Since the regional insurance companies handle virtually all customer contacts and Länsförsäkringar AB manages development and service, Länsförsäkringar Alliance lives in two different worlds. All customer contacts are maintained in the local world, while economies of scale and development strength is created in the joint corporate world. This distribution of business operations, which is unique for Länsförsäkringar in the Swedish banking and insurance market, is the primary reason for the development and market growth of Länsförsäkringar.

## Efficiency improvements and cost reductions

Länsförsäkringar AB consists of six operating business divisions with defined profit responsibility. Various support units and staff functions are also included in the group. The operating divisions hold the Alliance's concessions and licenses for third-party liability

insurance (which will be underwritten by the regional insurance companies beginning on January 1, 2004), animal insurance, life and unit-linked insurance, asset management and bank charters. The Run-Off Division manages the liquidation of reinsurance and international direct insurance. The divisions are responsible for their respective income statements and balance sheets, product development and service provided to the regional insurance companies, which, in turn, are responsible for all customer contacts. During 2002, the value chain in every business process was reviewed, and the responsibility for each section of every business process has been defined more clearly. This has resulted in efficiency improvements and cost reductions, including lower costs in the Life Division, which has reduced its workforce by more than 100 persons and its annual operating costs by about SEK 200 M. This work will continue in 2003 and include a review of the group's IT operations, an area in which we expect to achieve efficiency improvements corresponding to about 20% annually. Due to the decline in the financial markets, we have sharpened our focus on costs savings, and our long-term objective is that every area of business should stand on its own merit, regardless of net financial items.



## **Investments in life insurance and banking activities**

The development of life insurance operations, combined with investments in banking activities, were the focal points of work efforts during the year. We focused on both internal and external aspects of our life insurance operations. Internally, all processes of the Life Division within Länsförsäkringar AB and the regional insurance companies were reviewed. The reviews are expected to create increased efficiency since 80% of all customer transactions will now be managed directly through actual customer meetings. Externally, our focus on occupational pension insurance has progressed into an operational phase, and the success of the regional insurance companies in this area is reflected in increasing market shares. Despite the decline of more than 70% in stock market prices over the past three years, assets in the life insurance company exceed our guaranteed obligations to customers by 20% – yielding a solvency ratio of 120%.

In the banking sector, Länsförsäkringar has implemented a strategic shift from niche bank activities to complete-coverage banking for private persons and farmers, which resulted in the “Bank of the Year” award in 2002, among other achievements. Our concentration on home mortgage loans through our own mortgage institute, Länsförsäkringar Hypotek AB, has generated very significant success, and new lending activities now amount to approximately SEK 800 M per month, or about SEK 10 billion annually. Financing is managed mainly through external borrowing programs.

## **New strategy for asset management**

We changed our mode of operations for asset management activities during the year. Our proprietary finance unit now focuses on the composition of our balance sheets, the distribution of investment assets, risk mandates and seeking and follow-up of asset managers. Operational management is

handle on assignment to us by cooperation partners. Since ABN AMRO assumed responsibility for equities and fixed-income securities on behalf of the life insurance and mutual fund companies, the relative return has increased, compared with return under proprietary management. Advisory services for Alternative Investments are now also managed by partners, in this case Nordic Alternative Investment Advisors.

## **Financial strength**

Länsförsäkringar AB is one of Sweden’s largest financial players, with assets under management, including the traditional life insurance company, totaling SEK 100 billion.

The pre-tax result for the year was positive, yielding a surplus of SEK 34 M (loss: SEK 395 M), including nonrecurring revenue and expense items. A capital gain of SEK 1,036 M arose through the transfer of the asset management operations of the life insurance and mutual fund companies to ABN AMRO. A provision of SEK 200 M to strengthen reserves was the largest single cost item. Our net asset value amounted to SEK 6,092 M and our solvency margin was 157% (191). The operating expense ratio declined as a result of comprehensive efficiency-enhancement measures, including cutbacks in our workforce.

The 24 regional insurance companies place the same capital return demand on the share in Länsförsäkringar AB as all other investment assets. The value of the share at year-end 2002 was SEK 876 (878). Since 1998, the value of the share has increased by 37%.

## **Strategy for growth and profitability**

Länsförsäkringar AB worked during the year with development areas that are included in the strategies of the Länsförsäkringar Alliance, which focus on continued growth in the core areas of business activities comprising non-life insurance, life insurance and banking. New market

strategies have been established to support efforts by the regional insurance companies to attract increased customer acceptance for additional insurance products included in our offering. We have a large customer base and Sweden’s most satisfied customers. We also launched a new business support concept during the year in the form of customer data system, which contains complete information on all customer contracts, regardless of product area, which will facilitate contacts with our customers.

Strong, competitive products are the foundation of efforts to broaden our brand and attract increased customer contracts. Our offering enables coverage of a customer’s entire range of needs for banking, non-life and life insurance products. The offering is unique in Sweden, and we combine it with our strong local presence and close contacts with our customers.

Länsförsäkringar AB has the potential to succeed in the mission that has been assigned to the company by its owners. We have clearly defined mandates, a strong financial position, comprehensive expertise, good market positions and satisfied customers. Despite some cause for concern in today’s world, our strengths provide optimism for the future.

  
**Tommy Persson**

CEO and Managing Director



Tommy Persson, CEO and Managing Director

# Financially strong owners and distinct customers

Länsförsäkringar Alliance is a federation consisting of the 24 regional insurance companies that jointly own Länsförsäkringar AB and its subsidiaries. The structure is based on independent regional companies, cooperating on a voluntary basis. All these companies are mutual, which means that they are owned by their customers, who elect the Board of their regional insurance company at the Annual General Meeting – the ultimate decision-making body in each region. As a result, each regional company – and hence the entire Alliance – has a single principal, the customer. Customer benefit is the ultimate objective. There are no other owners who have to be taken into account.

## Financially strong owners

All the regional insurance companies produce their own income statements and balance sheets. The regional concept is the basis for their operations, and this is the decisive factor in ensuring success in the market place, their adaptation to the market and their efficiency. The individual regional insurance companies have a very strong – and in most cases leading – position in their respective markets. Several regional insurance companies have a market share of more than 50%, for example for house/home contents insurance. Länsförsäkringar has a particularly strong financial position in the Swedish non-life insurance market in terms of net worth. Net asset value amounted to nearly SEK 15 billion, including the value of shares in

Länsförsäkringar AB, and the solvency margin was 117%. As a result of the mutual nature of the Länsförsäkringar companies – and customer ownership – any surplus funds may be refunded to policyholders in the form of bonuses. Through cooperation with the other regional insurance companies, the individual company strengthens its own resources while concurrently contributing to the regional insurance companies as a group, federation, developing as a competitive alternative on the Swedish market in its entirety. The basic task is to lead and coordinate the joint strategic efforts and development work within Länsförsäkringar and to provide service to the regional insurance companies.

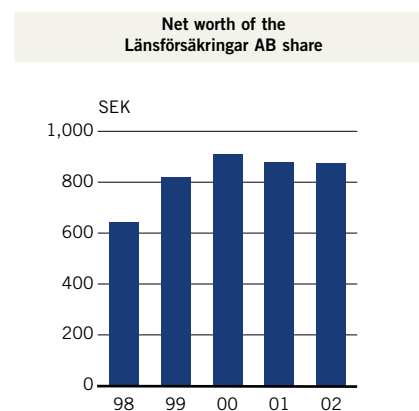
## Restructuring continued

During 2002, the restructuring of Länsförsäkringar AB continued, toward a more streamlined role as the Alliance's service and development company. It was decided during the year that the regional insurance companies will underwrite third-party liability insurance as of January 2004 and that underwriting in Länsförsäkringar Sak would cease. This further strengthens the local concept and follows Länsförsäkringar's concept that operations that can be local are made local. For Länsförsäkringar AB, this means that the operations non-life insurance activities are being gradually reduced and the focus is more clearly on service and development. An agreement on asset management was signed in 2002 with

ABN AMRO whereby the finance department within Länsförsäkringar AB can focus more clearly on strategic efforts, such as ownership responsibility and investment philosophy.

## Ownership

The regional insurance companies and 10 local insurance companies own 100% of Länsförsäkringar AB. This shareholding is included in the regional insurance companies' net asset value, and the regional insurance companies have the same market requirements for a return on these shares as for listed shares and other investment assets. Since 1998 the value growth has been 37%. The owners' average yield requirement on shareholders' equity for the period 2001–2003 is 5 percentage points above the 5-year bond rate.



The regional insurance companies own shares in the joint company Länsförsäkringar AB. The regional insurance companies place the same demands on return as on the listed shares and other investment assets. Since 1998, the value has increased 37%.

## Forms of cooperation and agreements

The 24 regional insurance companies cooperate with regard to joint strategic issues within the framework of an ownership consortium, which is governed by a consortium agreement. In addition, there are cooperating bodies at various levels within the Alliance. The chairmen and managing directors of the regional insurance companies meet regularly for discussions with the management of Länsförsäkringar AB. Other cooperation bodies are the Board of Länsförsäkringar AB, the division Boards as well as various function councils.

## Capital allocation

Länsförsäkringar AB's task is to own and guide the group comprising the jointly owned companies. The task also includes optimizing the use of capital within the group and that the subsidiaries are sufficiently capitalized for the operations they conduct. The legal structure of Länsförsäkringar AB was changed in 2001–2002 with the aim of making this task more distinct. As a consequence, the non-life operations are now conducted in a separate subsidiary. There are group-wide functions in the Länsförsäkringar AB organization, but no actual business operations.

## Rating for Länsförsäkringar

For the second consecutive year, Länsförsäkringar AB was awarded an A1 rating in 2002 by the Moody's rating institute (July 2002). This was due to Länsförsäkringar's strong and stable presence in Sweden, the high solvency of the regional insurance companies, the low risk profile in non-life insurance and Länsförsäkringar AB's strategic role within Länsförsäkringar. Länsförsäkringar Sak received an A rating, with the prospect "stable" from Standard & Poor's, which was the highest rating of all insurance companies in Swe-

den (November 2002). Länsförsäkringar Bank was rated K1 for short-term borrowing and BBB+ for long-term borrowing by Standard & Poor's (July 2002).

Company	Institute	Rating
Länsförsäkringar AB	Moody's	A1
Länsförsäkringar Sak	Standard & Poor's	A
Länsförsäkringar Bank	Standard & Poor's	K1/BBB+
Humlegården	Standard & Poor's	A
Länsförsäkringar Liv	Standard & Poor's	Api
Agria	Standard & Poor's	A-pi



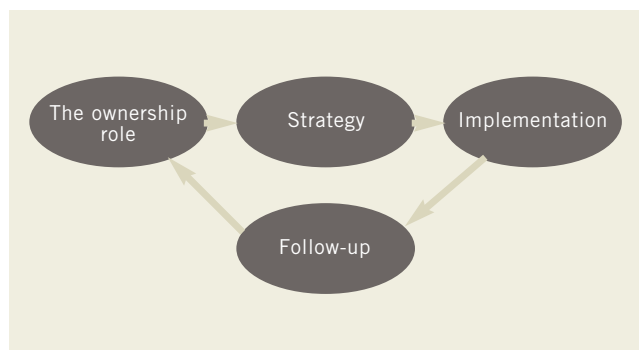
## Shareholder

Company	No. of shares			Share of capital, %
	A	B	C	
Länsförsäkringar Skåne	141,849	468,566	–	9.7
Länsförsäkringar Stockholm	129,212	451,138	–	9.2
Östgöta Brandstodsbolag	114,155	304,919	–	6.7
Dalarnas Försäkringsbolag	104,708	312,423	–	6.6
Länsförsäkringar Älvsborg	100,176	311,550	–	6.5
Länsförsäkringar Göteborg och Bohuslän	87,010	294,047	–	6.0
Länsförsäkringar Jönköping	82,812	253,733	–	5.4
Länsförsäkringar Bergslagen	86,351	244,870	–	5.3
Länsförsäkringar Uppsala	73,298	227,613	–	4.8
Länsförsäkringar Skaraborg	64,058	218,295	–	4.5
Länsförsäkringar Södermanland	58,117	172,547	–	3.7
Länsförsäkringar Västerbotten	57,195	167,635	–	3.6
Länsförsäkringar Gävleborg	60,058	162,169	–	3.5
Länsförsäkringar Halland	56,785	160,886	–	3.5
Länsförsäkringar Kalmar, län	56,717	157,102	–	3.4
Länsförsäkringar Västernorrland	50,186	147,216	–	3.1
Länsförsäkringar Jämtland	35,795	121,012	–	2.5
Länsförsäkring Kronoberg	36,701	108,423	–	2.3
Länsförsäkringar Värmland	31,160	109,294	–	2.2
Länsförsäkringar Kristianstad	27,258	88,755	–	1.8
Länsförsäkringar Göinge	22,724	85,397	–	1.7
Länsförsäkringar Norrbotten	16,960	91,365	–	1.7
Blekinge Länsförsäkringsbolag	23,088	63,984	–	1.4
Länsförsäkringar Gotland	16,305	38,515	–	0.9
Wasa Stiftelse	–	1	–	0.0
10 local insurance companies	–	–	2,450	0.04
<b>Total number of shares</b>	<b>1,532,678</b>	<b>4,761,455</b>	<b>2,450</b>	<b>100.0</b>

# Strategy for competitive return

The responsibility for financial management within Länsförsäkringar rests in part with each regional insurance company and in part with Länsförsäkringar AB. In the latter company there is a specialist function (referred to below as “Finance”) that is responsible for asset management for the Alliance's life insurance and non-life companies, plus Agria Djurförsäkring and a number of small Alliance companies.

An important element in creating a competitive return is a well-accepted decision-making process, with clear routines and interfaces. To be able to achieve a competitive return, Finance applies a strategy for capital management that is summarized in a so-called investment process. The process consists of four parts.



In rough outline, the investment process may be summarized by saying that the *ownership role* stands for visions and objectives of ownership, which is the basis for *the strategy*. The strategy that is adopted is *implemented* and, finally, the

management results are *followed up* and evaluated.

**The ownership role** stands for Länsförsäkringar's visions and objectives with ownership of the assets for the purpose of creating the highest-possible return for the insurance customers. The Boards of Directors of the operations in life insurance, non-life insurance, funds and Agria are responsible for management and determine visions and objectives. Visions and objectives are described in a number of policy documents such as those dealing with ownership policy, solvency policy and debt-coverage policy. These policies constitute the framework within which the companies' investment policies are to be managed. The ownership role also includes

the ownership power that is exercised at annual meetings, for example, as representatives of the customers.

Under the **strategy**, Finance calculates the desired long-term distribution of assets for

each company. This part is very important, not least for the traditional management of life insurance companies, where customers are guaranteed a certain level of return – currently 3% – (before fees and yield tax) over the savings period. The long-term

strategy is determined primarily based on the risks in the companies' balance sheets, on the asset and liability sides, and on their covariation. The strategy is also affected by legal restrictions and by restrictions resulting from Länsförsäkringar's visions and objectives with ownership. The long-term strategy is summarized in the form of a reference portfolio. The reference portfolio shows how the assets are to be distributed long-term between types of assets such as shares, interest-bearing securities, Alternative Investments and property so that the return shall be as high as possible. Decisions pertaining to the reference portfolio are of key importance since surveys show that a significant percentage of a portfolios results over the long term can be ascribed to the distribution between types of assets.

However, it is not always possible or most effective to invest based on the long-term reference portfolio. This may be due, for example, to risks in the balance sheet or in investment markets. In these situations Finance calculates a shorter-term distribution of assets in the form of a normal portfolio that may deviate from the reference portfolio in some respects.

The strategy element also includes Finance's choice of a suitable management structure and type of manager.

When **implementing** the strategy, Finance has to find the best managers of shares, interest-bearing securities and

# Local throughout the world with ABN AMRO

During 2002 Länsförsäkringar and ABN AMRO began a joint venture involving the ongoing management of the greater part of Länsförsäkringar's assets, totaling approximately SEK 100 billion, that are administered for the account of customers. The objective of the joint-venture agreement is to obtain a high and secure return on assets.

Under terms of the cooperation, effective as of June 2002, ABN AMRO is handling the ongoing management of the greater part of the savings of Länsförsäkringar's life insurance and fund customers.

Through the cooperation customers gain access to global management of a high international class. Demands for international capacity for analysis and management on the part of asset managers have increased dramatically.

Today it is necessary to be able to evaluate all investment alternatives that are available in the world's financial markets. The cooperation with ABN AMRO also means that Länsförsäkringar's customers are gaining access to more international funds, both for direct fund savings and for savings in unit-linked insurance.

Responsibility for the return on customers' capital remains with Länsförsäkringar, which also exercises ownership responsibility and determines the strategic investment orientation and risks. ABN AMRO's management is taking place against the background of clear levels of risk and yield requirements established by Länsförsäkringar. Länsförsäkringar can terminate the ten-year management agreement if the yield requirements are not met.



Alternative Investments. Länsförsäkringar has elected to have a single manager, ABN AMRO, manage the largest percentage of shares and interest-bearing securities. To expose ABN AMRO to competition, a number of competing managers have been chosen to administer a small percentage of the assets. Alternative Investments are handled by Nordic Alternative Investment Advisors and the property portfolio is managed for the Länsförsäkringar Alliance by the Humlegården real estate company.

Implementation of the investment strategy also includes defining assignments for the managers. This includes specifying the amount of risk managers may take in the

form of deviations from the normal portfolio and also relative risks, the comparable indexes that are to apply, the yield requirement and other restrictions and definitions related to a management assignment. The manager's task then is to create the best possible return, given the framework and guidelines he/she has received. This takes place through so-called active management whereby a manager, for example, may choose to have a composition of shares in a portfolio that differs from the comparability index that applies to the portfolio.

**Follow-up** means that Finance regularly provides information on yields and valuation to the Board of Directors of each

life insurance and non-life insurance operations in Länsförsäkringar AB. The Board of Directors is thereby always informed on the manner in which management of the assets is developing. The evaluation of management consists of a regular qualitative and quantitative analysis of the managers and management results. The evaluation also includes regular meetings between specialists from Finance and persons in charge of ongoing management. The managers' adherence to prescribed frameworks and guidelines is also checked in the course of follow-ups.



# Business environment



# Market characterized by uncertainty

Last year was characterized by uncertainty. Continuous dark clouds emerged on the horizon and overshadowed everything else. However, despite a continued stock market decline and geopolitical uncertainties, the economy recovered in 2002.

Economic indicators started to turn upward toward year-end 2001, and the stock market temporarily slowed its decline. Year 2002, however, began with negative news in the form of emerging accounting scandals. The market was shocked that major American corporations such as Enron were forced to declare bankruptcy. Confidence in business executives and accounting firms suffered a serious setback. Uncertainties over the future ability of large corporations to generate profits were intensified by new uncertainties over the accuracy of their financial reporting ethics. The growing uncertainties led to an increased flight to safer investment havens. Share prices and interest rates continued to fall. The economy, nevertheless, showed signs of continued stability during the spring. Companies and households showed increased optimism over future trends. Their optimism faded away quickly late in the summer, however, as the conflict in the Middle East continued to escalate. During the autumn, the threat of war with Iraq became much more serious. Due to these uncertainties, financial analysts downgraded their forecasts of economic growth, particularly for the early part of 2003. Concerns in the marketplace have slowed the process of economic recovery. Reduced uncertainties, therefore, will be the key element in getting the economy back on its feet and stabilizing stock market values.

## A few rays of light

The 37-percent decline in the Swedish stock market during 2002 does not neces-

sarily mean that all signs have been negative, however. Growth has improved from the bottoms that were reported at year-end 2001. Households have benefited from lower interest rates, lower inflation and lower taxes. Real income development for private households, accordingly, has been favorable, contributing to a positive trend of consumer confidence. The low interest rates have also contributed to a continued increase in prices for private homes. Prices for single-family homes rose 10% during 2002, an indication that the wealth of private households has increased, despite the stock market decline. The future outlook is uncertain, however. In parallel with weaker economic conditions and the escalating compensation payments for absenteeism due to illness, the national budget has been exposed to growing pressure. As a result, the disposable incomes of private households will decline during 2003 after taxes and social fees are paid. Combined with a projected increase in unemployment after all the notices of job terminations during the past year, household consumption will probably decline this year. The trigger for economic growth, accordingly, will have to come from increased investments by private industry. During recent years, companies have reduced their level of investments and introduced strong cost-austerity measures. As a result, they are better prepared for economic recovery than previously. It is not very likely, however, that a sharp upswing in industrial investments is immediately pending. As long as widespread uncertainty continues to characterize the

market, most companies will maintain a cautious approach. The US GDP increased by 2.4% in 2002, which was much higher than its very modest growth of 0.3% in 2001. EMU, however, continues to fall behind. At the same time as households in the US, and to a certain extent Sweden, have continued to consume at a relatively strong pace, conditions for European households have been more worrisome. Unemployment is stuck at a high level, and the budget situation has not created any scope for economic stimulation measures. Incomes in the EMU region, in other words, have been much lower than incomes in the US and Sweden. In addition to the general decline in market demand, private industry has also been affected by the weaker USD. A stronger euro creates a tougher competitive climate for European export companies.

In summary, prevailing uncertainties will slow down the process of economic recovery, but once the geopolitical climate starts to stabilize, we should expect a gradual improvement in economic growth during the year. A more robust recovery is not expected until 2004, however.

## Markets down for third straight year

Global stock markets declined both in 2000 and 2001. Furthermore, the Swedish stock market year in 2002 was the worst year in history in terms of stock market performance. The Swedish stock market continued to suffer in relation to broader market indices due to its large exposure in the telecom sector. Ericsson's share price

plummeted from SEK 40 in the beginning of the year to SEK 6 at year-end, a decline of 85%.

A broader American stock index declined 24%, and a leading global index was down 20% during 2002. Accounting scandals, continued weak corporate earnings, general uncertainties over the economy and geopolitical concerns were key factors behind the bleak stock market climate in 2002. High expectations on the capability of corporations to generate future earnings continued to be adjusted downward throughout all of 2002. Corporate earnings have improved after the introduction of various cost-cutting measures. Productivity in the US has remained strong. When the uncertainties start to decline, there is reason to look forward to an increase in overall willingness to assume greater risks. Companies will eventually resume new investment activity, and investors will probably find their way back to the stock market. The risk for setbacks continues to loom large, however.

### Interest rates at historically low levels

In parallel with the stock market decline, interest rates also continued to fall during the past year. In the US, the long interest rate was reduced by 1.35 basis points, and the corresponding Swedish rate was down 0.65 basis points. Long-term interest rates, accordingly, have been reduced to historically low levels. Due to continued general uncertainties, investors have turned away from the stock market to seek safer investment alternatives, which forced interest rates down during the year. Furthermore, the economic outlook has been relatively bleak, and the threat of inflation has been virtually non-existent. Weak economic conditions, declining stock market prices and uncertainties over the Iraq conflict also induced the US Federal Reserve to implement additional measures to stimulate the economy during the autumn. The US key rate is now at an historical low of 1.25%. The European Central Bank (ECB) has followed suit, reducing the prime rate to 2.50%. Riksbanken (the Central Bank of Sweden) raised interest rates twice during the spring, when economic indicators were

still pointing upward. In conjunction with renewed market concerns during the autumn, however, Riksbanken withdrew its earlier increases by reducing the prime rate to 3.75%.

In view of limited indications that would otherwise confirm an ongoing economic recovery, there is no reason to believe the central banks are in any hurry to revise their monetary policies in a more restrictive direction. In Europe, on the contrary, additional reductions in interest rates are more likely than assumptions that a bottom has been reached. As for Sweden, a strong issue during 2003 will be the national referendum on EMU. A “yes” to EMU would probably mean that Swedish interest rates would start to approach the level of EMU interest rates, since the country’s entry into the monetary union would also mean that Sweden’s future monetary policy would be managed by ECB, not Riksbanken. Speculation over the result of the referendum remains open, with an even division between yes and no advocates and a growing percentage of undecided voters.

## The year of the krona

For the past several years, the general impression has been that the Swedish krona has been undervalued. The Swedish economy has shown strengths that should have led to a strengthening of its currency, such as a strong surplus in the nation’s balance of payments, sound government finances and low inflation. The stronger krona has been largely attributable to the general decline in the US dollar. The value of the krona in relation to the US dollar has risen 17%, while its strength against the euro has increased by a more modest 2%. In relation to Sweden’s largest trading partners, based on the TWC-index, the krona

appreciated by about 4.5% during 2002. In the future, naturally, the outcome of the national referendum on Sweden’s membership in EMU will be a critical factor in the development of the krona in relation to the euro. The krona has the potential to strengthen against the euro regardless of the outcome of the referendum. However, should the Swedes vote “no” it will almost certainly lead to an initial decline for the krona. Considering the weaker outlook for business growth in the Eurozone, relative to the US, it is more likely to assume some recovery for the US dollar, although the large deficit in its balance of payments would indi-

cate the reverse effect. The krona could become marginally stronger during 2003, particularly in relation to the euro.



## Alternative Investments

*Private Equity.* The continued decline in stock market prices around the world has now started to have a serious impact on price expectations among sellers of unlisted companies. The previous low level of acquisition among buyers of mature, unlisted companies (so-called Buyouts) was reversed during the latter part of 2002 and a number of significant transactions were

implemented. Interest among industrial players in acquisitions of the portfolio companies of Private Equity players remains extremely low, however, and the market is not receptive. In the Venture Capital segment, which has suffered through several years of difficult conditions, there are still no signs of improvement.

*Absolute Return.* As would be expected, the dramatic increase in demand for

hedge funds during the latter part of 2002 has led to the establishment of hedge fund activities by many new players. Unfortunately, however, the quality of many of the funds is poor, and it won't be long before investors will be disappointed. In 2002, hedge funds reflected their worst performance results in a long time. US hedge funds, for example, yielded their worst results since 1987 (−3.4%).

# Tough property market

The property market in Stockholm during 2002 was characterized by higher vacancies and lower rent, mainly as a result of the economic decline in the region. Another reason is the increase in new production of office facilities, which created added pressure on rent levels. Some of the new production has been speculative, whereby property owners had not contracted any tenants when construction operations were started. Vacancies at year-end amounted to nearly 10% in the Greater Stockholm area, ranging from slightly more than 15% in Kista to 6–7% in the city.

Rent in the most attractive areas of central Stockholm at year-end 2002 has been estimated at about SEK 4,500 with

a declining scale to levels in the range of SEK 1,500 in Kista. The rental market also reflects a “flight to quality,” with special focus on property location, condition and effectiveness.

A marginal increase in activity in the rental market has been noted over the past six months. Although the decline in rent levels appears to have slowed down, it is difficult to determine if a reversal is imminent. General economic growth has remained weak, and there are still no clearly discernible signs of a rapid and strong economic recovery. There is cause for cautious optimism in appraisals of the property market, however, although a brighter economic picture is expected to emerge during the second half of 2003.

The property market has been characterized by growing interest from foreign investors. Stockholm has now become a part of the European property market map, and larger objects in particular are attracting more international buyers than previously. In parallel, Swedish institutions have become less active as buyers, a trend that has been offset by increased activity by private persons.

It is likely that more international funds will buy properties in Sweden. Because of its size, the Stockholm market will probably be the primary focal point of interest for international investors. The transparency of the Swedish property market has also increased.



# Change process to meet new demands

As early as 2001, Länsförsäkringar AB took several measures to adapt to the prevailing financial situation. One measure was to introduce a recruitment freeze, and another was to introduce a salary freeze for group management. It was decided to implement early retirement, which was also a way of dealing with upcoming redundancy situations. It was also decided to start a Resource Center in order to give employees a guidance in their search for new employment. In 2002, Länsförsäkringar AB and its divisions conducted a review of their operations, which had an effect on both organization and staffing.

### **A change process within the Life Division**

In 2002, a change process was carried out to increase the competitiveness of Länsförsäkringar's life insurance operations. The overall goals of the change process were: competitive investment income, increased premium income, satisfied customers, motivated employees and a high level of efficiency. Of these goals, efficiency was deemed the highest. Intensive efforts are now under way to reduce operating costs.

To ensure sustained profitability, a review of the expertise, organization and staffing in the various divisions was carried out. Since January 1, 2003, the new

organization has been adapted to the role of the division – to develop products and services, and to provide service to the life insurance operations of the Länsförsäkringar Alliance. The new organization has 450 employees, resulting in a redundancy of approximately 100 people.

### **A change process within the Non-life Division**

The Non-life division of Länsförsäkringar AB is also implementing a change process to analyze future expertise requirements to better meet the needs of the regional insurance companies and the needs of customers for new services. From having centered on business-focused operations, the division shall now focus on a consulting and specialist-based organization. The change process began with an analysis of the operations in the form of functional plans that emphasized employees' professional qualifications. Staffing, expertise and efficiency must be competitive in terms of quality with comparable external operations now and in the future.

In 2002, the number of employees amounted to 490. At year-end 2002, the number of employees had decreased to 438. In 2003, a further reduction will take place, and at year-end 2003, it is expected that the workforce of the non-life division will amount to 415 employees. This corre-

sponds to a decline of about 15% compared with 2002.

### **Länsförsäkringar and ABN AMRO**

The strategic decision to abandon capital management operations under own auspices and instead enter into a long-term cooperation agreement with ABN AMRO affected a total of 83 employees. Redundancy issues were resolved through new employment within Länsförsäkringar AB or ABN AMRO, retirement and voluntary severance packages.

### **Humlegården Management AB**

Humlegården Management AB was formed in October through merging Länsförsäkringar AB's property organization and Humlegården. A reduced property portfolio combined with effects of the efficiency enhancement achieved through a common organization led to a personnel reduction comprising about 35 jobs. The employees affected were offered various solutions, for example, a development program provided by a human resources organization.

### **Satisfied employees and popular employer**

The annual NMI (Satisfied Employee Index) in Länsförsäkringar AB rose of the third consecutive year. In 2002, the NMI rose to 75.7 from 73.4. The first survey

was conducted was carried out in 1999, the year of the merger with Wasa, and at that time the index was 67.6. As in 2001, Länsförsäkringar ranked eleventh among Sweden's most popular employer.

### Länsförsäkringar's soul

In 2001, a survey was conducted of Länsförsäkringar's values and soul. The aim of the study was to create a base for continued discussions regarding the Alliance's business model, constitution and strategic platform. To clarify roles and the business model, the strategic platform and the regional insurance companies' relation to Länsförsäkringar AB was clarified. In autumn 2002, work was also initiated to define a common value base in Länsförsäkringar AB. A number of values have been identified which can be viewed as a common attitude. The values define how Länsförsäkringar AB shall act and work to be able to fulfill its assignment and contribute to the Alliance's vision. These values are: Results – Customer benefit – Thoughtfulness. During 2003, all employees will become involved in the continuing work with determining what these value words mean.

### Health in the workplace

Länsförsäkringar AB is in the forefront in terms of workplace health, and this has become a high-priority development area.

The aim is to work with the physical environment, psychosocial work environment and with the individual's health.

A common strategy and basic level of a health program has been developed for Länsförsäkringar AB. This is to support and develop a minimum level of systematic work environment efforts, in accordance with the employer's statutory responsibility. The basic level means that each division must carry out a work profile survey every other year (replaces the old safety review) and conduct a health profile survey every third year (which replace the old health check-up).

New questions have been developed for inclusion in the 2003 attitude survey (NMI), which measures both the psychological and physical health, a so-called

health index that provides an indication of the "health status" of Länsförsäkringar AB.

#### SHORT-TERM ABSENCE DUE TO SICKNESS, % (1–14 DAYS, BASED ON FULL-YEAR WORK)

	2002	2001
Women	1.8	2.2
Men	0.8	1.0

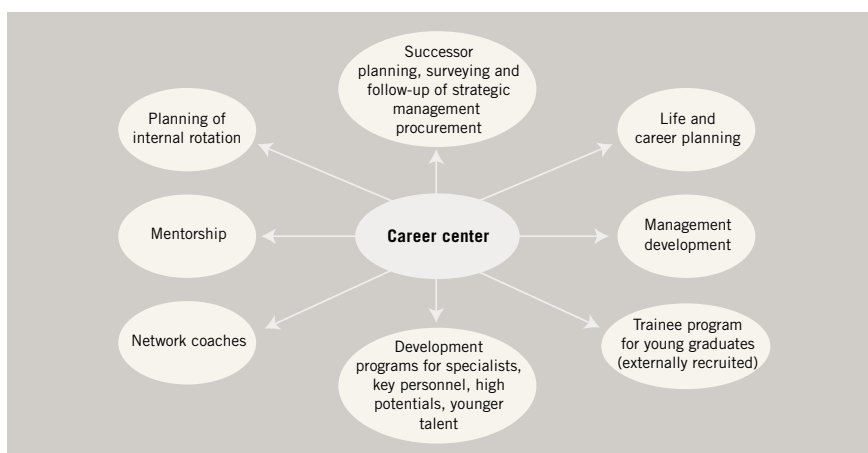
#### LONG-TERM ABSENCE DUE TO SICKNESS, % (15 DAYS OR MORE, BASED ON FULL-YEAR WORK)

	2002	2001
Women	3.9	3.7
Men	1.6	1.4

Absences due to sickness of 15 days or more have increased, however. A plan for improved rehabilitation has been initiated with the aim that employees return to work earlier with improved health.







### Skills development

Through combining the training resources of Länsförsäkringar AB in a single department opportunities were created during the year to achieve higher quality and efficiency. This will lead to increased course coordination and facilitate the skills development among employees of Länsförsäkringar Alliance and Länsförsäkringar AB that will be necessary to support the expansion of the brand. Other developments in the resource area during the year included starting the Länsförsäkringar University, off-campus college level training.

### Leadership within Länsförsäkringar AB

The combined leadership index amounts to 76.7, compared with 73.6 in 2001. The Leadership Index covers questions in the areas of staff management, goals and performance orientation and well as career development discussions. Staff management alone has risen to 77.7, compared with 73.4 in the preceding survey.

LEADERSHIP INDEX WITHIN LÄNSFÖRSÄKRINGAR AB		
	2002	2001
Staff management	77.7	73.4
Goal and performance orientation	75.1	73.5
Career development discussions	76.5	71.9

### Career center as support for continued manager supply

A career center was started within Länsförsäkringar AB to bolster management succession and internal recruitment to management positions. The aim is to capitalize on and develop the skill within the company and in a structured fashion to increase internal mobility. This also strengthens Länsförsäkringar's attractiveness as an employer.

	NUMBER OF MANAGERS WITH PERSONNEL RESPONSIBILITY	
	2002	2001
Women	95	85
Men	137	141

### Bonus salary for managers

On a trial basis during 2002, Länsförsäkringar AB has offered bonuses as a tool in determining salaries for managers. The criteria below are proposed for the general bonus agreement:

1. Goals set in the unit's business plan are achieved
2. The unit's NMI
3. Leadership Index
4. Other individual goals

The bonus is limited to a maximum of two month's salary at senior management level and one month's salary at the next subordinate management level.

### Salary exchange – possibility to sign for occupational pension plan

The possibility to convert part of salary to pension savings, salary exchange, is an employment benefit offered to employees. Through waiving part of his or her salary, the employee receives increased pension premium contributions compared with saving in a private pension insurance. The employer contributes to the pension premium amount, corresponding to about 7%. In order to qualify for salary exchange, the annual salary must exceed 8.75 price base amounts. The premium increase is due the income tax on pension costs being lower than the employer fees on salaries and the entire difference is provided as a benefit to the employee.



## Equality

An equality plan has been developed to apply during 2002–2004. In accordance with the Equality Act, Länsförsäkringar AB will annually survey, analyze, formulate goals, act on and gauge active measures in the established action plan within the areas of working conditions, recruiting and surveying pay differences.

### Working conditions

- **Work environment**

Working conditions shall be appropriate for women and men.

A follow-up is made in the annual NMI survey regarding the areas of influence over work, work requirements, work management, skills, etc. from an equality perspective.

*Länsförsäkringar AB's goal is the index figure shall exceed 70% in the NMI.*

- **Combining parenthood and work**

*Länsförsäkringar AB's is that 90% of the employees with children living at home shall experience the possibility of combining parenthood with work.*

- **Prevent and hinder that an employee is sexually harassed**

*Länsförsäkringar AB's goal is that no employee is involved in sexual harassment.*

### Recruitment

- **Recruitment process**

*Länsförsäkringar AB's goal is that:*

- that women shall hold 30% of management position in 2002 and 40% in 2004.
- Women and men (40/60 percent) are encouraged to apply for positions where there is gender imbalance.
- managers shall strive for equal gender distribution in their group/department, In areas where there is an imbalance, the difference must be reduced to reach a more equal distribution.

### Surveying salary differences

- *Länsförsäkringar AB's goal is that unjustifiable incidents of salary differences between women and men shall not be more than 5% in 2003 and not more than 1% in 2004 .*

## Employee statistics

### NUMBER OF PERMANENT EMPLOYEES, AT DECEMBER 31

	2002	2001
– Women	1,064	1,029
– Men	804	753
<b>Total</b>	<b>1,868</b>	<b>1,782</b>
Permanent employees who resigned during the year	136	132
New permanent employees	163	245

### AGE DISTRIBUTION

	Number of employees	
	2002	2001
0–30 yrs	227	222
31–40 yrs	558	526
41–50 yrs	487	464
51–60 yrs	531	518
61–	65	50

### AVERAGE AGE

	2002	2001
Women	42	41
Men	44	44



# Board of Directors' report

The Board of Directors and the Managing Director of Länsförsäkringar AB (publ) herewith submit the annual report and consolidated financial statements for fiscal year 2002. The company has its head office in Stockholm.

## Ownership

The regional insurance companies and 10 local insurance companies own 100% of Länsförsäkringar AB. Wasa Stiftelse holds one share. The Länsförsäkringar Alliance comprises the 24 regional insurance companies and Länsförsäkringar AB with subsidiaries.

## Organization

In addition to the Parent Company, Länsförsäkringar AB (publ), the group comprises

- Länsförsäkringar Sak Försäkringsaktiebolag (publ)
- Länsförsäkringar Bank AB (publ)
- Länsförsäkringar Fondförvaltning AB (publ)
- Länsförsäkringar Utveckling AB
- Försäkringsaktiebolaget Agria (publ)
- Wasa Försäkring Run-Off AB
- Länsförsäkringar Dator- och System-service AB (publ), name changed from Länsförsäkringar Kapitalförvaltning AB (publ)
- Svenska Brand Livförsäkringsaktiebolag
- Länsförsäkringar Liv Försäkringsaktiebolag (publ) and
- LF Gruppen AB, which is a dormant company.

The life insurance sub-group for which Länsförsäkringar Liv Försäkrings AB (publ) is the Parent Company, and which includes Länsförsäkringar Fondliv Försäkringsaktiebolag (publ), is not consolidated in the accounts since the company's earnings are distributed to policyholders in their entirety. The Länsförsäkringar

Liv group's income statements and balance sheets are reported in a summarized form on page 47.

## Focus of operations

The Länsförsäkringar AB group conducts insurance operations in the life, accident, third-party liability, industrial, animal insurance and reinsurance as well as mutual fund and asset management operations. Länsförsäkringar AB's basic task is managing and coordinating the joint strategic and development process within Länsförsäkringar Alliance. The aim is to ensure that the regional insurance companies have the prerequisites for success in their local markets. With certain minor exceptions, the regional insurance companies are responsible for handling customer aspects of these operations.

## Significant events in 2002

### Restructuring of the group

The restructuring within the group continued during 2002. A reduction of the share capital and share premium reserve was carried out in Länsförsäkringar Sak Försäkrings AB and payment was made to Länsförsäkringar AB in the form of shares in the subsidiaries Försäkringsaktiebolaget Agria, Wasa Försäkring Run-Off AB and Länsförsäkringar Liv Försäkrings AB. During the year Länsförsäkringar AB acquired Svenska Brand Livförsäkring AB from Försäkrings AB Svenska Brand and sold IT Bolaget i Strömsholm AB to Försäkringsaktiebolaget Agria.

### Value appreciation on shares for Länsförsäkringar AB group

As shown in the five-year summary on page 21, the net worth per share for the Länsförsäkringar AB group has risen 37% since 1998.

## Asset management agreement

Länsförsäkringar signed a cooperation agreement with ABN AMRO for the ongoing management of most of Länsförsäkringar's assets that are managed on customers' account – approximately SEK 100 billion in total. Management was transferred in June 2002 to ABN AMRO. In conjunction with this, Länsförsäkringar Kapitalförvaltning AB's management operations were discontinued. The aim of the cooperation is to achieve a high, secure return. The cooperation provides customers with access to a global asset manager of an internationally high level of expertise.

The asset management agreement with ABN AMRO is for ten years, with the option of an extension under certain conditions for an additional five years. A long-term approach and continuity in asset management is important, partly to achieve long-term favorable returns and partly to attain cost efficiency and the ability to benefit from economies of scale. A long-term cooperation is in the best interest of the customer as well as the managing company.

Premature cancellation, as well as not providing an extension of five years, could in certain cases result in a liability for Länsförsäkringar Sak to repay all or part of the purchase proceeds. The size of the repayment of the purchase price that Länsförsäkringar Sak could be liable to pay in the event of premature cancellation varies depending on the reasons for cancellation, and when during the term of the agreement cancellation occurs. The earlier the cancellation the higher the repayment amount. Several possibilities for premature cancellation, mostly from Länsförsäkringar Sak, exist. Considering the formulation of the agreement and the parties' shared interest in long-term cooperation, and the reasons for cancellation as such, the probability of premature cancellation is demand very low.

During the year, an agreement was also

signed with Nordic Alternative Investment Advisors for advisory services primarily in the life-insurance company's Alternative Investments such as Private Equity and Hedge Funds. In total Alternative Investments amount to SEK 6.6 billion, of which SEK 5.5 billion pertain to the life insurance company's investments.

#### **Local third-party liability concession**

Länsförsäkringar's ownership consortium decided that third-party liability insurance shall be transferred from Länsförsäkringar Sak to the regional insurance companies as of January 1, 2004.

#### **Market developments**

##### **Non-life insurance**

In terms of premiums paid, the total market in Sweden for non-life insurance grew by 14.3% during 2002 and currently amounts to SEK 43,402 M, due to an industry-wide increase in premiums to meet higher claims costs.

The Länsförsäkringar Alliance strengthened its market leadership during the year, and the total market in terms of premiums paid rose to 29.2% (28.9) during 2002. Despite necessary premium increases, market shares rose in all product areas. The market share for third-party liability insurance, which accounts for the major share of insurance business conducted by Länsförsäkringar Sak Försäkrings AB, also increased during the year and amounted to 35.7% (34.7) in terms of the number of policies.

##### **Banking operations**

Since the start seven years ago, Länsförsäkringar's banking operations have developed steadily and today the product offering to the target groups, private individuals and farmers, is complete. The extensive efforts yield results. The *Privata Affärer* magazine named Länsförsäkringar "Bank of the Year 2002" and according to

Svenskt Kvalitetsindex (the Swedish Quality Index) 2002, Länsförsäkringar has Sweden's most satisfied bank customers. The awards are solid proof that Länsförsäkringar's banking operations have developed from a niche bank to a full-service bank.

##### **Mutual fund management**

Länsförsäkringar increased its share of the total mutual fund market to 3.8% (3.7). In all, Länsförsäkringar has 36 (33) mutual funds with a management volume of SEK 26,554 M (31,752). The net inflow during the year was SEK 3,304 M (3,954).

During 2002, a long-term management agreement was reached with ABN AMRO and its Swedish subsidiary Alfred Berg for all of Länsförsäkringar's mutual funds. As of June 1, ABN AMRO and Alfred Berg handle the daily management of Länsförsäkringar's securities funds. Länsförsäkringar provides specific instructions to the managers regarding the return to be achieved and what active risk may be applied in management and continually follows the management results.

Länsförsäkringar was named Fixed-income Fund Manager of the Year 2002 by the *Sparöversikt* magazine.

##### **Life and unit-linked insurance**

Market shares for Länsförsäkringar's life insurance operations rose sharply and amounted, measured in terms of new sales, to 10.5% (7.7). In terms of premium income, the market share was 9.1% (8.7). Total premium income for life and unit-linked insurance declined by 8% to SEK 8,127 M (8,857).

Länsförsäkringar Liv's collective consolidation ratio at December 31, 2002 was 86% (98) and solvency ratio was 120% (141). The Solvency ratio is a measure of how well a life insurance company can fulfill its guaranteed commitments to customers.

Since Länsförsäkringar started life insurance operations in 1986, Länsförsäkringar Liv's traditional life insurance savings has had an average bonus of 10.7% annually.

#### **Risks and exposure in operations**

The description of risks pertains to Länsförsäkringar Sak Försäkrings AB. Some variation may occur in other subsidiaries within the group due to differences in the business structure of these companies.

##### **Insurance risks**

Länsförsäkringar Sak Försäkrings AB's insurance operations primarily consist of third-party liability insurance, commercial insurance and reinsurance assumed.

The company's total commitments for current policies and unsettled claims amount to SEK 13 billion. The estimate for the cost of unsettled claims involves, for example, uncertainty about the potential cost of claims, possibly extending several years into the future. This effect is particularly marked in the case of third-party liability insurance, which represents the greater part of the company's commitments. There is considerable uncertainty about future cost trends in this area due to a transfer of costs from the public sector to the insurance companies, the problematical employment situation involving a lower degree of work rehabilitation, and greater opportunities for appeals against claims payments that have already been determined. The need for provisions increases by about SEK 600 M if the annual cost increase is 1% higher than assumed.

The joint reinsurance operations are a key element in cooperation within the Länsförsäkringar Alliance. Reliance on external reinsurance is reduced by sharing the risk of major claims between the various regional insurance companies and Länsförsäkringar Sak Försäkrings AB. External reinsurance

restricts the Länsförsäkringar Alliance's net exposure in the event of a claims incident to less than 1% of the net asset value.

A full review of commercial business was conducted during 2001, with the object of reducing unforeseen risks. All risks were analyzed from the risk selection and profitability aspects. In order to achieve a greater risk spread and, at the same time, increase participation and awareness on the part of the regional insurance companies, all commercial business has been ceded as co-assurance with the regional insurance companies.

#### Risks in financial management

Financial management risks may be classified under various headings. The main financial risks to which the company is exposed are market risks, primarily in the form of share-price risk, interest-rate risk and currency risk. In addition, there are liquidity, credit and operating risks.

See the Investment income tables in the annual reports for the various insurance subsidiaries for information about investment income during 2002.

#### Currency risk

Länsförsäkringar Sak Försäkrings AB has both assets and liabilities in foreign currencies. Foreign assets under active management are hedged, but not foreign liabilities. The following table shows the company's net exposure in foreign currencies:

Currency, equivalent value in SEK M	2002
EUR	468
USD	381
ISK	11
JPY	10
CAD	4
Other currencies	-57
Total	817

#### Market risks

An active asset management policy has been adopted in order to achieve a higher yield than the benchmark portfolio. Permitting the actual mix of assets to deviate from the composition of the benchmark portfolio is one prerequisite for active management. The frameworks which constrain the deviations permitted by active management are defined in the management contract with the asset manager concerned. Since the asset mix is permitted to deviate from the benchmark portfolio, yield will also vary over time. The risk that a lower yield may be generated in certain periods than the yield in the benchmark portfolio is an implicit feature of active management. This is a calculated risk which must be accepted if a higher anticipated yield is to be achieved in the long term. Among other actions, a well supported choice for the composition of the benchmark portfolio and the limits within which the active portfolio may vary, creates surplus yield over the long term.

To make these choices, the current and expected future yield and risk of the asset classes that are included, or are being considered for inclusion, in the benchmark portfolio are analyzed using a number of different models. In this manner, an understanding is gained regarding future variations in yield and the correlation between the yields in the different asset classes is created. This information is then used in adapting the benchmark portfolio and the frameworks that limit the active portfolio's deviation.

The benchmark portfolio is theoretical configuration that then must be realized in practice. To accomplish this in the most efficient manner, that is at the lowest cost, a number of financial products are used in addition to common shares and interest-bearing securities. This could, for example,

involve call or put options and various futures, including

- interest-rate futures to smoothly change the risk in the fixed-income portion of the portfolio,
- share index options for protect the equities portion of the portfolio from sharp declines and
- share index futures to quickly change the distribution between equities and fixed-income securities in the portfolio.

The use of derivative instruments is closely regulated in instructions set by the Board of Directors. Normally, the use of derivatives is confined to derivative instruments settled by a recognized clearing institution, since this reduces the counterparty risk. The way in which asset management may invest in derivative instruments is also stipulated in detail in management agreements.

Investments are analyzed continually and sensitivity analyses are carried out at all times that show how various key figures, such as solvency margin, are affected by anticipated future market developments and any changes in the benchmark portfolio.

#### Interest-rate risk

Exposure to interest-rate risk is defined as the fixed-interest term of the financial assets.

The table below shows the maturity structure of the financial assets expressed in nominal amounts.

Fixed-interest terms for  
Länsförsäkringar Sak, December 31, 2002

Bonds and other interest-bearing securities	
< 1 yr	456
1–5 yrs	5,298
5–10 yrs	1,839
> 10 yrs	1,181
Total	8,773

The table shows the nominal interest maturity structure, gross.

### **Liquidity risk**

The liquidity risk is defined as the risk that a financial instrument cannot be divested without incurring an appreciable additional cost. For example, the additional cost could be that the seller must accept a highly unfavorable price if the seller is forced to sell for some reason. The liquidity risk is minimized by ensuring that the overwhelming proportion of the investment is in securities with high liquidity on well-established stock exchanges. In order to further reduce the asset management risk, management agreements stipulate the manner in which investments may be made in unlisted assets. Sometimes, investments are deliberately made in assets with low liquidity in order to improve the yield.

### **Credit risk**

Credit risk is defined as the risk that a counterparty cannot fulfil its obligations to the company. Certain securities transactions involve settlement periods which are longer than normal – for example spot trading in certain countries with settlement periods in excess of three banking days, and all derivative transactions. In such cases, the counterparty must have a rating which is considered adequate. Asset management risks are further reduced by stipulating, for example, the proportion of fixed-income portfolios which may be placed with various issuers and the rating they should have. In some cases, an absolute limit is stipulated for the issuer concerned. Credit risk also covers the risk of insolvency on the part of the underlying issuer.

### **Operating risk**

Operating risk are the risk of a loss due to deficiencies in internal controls. The company's internal routines cover the entire business transaction from closing to recon-

ciliation, payment, valuation, entry in the accounting records and reporting. An organization structure which permits independent and an objective monitoring and control function is a key factor in this context. Control is currently achieved by the asset managers' Compliance function and by the Finance department. A high proportion of the administrative control functions are located in the Finance department and, as a result, are separated from the management units to some extent.

### **Earnings and financial position**

Consolidated premium income for own account amounted to:

SEK M	2002	2001
Non-life insurance	3,875	3,270
Life insurance	0	2

### **Results**

#### **Consolidated**

Pre-tax consolidated profit amounted to SEK 34 M (loss: 395), and profit of SEK 2 M (loss: 217) after tax. The negative result for the year was primarily due to trends in the financial markets and the gain of SEK 1,036 M received on the transfer of the rights to management investment assets to ABN AMRO.

The technical result on non-life business amounted to a total profit of SEK 111 M (loss: 23), and the technical result for life insurance was a loss of SEK 52 M (profit: 2) for Svenska Brand Livförsäkring AB.

Total investment income during 2002 amounted to SEK 801 M (347). SEK 755 M (757) was transferred to insurance operations. The total investment income gross amounted to 4.3% (1.9).

Other income and expenses amounted to an expense of SEK 133 M (expense: 51), including goodwill amortization of SEK 5 M (50), expense for marketing activities

for brand expansion SEK 89 M (-) and other expenses amounting to SEK 39 M (1).

### **Subsidiaries**

#### **Non-life insurance**

Technical underwriting results on insurance operations amounted to a profit of SEK 111 M (loss: 23).

Premiums earned on own account increased by 22% to SEK 3,716 M (3,039). The increase was mainly in third-party liability insurance, which accounts for 64% of the volume. Earnings were affected by increased claims expenses, a development experienced throughout the industry. Claims payments for own account amounted to SEK 3,500 M (3,032), resulting in a claims ratio of 94.2% (99.8). Premiums were increased during the year in order to cover the increase in claims expenses.

Investment income transferred from finance operations increased to SEK 755 M (757).

There was an increase in operating expenses compared with the preceding year to SEK 885 M (816). The increase is attributable to volume-related costs and by costs for personnel reductions. The operating expenses ratio declined to 23.8% (26.8), however, due to the increased business volume.

There was a loss of SEK 37 M (loss: 8) on third-party liability insurance, the largest sector. Premiums increased were implemented to cover the increased claims expenses. Substantial run-off gains were realized during the year in the commercial and property sectors, which yielded positive results. The homeowner and household insurance sectors, third-party liability, animal and international direct insurance also posted positive results. The assumed reinsurance business and active reinsurance as well as run-off transactions posted positive results. Active reinsurance trans-

actions are reported under reinsurance assumed as well as run-off transactions that generate a positive result. Run-off of reinsurance transactions is carried out within the Wasa Försäkring Run-Off AB group and Länsförsäkringar Sak Försäkrings AB. Losses were reported in the health and accident insurance business as a result of high claims expenses. Premium increases were implemented during the year and provisions were also made for level supplementing. Losses were also incurred in the marine, aviation and transport insurance sectors.

#### **Banking operations**

Operating profit in the banking operations amounted to SEK 9 M (1). Increased volumes contribute to higher profitability. This was demonstrated in 2002, when volumes increased sharply and revenues increased twice as much as costs. Lending to the public rose 60% to SEK 19.9 billion and deposits from the public increased 20% to SEK 14.7 billion.

#### **Mutual fund management**

The result for the year for mutual fund operations was a profit of SEK 25 M (54). Despite the bleak year on the stock market and declining mutual fund volumes, the

company posted a positive result. The positive earnings are attributable to reduced management and commission costs.

#### **Life insurance**

The Länsförsäkringar Liv Försäkrings AB group is not consolidated, since this company is operated in accordance with mutual principles. The income statements and balance sheets for the life insurance group are presented on page 47.

#### **Parent Company**

The Parent Company's pre-tax loss amounted to SEK 161.9 M (loss: 77.4).

#### **Consolidation**

##### **Group**

The net asset value declined by SEK 165 M during 2002 to SEK 6,092 M. Collective consolidation ratio was 157% (191) at year-end 2002.

#### **Anticipated future developments**

The focus during the year on the three core operations, non-life insurance, life insurance and banking, was further intensified. Länsförsäkringar continued to grow in the Swedish banking and insurance market. Länsförsäkringar's banking operations today has a complete offering to private

individuals and farmers and has developed into a full-service bank. The increase in the life insurance business is largely due to the successful focus on occupational pensions. These efforts will also continue in 2003.

#### **Employees**

Information concerning the average number of employees, salaries and remuneration for the group, and details of salaries and other remuneration paid to senior management and auditors' fees are provided in Note 42 on page 39. This note also presents the costs for personnel redundancies during the year.

#### **Proposed disposition of earnings**

The Board and the Managing Director propose that the accumulated losses in the Parent Company of SEK 130,402,414 be covered through a withdrawal from the share premium reserve.

The consolidated accrued loss amounts to SEK 492,032,000.

The result of the year's operations and the company's position at December 31, 2002 are presented in the following income statements and balance sheets for the group and the Parent Company, and the accompanying notes.





## Five-year summary

Länsförsäkringar AB group, excl. Länsförsäkringar Liv <sup>1)</sup> , SEK M	1998	1999	2000	2001	2002
<b>INCOME/LOSS</b>					
Premiums earned for own account	2,806	3,017	2,624	3,039	3,716
Investment income transferred from finance operations	813	698	715	757	755
Insurance payments for own account	-3,087	-2,793	-2,566	-3,032	-3,500
Operating expenses	-870	-779	-729	-816	-885
Other income and expenses	90	-40	104	29	25
<b>Technical results non-life insurance operations</b>	<b>-248</b>	<b>103</b>	<b>148</b>	<b>-23</b>	<b>111</b>
<b>Technical results life insurance operations</b>	<b>-55</b>	<b>-96</b>	<b>-</b>	<b>2</b>	<b>-52</b>
Remaining investment income	867	1,531	220	-409	46
Change in surplus value in unit-linked insurance <sup>2)</sup>	176	-606	-	-	-
Results banking operations	33	24	67	1	9
Results mutual fund operations	58	-5	-10	54	25
Results asset management operations	-1	135	80	31	28
Other income and expenses	-205	-33	-102	-51	-133
<b>Operating income/loss</b>	<b>625</b>	<b>1,052</b>	<b>402</b>	<b>-395</b>	<b>34</b>
Of which change in surplus value in unit-linked insurance <sup>2)</sup>	-176	606	-	-	-
<b>Result before tax</b>	<b>450</b>	<b>1,658</b>	<b>402</b>	<b>-395</b>	<b>34</b>
<b>Profit/loss for the year</b>	<b>69</b>	<b>1,554</b>	<b>166</b>	<b>-217</b>	<b>2</b>
<b>Premium income for own account</b>					
Non-life insurance	5,164	4,198	4,085	5,045	5,401
<b>Premium income for own account</b>					
Non-life insurance	3,245	2,502	2,705	3,270	3,875
Life insurance	2,210	2,806	-	2	0
<b>FINANCIAL POSITION</b>					
Investment assets (actual value)	14,509	12,953	16,961	16,648	17,646
Underwriting provisions for own account	12,517	11,785	11,944	12,926	13,860
<b>Net asset value</b>					
Shareholders' equity	3,551	5,136	5,530	5,531	5,518
Deferred tax	629	647	542	399	435
Subordinated debenture	200	200	200	327	139
Surplus value in unit-linked insurance <sup>2)</sup>	606	-	-	-	-
<b>Net asset value</b>	<b>4,986</b>	<b>5,983</b>	<b>6,272</b>	<b>6,257</b>	<b>6,092</b>
<b>Solvency margin, %</b>	<b>154</b>	<b>239</b>	<b>232</b>	<b>191</b>	<b>157</b>
Net worth (SEK M)	3,987	5,136	5,530	5,531	5,518
Number of shares (000s) at SEK 100 par value	6,222	6,265	6,075	6,297	6,297
Net worth per share (SEK)	641	820	910	878	876
<b>KEY FIGURES, %</b>					
<b>Non-life insurance business</b>					
Claims ratio	110	93	98	100	94
Operating expense ratio	31	26	28	27	24
Combined ratio	141	118	126	127	118
<b>Asset management</b>					
Direct yield	4.8	4.1	2.8	2.6	2.9
<b>Total yield</b>	<b>14.2</b>	<b>6.3</b>	<b>6.9</b>	<b>1.9</b>	<b>4.3</b>

The above five-year summary applies to the Länsförsäkringar Wasa Försäkrings AB group during the period 1998–1999.

<sup>1)</sup> The operations of the Länsförsäkringar Liv Försäkrings AB group are conducted in accordance with mutual principles. This group is therefore not consolidated.

Svenska Brand Livförsäkrings AB, on the other hand, has been part of the Länsförsäkringar AB group since 2001.

<sup>2)</sup> For 1998 and 1999, the annual change in surplus value in unit-linked operations is included in the consolidated operating income.

The surplus value in unit-linked insurance amounted to the discounted value of estimated future payment flows on insurance contracts for the anticipated duration of the contracts, less the book value in the consolidated accounts. The unit-linked insurance company was sold during 1999 – therefore, there is no surplus value carried forward for the group.

On the other hand, the full-year income for the unit-linked company is reported for 1999.

## Consolidated Income Statement

### TECHNICAL ACCOUNTING, NON-LIFE INSURANCE, SEK M

		2002	2001
<b>Premiums earned for own account</b>			
Premium income (before ceded reinsurance)	Note 1	5,401.5	5,044.6
Premiums for ceded reinsurance		-1,526.1	-1,774.6
Change in provision for unearned premiums and unexpired risks		-115.5	-176.5
Reinsurers' portion of change in the provision for unearned premiums and unexpired risks		-43.7	-54.8
<b>Premiums earned for own account</b>		<b>3,716.2</b>	<b>3,038.6</b>
<b>Investment income transferred from financial operations</b>	Note 2	<b>755.5</b>	<b>756.5</b>
<b>Other underwriting revenues for own account</b>	Note 3	<b>28.0</b>	<b>31.1</b>
<b>Insurance payments for own account</b>			
Insurance payments	Note 4		
Before ceded reinsurance		-4,332.5	-4,336.6
Reinsurers' proportion		1,644.8	1,794.8
<b>Insurance payments</b>		<b>-2,687.7</b>	<b>-2,541.9</b>
<b>Change in provisions for outstanding claims</b>			
Before ceded reinsurance		-522.8	-829.8
Reinsurers' proportion		-289.0	340.1
<b>Change in provisions for outstanding claims</b>		<b>-811.9</b>	<b>-489.7</b>
<b>Insurance payments for own account</b>		<b>-3,499.6</b>	<b>-3,031.5</b>
<b>Operating expenses</b>	Note 5	<b>-885.5</b>	<b>-815.8</b>
<b>Other underwriting expenses, for own account</b>	Note 6	<b>-3.8</b>	<b>-2.2</b>
<b>NON-LIFE INSURANCE RESULTS</b>		<b>110.8</b>	<b>-23.3</b>

### TECHNICAL ACCOUNTING, LIFE INSURANCE OPERATIONS, SEK M (group life and occupational group life)

		2002	2001
<b>Premium income for own account</b>			
Premium income before ceded reinsurance	Note 7	0.3	4.1
Premiums for ceded reinsurance		-0.8	-2.0
<b>Premium income for own account</b>		<b>-0.5</b>	<b>2.0</b>
Investment income, earned	Note 8	1.1	0.7
Unrealized gains on investment assets	Note 9	0.3	5.0
<b>Insurance payments for own account</b>			
<b>Insurance payments</b>			
Before ceded reinsurance		-12.2	-8.8
Reinsurers' proportion		3.4	4.7
<b>Insurance payments</b>		<b>-8.8</b>	<b>-4.0</b>
<b>Change in provisions for outstanding claims</b>			
Before ceded reinsurance		-46.8	4.9
Reinsurers' proportion		9.9	0.1
<b>Change in provision for outstanding claims</b>		<b>-36.9</b>	<b>4.9</b>
<b>Insurance payments for own account</b>		<b>-45.8</b>	<b>0.9</b>
<b>Change in life insurance provisions</b>			
Before ceded reinsurance		-4.3	3.0
Reinsurers' proportion		-1.4	-1.5
<b>Change in life insurance provisions</b>		<b>-5.6</b>	<b>1.5</b>
Operating expenses	Note 10	-1.0	-2.8
Investment income, expenses	Note 11	-0.2	-5.4
Unrealized gains on investment assets, bonds	Note 9	-	-0.2
<b>LIFE INSURANCE RESULTS</b>		<b>-51.6</b>	<b>1.7</b>

### NON-TECHNICAL ACCOUNTING, SEK M

		2002	2001
Non-life insurance underwriting result		110.8	-23.3
Life insurance underwriting result		-51.6	1.7
Investment income, earned	Note 12	1,854.0	875.2
Unrealized gains on investment assets	Note 13	361.5	439.8
Investment income, expenses	Note 14	-798.8	-497.2
Unrealized losses on investment assets	Note 13	-615.4	-470.4
Investment income transferred to non-life insurance		-755.5	-756.5
Goodwill amortization		-5.3	-50.0
Other non-technical revenues and expenses	Note 15	-127.4	-0.5
<b>Insurance operations result</b>		<b>-27.6</b>	<b>-481.2</b>
<b>Mutual fund operations result</b>		<b>24.7</b>	<b>53.9</b>
<b>Asset management result</b>	Note 16	<b>27.8</b>	<b>31.1</b>
Interest net		537.8	424.3
Operating revenues		158.7	136.6
Operating expenses		-711.7	-581.3
Result, Wasa Garanti Försäkrings AB		24.4	21.7
<b>Banking operations result</b>	Note 17	<b>9.1</b>	<b>1.4</b>
<b>Result before tax</b>		<b>34.1</b>	<b>-394.8</b>
Tax on result for the year	Note 18	-35.9	175.4
Minority participation in profit/loss for the year		4.2	2.6
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>2.3</b>	<b>-216.7</b>

## Consolidated Balance Sheet

### ASSETS

		Dec. 31, 2002	Dec. 31, 2001
<b>Intangible assets</b>			
Goodwill	Note 19	15.2	7.0
Other intangible assets	Note 20	128.9	63.7
<b>Total</b>		<b>144.0</b>	<b>70.7</b>
<b>Investment assets</b>			
Buildings and land	Note 21	225.4	170.9
Investments in group and associated companies			
Shares in mutual life insurance companies		452.0	452.0
Shares and participations in associated companies	Note 22	1,096.6	1,142.5
Other financial investment assets			
Shares and participations (see pages 43–45)		4,293.5	4,884.2
Bonds and other interest-bearing securities	Note 23	11,020.4	9,491.9
Other loans		300.7	49.4
Lending to credit institutions		2.2	30.9
Derivatives	Note 24	205.2	212.2
Deposits with ceded undertakings		50.1	213.5
<b>Total</b>		<b>17,646.0</b>	<b>16,647.4</b>
<b>Reinsurers' proportion of technical provisions</b>			
Provision for unearned premiums and unexpired risks		154.4	184.5
Provision for life insurance		–	1.4
Provision for outstanding claims		3,460.0	3,738.0
<b>Total</b>		<b>3,614.3</b>	<b>3,923.9</b>
<b>Receivables</b>			
Receivables pertaining to direct insurance	Note 25	764.1	602.5
Receivables pertaining to reinsurance	Note 26	511.0	626.7
Deferred tax receivables	Note 27	262.0	294.0
Receivables pertaining to the life insurance group		225.9	169.6
Other receivables	Note 28	344.1	448.6
<b>Total</b>		<b>2,107.1</b>	<b>2,141.5</b>
<b>Assets in banking group</b>	Note 29		
Bonds and other interest-bearing securities		499.2	1,414.7
Lending		21,269.4	13,605.7
Other receivables and assets		524.6	484.2
<b>Total</b>		<b>22,293.1</b>	<b>15,504.6</b>
<b>Other assets</b>			
Tangible assets and inventory	Note 30	133.4	161.4
Cash and bank balances		1,426.7	2,092.7
Other assets		–	0.3
<b>Total</b>		<b>1,560.1</b>	<b>2,254.3</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest and rental income		191.8	232.5
Prepaid acquisition costs	Note 31	51.8	44.7
Other prepaid expenses and accrued income		90.5	116.0
<b>Total</b>		<b>334.1</b>	<b>393.2</b>
<b>TOTAL ASSETS</b>		<b>47,698.8</b>	<b>40,935.6</b>

### SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

		Dec. 31, 2002	Dec. 31, 2001
<b>Shareholders' equity</b>	Note 32		
Share capital		629.7	629.7
Premium reserve		4,931.0	4,931.0
Legal reserve		0.0	0.0
Reserve for unrealised gains	Note 33	4.6	–
Other restricted reserves		444.3	0.0
Profit/loss carried forward		–494.4	186.9
Profit/loss for the year		2.3	–216.7
<b>Total</b>		<b>5,517.6</b>	<b>5,530.8</b>
<b>Minority interests in shareholders' equity</b>		<b>9.3</b>	<b>8.1</b>
<b>Subordinated liabilities</b>	Note 34	<b>139.0</b>	<b>327.0</b>
<b>Technical provisions (before ceded reinsurance)</b>			
Provision for unearned premiums and unexpired risks	Note 35	1,673.5	1,560.7
Life insurance provisions		7.0	2.7
Provision for outstanding claims	Note 36	15,794.3	15,286.8
<b>Total</b>		<b>17,474.8</b>	<b>16,850.3</b>
<b>Provisions for other risks and expenses</b>			
Provision for pensions and similar commitments		43.6	40.5
Provision for current tax		0.7	0.2
Provision for deferred tax	Note 27	697.1	693.0
Other provisions		–	12.7
<b>Total</b>		<b>741.4</b>	<b>746.5</b>
<b>Deposits from reinsurers</b>		<b>107.3</b>	<b>405.1</b>
<b>Liabilities in the banking group</b>	Note 37		
Liabilities in credit institutions		266.8	217.1
Deposits and borrowing from the public		14,736.0	12,351.9
Securities issued		3,705.5	417.5
Others provisions and liabilities		494.7	458.2
<b>Total</b>		<b>19,203.0</b>	<b>13,444.6</b>
<b>Liabilities</b>			
Liabilities pertaining to direct insurance	Note 38	89.8	48.3
Liabilities pertaining to reinsurance	Note 39	396.6	439.5
Liabilities to credit institutions		1.2	1.2
Derivatives	Note 24	158.3	73.6
Liabilities to life group		3,023.0	2,264.7
Other liabilities	Note 40	373.8	443.8
<b>Total</b>		<b>4,042.7</b>	<b>3,271.2</b>
<b>Accrued expenses and prepaid income</b>			
Other accrued costs and prepaid income		463.8	352.0
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>47,698.8</b>	<b>40,935.6</b>
<b>Memorandum items</b>	Note 41		
Pledged assets		15,305.7	12,992.3
Contingent liabilities		3,716.7	3,207.5
Other commitments		2,902.2	1,575.5

## Performance Analysis – Group

### NON-LIFE INSURANCE UNDERWRITING RESULT, SEK M

	Total	Health and accident	Industrial injuries
Premiums earned for own account	3,716.2	138.3	–
Investment income transferred from financial operations	755.5	29.8	0.1
Other underwriting revenues	28.0	–	–
Insurance payments for own account	–3,499.6	–127.4	0.0
Operating expenses	–885.5	–63.2	–
Other underwriting expenses	–3.8	–	–
<b>Non-life insurance underwriting result</b>	<b>110.8</b>	<b>–22.4</b>	<b>0.1</b>
Run-off result, gross	33.6	1.6	–
<b>Technical provisions before ceded reinsurance</b>			
Provisions for unearned premiums and unexpired risks	1,673.5	61.4	–
Provision for outstanding claims	15,741.4	526.4	1.7
<b>Total technical provisions before ceded reinsurance</b>	<b>17,414.9</b>	<b>587.8</b>	<b>1.7</b>
From life insurance operations, unsettled claims	53.0		
<b>Reinsurers' proportion of technical provisions</b>			
Provision for unearned premiums and unexpired risks	154.4	0.1	–
Provision for outstanding claims	3,447.8	36.6	–
<b>Total reinsurers' proportion technical provisions</b>	<b>3,602.1</b>	<b>36.7</b>	<b>–</b>
From life insurance operations, unsettled claims	12.2		

### NOTES TO PERFORMANCE ANALYSIS – CONSOLIDATED, SEK M

#### Note 1 Premiums earned for own account

Premium income (before ceded reinsurance)	5,401.5	148.4	–
Premiums for ceded reinsurance	–1,526.1	–6.2	–
Change in Provision for unearned premiums and unexpired risks	–115.5	–2.4	–
Reinsurers' proportion of Change in provision for unearned premiums and unexpired risks	–43.7	–1.5	–
<b>Premiums earned for own account</b>	<b>3,716.2</b>	<b>138.3</b>	<b>–</b>

#### Note 2 Insurance payments for own account

##### Claims paid

Before ceded reinsurance	–4,332.5	–165.7	–0.4
Reinsurers' proportion	1,644.8	4.0	–

##### Change in provision for outstanding claims

Before ceded reinsurance	–522.8	24.8	0.4
Reinsurers' proportion	–289.0	9.5	–

<b>Insurance payments for own account</b>	<b>3,499.6</b>	<b>–127.4</b>	<b>0.0</b>
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Home and contents	Commercial and properties	Motor vehicle damage	Third-party liability	Marine, aviation and transportation	Domestic animals	Direct insurance Swedish risks	Direct insurance foreign risk	Reinsurance assumed
34.6	125.5	155.3	2,386.7	79.8	626.9	3,547.1	0.1	169.0
3.1	61.3	5.3	570.0	6.6	14.2	690.4	1.5	63.6
–	–	–	–	–	5.6	5.6	–	22.4
–32.2	–96.7	–131.6	–2,510.7	–56.6	–430.3	–3,385.5	7.3	–121.4
–5.3	–57.7	–24.2	–482.7	–31.8	–184.7	–849.7	0.0	–35.8
–	–	–	–	–	–	–	–	–3.8
<b>0.2</b>	<b>32.3</b>	<b>4.8</b>	<b>–36.7</b>	<b>–2.0</b>	<b>31.6</b>	<b>7.9</b>	<b>8.9</b>	<b>94.0</b>
–3.7	229.3	–8.0	–65.3	–20.4	5.3	138.9	–0.6	–104.7
16.2	212.1	52.1	1,003.5	24.1	303.4	1,672.8	–	0.7
52.3	1,497.5	39.7	10,292.5	145.5	71.0	12,626.6	73.8	3,041.0
<b>68.5</b>	<b>1,709.6</b>	<b>91.8</b>	<b>11,296.0</b>	<b>169.6</b>	<b>374.4</b>	<b>14,299.4</b>	<b>73.8</b>	<b>3,041.6</b>
2.7	140.3	–	–	1.5	0.2	144.8	–	9.5
10.5	412.5	–	561.9	61.7	–	1,083.2	42.8	2,321.7
<b>13.1</b>	<b>552.8</b>	<b>–</b>	<b>561.9</b>	<b>63.3</b>	<b>0.2</b>	<b>1,228.1</b>	<b>42.8</b>	<b>2,331.3</b>
34.5	316.5	151.6	2,589.2	110.6	666.8	4,017.6	2.8	1,381.1
–13.8	–231.2	–	–16.5	–28.2	–5.8	–301.8	–2.7	–1,221.6
11.3	89.3	3.7	–186.0	–2.2	–34.2	–120.5	0.0	5.0
2.7	–49.1	–	–	–0.4	0.1	–48.2	0.0	4.5
<b>34.6</b>	<b>125.5</b>	<b>155.3</b>	<b>2,386.7</b>	<b>79.8</b>	<b>626.9</b>	<b>3,547.1</b>	<b>0.1</b>	<b>169.0</b>
–65.6	–382.2	–125.3	–1,488.4	–104.4	–432.0	–2,764.1	–3.5	–1,564.9
11.0	154.4	0.0	140.1	43.7	2.2	355.4	0.1	1,289.2
12.0	115.0	–6.2	–1,123.2	3.4	–0.5	–974.4	11.4	440.1
10.4	16.0	–	–39.2	0.7	–	–2.5	–0.7	–285.8
<b>–32.2</b>	<b>–96.7</b>	<b>–131.6</b>	<b>–2,510.7</b>	<b>–56.6</b>	<b>–430.3</b>	<b>–3,385.5</b>	<b>7.3</b>	<b>–121.4</b>

## Income Statement – Parent Company

SEK M		2002	2001
<b>Net sales</b>	Note 43	<b>1,082.9</b>	<b>256.7</b>
<b>Operating expenses</b>			
External costs	Note 44	–972.5	–255.4
Personnel costs		–240.4	–64.8
Depreciation of tangible assets		–56.2	–
<b>Operating profit/loss</b>		<b>–186.2</b>	<b>–63.6</b>
<b>Net financial items</b>			
Result of participations in group companies	Note 45	–13.0	–15.0
Interest income and similar income-statement items	Note 46	53.1	1.5
Interest expense and similar income-statement items	Note 47	–15.8	–0.3
<b>Pre-tax profit/loss</b>		<b>–161.9</b>	<b>–77.4</b>
Tax on profit/loss for the year	Note 48	37.4	17.4
<b>Profit/loss for the year</b>		<b>–124.4</b>	<b>–60.0</b>

## Balance Sheet – Parent Company

SEK M		Dec. 31 2002	Dec. 31 2001
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Fixtures and fittings	Note 49	104.3	3.5
<b>Financial fixed assets</b>			
Shares and participations in group companies	Note 50	4,910.7	5,662.9
Receivables from group companies	Note 51	180.0	–
Deferred tax	Note 52	33.8	4.4
<b>Total financial fixed assets</b>		<b>5,124.5</b>	<b>5,667.3</b>
<b>Total fixed assets</b>		<b>5,228.8</b>	<b>5,670.8</b>
<b>Current assets</b>			
Inventory		9.3	8.2
<b>Current receivables</b>			
Accounts receivable		45.9	26.7
Receivables from group companies		207.2	103.5
Tax receivables		–	0.9
Other receivables		25.8	11.0
Prepaid expense and accrued income	Note 53	23.7	7.3
<b>Total current receivables</b>		<b>302.5</b>	<b>149.5</b>
<b>Short-term investments</b>	Note 54	<b>409.0</b>	<b>–</b>
<b>Cash and bank balances</b>		<b>204.6</b>	<b>191.1</b>
<b>Total current assets</b>		<b>925.4</b>	<b>348.8</b>
<b>TOTAL ASSETS</b>		<b>6,154.2</b>	<b>6,019.6</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Shareholders' equity</b>	Note 55		
<b>Restricted shareholders' equity</b>			
Share capital (6,296,583 shares à SEK 100 par value)		629.7	629.7
Premium reserve		4,931.0	4,931.0
Legal reserve		0.0	0.0
<b>Total restricted shareholders' equity</b>		<b>5,560.6</b>	<b>5,560.6</b>
<b>Unrestricted shareholders' equity</b>			
Profit/loss carried forward		–6.0	33.4
Profit/loss for the year		–124.4	–60.0
<b>Total unrestricted shareholders' equity</b>		<b>–130.4</b>	<b>–26.6</b>
<b>Total shareholders' equity</b>		<b>5,430.2</b>	<b>5,534.0</b>
<b>Provisions</b>			
Pension provisions		28.5	28.6
<b>Long-term liabilities</b>			
Subordinated debentures	Note 56	139.0	127.0
<b>Current liabilities</b>			
Accounts payable		53.3	29.6
Liabilities to group companies		385.7	253.9
Other liabilities		46.3	4.8
Accrued expenses and prepaid income	Note 57	71.1	41.7
<b>Total current liabilities</b>		<b>556.4</b>	<b>330.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>6,154.2</b>	<b>6,019.6</b>
Pledged assets		None	None
Contingent liabilities (guarantee for Svenska Brand Liv)		30.0	None



## Cash-flow statement – Parent Company

Cash-flow statement, SEK M	2002	2001
<b>Current operations</b>		
Profit/loss after financial items	-161.9	-77.4
Adjustments for items not included in cash flow, etc.	76.6	43.6
	<b>-85.3</b>	<b>-33.8</b>
Tax paid	-1.2	-0.9
<b>Cash flow from current operations before changes in operating capital</b>	<b>-86.5</b>	<b>-34.8</b>
<b>Cash flow from changes in operating capital:</b>		
Change in inventory	-1.1	-8.2
Change in operating receivables	-271.2	-148.6
Change in operating liabilities	345.8	330.0
<b>Cash flow from current operations</b>	<b>-13.0</b>	<b>138.4</b>
<b>Investment operations</b>		
Shareholders' contribution	-180.0	-120.6
Acquisition of subsidiaries	-28.0	-195.1
Divestment of subsidiaries	0.1	-
Writedown of subsidiary's shareholders' equity and premium reserve	947.0	-
Acquisition of tangible fixed assets	-156.9	-3.5
Investment in financial assets	-416.5	-
<b>Cash flow from investment operations</b>	<b>165.8</b>	<b>-319.2</b>
<b>Financing operations</b>		
New issue	-	195.5
Lending	-180.0	-
Loans assumed	12.0	127.0
Group contributions received	78.7	46.4
Group contributions provided	-50.0	-
<b>Cash flow from financing operations</b>	<b>-139.3</b>	<b>368.9</b>
<b>Cash flow for the year</b>	<b>13.4</b>	<b>188.1</b>
<b>Liquid assets at 1 January</b>	<b>191.1</b>	<b>3.0</b>
<b>Liquid assets at 31 December</b>	<b>204.6</b>	<b>191.1</b>
<b>ADDITIONAL INFORMATION TO THE CASH-FLOW STATEMENT</b>		
<b>Interest paid</b>		
Interest received	40.8	1.5
Net interest paid	-8.0	-0.3
<b>Adjustments for items not included in cash flow, etc.</b>		
Depreciation and writedown of assets	76.7	15.0
Pension provisions	-0.1	28.6
	<b>76.6</b>	<b>43.6</b>
<b>Liquid assets</b>		
Cash and bank balances	204.6	191.1



## Valuation and accounting principles

The annual report and consolidated accounts have been drawn up in accordance with the Swedish Annual Accounts Act, the Annual Accounts Act for Insurance Companies (1995:1560, and the regulations and guidelines issued by Finansinspektionen (the Swedish Financial Supervisory Authority). The recommendations and statements made by the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force have also been applied.

### Consolidated accounts

The Consolidated Financial Statements cover Länsförsäkringar AB and the companies in which Länsförsäkringar AB has a direct or indirect holding of more than 50%. Associated companies are included in the consolidated accounts in accordance with the equity method. The life insurance operations conducted via Länsförsäkringar Liv Försäkringsaktiebolag (publ), whose earnings totally accrue to policyholders, are not included in the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the purchase method and in accordance with Recommendation (RR 1:00) of the Swedish Financial Accounting Standards Council. Untaxed reserves in the consolidated balance sheet have been divided into deferred tax liabilities and restricted shareholders' equity.

Foreign subsidiaries' income statements have been translated at the average exchange rate, and balance sheets at the year-end exchange rate. The translation difference arising when comparison is made with shareholders' equity as of 1 January has been transferred directly to shareholders' equity.

Properties owned by the Humlegården HB and Utile Dulci 2 HB associated com-

panies have been valued in the group at their actual value.

### Assets and liabilities and income-statement items in foreign currencies

Assets and liabilities in foreign currencies are translated at year-end rates. Any currency gains and losses, which occur in this connection, are included in the results of financial operations. For Swedish companies, income-statement items in foreign currencies have been translated at current rates. Consequently, the income statement has been affected by the point during the year at which income-statement items have been reported.

### Goodwill

Goodwill is amortized in accordance with the estimated economic life of the operations acquired. For remaining goodwill, the amortization period is five years.

### Other intangible assets

Other intangible assets are reported at acquisition value, with a deduction for accumulated amortization according to plan. Amortization begins when the system or system component is placed in operation. The assets consist of internally developed and acquired software that is considered to be essential to the operations in the coming years. The amortization period is based on an estimated economic life that varies from three to five years. The value of capitalized assets is continuously reassessed in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR17, "Writedowns."

### Investment assets

#### Valuation

Investments have been reported at the actual value, with the exception of shares and participations in group and associated companies.

### Reporting of realized and unrealized gains/losses

All changes in value – both realized and unrealized – are reported via the income statement. Realized gains and losses consist of the difference between the sale price and the acquisition cost of a security (for bonds and other interest-bearing securities, accrued acquisition cost) and are reported in the income statement under Investment income, revenue and Investment income, expense, respectively. Unrealized changes in value are the difference between the actual value and the acquisition value of the security. When a security is sold, previously unrealized changes in value are reversed. Unrealized gains that arise as a result of valuation of investment assets over the cost of the acquisition are allocated to a reserve for unrealized gains under shareholders' equity.

### Reporting of business events

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

### Buildings and land

Valuation of the property portfolio in Sweden is conducted by Länsförsäkringar AB or Humlegården HB personnel with the requisite experience. Their work has been supplemented with external valuations.

Assessment primarily focuses on the local market price, based on sales of equivalent properties during the year. Assessment of the local market price is supplemented by a cash-flow statement over 10 years and a present-value residual value at the end of the computation period.

### Shares and participations

Shares and participations include “Alternative Investments”. This type of asset consists of units in funds that purchase, develop and sell unlisted companies (that is, “private equity”) and hedge funds. Valuation data is received from the various funds and valuation of their assets complies with the guidelines of the European Private Equity and Venture Capital Association.

### Bonds and other interest-bearing securities

When computing the capital gain/loss, the difference between the sales value and the accrued acquisition value is stated and reported in the income statement as investment income or expense. The change in the accrued acquisition value is reported net as interest income. Unrealized changes are the difference between actual value and accrued acquisition value.

### Derivatives

Stock, currency and interest-rate futures are valued at actual value and no hedging operations are applied.

### Other receivables

Other receivables are reported at actual value.

### Tangible assets

Tangible assets were reported at acquisition value after deduction of accumulated depreciation according to plan. The depreciation period is based on the estimated economic life, which varies from three to five years.

### Prepaid acquisition costs

The cost of the acquisition of new insurance contracts is reported as an asset under Prepaid acquisition costs, and is depreciated during its economic life. This, however, requires that the acquisition costs attributable

to a particular insurance contract, or to groups of contracts that are homogenous and can be followed up, considered to generate a margin that is at least equivalent to the acquisition costs that are to be capitalized. Sales costs are considered to include, for example, commissions, and costs related to marketing, payroll and sales representatives, which vary according to and which are directly or indirectly related to the acquisition or renewal of insurance contracts. In non-life insurance operations, the capitalized cost is depreciated in a manner corresponding to the depreciation of unearned premiums. The depreciation period does not exceed twelve months.

### Shareholders' equity

#### Reserve for unrealized gains

Gains which occur due to the application of actual value when the market value exceeds the acquisition value are allocated to a reserve for unrealized gains, after deduction of deferred tax. The reserve is reported showing a breakdown by asset class in the Notes. The valuation of the reserve is based on a collective valuation by asset class for all investment assets except buildings and land, which are valued per individual property.

#### Group contributions

##### and shareholder contributions

Group contributions and shareholder contributions are reported in accordance with statements issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, requiring that group contributions and shareholder contributions are reported directly against unrestricted shareholders' equity.

### Untaxed reserves

Untaxed reserves occur only in the individual companies, not in the group. Untaxed reserves are reported in the group according

to the proportions 28% deferred tax liability and 72% restricted shareholders' equity.

### Technical provisions

Technical provisions include a provision for unearned premiums and remaining risks, life-insurance provisions and a provision for outstanding claims and correspond to commitments in accordance with current insurance contracts.

#### Provision for unearned

##### premiums and remaining risks

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

If it is considered that the provision for unexpired risks does not cover the cost of claims and operating expenses after deduction of investment income for insurance contracts which are current at year-end during their remaining duration, a provision is made for unexpired risks to cover the difference.

#### Life-insurance provisions

Life-insurance provisions correspond to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction for the anticipated capital value of future contractual premium payments. Calculation of the provision is based on standard actuarial principles based on presumptions concerning interest, mortality, overhead and safety margin.

Calculation of life-insurance provisions has been based on the assumption of a gross interest rate of 3.5%, in accordance with the regulations of Finansinspektionen (the

Swedish Financial Supervisory Authority) regarding the maximum interest permissible for the calculation of life-insurance provisions (FFFS 2001:12).

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

The provision for outstanding claims must cover the anticipated cost of claims that have not been definitively adjusted including claims that have been incurred but have not yet been reported to the company. The provision includes an anticipated cost increase and claims costs, and is created for most types of claims using statistical methods. Larger claims, and claims where the liability scenario is complicated, are individually assessed. With the exception of medical and accident insurance for children, as well as claims annuities provisions for outstanding claims are not discounted.

Medical and accident insurance for children – the active component of which operations is delegated to the regional insurance companies – is discounted based on 4% real interest. Provision for claims annuities is discounted based on standard technical life-insurance methods.

Provisions for claims adjustment costs are proportional to the provisions for claims incurred.

#### **Premium income**

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

For life insurance, premium income is reported on a cash basis.

#### **Investment income from non-life insurance operations**

The non-life insurance operations have been allocated interest equal to the sum of half the premium income plus the average

of the provision for outstanding claims for own account at January 1 and December 31. The interest is risk-free interest increased by 1 percentage point. The risk-free interest is set to equal the interest on a 60-day treasury bill. For technical insurance provisions in foreign currencies, the 30-day interest rate applied in the particular country has been used as risk-free interest. For third-party liability insurance, with long settlements, the average interest on a four-year treasury bill over four years is taken as risk-free interest. For companies in run-off, the entire investment income is transferred to the insurance operations.

#### **Operating expenses**

The operating expenses of the insurance operations include the costs of acquiring insurance contracts, distribution of prepaid acquisition costs over time, and administration. Operating costs for claims adjustment are reported under Claims paid. Under Investment income, income amounts to the operating surplus for buildings and land after deduction for the costs of property management. Operating costs for financial management are reported under Asset management, costs.

#### **Taxes**

The Parent Company and the group apply the RR9 recommendation (income taxes) of the Swedish Financial Accounting Standards Council. Total tax comprises current tax and deferred tax. Taxes are reported in the income statement, with the exception of cases in which the underlying transaction is charged directly against shareholders' equity and, as a result, the associated tax is reported under shareholders' equity.

Current tax is tax that is due to be paid or received during the current year, including adjustments of current tax pertaining to previous periods.

Deferred tax is computed in accordance with the balance sheet method, based on temporary differences between the book value of assets and liabilities and the value for tax purposes. The computation is based on the manner in which these temporary differences are expected to be offset, using the tax rates and tax regulations applied or announced on the closing date. Temporary differences are not taken into account in consolidated goodwill or in differences pertaining to participations in subsidiaries and associated companies not expected to be taxed within the foreseeable future. Untaxed reserves including deferred tax liabilities are reported for legal entities. On the other hand, untaxed reserves are divided into deferred tax liabilities and restricted shareholders' equity in the consolidated accounts.

Deferred tax receivables on tax-deductible temporary differences and loss carry-forwards are only reported if they are likely to result in lower tax payments in the future.

#### **Cash flow statement**

The cash flow statement for the Parent Company is prepared in accordance with the indirect method. Reported cash flow includes only transactions that result in incoming or outgoing payments.

#### **Credit institutions and securities companies**

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

the items that follow, a description of the banking group's more specific accounting principles is included.

#### **Fixed assets and current assets**

Fixed assets normally refers to include assets intended to be held permanently and used in operations until they become obsolete, or over a long term. Current assets are all other assets.

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

#### **Bonds and other interest-bearing securities**

The bank's holdings of bonds and other interest-bearing securities intended to be held to maturity are classified as fixed assets and valued at their accrued acquisition value. Bonds and other interest-bearing securities not intended to be held to maturity are classified as current assets and valued at their actual value.

#### **Lending**

Loan receivables are initially reported in the balance sheet at acquisition value – that is, the amount lent to the borrower. Loan receivables are subsequently reported regularly at acquisition value after deduction of write-offs and specific and group-

specific provisions for credit losses.

All of the bank's loan receivables are classified as fixed assets reported at not more than the values in which they are expected to be received.

Lending is reported in the balance sheet after deduction for both incurred and expected credit losses. Credit losses incurred during the year and allocations to reserves for probable credit losses reduced by recoveries and reversals of earlier incurred or expected credit losses are reported under Credit losses, net.

Credit losses incurred are losses for which the amounts have been definitively established following distraints, schemes of arrangement, etc. Outstanding receivables are receivables for which interest, amortization, or overdrafts are past due by over 60 days. Uncertain receivables include outstanding receivables or receivables for which payments will likely not be made in accordance with the contract terms, and for which the value of the security does not comfortably cover both the capital requirement and the accrued interest, including compensation for any delay in payment.

A provision to cover probable losses is created in an amount corresponding to the difference between the reported value of the loan receivable and its estimated recovery value.

In determining the allocation for expected credit losses, the bank applies individual and collective credit assessment. The collective assessment is used for homogenous groups of receivables with similar credit risk that are outstanding but nevertheless uncertain on account of other circumstances. The collective assessment is based on an estimated probable future loss development, after which a standard allocation is carried out. Over and above this, it is considered that there is no need to create collective assessment of individually assessed receivables.

Funds received in payment of uncertain receivables for which provisions have been made are primarily settled against shareholders' equity and, as a second resort, against interest. Interest on uncertain receivables is reported on a cash basis – that is, it is not reported as income until payment has been received.

#### **Leasing**

The leasing operations of the banking group are primarily financial leasing. In the reporting of financial leasing transactions, the properties leased are reported as lending to the lessee. Leasing revenue excluding the percentage comprising depreciation is reported as interest income.





## Notes to the consolidated financial statements

Amounts in SEK M unless otherwise stated

### Note 1 Premium income (before ceded reinsurance), non-life insurance operations

	2002	2001
Direct insurance, Sweden	4,020.4	3,565.6
Direct insurance, EES	0.0	5.2
Reinsurance assumed	1,381.1	1,473.7
<b>Premium income (before ceded reinsurance)</b>	<b>5,401.5</b>	<b>5,044.6</b>

### Note 2 Investment income transferred from financial operations to non-life insurance operations

	2002	2001
Investment income transferred	755.5	756.5

#### Interest rates

Third-party liability insurance	5.56%	5.96%
Other Swedish liabilities	5.26%	5.37%
Liabilities in USD	4.60%	7.56%
Liabilities in GBP	5.89%	6.94%
Liabilities in EUR	5.23%	6.00%
Other foreign liabilities	5.27%	6.91%

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

### Note 3 Other technical income, non-life insurance operations

	2002	2001
Revenue attributable to repaid VAT	13.1	–
Dissolution of reserve for uncertain claims	9.9	27.5
Elimination of negative goodwill	4.9	3.6
<b>Other technical income</b>	<b>28.0</b>	<b>31.1</b>

### Note 4 Insurance payments, non-life insurance operations

	2002	2001
Claims paid	–2,394.0	–2,239.6
Operating costs for claims adjustment	–293.7	–302.2
<b>Insurance payments</b>	<b>–2,687.7</b>	<b>–2,541.9</b>

### Note 5 Operating expenses, non-life insurance operations

	2002	2001
<b>Total operating costs by type of expense</b>		
Personnel costs	–836.8	–721.2
Cost of premises	–230.6	–232.2
Depreciation	–135.9	–145.9
Other expenses	0.4	–41.9
<b>Total operating expenses</b>	<b>–1,203.0</b>	<b>–1,141.2</b>

### Note 5 Operating expenses, non-life insurance operations, cont.

	2002	2001
<b>Total operating costs by function</b>		
Operating expenses for asset management	–22.7	–22.0
Operating expenses for property management	–1.1	–1.1
Operating expenses for claims adjustment	–293.7	–302.2
Operating expenses for acquisitions and administration	–885.5	–815.8
<b>Total operating expenses</b>	<b>–1,203.0</b>	<b>–1,141.2</b>

#### Operating costs

Acquisition costs <sup>1)</sup>	–427.4	–562.7
Change in Prepaid acquisition costs	6.6	–17.6
Administration expenses	–649.2	–535.1
Commissions and profit sharing – ceded reinsurance	184.5	299.5

#### Operating expenses

Services sold to the Life group	229.1	267.7
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<sup>1)</sup> Of which commissions on direct insurance

### Note 6 Other technical expenses, non-life insurance operations

	2002	2001
Receivable writedowns	–3.8	–1.4
Others	–	–0.7
<b>Other technical expenses</b>	<b>–3.8</b>	<b>–2.2</b>

### Note 7 Gross premium income, life insurance operations

	2002	2001
Group insurance premiums (periodic)	0.3	5.0
Premium tax	–	–1.0
Premium income, underwritten in Sweden	0.3	4.1

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

### Note 8 Investment income earned, life insurance operations

	2002	2001
Dividends received	–	0.2
Capital gains, interest-bearing securities	0.1	–

#### Interest income

Bonds and other interest-bearing securities	0.8	0.4
Other interest income	0.2	0.0
<b>Investment income earned</b>	<b>1.1</b>	<b>0.7</b>

### Note 9 Unrealized gains and losses on investment assets, life insurance operations

	Unrealized gains 2002	Unrealized gains 2001	Unrealized losses 2002	Unrealized losses 2001
Shares and participations	–	5.0	–	–
Bonds and other interest-bearing securities	0.3	–	–	0.2
Unrealized gains and losses on investment assets	0.3	5.0	–	0.2



**Note 10 Operating expenses, life insurance operations**

	2002	2001
<b>Total operating costs by type of expense</b>		
Other expenses	-1.2	-2.9
<b>Total operating expenses</b>	<b>-1.2</b>	<b>-2.9</b>
<b>Total operating costs by function</b>		
Operating expenses for asset management	-0.0	-0.1
Operating expenses for claims adjustment	-0.1	-
Operating expenses for acquisitions and administration	-1.0	-2.8
<b>Total operating expenses</b>	<b>-1.2</b>	<b>-2.9</b>
<b>Operating costs</b>		
Acquisition costs	-	-0.1
Change in Prepaid acquisition costs	-	-0.6
Administration expenses	-1.7	-4.7
Commissions and profit sharing – ceded reinsurance	0.7	2.6
<b>Operating expenses</b>	<b>-1.0</b>	<b>-2.8</b>

**Note 11 Investment income, expenses, life insurance operations**

	2002	2001
Asset management costs	-0.0	-0.1
Interest expenses, bonds and other interest-bearing securities	-0.0	-
<b>Net capital loss</b>		
Shares and participations	-0.1	-5.2
Interest-bearing securities	-	-0.1
<b>Investment income – expenses</b>	<b>-0.2</b>	<b>-5.4</b>

**Note 12 Investment income earned**

	2002	2001
<b>Operating surplus, building and land</b>		
Rental income	12.0	13.5
Operating expenses	-8.3	-8.2
<b>Operating income</b>	<b>3.6</b>	<b>5.3</b>
Dividends from shares and participations	87.7	82.1
<b>Interest income, etc.</b>		
Bonds and other interest-bearing securities	477.4	514.8
Other interest income	214.4	150.8
<b>Reversed writedowns</b>		
Shares and participations	-	9.5
Net foreign exchange gain	-	28.0
<b>Capital gains, net</b>		
Buildings and land	-	2.6
Bonds and other interest-bearing securities	34.9	82.2
Sale of Fondliv	1,035.9	-
<b>Investment income earned</b>	<b>1,854.0</b>	<b>875.2</b>

**Note 13 Unrealized gains and losses on investment assets**

	Unrealized gains 2002	Unrealized gains 2001	Unrealized losses 2002	Unrealized losses 2001
Buildings and land	86.2	439.8	-	-
Shares and participations	-	-	-486.1	-282.3
Bonds and other interest-bearing securities	275.2	-	-	-188.1
Interest-rate derivatives	-	-	-129.3	-
<b>Unrealized gains and losses on investment assets</b>	<b>361.5</b>	<b>439.8</b>	<b>-615.4</b>	<b>-470.4</b>

**Note 14 Investment income, expenses**

	2002	2001
Assets management costs	-94.7	-91.3
<b>Interest expenses, etc.</b>		
Bonds and other interest-bearing securities	-75.7	-79.8
Other interest expense	-71.0	-92.6
Foreign exchange losses, net	-117.4	-0.6
<b>Capital losses, net</b>		
Shares and participations	-439.9	-232.9
<b>Investment income, expenses</b>	<b>-798.8</b>	<b>-497.2</b>

**Note 15 Other non-technical income and expenses**

	2002	2001
Other income, Wasa Sak	1.0	-0.3
Other income, Wasa Holding group	0.1	0.1
Expenses related to brand extension	-88.7	-
Other expenses, Länsförsäkringar Sak	-37.1	1.5
Other expenses, Agria	-2.1	-1.6
Other expenses, Run-Off group	-0.5	-0.1
Other expenses	-	-0.2
<b>Other non-technical income and expenses</b>	<b>-127.4</b>	<b>-0.5</b>

**Note 16 Operations being phased out**

Since 1999, Länsförsäkringar Kapitalförvaltning AB (publ) has managed assets invested in listed securities on commission by the group and customers outside the Länsförsäkringar group. In the spring of 2002, it was decided to transfer the group's asset management mandate to ABN AMRO. The management mandate was transferred to ABN AMRO in June 2002. The company's asset management operations were phased out and most staff given notice. At the end of the year, four employees remained.

## Note 17 Result of banking operations

	2002	2001
Interest income	1,143.2	848.0
Interest expense	-605.4	-423.6
<b>Net interest</b>	<b>537.8</b>	<b>424.3</b>
Commission revenues	85.1	70.8
Commission expenses	-57.5	-22.9
Net result of financial transactions	-0.2	6.2
Other operating income	73.8	58.0
<b>Total operating income</b>	<b>639.0</b>	<b>536.4</b>
General administration costs	-563.9	-497.2
Depreciation/amortization of tangible and intangible fixed assets	-46.3	-38.2
Other operating expenses	-30.9	-45.9
<b>Total costs before credit losses</b>	<b>-641.1</b>	<b>-581.3</b>
Result before credit losses	-2.1	-44.9
Credit losses, net	-13.2	24.6
Result, Wasa Garanti	24.4	21.7
<b>Result of banking operations</b>	<b>9.1</b>	<b>1.4</b>

## Note 18 Tax on result for the year

	2002	2001
<b>Current tax</b>		
Tax expense for the period	0.0	-0.2
Adjustment of tax expense pertaining to previous years	0.1	0.2
<b>Total current tax</b>	<b>0.1</b>	<b>-0.0</b>
<b>Deferred tax</b>		
Deferred tax expense pertaining to temporary differences	-0.2	-4.9
Deferred tax income/expense, on tax value of carry forward deductions capitalized during the year	-35.8	180.3
<b>Total deferred tax</b>	<b>-36.0</b>	<b>175.4</b>
<b>Total reported tax income/expense</b>	<b>-35.9</b>	<b>175.4</b>
<b>Reconciliation of effective tax rate</b>		
Result before tax	34.1	-394.8
Tax at current rate for Parent Company	-9.5	110.5
Impact of other tax rates for foreign subsidiaries	6.5	8.1
Amortization of consolidated goodwill	-1.5	-9.1
Tax, non-deductible expense	-309.4	-103.5
Tax, non-taxable income	267.1	149.5
Increase in loss carry-forward deduction without corresponding capitalization of deferred tax	-4.5	-7.4
Utilization of loss carry-forward deduction not previously capitalized	2.7	29.2
Tax pertaining to previous years	0.0	-0.6
Other	12.5	-1.3
<b>Total tax on result for the year</b>	<b>-35.9</b>	<b>175.4</b>
Current tax rate, %	28%	28%
Effective tax rate, %	105%	44%
No tax items reported directly against shareholders' equity		

## Note 19 Goodwill

	2002	2001
<b>Acquisition value</b>		
Balance, 1 January	184.1	139.4
Changes during the year	-	44.7
<b>Acquisition value, 31 December</b>	<b>184.1</b>	<b>184.1</b>
<b>Accumulated amortization</b>		
Balance, 1 January	-177.0	-127.1
Writedown of goodwill	13.4	-
Amortization for the year	-5.3	-50.0
<b>Accumulated amortization, 31 December</b>	<b>-168.9</b>	<b>-177.0</b>
<b>Residual value according to plan, 31 December</b>	<b>15.2</b>	<b>7.0</b>

## Note 20 Other intangible assets

Capitalized expenses for development work and similar work pertaining to computer systems	Internally developed	Acquired	Total
Acquisition value, 1 January	134.5	7.0	141.6
Acquisitions during the year	66.9	-	66.9
<b>Accumulated acquisition values, 31 December</b>	<b>201.4</b>	<b>7.0</b>	<b>208.5</b>
Accumulated amortization, 1 January	-71.3	-	-71.3
Amortization during the year	-8.3	-	-8.3
Amortization, 31 December	-79.6	-	-79.6
<b>Residual value according to plan, 31 December</b>	<b>121.8</b>	<b>7.0</b>	<b>128.9</b>

## Note 21 Buildings and land

	Apartment blocks	Leisure homes	Total
Number	7	6	13
Acquisition value, SEK M	36.8	4.7	41.5
Actual value, SEK M	220.0	5.4	225.4
Book value, SEK/m <sup>2</sup>	15,113		
Floor space vacancy rate, %	0.0		
Direct yield, %	2.2		
Value for taxation purposes, SEK M	166.3	3.1	169.4

### Geographical distribution

All housing properties are located in the municipality of Stockholm.

### Valuation methods

The property portfolio has been valued by Länsförsäkringar AB personnel with the requisite expertise.

Valuation has primarily involved a local price-based assessment in the light of sales of equivalent properties during the year. Local price assessments were supplemented by a cash-flow statement covering a 10-year period and an estimated present-value residual value at the close of the period.

The yield requirement applied is approximately 3.1 for housing properties.

### Risk exposure

An increase of 2% in the yield requirement has a negative impact of SEK 77 M, a reduction of 2% has a positive impact of SEK 330 M.

### Proportion of properties used for own operations

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

## Note 22 Shares and participations in associated companies

Company name	Corporate registration number	Head office	Number of shares and participations	Proportion of equity, %	Book value
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	204,888	28.5	673.1
Utile Dulci 2 HB	916601-0067	Stockholm	1,960	25.0	396.1
Consulting AB Lennermark and Andersson	556131-2223	Örebro	1,500	27.3	12.8
Eureko Property Captive S.a.		Luxemburg	5,000		1.9
European Alliance Partners Company AG		Zürich	8,254	5.7	7.4
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.2
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	50.0	5.0
<b>Shares and participations in associated companies</b>					<b>1,096.6</b>

All shares are unlisted.

## Note 23 Bonds and other interest-bearing securities

	Accrued acquisition value, 2002	Market value, 2002	Accrued acquisition value, 2001	Market value, 2002
Listed bonds and other interest-bearing securities issued by Kingdom of Sweden	3,185.8	3,246.8	3,368.0	3,345.5
Swedish housing institutes	2,132.7	2,169.6	1,367.2	1,375.5
Other Swedish issuers	411.4	432.0	393.6	410.8
	<b>5,729.9</b>	<b>5,848.5</b>	<b>5,128.9</b>	<b>5,131.8</b>
Foreign governments	4,174.6	4,215.2	3,650.7	3,984.8
Other foreign issuers	919.1	912.8	335.1	375.3
	<b>5,093.6</b>	<b>5,128.0</b>	<b>3,985.8</b>	<b>4,360.1</b>
Listed interest-bearing securities	10,823.6	10,976.5	9,114.7	9,491.9
Unlisted bonds and other interest-bearing securities issued by Other Swedish issuers	43.1	43.9	–	–
<b>Total bonds and other interest-bearing securities</b>	<b>10,866.7</b>	<b>11,020.4</b>	<b>9,114.7</b>	<b>9,491.9</b>

## Note 24 Derivatives, 2002

	Interest rate actual value	Interest rate nominal amount	Currency actual value	Currency nominal amount	Equity actual value	Equity nominal amount	Total actual value	Total nominal amount
<b>Derivative instruments with positive or zero values.</b>								
Futures with positive value	–	–	205.1	10,499.3	0.1	150.1	205.2	10,649.5
<b>Total</b>	<b>–</b>	<b>–</b>	<b>205.1</b>	<b>10,499.3</b>	<b>0.1</b>	<b>150.1</b>	<b>205.2</b>	<b>10,649.5</b>
Of which cleared					0.1	150.1	0.1	150.1
<b>Derivative instruments with negative values</b>								
Futures with negative value	0.0	766.7	34.6	10,333.3	–	–	34.7	11,100.0
Swaps with negative value	123.6	3,756.4	–	–	–	–	123.6	3,756.4
<b>Total</b>	<b>123.6</b>	<b>4,523.0</b>	<b>34.6</b>	<b>10,333.3</b>	<b>–</b>	<b>–</b>	<b>158.3</b>	<b>14,856.3</b>
of which cleared	0.0	766.7					0.0	766.7

**Note 25 Receivables pertaining to direct insurance**

	2002	2001
Receivables from policyholders	689.4	230.1
Receivables from insurance brokers	1.4	0.2
Receivables from regional Länsförsäkringar companies	0.2	–
Receivables from other insurance companies	73.2	372.2
<b>Receivables pertaining to direct insurance</b>	<b>764.1</b>	<b>602.5</b>

**Note 26 Receivables pertaining to reinsurance**

	2002	2001
Receivables from regional insurance companies	66.0	38.6
Other receivables	445.0	588.2
<b>Receivables pertaining to reinsurance</b>	<b>511.0</b>	<b>626.7</b>

**Note 27 Deferred tax receivables and deferred tax liabilities**

The deferred tax receivables and deferred tax liabilities reported may be classified as follows:

	Assets		Liabilities		Net	
	2002	2001	2002	2001	2002	2001
Intangible assets	–0.3	–	–	–	–0.3	–
Buildings and land	–	–	225.7	202.2	225.7	202.2
Other financial investment assets	0.0	–	315.2	328.7	315.2	328.7
Other assets	–9.1	–	1.4	0.1	–7.7	0.1
Liabilities	–26.6	–16.4	–	–	–26.6	–16.4
Utilization of loss carry-forwards deductions	–543.4	–589.7	–	–	–543.4	–589.7
Untaxed reserves	–	–	472.2	474.0	472.2	474.0
<b>Deferred tax receivables (–)/deferred tax liability (+)</b>	<b>–579.5</b>	<b>–606.0</b>	<b>1,014.5</b>	<b>1,005.1</b>	<b>435.1</b>	<b>399.1</b>
Offset	317.4	312.1	–317.4	–312.1	–	–
<b>Net deferred tax receivables (–)/deferred tax liability (+)</b>	<b>–262.0</b>	<b>–294.0</b>	<b>697.1</b>	<b>693.0</b>	<b>435.1</b>	<b>399.1</b>

The temporary difference between the reported value of participations directly owned by the Parent Company and the value for taxation purposes amounts to:

	Group	Parent Company
Participations in group companies	394.5	759.3

Deferred taxes pertaining to these participation holdings have not been reported. In the case of group companies, the Parent Company determines when tax liabilities are realized, and this will not take place in the foreseeable future since dividends received in Sweden are currently not liable for tax.

**Deferred tax receivables not reported**

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

	2002	2001
Deficits for tax purposes, tax portion	203.2	197.7
Undetermined deficits for tax purposes, tax portion	446.1	446.1

**Changes in deferred tax for temporary differences and loss carry-forward deductions**

	Amount at 1 Jan.	Reported in income statement	Amount at year-end
Intangible assets	–0.3	–0.3	–0.3
Buildings and land	202.2	23.5	225.7
Other financial investment assets	328.7	–13.6	315.2
Other assets	0.1	–7.8	–7.7
Liabilities	–16.4	–10.2	–26.6
Utilization of loss carry-forwards deductions	–589.7	46.3	–543.4
Untaxed reserves	474.0	–1.8	472.2
<b>Deferred tax receivables (–)/deferred tax liability (+)</b>	<b>399.1</b>	<b>36.0</b>	<b>435.1</b>

**Note 28 Other receivables**

	2002	2001
Receivables from regional insurance companies	121.4	384.8
Other receivables	222.7	63.8
<b>Other receivables</b>	<b>344.1</b>	<b>448.6</b>

**Note 29 Assets in banking group**

	2002	2001
Cash and balances with central banks	68.8	25.1
Lending to credit institutions	1,408.0	1,152.9
Lending to the public	19,861.3	12,452.8
Shares and participations	499.2	1,414.7
Bonds and other interest-bearing securities	0.5	0.5
Intangible assets	108.5	90.7
Tangible assets	29.8	13.2
Other assets	227.0	224.2
Assets in Wasa Garanti	12.2	36.4
Prepaid expenses and accrued income	77.9	94.2
<b>Assets in banking group</b>	<b>22,293.1</b>	<b>15,504.6</b>

### Note 30 Tangible assets and inventories

	2002	2001
Acquisition value 1 January	499.3	475.3
Exchange rate fluctuations	-0.3	1.6
Acquisitions during the year	72.6	102.6
Acquisition value of equipment divested or scrapped	-14.9	-80.1
<b>Accumulated acquisition values, 31 December</b>	<b>556.8</b>	<b>499.3</b>
Accumulated depreciation, 1 January	-346.2	-333.3
Exchange rate fluctuations	0.2	-1.6
Accumulated depreciation on acquisitions	-	-3.0
Accumulated depreciation on equipment divested	11.6	61.8
Depreciation for the year	-98.5	-70.2
<b>Depreciation, 31 December</b>	<b>-432.7</b>	<b>-346.1</b>
Residual value according to plan, 31 December	124.1	153.2
Inventory of advertising items and printed materia	9.3	8.2
<b>Tangible assets and inventories</b>	<b>133.4</b>	<b>161.4</b>

#### LEASING CHARGES

##### Financial leasing

Assets held through financial leasing contracts are reported as tangible assets in the group. The acquisition value of this equipment amounts to SEK 17.8 M and the year's depreciation amounts to SEK 6.1 M. The year's leasing expense is SEK 6.3 M.

Future payment commitments in the group

Within one year	7.5
Within one to five years	4.9
Within more than five years	-

##### Operational leasing

Payment commitments pertaining to rent

Within one year	141.0
Within one to five years	557.9
Within more than five years	415.7

External rental expense in Parent Company	175.2
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### Note 31 Prepaid acquisition costs including reinsurance proportion

	2002	2001
Prepaid acquisition costs, 1 January	44.7	41.1
New group companies	-	20.1
Provision for the year	51.8	44.7
Depreciation for the year	-44.7	-61.2
<b>Prepaid acquisition costs, 31 December</b>	<b>51.8</b>	<b>44.7</b>

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

### Note 32 Shareholders' equity

	Share capital	Restricted reserves	Profit/loss carried forward	Profit/loss for the year
Balance 1 January	629.7	4,931.0	186.9	-216.7
Allocation of profit/loss from preceding year			-216.7	216.7
Contributions from successive acquisition of associated companies		3.6		
Change in translation differences		-36.6	17.4	
Transfers between non-restricted and restricted reserves		482.0	-482.0	
Profit/loss for the year				2.3
<b>Balance 31 December</b>	<b>629.7</b>	<b>5,379.9</b>	<b>-494.4</b>	<b>2.3</b>

#### Sensitivity analysis, impact on shareholders' equity

	Value effect	Tax receivable	Shareholders' equity
10% decline in share price	-543.7	152.2	-391.5
1% increase in bond rates	-281.3	78.8	-202.5
2% increase in yield requirement for properties	-77.0	21.6	-55.4
Negative 10% foreign exchange fluctuation	-114.9	32.2	-82.8
	<b>-1,016.9</b>	<b>284.7</b>	<b>-732.2</b>

### Note 33 Reserve for unrealized gains

	2002	2001
Shares and participations	4.4	-
Interest-bearing investments	0.3	-
<b>Reserve for unrealized gains</b>	<b>4.6</b>	<b>-</b>

### Note 34 Subordinated liabilities

	2002	2001
Subordinated debenture, fixed term until 2001	-	200.0
Subordinated debenture, fixed term until 2006	139.0	127.0
<b>Subordinated liabilities</b>	<b>139.0</b>	<b>327.0</b>

### Note 35 Provision for unearned premiums and unexpired risks

	2002	2001
Balance, 1 January	1,560.7	1,340.9
New group companies	-	101.6
Exchange rate fluctuations	30.5	20.8
Transfer of portfolio	-33.2	-77.1
Change for the year	115.5	174.5
<b>Provision for unearned premiums and unexpired risks</b>	<b>1,673.5</b>	<b>1,560.7</b>

**Note 36 Provision for outstanding claims**

	Claims incurred and reported	Claims incurred, not reported	Provision for skaderegleringskostnader	Total 2002	Total 2001
Balance 1 January	13,103.6	1,888.1	295.2	15,286.8	14,191.9
New group companies	–	–	–	–	287.6
Transfer of portfolio	72.8	–16.3	–	56.4	–71.1
Exchange rate fluctuations	–83.8	–34.7	–0.1	–118.6	175.6
Change for the year	615.2	–68.7	23.2	569.7	702.9
<b>Provision for outstanding claims</b>	<b>13,707.8</b>	<b>1,768.3</b>	<b>318.2</b>	<b>15,794.3</b>	<b>15,286.8</b>

**Note 37 Liabilities in the banking group**

	2002	2001
Liabilities to credit institutions	266.8	217.1
Deposits and borrowing from the public	14,736.0	12,351.9
Securities issued	3,705.5	417.5
Liabilities, Wasa Garanti	5.4	14.8
Other liabilities	221.4	218.4
Accrued expenses and prepaid income	268.0	225.0
<b>Liabilities in the banking group</b>	<b>19,203.0</b>	<b>13,444.6</b>

**Note 38 Liabilities pertaining to direct insurance**

	2002	2001
Liabilities to policyholders	35.1	24.9
Liabilities to insurance brokers	5.4	6.1
Liabilities to regional insurance companies	1.8	–
Liabilities to other insurance companies	47.6	17.3
<b>Liabilities pertaining to direct insurance</b>	<b>89.8</b>	<b>48.3</b>

**Note 39 Other liabilities pertaining to reinsurance**

	2002	2001
Liabilities to regional insurance companies	159.1	2.7
Other liabilities	237.5	436.8
<b>Other liabilities pertaining to reinsurance</b>	<b>396.6</b>	<b>439.5</b>

**Note 40 Other liabilities**

	2002	2001
Liabilities to regional insurance companies	50.7	2.6
Other liabilities	323.1	441.2
<b>Other liabilities</b>	<b>373.8</b>	<b>443.8</b>

**Note 41 Memorandum items**

	2002	2001
<b>Pledged assets</b>		
Mortgages on company-owned property, nominal value	1.6	1.6
Total registered investment assets on policyholders' account	14,758.2	12,943.5
of which pertain to commitments entailing benefit	(2,581.6)	(2,353.9)
Bonds	514.5	13.1
Bank balances	31.5	34.1
<b>Total pledged assets</b>	<b>15,305.7</b>	<b>12,992.3</b>
<b>Contingent liabilities</b>		
Guarantees	24.0	3.3
Credit guarantee for personnel loan	1.6	2.3
Surety	7.8	8.1
Partnership in Länsförsäkringsbolagens Fastighets HB	2,641.2	2,369.6
Partnership in Utile Dulci 2 HB	1,035.5	820.0
Other guarantees	6.5	4.1
<b>Contingent liabilities of fixed amount</b>	<b>3,716.7</b>	<b>3,207.5</b>
<b>Other commitment, banking operations</b>		
Loans and credit approved but not provided	1,202.2	1,059.0
Interest rate swaps	1,700.0	516.5
<b>Other commitments</b>	<b>2,902.2</b>	<b>1,575.5</b>

Premature cancellation of the contract with ABN AMRO or failure to renew the contract after ten years for a further five years could in many cases render Länsförsäkringar Sak liable to repay the entire purchase price or a portion thereof. The size of the repayment that Länsförsäkringar Sak could become liable to make in the event of premature cancellation would vary depending on the grounds for cancellation and the point in the contract term at which cancellation took place. The earlier the cancellation, the larger the repayment amount. There are several scenarios for premature cancellation by, primarily, Länsförsäkringar Sak. However, given the nature of the contract and the parties' common interest in long-term co-operation, as well as the grounds for cancellation as such, the likelihood of premature cancellation is considered to be negligible.



## Note 42 Personnel, salaries and remuneration in the group, and auditors' fees

The average number of employees by workplace and country:

	Men 2002	Men 2001	Women 2002	Women 2001	Total 2002	Total 2001
<b>Staff employees</b>						
<b>Parent Company</b>						
Sweden	119	31	127	33	246	64
<b>Subsidiaries</b>						
Sweden	531	625	568	585	1,099	1,210
Great Britain	5	9	5	6	10	15
US	2	4	–	1	2	5
<b>Total</b>	<b>657</b>	<b>669</b>	<b>700</b>	<b>625</b>	<b>1,357</b>	<b>1,294</b>

Salaries, remuneration and social security costs paid:

	Board, MD and Deputy MDs 2002	2001	Staff 2002	2001	Total 2002	Total 2001
<b>Parent Company</b>						
<b>Sweden</b>						
Salaried and remuneration	7.8	2.2	114.4	21.7	122.1	24.0
Social security costs	7.1	6.4	82.4	27.1	89.5	33.6
of which, pension charges	3.6	4.6	43.4	15.9	47.0	20.4
Total Parent Company	14.9	8.6	196.8	48.9	211.6	57.5
<b>Subsidiaries</b>						
<b>Sweden</b>						
Salaries and remuneration	26.8	31.1	510.0	477.3	536.8	508.4
Social security costs	40.1	19.9	335.9	296.1	375.9	316.0
of which, pension charges	25.4	8.0	132.4	113.7	157.8	121.7
<b>Great Britain</b>						
Salaries and remuneration	1.9	2.7	8.1	6.5	10.1	9.2
Social security costs	0.3	0.3	1.1	1.7	1.4	2.0
of which, pension charges	0.1	0.1	0.5	0.9	0.7	1.0
<b>US</b>						
Salaries and remuneration	–	–	15.8	5.8	15.8	5.8
Social security costs	–	–	1.2	0.9	1.2	0.9
of which, pension charges	–	–	–	0.0	–	0.0
<b>Total subsidiaries</b>	<b>69.1</b>	<b>53.9</b>	<b>872.1</b>	<b>788.4</b>	<b>941.2</b>	<b>842.4</b>
<b>Total group</b>	<b>84.0</b>	<b>62.6</b>	<b>1,068.9</b>	<b>837.3</b>	<b>1,152.8</b>	<b>899.9</b>

The amounts shown above include personnel termination costs, as follows:

Salaries and remunerations	115.0
Social security costs	156.8
of which, pension charges	82.4
<b>Total</b>	<b>271.8</b>

The Chairman of the Board received a total remuneration of SEK 0.5 M (0.3). The Managing Director's salary and other benefits amounted to SEK 4.0 M (0.8). The Parent Company has had a managing director and other employees since 1 October 2001.

### Notice of termination of employment and severance pay for senior executives

In the event of notice of termination of employment by the company, the Managing Director, Deputy Managing Directors and senior executives in the management group are entitled to two year's salary. In the case of notice of termination of employment by the employee, three months' salary applies. In the case of other senior executives, the terms governed by central agreements between employer and employee organizations apply.

### Pension commitments

The Managing Director has an agreement for retirement at the age of 60, with 75% of final salary at the time of retirement until the age of 65. This is covered by insurance. Alternatively, the Managing Director may retire at the age of 55, with an estimated 50% of final salary until the age of 65.

Other pension obligations are covered by insurance in accordance with an agreement between FAO (the insurance sector's employer's organization) and FTF.

### Auditors' fees

The following fees were paid to the auditors in 2002 (SEK M):

	Group	Parent Company
<b>KPMG</b>		
Auditing assignments	3.0	0.7
Other assignments	5.7	5.1
<b>Ernst &amp; Young</b>		
Auditing assignments	0.3	0.1
Other assignments	0.1	–

## Supplementary information regarding insurance operations – Consolidated 2002

### Breakdown of income statement items by insurance class

	Total	Health and accident	Motor vehicles, third-party liability	Motor vehicles other classes	Marine, aviation and transportation	Fire and other property damage	General liability
Premiums earned, gross	5,286.0	149.3	2,403.2	155.3	108.4	301.0	129.1
Insurance payments, gross	-4,855.4	-140.5	-2,611.6	-131.6	-92.3	-120.8	-19.0
Operating expenses, gross	-1,070.0	-64.0	-482.7	-24.2	-35.5	-27.5	-41.5
Profit/loss on ceded reinsurance	-29.5	3.8	84.4	-0.0	18.9	-113.5	-136.4
<b>Profit/loss</b>	<b>-668.9</b>	<b>-51.3</b>	<b>-606.7</b>	<b>-0.5</b>	<b>-0.6</b>	<b>39.2</b>	<b>-67.8</b>
Premium income, gross	5,401.5	150.9	2,589.2	151.6	110.6	243.6	85.4

	Legal expenses cover	Other insurance classes	Total direct insurance	Reinsurance assumed
Premiums earned, gross	5.8	647.7	3,899.9	1,386.1
Insurance payments, gross	-62.1	-442.8	-3,620.6	-1,234.7
Operating expenses, gross	-6.7	-190.9	-873.0	-197.0
Profit/loss on ceded reinsurance	61.6	-5.6	-86.9	57.4
<b>Profit/loss</b>	<b>-1.4</b>	<b>8.5</b>	<b>-680.7</b>	<b>11.8</b>
Premium income, gross	5.2	683.9	4,020.4	1,381.1

## Notes to the financial statements for the Parent Company, SEK M

(For the Parent Company's remuneration of personnel and fees paid to auditors, refer to Note 42.)

### Note 43 Net sales

All the company's sales are to companies within the Länsförsäkringar Alliance, 89% (86%) to group companies and 11% (14%) to the regional insurance companies.

### Note 44 Other external costs

	2002	2001
Cost of premises	-206.6	-43.4
Marketing	-187.5	-20.3
Consultants	-175.8	-50.3
IT costs	-117.3	-52.7
Printed matter, telephony and postage	-56.2	-22.9
Asset management costs	-128.2	-30.2
Other	-100.8	-35.6
	<b>-972.5</b>	<b>-255.4</b>

Cost of premises refers primarily to rent for premises used by the group for its operations. Länsförsäkringar AB in turn leases premises to group companies. Rental costs amounted to SEK 175.2 M and income from leasing of premises amounted to SEK 116.1 M.

Marketing costs include SEK 88.6 M paid to the regional insurance companies for market activities focusing on brand extension.

### Note 45 Result of participation in group companies

	2002	2001
Writedowns	-13.0	-15.0

### Note 46 Other interest income and similar income statement items

	2002	2001
Interest income, group companies	5.3	-
Interest income, other	36.4	1.5
Capital gains on interest-bearing securities	11.4	-
	<b>53.1</b>	<b>1.5</b>

### Note 47 Other interest expense and similar income statement items

	2002	2001
Interest expense, subordinated debenture	-8.3	-0.3
Unrealized losses on short-term investments	-7.5	-
	<b>-15.8</b>	<b>-0.3</b>

**Note 48 Tax on profit/loss for the year**

	2002	2001
Current tax, group contributions	8.0	13.0
Deferred tax	29.4	4.4
	<b>37.4</b>	<b>17.4</b>
<b>Reconciliation of tax expense/income for the year</b>		
Reported pre-tax profit/loss	-161.9	-77.4
Tax as per current tax rate	45.3	21.7
Tax on non-deductible costs	-7.9	-4.3
Utilization of loss carry-forward deduction not previously capitalized	-	0.0
Reported pre-tax profit/loss	37.4	17.4
Current tax rate	28, %	28, %
Effective tax rate	23, %	22, %
<b>Tax items reported against shareholders' equity</b>		
Current tax on group contributions received	8.0	13.0

The temporary difference between the reported value of participations directly owned by the Parent Company and the value for taxation purposes amounts to SEK 759.3 M. Deferred taxes pertaining to these participation holdings have not been reported. In the case of group companies, the Parent Company determines when tax liabilities are realized, and this will not take place in the foreseeable future since dividends received in Sweden are currently not liable for tax.

**Note 49 Fixtures and fittings**

	2002	2001
<b>Accumulated acquisition values</b>		
At 1 January	3.5	-
Acquisitions from group companies	447.3	-
New acquisitions	56.7	3.5
	<b>507.5</b>	<b>3.5</b>
<b>Accumulated depreciation according to plan</b>		
Acquisitions from group companies	-347.1	-
The year's depreciation according to plan	-56.2	-
	<b>-403.3</b>	
<b>Residual value according to plan, 31 December</b>	<b>104.3</b>	<b>3.5</b>

Fixtures and fittings include SEK 4.2 M (3.5) representing works of art that is not depreciated.

As of 1 January 2002 all fixtures and fittings in the group are owned by Länsförsäkringar AB, which leases equipment to group companies. The book value of leased fixtures and fittings amounts to SEK 52.5 M and the rental income was SEK 37.8 M. The rental income corresponds to the depreciation of the fixtures and fittings leased.

**Note 50 Shares and participations in group companies**

	2002	2001
<b>Accumulated acquisition values</b>		
At 1 January	6,739.4	5,362.2
Purchases	28.0	195.1
Shareholder contribution	180.0	120.6
Divestments	-0.1	-
Dividends received in the form of shares in subsidiaries	-	1,061.5
Repayment to the shareholder	1,062.8	-
	<b>8,010.1</b>	<b>6,739.4</b>

	2002	2001
<b>Accumulated writedowns</b>		
At 1 January	-1,076.5	-
Dividends received from subsidiaries	-	-1,061.5
Repayment to the shareholder	-2,009.8	-
Writedown for the year	-13.0	-15.0
	<b>-3,099.4</b>	<b>-1,076.5</b>
<b>Book value at year-end</b>	<b>4,910.7</b>	<b>5,662.9</b>

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

Company name	Corporate registration number	Head office	Number of shares and participations	Percentage of equity <sup>1)</sup>	Book value
Agria Försäkrings AB (publ)	516401-8003	Stockholm	40,000	100	362.0
LF Gruppen AB (dormant)	556420-8535	Stockholm	1,000	100	0.1
Länsförsäkringar Bank AB	516401-9878	Stockholm	8,398,708	100	1,194.6
Länsförsäkringar Fondförvaltning AB	556364-2783	Stockholm	10,000	100	115.0
Länsförsäkringar Dator- och systemservice AB (publ)	556356-0670	Stockholm	1,400	100	23.4
Länsförsäkringar Liv AB (publ)	516401-6627	Stockholm	8,000	100	452.0
Länsförsäkringar Sak Försäkrings AB	502010-9681	Stockholm	2,000,000	100	2,485.9
Länsförsäkringar Utveckling AB	556549-7004	Stockholm	10,000	100	1.0
Svenska Brand Livförsäkring AB	516401-6692	Stockholm	28,000	100	28.0
Wasa Försäkring Run-Off AB	556563-9456	Stockholm	1,000	100	248.8
<b>Shares and participations in group companies</b>					<b>4,910.7</b>

<sup>1)</sup> Refers to ownership proportion of the capital, which also corresponds to the proportion of votes for the total number of shares.

During the year, Agria, Wasa Försäkring Run-Off and Länsförsäkringar Liv were transferred to Länsförsäkringar AB by repayment of SEK 2,009.8 M to the shareholder by Länsförsäkringar Sak AB. The value of the subsidiary's shares amounted to SEK 1,062.8 M and the remaining repayment, SEK 947.0 M, was made in liquid funds.

**Note 51 Receivables from group companies**

Loan to Länsförsäkringar Bank AB maturing on May 31, 2012.

Interest: Stibor 3-month plus 0.1%.

**Note 52 Deferred tax receivable**

	2002	2001
Machinery and equipment	7.0	–
Financial fixed assets	2.1	–
Pension provisions	8.8	4.2
Loss carry forwards	15.9	0.2
<b>Net deferred tax receivable</b>	<b>33.8</b>	<b>4.4</b>

	Amount at 1 Jan.	Reported via income statement	Amount at 31 Dec.
<b>Change in deferred tax in temporary differences and loss carry forwards</b>			
Machinery and equipment	–	7.0	7.0
Financial fixed assets	–	2.1	2.1
Pension provisions	4.2	4.6	8.8
Utilization of loss carry forwards	0.2	15.8	15.9
	<b>4.4</b>	<b>29.4</b>	<b>33.8</b>

**Note 53 Prepaid expense and accrued income**

	2002	2001
Lunch vouchers	0.3	0.6
Prepaid insurance costs	6.4	4.6
Prepaid rent	11.1	–
Other	5.8	2.2
	<b>23.7</b>	<b>7.3</b>

**Note 54 Short-term investments**

	2002	2001
Listed shares	86.9	–
Interest-bearing securities	299.2	–
Units of mutual funds	22.8	–
	<b>409.0</b>	<b>–</b>

**Note 55 Shareholders' equity**

	Share capital	Premium reserve	Legal reserve	Profit/ loss carried forward	Profit/ loss for the year	Total
Balance, 1 January	629.7	4,931.0	0.0	33.4	–60.0	5,534.0
Allocation of profit/loss				–60.0	60.0	
Group contribution				28.7		28.7
Tax impact on group contribution				–8.0		–8.0
Profit/loss for the year				–124.4		–124.4
<b>Balance, 31 December</b>	<b>629.7</b>	<b>4,931.0</b>	<b>0.0</b>	<b>–6.0</b>	<b>–124.4</b>	<b>5,430.2</b>

**Number of shares at SEK 100 par value**

Series A	1,532,678
Series B	4,761,455
Series C	2,450
	<b>6,296,583</b>

**Note 56 Subordinated debentures**

The subordinated debentures have a fixed term until 15 December 2006 at an interest rate which corresponds to government bond rate for the equivalent duration, plus a supplement of 0.65%. The interest rate for the year was 5.63%.

**Note 57 Accrued expenses and prepaid income**

	2002	2001
Restructuring costs	42.1	16.5
Holiday pay liability	9.3	6.2
Social security costs	11.5	6.6
Other accrued costs	8.2	12.5
	<b>71.1</b>	<b>41.7</b>

## Investment in shares and participations

Investments in shares and participations	Number	Market value, SEK 000s
<b>SWEDEN</b>		
<b>Listed shares</b>		
<b>Finance</b>		
Salusansvar, B	745,500	5,032
Kungsleden	260,000	37,700
<b>Total Finance</b>		<b>42,732</b>
<b>Industrial goods</b>		
Atlas Copco, A	56,781	9,653
<b>Total industrial goods</b>		<b>9,653</b>
<b>Total shares</b>		<b>52,385</b>
<b>Mutual funds</b>		
Aragon Time Fund	12,159	764
Asian Fund LF	183,954	8,923
Industry Focus Fund LF	500,000	18,513
Europe Fund LF	726	200
Fund-in-fund cautious LF	100,000	8,531
Fund-in-fund normal LF	100,000	7,530
Fund-in-fund aggressive LF	100,000	6,559
Brain Fund LF	100,000	10,259
Internet Fund LF	500,000	8,439
Mega Europe Fund LF	54,307	91,779
Mega North America LF	91,164	48,086
Pension 2045 LF	501,628	28,792
Robur Communications Fund	84,715	1,177
Skandia Time Global	21,231	1,118
Small company Fund LF	514,234	44,981
Growth Market Fund LF	1,050,538	123,732
Developing Countries Fund LF	37,377	4,557
<b>Total mutual funds</b>		<b>413,940</b>
<b>Total listed</b>		<b>466,325</b>
<b>Unlisted shares</b>		
<b>Finance</b>		
HealthCap Coinvest	12,524,000	12,524
HealthCap KB III	7,746,000	7,746
Industrial Development & Invest	7,492,132	7,492
Länsförsäkringar Mäklarservice AB	200	40
Länsteknik	500	0
SBC Bo Ekon.Förening	150	450
Sjöassuradörerna	54	0
<b>Total Finance</b>		<b>28,252</b>
<b>Industrial goods</b>		
Besqab, B	21,000	7,140
Byggtjänst	25	9
<b>Total industrial goods</b>		<b>7,149</b>
<b>Capital goods and services</b>		
Jonic	100	0
Knarrarnäs	1	540
Larmtjänst	113	0
Optimum, A	25,047,476	0

Investments in shares and participations	Number	Market value, SEK 000s
Optimum, B	340,378	0
Svensk Bilprovning	560	1,680
Trinova, B	500	0
VetCare AB	100	6,543
<b>Total capital goods and services</b>		<b>8,763</b>
<b>Media</b>		
Öijared Company & Country Club AB	8	136
<b>Total media</b>		<b>136</b>
<b>Total shares</b>		<b>44,300</b>
<b>Mutual funds</b>		
Nektar	196,727	423,707
SBC Bo AB Fund	1,269	339
Zenit	6,460	253,492
<b>Total</b>		<b>677,538</b>
<b>Total mutual funds</b>		<b>677,538</b>
<b>Tenant ownership rights</b>		
Kalvheden tenant ownership association		362
<b>Total tenant ownership rights</b>		<b>362</b>
<b>Total unlisted</b>		<b>722,200</b>
<b>Total Sweden</b>		<b>1,188,525</b>
<b>SWITZERLAND</b>		
<b>Listed shares</b>		
Adecco	29,138	9,952
Credit Suisse	88,000	16,636
Holcim, Inhaber	4,540	7,181
Logitech, Namen	7,400	1,924
Nestle	15,700	28,988
Novartis	109,500	34,812
Richemont Units	68,289	11,103
Roche Holding, Genusscheine	36,400	22,101
Schweiz Rueckversicherung	28,417	16,242
UBS	68,300	28,923
<b>Total listed</b>		<b>177,862</b>
<b>Total Switzerland</b>		<b>177,862</b>
<b>GERMANY</b>		
<b>Listed shares</b>		
Allianz Holding	6,000	4,973
BASF	46,964	15,494
Bayerische Motoren Werke	36,119	9,551
Daimler-Chrysler	11,664	3,130
Deutsche Boerse AG	16,000	5,583
Deutsche Telekom	57,200	6,407
E ON (Veba)	43,468	15,282
Muenchener Rueckversicherung	10,490	10,935
Porsche Prefs	2,998	10,856
SAP	19,591	13,528
Schering	18,000	6,822
Siemens, Namen	43,930	16,268
<b>Total listed</b>		<b>118,829</b>
<b>Total Germany</b>		<b>118,829</b>

Investments in shares and participations	Number	Market value, SEK 000s
<b>DENMARK</b>		
<b>Listed shares</b>		
Den Danske Bank	42,500	6,121
<b>Total listed</b>		<b>6,121</b>
<b>Total Denmark</b>		<b>6,121</b>
<b>SPAIN</b>		
<b>Listed shares</b>		
Iberdrola I	45,000	5,493
Telefónica de España	171,000	13,337
<b>Total listed</b>		<b>18,830</b>
<b>Total Spain</b>		<b>18,830</b>
<b>FINLAND</b>		
<b>Listed shares</b>		
Nokia	207,350	28,307
UPM-Kymmene, V	30,493	8,602
<b>Total listed</b>		<b>36,909</b>
<b>Total Finland</b>		<b>36,909</b>
<b>FRANCE</b>		
<b>Listed shares</b>		
Accor	28,000	7,389
Air Liquide	8,763	10,072
Aventis	46,089	21,830
AXA	134,000	15,671
BNP Paribas	26,300	9,338
L'Oreal	24,048	15,953
Renault S.A	15,700	6,428
ST Microelectronics	33,850	5,782
TF I	26,800	6,239
Thales	16,536	3,815
Total Fina	21,500	26,756
<b>Total listed</b>		<b>129,273</b>
<b>Total France</b>		<b>129,273</b>
<b>GREAT BRITAIN</b>		
<b>Listed shares</b>		
Astrazeneca (GB)	32,074	9,935
Barclays	305,233	16,484
BP Plc (Amoco)	738,000	44,204
British Gas	180,000	6,759
Compass group Plc	173,700	8,041
Diageo	106,500	10,084
GlaxoSmithKline Plc	203,806	34,078
Hbos group	149,701	13,618
HSBC Holdings (GBP 0.75)	451,069	43,469
National Grid group Plc	286,686	18,281
Prudential	72,209	4,447
Reckitt Benckiser PLC	73,500	12,424
Rio Tinto	81,000	14,095
Royal Bank of Scotland	152,500	31,779
Shell Transport & Trading Co	848,100	48,658
Standard & Chartered Bank	107,500	10,646

Investments in shares and participations	Number	Market value, SEK 000s
Tesco	630,751	17,128
Three I group	114,000	8,875
Unilever	400,500	33,203
Vodafone	3,025,000	47,984
<b>Total listed</b>		<b>434,192</b>
<b>Unlisted shares</b>		
Altius Assoc	13,218	185
Scan Re	7,500,000	0
<b>Total unlisted</b>		<b>185</b>
<b>Total Great Britain</b>		<b>434,377</b>
<b>IRELAND</b>		
<b>Listed shares</b>		
Bank of Ireland	59,200	5,278
CRH (GB)	49,655	5,358
<b>Total listed</b>		<b>10,636</b>
<b>Total Ireland</b>		<b>10,636</b>
<b>ICELAND</b>		
<b>Listed shares</b>		
Kaupthing	852,356	11,951
Kaupthing (SEK)	6,642,957	93,001
<b>Total listed</b>		<b>104,952</b>
<b>Total Iceland</b>		<b>104,952</b>
<b>ITALY</b>		
<b>Listed shares</b>		
ENI	200,000	27,706
Telecom Italia	238,500	15,767
TIM, Ord	359,824	14,312
<b>Total listed</b>		<b>57,785</b>
<b>Total Italy</b>		<b>57,785</b>
<b>JAPAN</b>		
<b>Listed shares</b>		
Acom Co	8,030	2,299
Ajinomoto Co	52,000	4,731
Canon Inc	25,000	8,205
Daikin Industries	17,000	2,347
Denso Corp	20,600	2,945
East Japan Railway	180	7,784
Fanuc	9,400	3,624
Fujitsu	31,000	772
Honda Motor Co	13,500	4,352
Hoya Corp	7,900	4,820
Isetan Co	48,700	2,911

Investments in shares and participations	Number	Market value, SEK 000s
Ito-Yokado Co	28,000	7,196
Kaneka Corp	75,000	3,497
Kao Corp	41,000	7,842
Keyence Corp	2,400	3,639
Komatsu	91,000	2,586
Komeri Co Ltd	17,400	3,807
Konami Co	14,500	2,917
Kuraray Co	23,000	1,243
Kyocera Corp	2,300	1,167
Marui Co	56,200	4,795
Matsumotokiyo Co Ltd	8,900	3,620
Matsushita Elect Ind	46,000	3,952
Millea Holdings (f. Tokio Marine & Fire Ins)	39	2,445
Mitsubishi Tokyo Financial group Inc	146	6,914
Mitsui	83,000	3,376
Mitsui Fudosan	53,000	2,996
Nidec Corp	4,300	2,343
Nintendo Co	5,200	4,234
Nippon Tel & Tel Corp	75	2,373
Nippon TV Network	1,420	1,845
Nissan HealthCare Food Service Co Ltd	7,000	1,110
Nissan Motor Co	117,000	7,955
Nomura Holdings	49,000	4,799
NSK (Nippon Seiko K K)	74,000	1,663
NTT Data	39	939
NTT Docomo Inc	350	5,628
Oji Paper Co	28,000	1,049
Orix Corp	6,500	3,651
Paris Miki Inc	13,100	1,607
Ricoh Co	30,000	4,289
Rohm Co	4,800	5,346
Sanyo Electric Co	59,000	1,339
Secom Co	15,000	4,483
Seven-Eleven Japan	24,000	6,379
Sharp Corp	28,000	2,317
Shin Etsu Chemical	13,600	3,884
Shionogi & Co	20,000	2,464
SMC Corp	4,900	4,008
Sony Corp	27,000	9,833
Sumitomo Chemical Co	79,000	2,720
Sumitomo Mitsui Financial group	119	3,242
Takeda Chemical Industries	28,800	10,489

Investments in shares and participations	Number	Market value, SEK 000s
Teijin	114,000	2,377
Tokyo Electric Power	46,700	7,732
Tokyo Electron	6,400	2,523
Tokyo Gas Co	184,000	5,026
Toyota Motor Corp	42,200	9,884
Yamanouchi Pharm	19,100	4,824
Yamato Transport Co	26,000	2,959
<b>Total shares</b>		<b>242,096</b>
<b>Mutual funds</b>		
Japanfonden LF	1,778,053	118,012
<b>Total mutual funds</b>		<b>118,012</b>
<b>Total listed</b>		<b>360,108</b>
<b>Total Japan</b>		<b>360,108</b>
<b>CAYMAN ISLANDS</b>		
<b>Listed shares</b>		
Globalsantafe Corp	32,600	6,908
<b>Total listed</b>		<b>6,908</b>
<b>Total Cayman Islands</b>		<b>6,908</b>
<b>NORTH AMERICA</b>		
<b>Listed mutual funds</b>		
North America Fund LF	267,022	42,684
<b>Total listed</b>		<b>42,684</b>
<b>Total North America</b>		<b>42,684</b>
<b>NETHERLANDS</b>		
<b>Listed shares</b>		
ABN Amro Holding	47,000	6,696
DSM	23,000	9,123
Elsevier	128,700	13,710
ING Groep	110,812	16,354
Philips Electronics	55,390	8,458
VNU	26,700	6,067
<b>Total listed</b>		<b>60,408</b>
<b>Unlisted shares</b>		
Eureko BV Placeringsaktie	1,761,294	481,373
<b>Total unlisted</b>		<b>481,373</b>
<b>Total Netherlands</b>		<b>541,781</b>
<b>NORWAY</b>		
<b>Listed shares</b>		
Tomra Systems	110,257	6,254
<b>Total listed</b>		<b>6,254</b>
<b>Total Norway</b>		<b>6,254</b>



Investments in shares and participations	Number	Market value, SEK 000s
<b>PORTUGAL</b>		
<b>Listed shares</b>		
Portugal Telecom	180,000	10,780
<b>Total listed</b>		<b>10,780</b>
<b>Total Portugal</b>		<b>10,780</b>
<b>US</b>		
<b>Listed shares</b>		
3M Company	19,200	20,628
American Intl group	43,900	22,128
Amgen Inc	50,700	21,355
Caterpillar	17,200	6,852
Citigroup Inc	51,500	15,791
Coca-Cola Co	57,200	21,840
Colgate Palmolive	50,400	23,025
Costco Co	33,100	8,093
EBAY	9,000	5,318
Electronic Arts	28,800	12,489
Gala Gen Inc	27,083	1
Gannett Co	24,700	15,453
Gillette Co	80,300	21,242
Johnson & Johnson	55,000	25,740
Kohls Corp	22,100	10,774

Investments in shares and participations	Number	Market value, SEK 000s
Lilly (Eli) & Co	29,100	16,101
Marriott Int'L, A	46,000	13,175
Marsh & McLennan Cos	37,100	14,938
Masco Corp	91,100	16,439
Medtronic	70,400	27,972
Microsoft Corp	14,500	6,532
Newell Rubbermaid (Newell)	51,300	13,557
Nokia Corp ADR	76,800	10,372
Pepsico Inc	43,400	15,966
Pfizer Inc	95,400	25,411
Pharmacia Corp (US)	37,100	13,512
Procter & Gamble Co	31,900	23,887
Qualcomm	84,900	26,920
Schlumberger Ltd	62,400	22,885
Transocean Inc	61,800	12,493
United Parcel Service	20,800	11,432
Walt Disney Co	76,300	10,843
<b>Total listed</b>		<b>513,164</b>
<b>Unlisted shares</b>		
Hyperion Inc	35,496	1,933
Universal Pediatrics Services	80,000	0
<b>Total unlisted</b>		<b>1,933</b>

Investments in shares and participations	Number	Market value, SEK 000s
<b>Mutual funds</b>		
Moore Global Fixed Income Fund Ltd	1,603	66,682
Narragansett Offshore Ltd, Class B, Series 2	4	39
Narragansett Offshore Ltd, Class D, Series 1	2,721	27,321
Narragansett Offshore Ltd, Class E, Series 4	3,000	25,781
Raphael II Ltd, Regular shares	2,071	28,071
Styx International Ltd	3,239	60,702
Tiedemann Arbitrage Associates Ltd, Series 1	74,851	17,446
Viking Global Equities III Ltd A/4E	11,000	232,172
Viking Global Equities III, Class A, Series 1E	2,539	67,548
<b>Total mutual funds</b>		<b>525,762</b>
<b>Total unlisted</b>		<b>527,695</b>
<b>Total US</b>		<b>1,040,859</b>
<b>TOTAL LÄNSFÖRSÄKRINGAR AB, GROUP</b>		<b>4,293,473</b>

Stockholm, March 18, 2003

**Hans Jonsson**  
Chairman

**Gunnar Kinch**  
Deputy Chairman

**Jan Fager**

**John Helgesson**

**Anna-Greta Lundh**

**Anders Nilsson**

**Karin Starrin**

**Anders Stigers**

**Maths O Sundqvist**

**Tommy Persson**  
Managing Director

**Carl Johan Gezelius**  
Employee representative

**Karl-Axel Karlsson**  
Employee representative

**Sven-Erik Martinell**  
Employee representative

Our audit report was submitted on March 18, 2003.

**Stefan Holmström**  
Authorized Public Accountant

**Lars Bonnevier**  
Authorized Public Accountant  
appointed by the Financial  
Supervisory Authority

## Auditors' report

To the Annual General Meeting of Länsförsäkringar Aktiebolag (publ)

Corporate registration number 556549-7020

We have examined the annual report, the consolidated financial statements and the accounts, and also the Board and Managing Director's administration of Länsförsäkringar Aktiebolag (publ) for 2002. The Board and the Managing Director are responsible for the accounting documents and the administration. We are responsible for commenting on the annual report, the consolidated financial statements and the administration, on the basis of our audit.

The audit has been carried out in accordance with generally accepted auditing standards in Sweden. This means that we have planned and implemented the audit to assure ourselves to a reasonable degree that the annual report and consolidated financial statements do not contain any material errors. An audit entails examining a selection of the underlying documentation for

amounts and other information in the accounting documents. An audit also involves examining the accounting principles and their application by the Board and the Managing Director and assessing the information contained in the annual report and consolidated financial statements. We have examined all material decisions, measures and circumstances in the company in order to establish a basis for our opinion as to whether any Board member or the Managing Director has incurred any liability to compensate the company or has otherwise acted contrary to the Swedish Companies Act, the Insurance Business Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies, or the company's Articles of Association. We consider that our audit gives us reasonable grounds for the declaration made below.

The annual report for the Parent Company has been prepared in accordance with the Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and thus provide a fair picture of the company's and the group's results and position in accordance with generally accepted auditing standards in Sweden.

We recommend that the Annual General Meeting approves the income statement and the balance sheet for the Parent Company and the group, deals with the loss in the Parent Company as proposed in the Board of Directors' Report, and discharges the members of the Board of Directors and the Managing Director from liability for the financial year.

Stockholm, March 18, 2003

**Stefan Holmström**  
Authorized Public Accountant

**Lars Bonnevier**  
Authorized Public Accountant  
appointed by the Swedish Financial  
Supervisory Authority

## Life insurance group

The Life insurance group is not consolidated in the Länsförsäkringar AB since the entire profits of the regional company concerned are distributed to policyholders.

### INCOME STATEMENT, SEK M

	2002	2001
Premium income, gross	8,257	8,969
Premium income, net	8,127	8,857
Investment income, net	-14,508	-6,848
Insurance payments	-3,738	-3,177
Change in value of underwriting reserves	650	-9,146
Operating expenses	-1,857	-1,253
<b>Technical result</b>	<b>-11,326</b>	<b>-11,567</b>
Non-technical result	-145	-129
<b>Result before provisions and tax</b>	<b>-11,471</b>	<b>-11,696</b>
Tax	-971	-1,042
<b>Profit/loss for the period</b>	<b>-12,442</b>	<b>-12,738</b>

### BALANCE SHEET, SEK M

	Dec. 31 2002	Dec. 31 2001
<b>Assets</b>		
Intangible assets	1,954	1,932
Investment assets	79,027	91,480
Investment assets for which policyholders bear the investment risk	13,762	17,081
Reinsurers' proportion of technical reserves	478	366
Receivables	512	948
Other assets	4,766	2,655
Prepaid expense and accrued income	3,186	3,668
<b>Total assets</b>	<b>103,685</b>	<b>118,130</b>
<b>Shareholders' equity, reserves and liabilities</b>		
Shareholders' equity	8	8
Mutual funds and the year's result	14,357	28,522
Technical reserves before ceded reinsurance	72,908	69,721
Provisions for which policyholders bear the risk	13,763	17,082
Other provisions and liabilities	167	414
Deposits from reinsurers	476	367
Liabilities	1,512	1,608
Accrued expense and prepaid income	494	408
<b>Total shareholders' equity, reserves and liabilities</b>	<b>103,685</b>	<b>118,130</b>



## Board of Directors and auditors of Länsförsäkringar AB



*Hans Jonsson*



*Gunnar Kinch*



*Jan Fager*



*John Helgesson*



*Anna-Greta Lundh*



*Anders Nilsson*



*Tommy Persson*



*Karin Starrin*



*Anders Stigers*



*Maths O Sundqvist*



*Lars Brolin*



*Carl Johan Gezelius*



*Tomas Jönsson*



*Karl-Axel Karlsson*



*Sven-Erik Martinell*

**Hans Jonsson**, born 1949  
Farm manager, Chairman of the Board  
Other board memberships: Chairman: Länsförsäkringar Skaraborg, Chairman of the Government Commission on the Marine Environment

**Gunnar Kinch**, born 1936  
Farm manager, Belteberga Lantbruks AB  
Deputy Chairman of the Board  
Other board memberships: Chairman: Länsförsäkringar Skåne; board member: Länsförsäkringar Miljö AB

**Jan Fager**, born 1940  
Managing Director, Länsförsäkringar Älvsborg  
Other board memberships: NyföretagarCentrum Tvåstad

**John Helgesson**, born 1945  
Managing Director, Stena Fastigheter AB  
Other board memberships: Stena Fastigheter AB, Örgryte Bostads AB, Länsförsäkringar Skåne, Wasa Stiftelse, Sveriges Fastighetsägareförbund

**Anna-Greta Lundh**, born 1955  
Managing Director, Länsförsäkringar Södermanland  
Other board memberships: Strandfastigheter AB

**Anders Nilsson**, born 1945  
Managing Director, Sveriges Fastighetsägare Umeå Service AB  
Other board memberships: Chairman, Länsförsäkringar Västerbotten

**Tommy Persson**, born 1948  
Managing Director and CEO, Länsförsäkringar AB  
Other board memberships: Board member, Lindex AB, Gjensidige NOR ASA, Kaupthing Bank, EurAPCo, Försäkringsförbundet and FAO

**Karin Starrin**, born 1947  
Governor of the County of Halland  
Other board memberships: Chairman: Skogsvårdsstyrelsen Södra Götaland, Halland Akademi; board member: Royal Swedish Opera

**Anders Stigers**, born 1947  
Managing Director, Dalarnas Försäkringsbolag  
Other board memberships: Board member of Länsförsäkringar Fondförvaltning AB

**Maths O Sundqvist**, born 1950  
Managing Director, AB Skrandan  
Other board memberships: Hexagon, Wihlborgs, Investment AB Öresund, Wasa Stiftelse, Jämtlamell

**Lars Brolin**, born 1944  
Board secretary  
Head of Legal Affairs, Länsförsäkringar AB  
Other board memberships: board member of Swedish department of AIDA

**Carl Johan Gezelius**, born 1948  
Union of Insurance Employees (FTF) branch at Länsförsäkringar AB  
Other board memberships: board member FTF, FPK, and Länsförsäkringar AB subsidiaries

**Tomas Jönsson**, born 1951, deputy member  
Swedish Confederation of Professional Associations branch at Länsförsäkringar AB.  
Other board memberships: Länsförsäkringar Sak Försäkrings AB, banking and insurance section of Jusek

**Karl-Axel Karlsson**, born 1949  
Union of Insurance Employees (FTF) branch at Länsförsäkringar AB

**Sven-Erik Martinell**, born 1943  
Regional insurance companies' staff association  
District manager  
Other board memberships: Vice chairman Union of Insurance Employees (FTF), boardmember Länsförsäkringar Bank, Länsförsäkringar Utveckling AB

**Board of Directors of Länsförsäkringar AB**  
Representatives of all Länsförsäkringar regional insurance companies are convened once a year to a General Meeting to elect the Board of the jointly owned company, Länsförsäkringar AB, which, in turn, appoints the boards of subsidiary companies. In accordance with the Articles of Incorporation, the Board shall consist of not less than nine members and not more than 12.

### Auditor elected by the Annual General Meeting

**Stefan Holmström**  
Authorized Public Accountant, KPMG Bohlins AB

### Deputy Auditor

**Johan Baeckström**  
Authorized Public Accountant, KPMG Bohlins AB

### Appointed by Finansinspektionen (The Swedish Financial Supervisory Authority)

**Lars Bonnevier**  
Authorized Public Accountant, Ernst & Young AB

## Group Management Länsförsäkringar AB



**Tommy Persson**  
born 1948  
Managing Director and CEO.  
Employed since 1996



**Christer Baldhagen**  
born 1957  
Director of Corporate  
Communications.  
Employed since 1994



**Hans Benndorf**  
born 1954  
Deputy Managing Director,  
Managing Director, Läns-  
försäkringar Liv.  
Employed since 2001



**Sten Dunér**  
born 1951  
Group Controller.  
Employed since 1982



**Gunnel Edenius**  
born 1945  
Managing Director, Läns-  
försäkringar Utveckling.  
Employed since 2000



**Tomas Johansson**  
born 1950  
Managing Director, Läns-  
försäkringar Bank  
Employed since 2000



**Jan Lundmark**  
born 1955  
Director of Human  
Resources  
Employed since 2002



**Ann Sommer**  
born 1959  
Deputy Managing Director  
Managing Director,  
Länsförsäkringar Sak  
Employed since 1988



**Hans Sterte**  
born 1961  
Director of Finance  
Employed since 1998

## Other senior executives



**Lars Brolin**  
born 1944  
Head of Legal Affairs  
Employed since 1987



**Sören Ericson**  
born 1944  
Internal Auditor  
Employed since 1990



**Lena Gerby**  
born 1959  
Managing Director, Wasa  
Försäkring Run Off  
Employed since 1989



**Åke Gustafson**  
born 1958  
Managing Director, Läns-  
försäkringar Fonder  
Employed since 1994



**Catharina Henkow**  
born 1954  
Accounting Director  
Employed since 2000



**Torbjörn Hultgren**  
born 1955  
Manager, Corporate  
Development  
Employed since 1991



**Anders Mellberg**  
born 1948  
Managing Director, Agria  
Employed since 1990



**Lennart Nyberg**  
born 1946  
Manager, EU Monitoring  
Employed since 1979



**Olle Törnelli**  
born 1958  
Chief Assistant, Legal  
Affairs  
Employed since 1992



**Ingemar Åkeson**  
born 1944  
Head of Managing Direc-  
tor's Business Environ-  
ment staff unit  
Employed since 1987

## Terms and expressions

### Absolute Return fund

An Absolute Return fund is a hedge fund with a lower correlation to the market than an average hedge fund, and normally a lower downside risk.

### Alternative investments

Assets that are not currently regarded as traditional. Currently consists of Alternative Investments of Private Equity and Absolute Return funds.

### Asset allocation

Allocation between various types of assets in a portfolio, for example the desired proportion of shares, interest-bearing investments and property.

### Business volume, Bank

The sum of deposits and lending.

### Capital adequacy, Bank

The capital base in relation to risk-weighted amount. The capital base consists of equity plus subordinated loans less goodwill and book value of WASA Garanti shares. The risk-weighted amount is defined as the sum of assets in the balance sheet and off-balance sheet undertakings valued according to legal requirements concerning capital cover and major exposures of credit institutions and securities companies. Pursuant to the Swedish Act, capital adequacy must be at least 8%.

### Capital assured (Life)

Value of the policy as presented to the customer.

### Claims payments (claims costs)

The cost during the fiscal year of claims incurred whether reported to the company or not.

### Claims ratio

Relationship between cost of claims during the fiscal year and premiums earned, expressed as a percentage.

### Collective consolidation ratio (Life)

The collective consolidation ratio refers to the collective solvency margin, and is defined as the market value of the company's assets in relation to the company's total commitments, that is technical reserves and bonuses allocated.

### Combined ratio

Operating expenses plus claims costs in relation to premiums earned, expressed as a percentage.

### Computed interest (Non-life)

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

### Credit losses

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

### Direct insurance

Insurance contract concluded directly between the insurer and the policyholder. In contrast to indirect insurance (reinsurance accepted), the insurance company is directly responsible to the policyholder.

### Direct yield

The net of interest income, the dividend on shares and participations, and the surplus (deficit) on the company's own real estate.

### For own account

The proportion of an insurance transaction for which the insurance company takes the risk, and which, as result, is not reinsured with another company.

### Hedge fund

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

### Interest-bearing (securities)

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

### Interest margin, Bank

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

### Investment assets

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

### Investment income

The net return on the following income and expenses: interest income, interest expense, dividends on shares and participations, surplus (deficit) on the company's real estate, shares, interest-bearing securities and derivatives, gains (losses) on the sale of investment assets and exchange-rate gains (losses).

### Net asset value

The sum of equity capital, deferred tax liability/claims in untaxed reserves and surplus values (under values) in total assets.

### Net investment

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

### Operating expenses

Costs of marketing, sales and administration.

### Operating income

Income before appropriations and taxes.

### Premium income

Premiums received during the year. Premium income is a common measure of the volume of insurance business.

### Premiums earned

The proportion of premium income attributable to the fiscal year.

### Private Equity fund

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

### Reinsurance

If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of its policies with other companies. In this connection, the reinsurance is said to be "ceded" by the first company and "accepted" (indirect insurance) by the second company.

### Solvency margin (Non-life)

Net asset value in relation to premium income on own account, expressed as a percentage.

### Surplus value

The positive difference between the market value of an asset and its book value as stated on the asset side of the balance sheet.

### Tactical allocation

Selection of the allocation between different types of assets in a portfolio, for example the desired proportion of shares and interest-bearing investments. The allocation depends on assessment of the market.

### Total yield

The sum of direct yield, realized gains and losses, and unrealized changes in the value of assets in relation to the average value of investment assets, defined and classified in accordance with the investment income table.

### Transfer option

Possibility of transferring pension capital from a policy with one insurer to another.

### Underwriting result (Non-life)

Premiums earned less operating expenses and the cost of claims plus income from reinsurance ceded and investment income from insurance business.



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