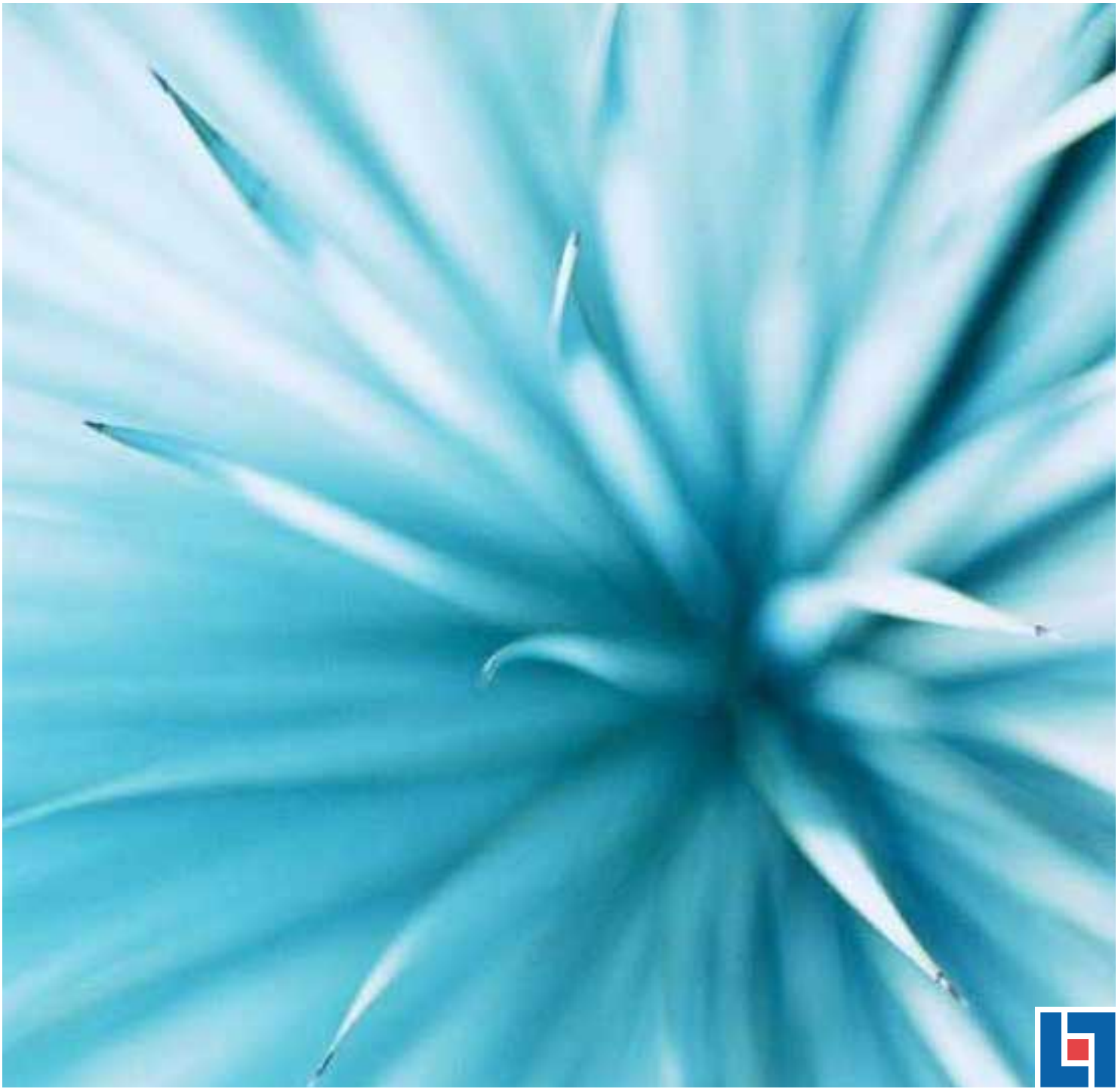
Länsförsäkringar AB

ANNUAL REPORT 2003



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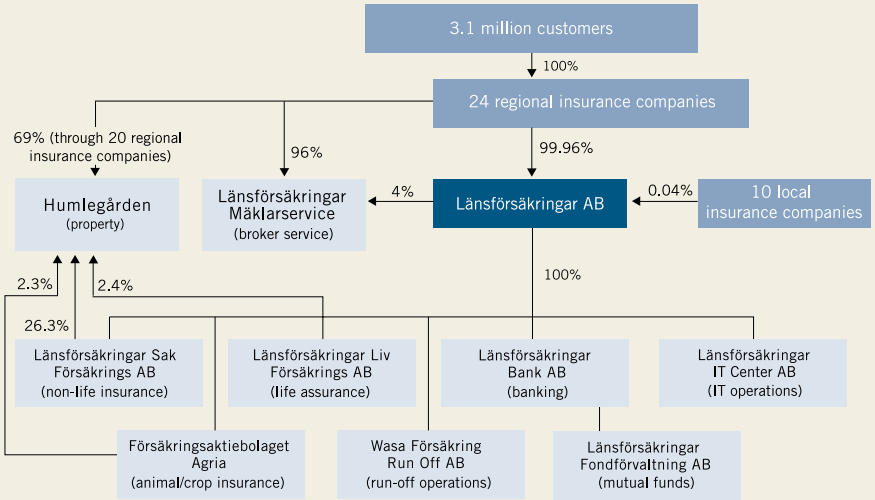
Länsförsäkringar AB

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



Definitions

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

Länsförsäkringar
Länsförsäkringar is a communications concept used in internal and external information as a designation for the Länsförsakringar 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.

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 assurance, banking, mutual funds, asset management and animal insurance. The Group is also responsible for development operations in the Alliance.

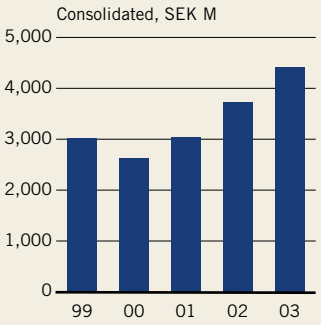
Länsförsäkringar Sak
Conducts the Länsförsäkringar AB Group's non-life insurance operations.

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

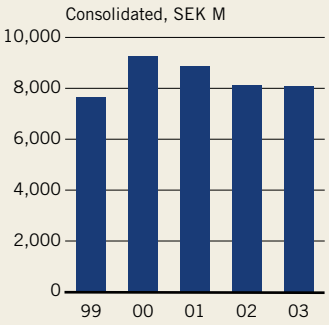
Länsförsäkringar Fondförvaltning
Conducts fund management.

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

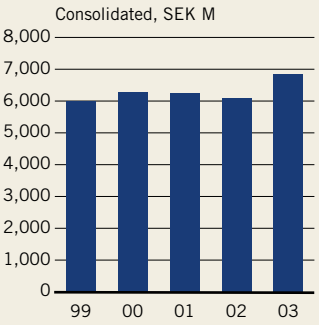
Premiums earned after ceded reinsurance, non-life insurance



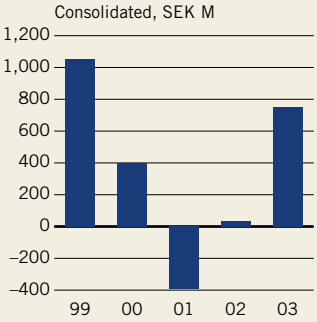
Premium income, net, life assurance



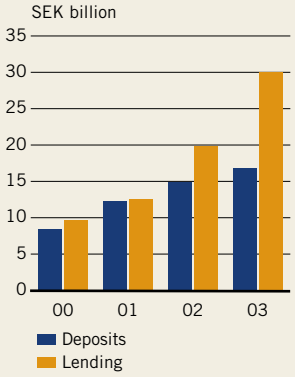
Net asset value, non-life insurance



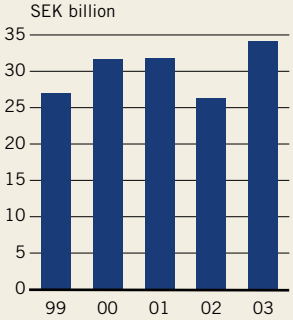
Earnings before tax
excl. Life



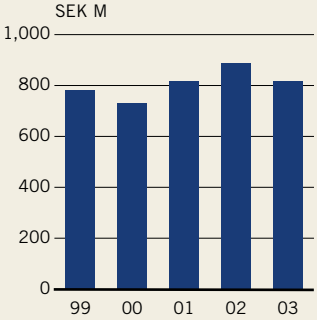
Deposits and lending, Bank Group



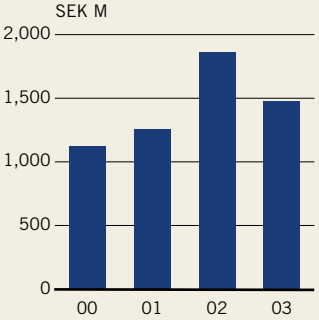
Managed fund volume



Operating expense trend
Consolidated, excl. Life



Operating expense, Life



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.

Year in brief

- Profit after tax for the year improved from SEK 2 M to SEK 576 M.
- Technical insurance results amounted to SEK 584 M.
- Expense ratio improved from 24% to 19%.
- Bank's profit increased from SEK 20 M to SEK 65 M.
- Profit for life assurance group amounted to SEK 3,808 M (loss: 12,442).
- Value of Länsförsäkringar AB share rose by SEK 90 to SEK 966.

Strategy for increased profitability

Länsförsäkringar AB with subsidiaries is the joint legal entity of the Länsförsäkringar Alliance and is owned by the 24 regional insurance companies. Länsförsäkringar AB has been assigned a clear operational mission by its owners, namely to make a cost-efficient contribution to the operations of the regional insurance companies and to the Alliance as a whole and the corporate brand. This mission has applied since the establishment of the company in 1936 and has been developed and updated on a continuous basis over the years since that time.

Tommy Persson
MD and CEO, Länsförsäkringar AB

Länsförsäkringar AB is a stable and profitable company. Since the stock market started to fall in spring 2000, extensive measures have been implemented to strengthen the balance sheets of the Alliance and the subsidiaries. Forceful efforts have also been made to improve operating efficiency. During 2003, the number of employees was reduced by 194, or about 10%. We measure our costs in all areas against national and international companies, which in 2003 enabled us to increase efficiency and reduce costs within the IT area by slightly more than 10%. Our goal is to achieve cost levels within all service areas (IT, marketing, business support) that are lower than the average in these benchmark companies. During the year, the expense ratio improved sharply and amounted to 19% (24). In 2003, the Alliance reported the best financial result in its history, with a pre-tax surplus of SEK 750 M. Return on equity, amounted to 10%. The capital return improved and amounted to 4.6% (4.3). The technical result was SEK 584 M (59).

The regional insurance companies' ownership interest in Länsförsäkringar AB strengthens the local companies' balance sheets. The regional insurance companies make the same return demands on their investments in Länsförsäkringar AB as they do on their other investments. Net worth per share amounted to SEK 966 (876) at year-end.

Attractive employer

Länsförsäkringar AB is a prerequisite for ensuring that the regional insurance companies and the Alliance as a whole achieve and maintain high efficiency and low operating expenses in all three core business areas: non-life insurance, life assurance and banking. Accordingly, in order to meet the overall goal of high efficiency within the Alliance there is a major need to attract specialists to the company. We are therefore making determined efforts to operate and be perceived as an attractive employer. In recent years, we have gained a reputation as one of Sweden's most popular employers, particularly among young academics seeking employment with us. Efforts in this area will be strengthened, based on our already being established as a company with employees who are among the most satisfied in Sweden. Work to prevent ill health in the workplace has been assigned high priority and we have now a program aimed at helping employees to transfer from what in medical terms is designated a risk group to a non-risk, or healthy group. This will contribute to strengthening the company's efficiency and financial results over the long term.

Distinct customer communications

Länsförsäkringar AB owns, protects and develops a shared corporate brand. Because the Länsförsäkringar Alliance is customer-owned, we have no principals other than our customers. Accordingly, the communication and information activities conducted by the Alliance are customer-oriented, for obvious reasons. As a customer-owned entity, we have special responsibility for ensuring that the information communicated is clear, pedagogical and understandable. The existing customer base within non-life insurance constitutes a platform for expansion within the banking and life assurance areas. One of Länsförsäkringar AB's many important tasks is to efficiently develop and cultivate the customer base jointly with the regional insur-

ance companies. Based on a clear target scenario, and with commitment across all three core business areas, the IT and communications functions are cooperating closely with the regional insurance companies to achieve a sharp increase in the number of customers during 2004.

Contribute to increased volumes

The market successes achieved by the regional insurance companies resulted in the Alliance continuing to increase its market shares within all core areas during 2003. Increased volumes and more customers are also important to Länsförsäkringar AB. The increase in volumes will allow the company to increase its operating efficiency and improve its earnings capacity over the long term.

Länsförsäkringar AB has a number of other important goals and tasks, the most important and imminent being to contribute to the increase in business volume and profitability in the Alliance's banking operations. During the year, several important milestones were passed in regard to this work, but a great deal still remains to be done. The bank's business volumes rose by 36% to SEK 47 billion, and lending volumes increased by 51% to SEK 30 billion. As a result, external financing became necessary and during the year Länsförsäkringar AB raised EUR 300 M in the external capital market. This has changed and developed the company's role and importance within the Alliance.

Länsförsäkringar is today the most rapidly expanding bank in Sweden. Accordingly, the Group's mutual asset-management activities and the bank's proprietary finance function are being strengthened. We are gradually increasing our contacts with and information to external capital markets in order to be accurately rated prior to our borrowing programs.

Reduced costs in life assurance operations

Mainly as a result of the improved asset management result, but also due to reduced operating expenses, earnings in the life assurance operations improved sharply. The results of the independent study set up by the life assurance company's Board to review certain transactions and business relations between the life and non-life insurance companies indicated that these had been handled correctly and that cooperation between the two groups is of mutual benefit and advantage to the customers. The management agreement that exists between the two groups will be renegotiated during 2004.

It is with great satisfaction that Länsförsäkringar AB can note that its own operations reached an all-time high in 2003, at the same time as the regional insurance companies and the Alliance as a whole showed strong growth in the market and consolidated its positions among bank and insurance customers in Sweden. Work on the course upon which we have embarked will be continued with undiminished efforts during the years ahead.

Stockholm, March 18, 2004

Tommy Persson

Managing Director and CEO,
Länsförsäkringar AB

Länsförsäkringar AB is the hub of the Alliance

Länsförsäkringar today has emerged from Länsförsäkringar's history, a series of development stages with a common thread. The regional, customer-owned insurance companies have gradually been able to expand their services in order to meet new demands as these have emerged.

One of the advantages of the Länsförsäkringar model, from a customer perspective, is the ability to have non-life insurance, life assurance and banking services all delivered through the same organization – the local regional insurance company. All of these services have been combined under a common brand.

At times, there has been a need to create better competition within a specific area. The goal is customer satisfaction. Profitability and efficiency are important tools in achieving this ultimate goal.

For Länsförsäkringar, its over 3 million customers are always the highest priority. This is a natural consequence of the fact that the customers are also owners of the 24 independent regional insurance companies. Those 24 companies, in turn, own Länsförsäkringar AB.

The overriding purpose for the regional insurance companies' involvement in Länsförsäkringar AB is to benefit from economies of scale where such exist. Länsförsäkringar AB operates in accordance with the principals and business model of Länsförsäkringar, with the intent of strengthening those regional insurance companies by:

- promoting the Alliance's common strategic development activities
- providing the regional insurance companies with the level and range of services they desire
- conducting business operations under its own concession/charter where specifically decided
- being a representative for the Alliance to external parties at the national and international levels.

Business operations at Länsförsäkringar AB shall be conducted in a profitable manner so that the company generates a good return for its owners. There is also a possibility of paying dividends to the owners.

Reinsurance is base

Länsförsäkringar AB is the hub of the Alliance and is responsible for shared functions, service, strategic development and product development. One of the first tasks was to create a joint reinsurance system. It was just such a need for reinsurance that brought about a solid business collaboration among the regional insurance companies, who formed Landsbygdens Återförsäkrings AB in 1936, which subsequently became Länsförsäkringar AB. Today, reinsurance operations continue to be of major strategic importance. This unique structure provides a competitive advantage to Länsförsäkringar and is a key component of the Alliance. Its most recent additional task involved financing the banking operations.

Continued development

Some of the larger joint development projects undertaken over the past three years include support of the regional insurance companies' operational development (sales process), development of new customer database systems to support discussions with customers, further development of Internet functionality, development of combined value statements for life and pension assurance policies and the development of a new system for automotive insurance.

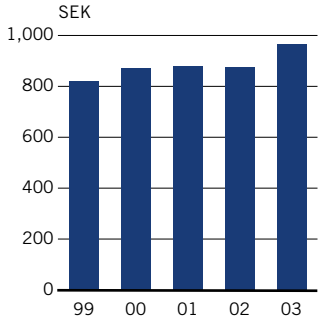
Länsförsäkringar AB also serves as a platform and incubator for new businesses. Once an activity has achieved sufficient volume and stability, it can be shifted out to the regional insurance companies. Accident insurance is one example of this principle. Of much greater significance is the fact that all regional insurance companies are now fully responsible for automotive insurance, with the exception of transactions involving vehicles from more than one region.

This occurred in a two-step process, starting in 1994 when automobile damage insurance was first issued locally. Effective 2004, third-party liability insurance is also issued locally. Premium volume for automotive insurance policies currently amounts to SEK 5.9 billion.

Shared banking operation

A banking operation was launched in 1996, using a high interest-rate account as

Net worth of the Länsförsäkringar AB share



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 1999, the value has increased 18%.

the primary competitive weapon against other niche banks. Since then, the bank has evolved over several stages to offer a full range of services for both individuals and farmers. Länsförsäkringar Bank is one of the divisions that are now operated as a subsidiary of Länsförsäkringar AB. As with all services, including banking operations, it is the individual regional insurance company that is responsible for all customer contacts. The various divisions have different roles to play within the value chain. With respect to banking operations, Länsförsäkringar holds a charter in the shared bank, as well as financing, Internet bank and back office.

In other words, the independent regional insurance companies serve not only as non-life insurance companies but also as local banks and life assurance companies. Each of the regional insurance companies has the necessary resources to act locally and close to its customers. Decisions are made quickly, at the local level, without a lot of bureaucracy.

Merger with Wasa

The biggest development step taken by Länsförsäkringar was, of course, the merger with Wasa in 1998. That was made possible partly due to the fact that Länsförsäkringar AB was well-equipped to serve as the engine in a process that involved two banks becoming one, two mutual fund companies becoming one, the takeover of Wasa's non-life insurance operations by 24 regional insurance companies, two life assurance companies becoming one and the formation of a new asset management company.

Banking & Insurance

The goal behind this merger was to form a powerful financial group covering the fields of life assurance, non-life insurance and banking – Länsförsäkringar Banking & Insurance. Today, that process has resulted in the harnessing of synergies, lowering costs significantly. The regional insurance companies have, in collaboration within and through Länsförsäkringar AB, also created additional benefits in the form of shared expenses for items such as asset management, IT, corporate law, information, marketing communications, controlling, compliance and internal audits. These shared operations within Länsförsäkringar AB have formed the basis for the successful and comprehensive expansion and development of the Länsförsäkringar brand.

Shareholders

Company	No. of shares A	No. of shares B	No. of shares C	Share of capital, %
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	1,000	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 (Foundation)	–	1	–	0.0
10 local insurance companies	–	–	2,450	0.04
Total number of shares	**1,532,678**	**4,761,455**	**3,450**	**100.0**

Länsförsäkringar AB Group*

Profit before tax, SEK M	750
Average number of employees	1,198
Solvency margin, %	147

*excl. Life

Länsförsäkringar AB

(Parent company in Länsförsäkringar AB Group)

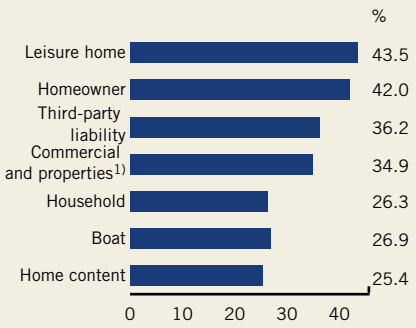
Profit before tax, SEK M	154
Average number of employees	205

Länsförsäkringar Bank Group

Deposits from the public, SEK bn	17
Lending to the public, SEK bn	30
Operating income, SEK M	65
Average number of employees	254

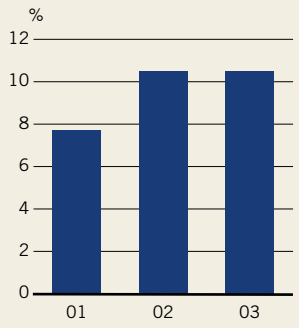
Market shares

Non-life insurance, per product area (number)

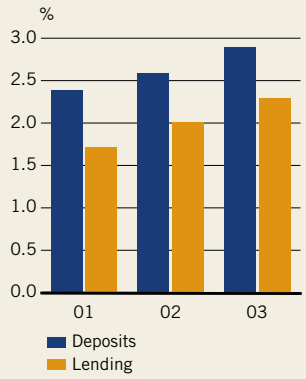


1) Refers to premiums, including agriculture.

Traditional life assurance, new sales



Banking



Länsförsäkringar Sak Försäkrings AB
(Non-life)

Premiums earned, after ceded reinsurance, SEK M	3,696
Profit before tax, SEK M	617
Average number of employees	397
Solvency margin, %	72

Agria Djurförsäkring

Premiums earned, after ceded reinsurance, SEK M	770
Profit before appropriations and taxes, SEK M	107
Market share, %	62
Number of customers, %	361,000
Average number of employees	136

Länsförsäkringar Liv Group
(Life)

Premium income, net SEK M	8,069
Profit for the year, SEK M	3,808
Average number of employees	426
Collective consolidation ratio, %	92
Solvency ratio, %	122

Länsförsäkringar Liv is a subsidiary, but operates according to mutual principles and all profits are distributed to policyholders.

▶ SUBSIDIARY

Länsförsäkringar Sak (Non-life)

Länsförsäkringar Sak Försäkrings AB conducts operations within the areas of healthcare, accidents and motor third party liability insurance. Business also includes products for the health and medical insurance markets, transportation and certain kinds of liability insurance, high-risk customers within the business automotive area and producer liability insurance. Länsförsäkringar Sak also manages internal and external reinsurance for the regional insurance companies.

We provide expertise in a number of areas to the regional insurance companies, offering them extra services, support, analysis and development.

Key functions include support processes for sales, claims adjustment and evaluation. An increasing number of customers are purchasing more products within non-life insurance. The regional bonus system (LänsBonus) will contribute towards an increase in the number of customers who are expanding and maintaining their involvement in Länsförsäkringar. Above all, the goal is for non-life insurance customers to also become life assurance and banking customers.

Focus on development

For non-life insurance operations, which are transaction-intensive and involve numerous customer contacts regarding insurance and claims, the development of a support system is essential in order to increase customer satisfaction. Within the health and medical insurance market, changes being made in the financing of healthcare and rehabilitation have resulted in the growth of new services and product solutions. The growth potential is estimated to be very large while the design and pricing of products is complex.

All regional insurance companies have decided, starting in 2004, to expand their business operations to also include third-party liability insurance. Länsförsäkringar Sak, which up until the end of 2003 dealt with such policies, will now limit the issuance of new third-party liability insurance policies to transactions in which customers have vehicles in several regions. The claims reserve at Länsförsäkringar Sak for third-party liability transactions enacted prior to 2003 will be dissolved. For Länsförsäkringar Sak, this has involved a significant amount of investigation and preparatory work during 2003, and will result in a different role for the division in the future. Product development and specialist services will continue to be handled by the company in the future, although business responsibility will be transferred over to the regional insurance companies.

In order to manage the ever-expanding automotive area, a project is underway to create a new system for private and business automotive. The quotation and new subscription portions of the system were successfully implemented during 2003 with good results. Major development efforts regarding future qualification requirements have also been conducted. Exchanges of expertise are dealt with through training efforts and support for finding new job responsibilities in a resource center. Changes in personnel dimensioning reached an important milestone with the naming and organization of the newly established Länsförsäkringar IT Center for the entire Länsförsäkringar AB at the end of last year.

Positive earnings in insurance operations

Profit before appropriations and taxes for Länsförsäkringar Sak amounted to SEK 617 M (104). Income from insurance operations amounted to SEK 444 M (42). Operating expenses declined from the preceding year and amounted to SEK 612 M (648). The largest area of operation, third-party liability insurance, reported a profit of SEK 402 M (loss: 14).

A number of premium increases were implemented during the year resulting in a return to positive earnings for the insurance operation. Market share has increased within most of the product areas.

Future plans and development

Growth within the business automotive segment has been quite substantial and Länsförsäkringar is now a clear market leader in this area as well. The new support system for motor vehicle insurance is being prioritized for Länsförsäkringar Sak to be able to implement a system in 2005 for all business automotive products and to be able to develop and price those with significantly greater flexibility.

The reduced level of public resources for healthcare will be the focus of increasing attention. Plans call for the establishment of an organization designated the Development Forum, which will include both external and internal expertise.

In the environmental area, it is anticipated that new legislation will call for expanded producer liability. To that end, we have finished products ready for launch in the marketplace through Länsförsäkringar Miljö AB. Environmental certification and the improvement efforts being conducted make Länsförsäkringar Sak more attractive to those customers and suppliers that are also focusing on environmentally friendly operations.

Claims prevention efforts will be expanded. Länsförsäkringar Sak has a strategic advantage in this regard with the industry's largest statistical database for use in both analysis and pricing.

KEY FIGURES, SEK M	2003	2002
Premiums earned after ceded insurance	3,696	3,074
Profit for the year after tax	478	53
Technical result in non-life insurance operations	444	42
Solvency margin, %	72	77
Claims ratio	89.7	100.5
Expense ratio	16.6	21.1
Combined ratio	106.2	121.6

▶ SUBSIDIARY

Länsförsäkringar Liv (Life)

Länsförsäkringar offers, through its 24 independent and mutually owned regional insurance companies, financial security by combining long-term savings with insurance protection. Protection and savings are combined in pension insurance, life assurance and health insurance.

Länsförsäkringar Liv owns the concession for life assurance and provides the regional insurance companies with support and service. Within the Länsförsäkringar Alliance, life assurance operations are conducted mainly at the 24 regional insurance companies, but also in joint units within Länsförsäkringar AB. Länsförsäkringar Liv develops concepts, products, processes and systems. The 24 regional insurance companies establish and develop relationships with customers.

During 2003, the focus of Länsförsäkringar's life assurance operations was on greater efficiency, cost reductions and measures to improve consolidation. Administrative expenses were reduced by SEK 241 M, or 22%. The bonus rate was lowered on September 1, 2002 to 0.5%, meaning that bonuses distributed in advance will be recovered on an ongoing basis. Also, effective April 7, 2003, a distinction between new and old money was made, meaning customers who make payments on or after April 7, 2003 currently receive a bonus rate of 3% before taxes and fees. Payments that were made prior to April 7, 2003 currently receive a bonus rate of 0.5% before taxes and fees. This measure was enacted due to the fact that consolidation has been lower than average for a long period of time. As an additional measure to improve consolidation, Länsförsäkringar made relatively large changes in 2003 in the distribution of its assets, keeping pace with financial developments in the market. At the same time, efforts have been made for future profitability and growth. A large contractual pension campaign was conducted along with a customer relations campaign regarding pensions. Länsförsäkringar was named the Life Assurance Company of the Year by the magazine *Affärsvärlden* and the Year's Best Pension Manager by the industry publication *Investment & Pensions Europe*.

An independent review of transactions between Länsförsäkringar Sak and Länsförsäkringar Liv was conducted during the year. The review showed that transactions were conducted correctly.

The life assurance market can be divided up into the occupational pension market, the savings market and private pensions. The primary focus of Länsförsäkringar is on the occupational pension market, with an emphasis on large companies where a collective bargaining sector also exists. The large companies also serve as a marketplace for private insurance policies.

INVESTMENT INCOME 2003 FOR LÄNSFÖRSÄKRINGAR LIV, TRADITIONAL MANAGEMENT

Amounts in SEK M

Assets under management	Market value Jan. 1, 2003	%,	Net investment	Change in value	%	Market value Dec. 31, 2003	%	Direct yield	%	Total yield	%
Interest-bearing	54,439	65	–6,083	–471	–0.9	47,885	55	2,070	4.1	1,599	3.2
Shares	16,788	20	6,242	4,208	21.5	27,238	31	500	2.5	4,708	24.0
Alternative investments	5,563	7	2,420	371	5.3	8,354	9	407	5.9	778	11.2
Properties [1) 2)]	7,036	9	–2,233	–146	–2.6	4,657	5	174	3.1	28	0.5
Financing of assets under management	–521	–1	508	0	0.0	–13	0	–3	–1.1	–3	–1.1
SUB-TOTAL	**83,305**	**100**	**854**	**3,962**	**4.8**	**88,121**	**100**	**3,148**	**3.9**	**7,110**	**8.7**
Other	3,523		112	319		3,954		–190		129	
TOTAL	**86,828**		**966**	**4,281**	**5.0**	**92,075**		**2,958**	**3.5**	**7,239**	**8.5**

1) Included in Properties is ownership of the trading company Utile Dulci, with net value of market value and liabilities.

2) Included in Properties is Kista Galleria as well as shares in limited partnerships. The starting balance included the share of external financing. The adjustment is reported under net assets for properties and the financing line.

Future opportunities within the life assurance market will be linked to demographic changes resulting in fewer and fewer people paying out pensions to a growing number of people over a longer period of time. Life expectancies are longer and people are more active at the same time the general pension system is in decline. That means individuals will be forced to shoulder greater responsibility for their own pensions. At the same time, companies will want to become more attractive employers by offering their employees financial security in the form of occupational and contractual pensions. By focusing on occupational pensions, life assurance companies will have an opportunity to reach private individuals, that is, company employees.

KEY FIGURES, SEK M	2003	2002
Premium income, net	8,069	8,126
Investment income, net	9,139	–14,508
Operating expenses	–1,477	–1,857
Profit for the year	3,808	–12,442

▶ SUBSIDIARY

Länsförsäkringar Bank

The bank operation, combined with non-life insurance and life assurance, is one of Länsförsäkringar's core areas. During 2000, the bank operation changed its strategy from a niche bank to a full-service bank and is today a complete bank for private individuals and farmers. The bank offers products and services for the customer's entire everyday finances.

The regional insurance companies have a total of 82 advisory offices located throughout Sweden. Customers can also conduct their banking business via the Internet, by telephone and via Posten (Sweden Post)/Svensk Kassaservice (Swedish Cashier Service), pay for their purchases with credit/debit cards and use all ATMs throughout Sweden.

The bank directs its services to private individuals and farmers and is today a full-service bank where customers can conduct all their banking business. The many different service locations give customers substantial freedom to deal with and use the bank on their own terms.

Within Länsförsäkringar AB, development and support functions pertaining to banking matters are conducted through Länsförsäkringar Bank AB and its subsidiaries Länsförsäkringar Hypotek AB and Wasa Kredit AB. Länsförsäkringar Hypotek AB is a mortgage institution and Wasa Kredit AB offers various forms of leasing and financing.

Improved earnings

Operating income in the Bank Group amounted to SEK 104 M (33) before loan losses and SEK 65 M (20) after loan losses. The improvement is largely attributable to volume growth. During the year the number of customers rose by 59,000 to 452,000 (393,000). The number of customers with their current account, cards, savings and loans with the bank increased by 63% during 2003. Loan losses remain at a low level. The probable and confirmed loan losses correspond to 0.13% (0.07) of the total lending volume.

Sharp growth

Mortgage lending in Länsförsäkringar Hypotek rose 106% to SEK 16 billion. Länsförsäkringar accounted for 10% of the growth in the mortgage lending market in 2003.

Total lending to the public rose 51% to SEK 30 billion. Deposits from the public increased 15% to SEK 17 billion.

An ever increasing number of customers are discovering the benefits of

combining all their bank and insurance business within Länsförsäkringar. At year-end, 10% (8) of homeowner customers were also bank customers.

Fund management becomes part of Bank Group

Since January 2004, fund management is part of the bank's operations. During 2003, the company managed 36 funds and managed capital amounted to SEK 34.2 billion (26.6). Net inflow to the funds was SEK 3.9 billion (3.3). The market share was 3.9% (3.8)

Rating and borrowing

Standard & Poor's assigned Länsförsäkringar Bank a credit rating of K1 for short-term borrowing in the Swedish market and BBB+ for long-term borrowing. According to Standard & Poor's, the rating reflects the bank's strategic importance within Länsförsäkringar, the strong capital adequacy, the favorable quality of the loan portfolio and the solid financial base.

Länsförsäkringar Bank's borrowing rose substantially in 2003. The main reason for the higher issue volumes is the sharp growth in lending to the public, mostly in the form of housing loans. The bank's borrowing programs comprise a commercial paper program, an MTN program and a syndicated credit facility. During the year the bank received a capital contribution of SEK 1,600 M.

KEY FIGURES	2003	2002
Operating income, SEK M	65	20
Return on capital employed, %	2.98	1.90
Investment margin, %	2.59	3.01
Capital adequacy ratio, %	13.00	8.08

SUBSIDIARY

Agria Djurförsäkring (Animal and crop insurance)

Länsförsäkringar's specialist company for animal and crop insurance, Agria Djurförsäkring raised its technical result in 2003 to SEK 87 M (31). Premium income rose 12% till SEK 770 M (685).

The key factor underlying the improved result was weaker cost increases for veterinary care. Meanwhile, life claims rose slightly. Combined with slightly lower demand for veterinary care and changes in terms and conditions, claims payments were on a par with those of 2002.

Agreements covering direct claims adjustment with almost 200 veterinary hospitals and clinics guarantee high-quality adjustment. The claim process is simplified and co-operation between the clinic and the company is facilitated, leading in turn to lower costs.

Agria's website, www.agria.se is used increasingly for policy sales. The number of policies sold via the site rose 30% compared with 2002.

Customer Center, Agria's largest sales channel, sold 40,900 (36,500) policies during the year, corresponding to one-third of all new policies for small animals.

Operating expenses rose SEK 15.4 M (15.2), or 8.1% (8.7). The return on investment assets during the year was 3.9% despite a relatively favorable stock market trend. The rise in stock prices was offset by currency losses.

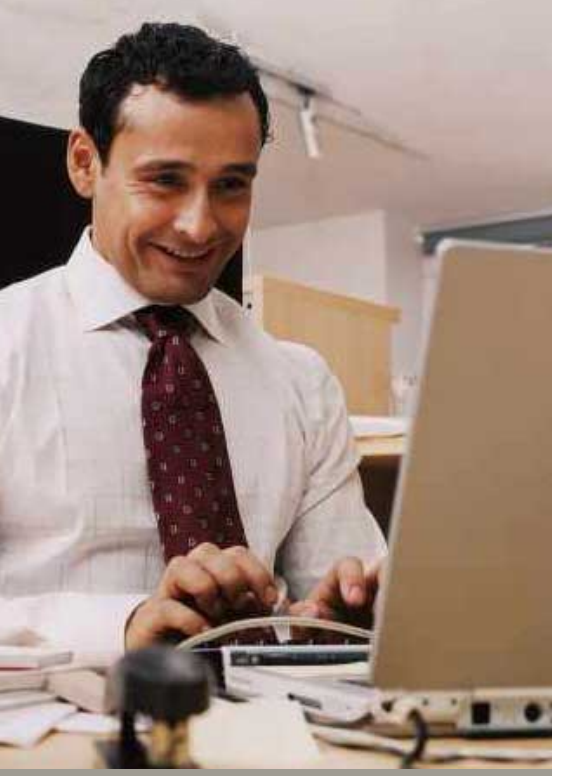
Major claims in agriculture

May marked the largest claim in Agria's history. A full 48 pig farms were quarantined by the Swedish authorities due to the discovery of salmonella-infected feed, resulting in a estimated net compensation of SEK 7–8 M. Agria is preparing counter claims against the feed company, Lantmännen.

Quality award

Once again, Agria was awarded the Swedish Quality Award (SIQ). Some of the reasons cited for the award were that the company's management was both committed and goal oriented, and that operations are based on a strong conviction of the importance of participation and openness. Agria is the first company to receive the award twice.

KEY FIGURES	2003	2002
Premium income, SEK M	770	685
Profit before appropriations and tax, SEK M	107	–17
Market share, %	62.3	64.1
Number of customers	361,000	351,000



▶ SUBSIDIARY

Wasa Försäkring Run-Off

Wasa Försäkring Run-Off AB is a wholly owned subsidiary of Länsförsäkringar AB and actively runs off various types of insurance transactions, primarily reinsurance risk as well as direct insurance risks.

In 2003, Wasa Försäkring Run-Off AB managed the run-off of nine companies included in the Wasa Försäkring Run-Off Group and five portfolios for the Länsförsäkringar AB Group.

The operation provided a positive result in 2003, as it has done over the past five years. This is the fruit of the aggressive run-off programs pursued by the company.

The run-off market is currently viewed as the fastest growing segment in the insurance industry worldwide and, in terms of size, approaches the "live" insurance market. In 1996, reserves amounted to some USD 220 billion and are expected to total about USD 505 billion by 2006. The London run-off market in 2003 accounted for 28% of the total claims reserve, or GBP 33.3 billion.

The terrorist attack on the World Trade Center in 2001, with an insured claim of USD 35 billion, plus the negative development of asbestos claims in the US have pushed additional reinsurance companies into run-off. However, it should be added that substantial new reinsurance capacity has been added, primarily in Bermuda.

A second wave of court claims involving asbestos injuries have emerged and the problem is a substantial one for the industry. Total costs in the US are expected to total USD 275 billion, of which up to 50% is expected to hit the insurance industry. In Europe, the corresponding figure is expected to be as high as USD 80 billion. Several insurance companies have bolstered reserves substantially in a bid to cover future asbestos claims, although AM Best asserts that a large number of companies continue to have insufficient provisions.

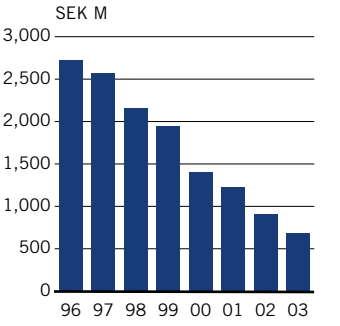
During 2003, Svenska Brand Liv and Svenska Brand Sak were sold to Wasa Försäkring Run-Off AB and a portfolio transfer of Dentist Insurance was made to a subsidiary in Wasa Försäkring Run-Off AB.

A key mission for the company in 2004 will be to expand its business volume, especially through new external run-off assignments. Another significant task in 2004 will be to reduce the number of companies in Wasa Försäkring Run-Off AB, from ten to five. This is required as part of efforts to enhance work efficiency and cut administrative costs.

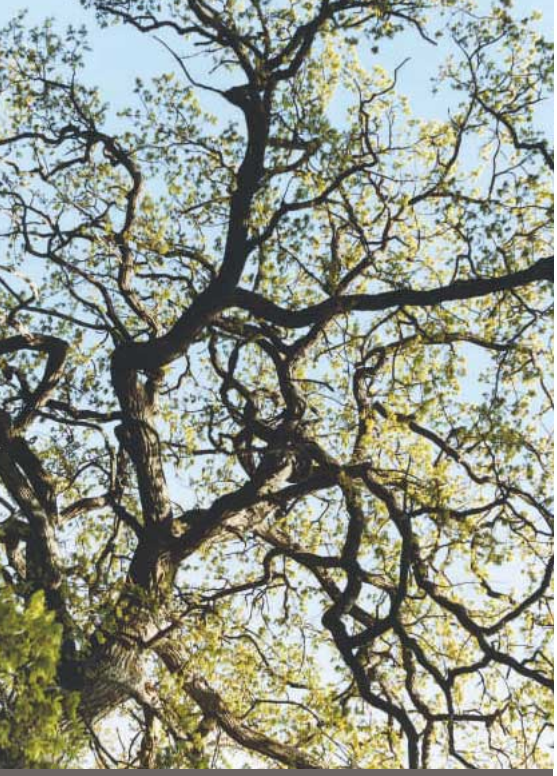
The UK company, Stockholm Re UK will transfer a portfolio to one of Wasa Försäkring Run-Off AB's subsidiaries and the UK company will subsequently be terminated.

During 2003, Wasa Försäkring Run-Off AB had 30 employees.

Run-off of gross reserves, 1996-2003[1)]



1) Including Svenska Brand Sak, Svenska Brand Liv, and Tandläkarförsäkring (Dentist Insurance).



▶ ASSET MANAGEMENT

Strategy for competitive returns

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

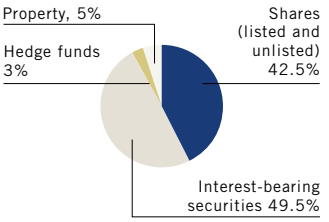
An important element in creating competitive returns involves having a well-accepted decision-making process – an investment process – with distinct routines and interfaces. The investment process applied by Asset Management can be divided into decisions on two levels – strategic decisions and decisions relating to daily management.

Strategic decisions

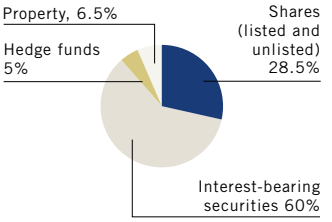
An important strategic decision for each company concerns the desired long-term allocation of assets. The long-term strategy is based on the visions and objectives for asset ownership, as outlined by the Boards of Directors of the companies in a number of policy documents, such as those dealing with ownership policy, solvency policy and debt-coverage policy. Asset Management calculates a long-term asset allocation by examining the risks in the companies' balance sheets and their co-variation – a process known as Asset Liability Management. Asset allocation is also subject to legal restrictions and restrictions resulting from Länsförsäkringar's visions and ownership objectives.

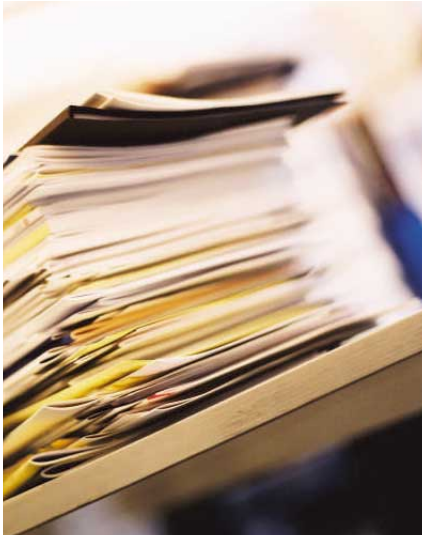
The long-term allocation of assets is summarized in the form of a benchmark portfolio showing the optimal long-term distribution of assets between asset classes, such as shares (listed and unlisted), interest-bearing securities, hedge funds and properties, to generate maximum yield.

Normal portfolio, Life, December 31, 2003



Normal portfolio, Non-life, December 31, 2003





However, it is not always possible or optimal to invest in line with the long-term benchmark portfolio, for example due to risks in the balance sheet and in investment markets. In these situations, Asset Management calculates a shorter-term allocation of assets in the form of a normal portfolio that may deviate from the benchmark portfolio in certain respects. However, the objective is to return to the composition of the benchmark portfolio as soon as possible.

Strategic decisions also include choosing a suitable management structure and types of managers.

Daily management

Länsförsäkringar has chosen to transfer the daily management of assets to a number of external asset managers. ABN AMRO handles the management of the greater part of shares and interest-bearing securities. To expose ABN AMRO to competition, a number of alternative managers have been selected to manage a small percentage of the assets. Nordic Alternative Investment Advisors act as advisors for investments in unlisted shares and hedge funds, and the property portfolio is managed on behalf of the Länsförsäkringar Alliance mainly by the Humlegården real estate company.

The asset managers have been given well-defined assignments, with distinct risk levels and yield requirements set by Länsförsäkringar. The managers' task is to create the best possible return given the framework and guidelines they have received. This is achieved through active management, entailing that the composition of shares that a manager chooses for a portfolio may deviate from that in the portfolio's benchmark index.

Asset Management regularly reports yields and evaluation results to the Boards of Directors and the management of each company. The management evaluation comprises regular qualitative and quantitative analysis of the asset managers and management results. Evaluation also includes meetings between specialists from Asset Management and the assets managers handling the daily management. The managers' adherence to prescribed frameworks and guidelines is also checked as part of the follow-ups.

Länsförsäkringar's prize-winning investment process

In November, Länsförsäkringar was awarded a prize for the Best Pension Fund in Sweden in 2003 by the leading magazine *Investment & Pensions Europe*. The selection committee praised the investment process, where Länsförsäkringar steers its portfolio internally, while daily management of the various classes of assets is handled by external specialists. In addition, the judges emphasized Länsförsäkringar's unique product range with three different types of management and Länsförsäkringar's ability and specialist expertise within areas such as Asset Liability Management and Risk Management.

Cooperation with ABN AMRO

In 2002, Länsförsäkringar AB commenced a joint venture with ABN AMRO involving the ongoing management of the greater part of Länsförsäkringar's assets. Since ABN AMRO took over the asset management, the relative yield – the actual yield compared with the benchmark index – has improved.

For Länsförsäkringar Liv, the largest management assignment, the total portfolio in 2003 generated a return slightly below the benchmark index. ABN AMRO's tactical allocation of assets has been a success. European fixed-income securities and Swedish short-term interest-bearing securities also outperformed the index. US, European and Japanese equities are examples of portfolios that underperformed the index. Länsförsäkringar continually reviews the risk mandate for each type of management and makes amendments when such are deemed necessary.

Ownership issues

As representatives for customers with insurance or mutual fund savings with Länsförsäkringar, the company has the task of managing these savings in such a manner that creates maximum value. Länsförsäkringar is one of the larger institutional owners on Stockholmsbörsen without holding any major ownership interests in any single company. To gain influence, Länsförsäkringar therefore seeks active alliances with other large owners that share Länsförsäkringar's views on significant issues. The ownership policy presents Länsförsäkringar's view on important issues.

Corporate governance

The corporate governance policy contains guidelines on how Länsförsäkringar should exercise its ownership power in its capacity as representing insurance and mutual fund customers. The policy aims to create maximum value from asset management operations.

Länsförsäkringar may be a shareholder in companies despite the fact that important aspects of the relationship between the company and its shareholders are not applied in all respects. However, since the policy is intended to increase the value of the particular company, the ownership is affected by how the policy principles are applied.

Extract from Länsförsäkringar's corporate governance policy

- Nominating committees should put forward the names of prospective Board members and maximum efficiency can be achieved if the number of Board members is limited to 7–9 persons. The Board's relationship to the company, the management, groups of owners and other interested parties shall be characterized by independence.

- Nominating committees should consider each company's skills requirements and need for contacts and should seek widespread support for its proposals among the shareholders. If a nominating committee is not appointed, the Chairman of the Annual General Meeting should report on how the proposals regarding Board members have been prepared, which considerations have been made and which contacts have been taken. If no nominating committee has been appointed, this makes it more difficult to evaluate the Board members.
- The Board of Directors and the management must provide correct and complete information on all issues that are relevant to the shareholders in order to ensure that the work of the Board is as transparent as possible.
- It is especially important that the interests of the executive management and the Board of Directors are in line with shareholder interests. Board members and executive management should therefore be shareholders. Incentive programs should be applied for executive management. There must be a clear link between pay and performance. A ceiling should be set to avoid unreasonably high remuneration. However, the outcome of option programs must not be dependent on general stock market trends. If synthetic constructions are chosen, the consequences of every conceivable outcome must be understood. Synthetic option programs should only be applied if the persons covered by the program also hold shares in a closely related proportion to the extent of the program.
- The tasks of the nominating committee should also include determining the level of fees payable to Board members, including the evaluation of incentives programs and option programs as above.
- The Chairman of the Board should be elected by the Annual General Meeting.
- At the Annual General Meeting, the Managing Director should report on any commitments outside of the company and the time spent on such commitments.
- Ethics have a large influence on the functioning of capital markets. Each Board member therefore has a special responsibility to ensure that the company in question conducts its operations in such a manner that is in accordance with good ethics in all respects. Länsförsäkringar must also take ethics into consideration when electing Board members.
- The conduct of individual companies towards the external environment is also of major importance to the long-term welfare of the company in question and others. There is generally a high level of awareness of this. Länsförsäkringar avoids ownership in companies that consciously violate generally accepted principles.

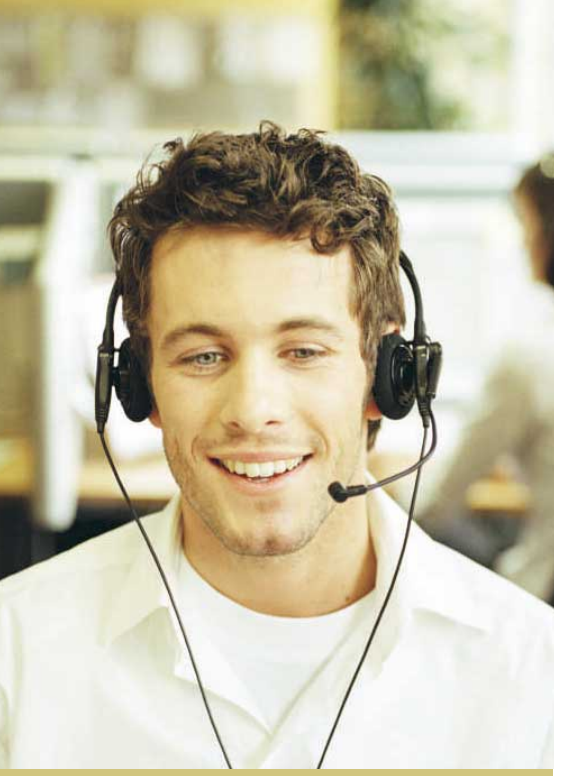
Rating

Credit ratings affect both Länsförsäkringar Sak's possibility to subscribe assumed reinsurance and the Länsförsäkringar AB Group's costs for raising funds in the capital markets.

The ratings reflect Länsförsäkringar's financial strength and quality in 2003. Both Länsförsäkringar Sak and Länsförsäkringar AB were awarded the highest ratings among corresponding companies in the Nordic region.

Company	Institute	Rating
Länsförsäkringar AB	Standard & Poor's	A–/stable
Länsförsäkringar AB	Moody's	A3/stable
Länsförsäkringar Bank	Standard & Poor's	K1/BBB+/stable
Länsförsäkringar Sak	Standard & Poor's	A/stable
Länsförsäkringar Sak	Moody's	A2/stable
Agria Djurförsäkring	Standard & Poor's	A–/Pi*

*Pi means that the rating, for which there is no forecast, is based on public information such as annual reports.



▶ EMPLOYEES

Attractive employer

Länsförsäkringar AB's 2003 employee questionnaire showed that excellent results were achieved in several areas. The employee index[1] has also increased every year since the first survey, which was conducted in 1999. At that time, the index was 67.6. In 2003, it had increased to 76.1. The figure represents an average of the results from divisions and Group-wide units, and includes results reported by both staff and managers. An index of more than 70 is considered excellent.

Favorable results and progress in the following areas:

	Index 2003	Index 2002
Influence over one's work	82.6	81.5
Team spirit	81.6	80.9
Internal and external communication	77.0	76.0
Expertise	78.2	76.6
Operations development	77.1	74.6

The leadership index was also high, showing that employees are satisfied with the leadership of their supervisors, despite a slight drop from the 2002 level. The total leader index amounted to 76.5, as compared with 76.7 in 2002.

Leadership index includes the following areas:

	Index 2003	Index 2002
Operations management	78.0	77.7
Focus on goals and results	75.1	75.1
Performance appraisals	74.8	76.5

- Operations management: Employees' opinions that their relationship with their immediate supervisor is good; that the supervisor gives them feedback on their performance, delegates responsibility and authority, and encourages them to develop their skills.
- Focus on goals and results: Länsförsäkringar AB's model of business planning makes possible the participation of all employees and clarifies department objectives for everyone.
- Performance appraisals: In 2003, performance appraisals were further developed through the introduction of contracts whereby individual employees committed to achieving their objectives.

Länsförsäkringar rising in the ratings as an attractive employer

Länsförsäkringar is also continuing to rise in external surveys of attractive employers. In 2003, Länsförsäkringar placed seventh among Sweden's most popular employers – an improvement over last year's ranking of eleventh. In a students' survey called the "Corporate Barometer," Länsförsäkringar was named the most attractive employer in the insurance industry. In addition to this top ranking, Länsförsäkringar was also singled out as a "Rocket" (that is, company that rose by at least 10 places since the preceding year).

New qualification requirements

Of the slightly more than 5,600 employees of the Länsförsäkringar Alliance, about 1,700 are employees of the Länsförsäkringar AB Group. The role of Länsförsäkringar AB within the Länsförsäkringar Alliance as a development organization implies new standards of employee qualifications. Due to the increased pressure from the commercial environment, the regional insurance companies are changing and raising the standard of qualifications demanded of Länsförsäkringar AB and its employees. Generous opportunities for

[1] Astrategi is the company that Länsförsäkringar employs to conduct its employee surveys. The index value of 70 is set by Astrategi. Länsförsäkringar has established its own targets based on this index, and results over 70 are considered favorable. All information in the section on Employees refers to the entire Länsförsäkringar AB Group.

skills development and skills exchange make it possible for employees to adjust to meet the greater requirements the business environment is now demanding.

Skills development within the organization

"Life-long savings" is a three-part course on pensions and pension insurance schemes in which most employees of Länsförsäkringar AB participate. As a final course activity, some 2,000 employees were given a knowledge test. The course, which was developed within the Life division, was a major development initiative in 2003 and one that involved many employees.

The operations of the Non-life division are intended to focus on a clear consultant and specialist-based organization. Consequently, a training program for all employees in the division was launched in 2003 and will continue in 2004. The strategic key qualifications – a commercial, goal-oriented approach, a team and project-oriented approach, a reflective approach and a quality-oriented approach – form the basis of the course.

A training package, including basic training, was compiled within the Bank division. Several courses were arranged, involving slightly more than 550 employees from the regional insurance companies and the Bank division. A process-oriented approach to work and training in applying a commercial perspective were also carried out.

Increased focus on goals through individual contracts

In the beginning of 2003, a new method of conducting performance appraisals was introduced involving individual contracts whereby individual employees committed to achieving their objectives. The individual objectives, which are defined in the performance appraisal, are based on the unit's target results and the action plans contained in the business plan. The aim of establishing such contracts for 100% of the employees in 2003 was essentially achieved.

From the employees' perspective, quality and clarity have increased and the expectations placed on them have become clearer in conjunction with the introduction of the individual contracts.

Employee profile

Länsförsäkringar AB's values – Customer Value, Consideration, Results – form the basis of our employee profile. The employee profile is an evaluation in which manager and employee discuss the employee's performance and attitudes. The purpose is to identify the employee's strengths and development areas, with reference to Länsförsäkringar's values. The employee profile was developed in 2003 to be incorporated in performance appraisals in 2004.

Career planning for employees who want to develop

The career center was launched in 2003 to take advantage of and develop employees' skills. Management also wanted to strengthen succession planning and internal recruitment to senior positions. To this end, it was decided to offer life and career planning support to employees who want to develop. This enables employees to enlist the help of a professional career consultant to draw up a strategy and plan of action for their own future development.

Remuneration to senior executives

Länsförsäkringar AB offers a bonus salary as a tool in its determination of the salaries of senior-level management. The following criteria apply to the general bonus agreement:

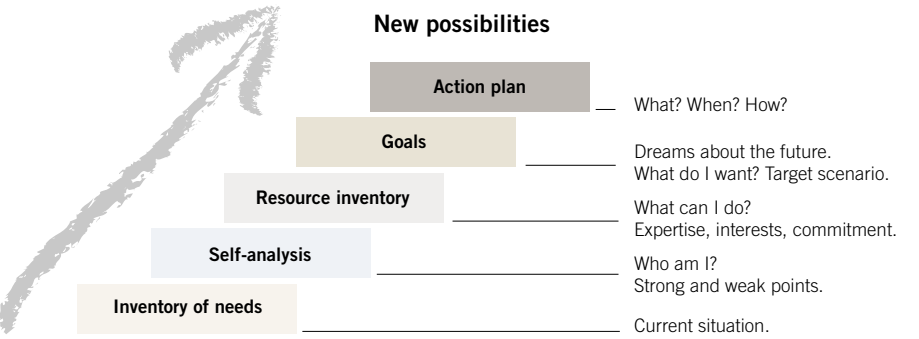
1. Achievement of goals established in the unit's business plan
2. The unit's index according to the employee survey
3. Leadership index
4. Other individual objectives

A bonus that may not amount to more than two months' salary is offered at the Group staff level, and a bonus of not more than one month's salary at the next management level. There are no employee option or share programs.

Assignment of apartments

An apartment policy was established in 2003 for the assignment of rental contracts within Länsförsäkringar AB. A fundamental principle of this policy is that rental contracts are awarded to company employees under special circumstances and on market terms.

Career planning at Länsförsäkringar AB



Merger of four IT units into one

System rationalization, more efficient processes and requirements to reduce costs by approximately SEK 150 M before 2004 were the reasons for the extensive reorganization of the IT function. A total of 400 employees were affected. In the new IT Center that was created in 2003, Länsförsäkringar AB collected all IT resources previously organized in the Life, Non-life and Bank divisions and the development company.

The aim of reducing total staffing by 70 positions was achieved. The number of consultants in IT operations was halved. The reduction among consultants was proportionally greater than the reduction among other employees.

In preparation for 2004, total staffing of the IT Center amounted to 272 services. Some 90 positions remain in various client functions dispersed throughout the organization. Redundant employees were invited to participate in a development program provided by the Länsförsäkringar AB resource organization.

Other changes during the year included the winding up of Lita Försäkring, a unit of the Non-life division, which affected 35 employees.

The resource organization

Employees who become redundant may choose to participate in a development program offered by the resource organization or accept a voluntary offering, whereby they resign at their own initiative. The purpose of the development program is to equip the employee with an arsenal of information to use a guidance when they start searching for a suitable new job, six months later. Some 70 employees who became redundant in 2003 were invited to participate in the development program. The program was a success and several of the employees have found a new solution.

Investments in health initiatives pay off

Proactive healthcare initiatives are profitable in the long term and enhance Länsförsäkringar's status as an attractive employer. Länsförsäkringar AB has offered strategic healthcare at the workplace for several years. By introducing goals and action plans to the business plan, healthcare has been integrated in the organization. The commercially based understanding on the part of management of the need for regular investigation, intervention and follow-up regarding healthcare measures has increased. Healthcare measures are provided by a network in which various healthcare professionals cooperate to maintain employees' good health. Needs are identified and resources can be deployed at an early stage.

As part of its systematic approach to workplace healthcare, Länsförsäkringar AB conducts regular analysis of employee health and the work environment. Individual programs are drawn up for employees who need to undertake lifestyle changes.

Managers and employees are offered courses on the importance of maintaining life balance, as well as lectures on diet an exercise. There are opportunities for employees to exercise in own premises. Of 1,674 employees, approximately 80% exercise regularly.

The employee survey, the first initiative that asked employees how they rated their own health, produced a health index of 74.6.

As of 2003, in addition to the regular company-provided healthcare, employees were offered supplementary medical insurance, available to all employees. This represented a further step in efforts to ensure that its employees have fast access high-quality, efficient care.

From risk group to healthy group

Studies of Länsförsäkringar AB show that employees in the risk group[1)] have three times as many sick-leave days as employees in the healthy group[2)]. Analysis shows that the value of having an employee in the healthy group is at least SEK 100,000 over a three-year period.

In 2003, 750 employees carried out health-profile assessments. The healthy group consisted of 51% of them, the risk group of 49%. The target for 2004 is to have 60% in the healthy group.

Absence due to illness

Absence in 2003 due to illness is reported in accordance with a new model of calculation in compliance with the Annual Accounts Act (effective July 2003). Consequently, no comparison with absence due to illness in 2002 is shown.

%	2003
Total absence due to illness as a percentage of regular work time	4.5
Proportion of total absence due to illness involving consecutive absence of 60 days or more	65.4
Absence due to illness by gender	
Men	2.9
Women	5.7
Absence due to illness by age category	
29 yrs. or younger	3.2
30–49 yrs.	4.0
50 yrs. or more	5.0

1) Risk group=unhealthy lifestyle; unhealthy habits involving greater risk of ill-health.

2) Healthy group=healthy lifestyle; healthy habits.

Employee statistics

No. of employees	Dec 31, 2003	Dec 31, 2002
Länsförsäkringar AB	1,674	1,868
Women	950	1,064
Men	724	804

	2003	2002
Permanent employees who left during the year	165	136
Permanent employees who were recruited during the year	42	163

Average age	2003	2002
Women	43	42
Men	44	44

Age interval	2003	2002
0–30 yrs.	186	227
31–40 yrs.	539	558
41–50 yrs.	449	487
51–60 yrs.	469	531
61–	31	65

Management statistics

Managers with staff responsibilities	2003	2002
Women	96	95
Men	133	137

Elected officers, 2003	Women	Men
Managing Director	3	7
Management teams	28	49
Board members	18	78

Management team: includes union representatives

Board: regular members including union representatives

The Board of Directors and the Managing Director of Länsförsäkringar AB (publ) hereby submit the annual report and consolidated accounts for fiscal year 2003. The registered office of the company is in Stockholm.

Ownership

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

Group organization

Länsförsäkringar AB (publ) directly owns Länsförsäkringar Sak Försäkringsaktiebolag (publ), Länsförsäkringar Bank AB (publ), Länsförsäkringar Fondförvaltning AB (publ), Länsförsäkringar IT Center AB, Försäkringsaktiebolaget Agria (publ), Wasa Försäkring Run-Off AB, Länsförsäkringar Dator- och systemservice AB (publ), Länsförsäkringar Liv Försäkringsaktiebolag (publ) and LF Gruppen AB, a dormant company.

During the year, Länsförsäkringar AB sold Svenska Brand Livförsäkring AB to Wasa Försäkring Run-Off AB. Länsförsäkringar Bank AB acquired Länsförsäkringar Fondförvaltning AB from Länsförsäkringar AB on January 2, 2004.

The life assurance sub-Group in which Länsförsäkringar Liv Försäkrings AB (publ) is the Parent Company and which includes among others Länsförsäkringar Fondliv Försäkringsaktiebolag (publ), is not consolidated in the accounts since the company's earnings are distributed in their entirely to the policyholders. The income statements and balance sheets for the Länsförsäkringar Liv Group are reported in condensed form on page 63.

Operations

The Länsförsäkringar AB Group conducts operations within life, accident, third-party liability, industrial and animal insurance and reinsurance, as well as banking and mutual fund management. The Länsförsäkringar AB Group is responsible for managing and coordinating the joint strategic and development process within the Länsförsäkringar Alliance. The primary task of the Länsförsäkringar AB Group is to create the prerequisites for the regional insurance companies to be successful in their local markets. With a few minor exceptions, the regional insurance companies are responsible for handling customer aspects of these operations.

Significant events in 2003

Increase in the net asset value of the Länsförsäkringar AB Group share

As shown in the five-year summary on page 30, the net asset value of the Länsförsäkringar AB Group share has risen by 18% since 1999.

Local issue of third-party liability insurance

Effective January 2004, the regional insurance companies have resolved to underwrite third-party liability insurance. In conjunction with this, Länsförsäkringar Sak Försäkrings AB will cease to issue new third-party liability policies, except for customers taking out insurance in several counties (currently about 3% of total third-party liability policies).

IT Center

During the year, it was decided to combine all the Länsförsäkringar AB Group's IT resources in a joint organization. The introduction of a new, common IT process for Länsförsäkringar is a major breakthrough in terms of improving IT activities, enabling greater coordination of IT, a clearer interface in the organization and more efficient delivery.

Financing

In December 2003, Länsförsäkringar AB issued a bond loan with a value of EUR 300 M. The loan is listed on the Luxembourg Stock Exchange and matures in 2008. Länsförsäkringar's venture into the European bond market should be viewed as a first step towards diversifying the financing of its banking and mortgage operations.

Transition to IAS/IFRS

The Länsförsäkringar AB Group is preparing for a transition to International Accounting Standards/International Financial Reporting Standards through a project to monitor general developments. This project aims to create awareness of IAS/IFRS and to compare IAS/IFRS with the current regulations to determine the consequences of IAS/IFRS on the accounting of the Länsförsäkringar AB Group. The current assessment is that the Länsförsäkringar AB Group will switch to IAS/IFRS in 2007.

Market developments

Non-life insurance

In terms of premiums paid for individually underwritten policies, the total non-life insurance market in Sweden grew by 14.1% in 2003 to SEK 49 billion. The increase is primarily due to an industry-wide increase in premiums to meet higher claims costs.

The Länsförsäkring Alliance strengthened its market leadership within non-life insurance during the year and increased its total market share in terms of premiums paid to 30.7% (29.3). The local organization with its proximity to customers con-

tinued to prove a market success in 2003, increasing its market share in most product areas. With regard to third-party liability insurance, which represents the major share of insurance operations by Länsförsäkringar Sak Försäkrings AB, market share in terms of number of polices increased during the year to 36.2% (35.7).

Banking operations

Länsförsäkringar's banking operations have developed steadily since the start eight years ago and today the product offering to the target groups of private individuals and farmers is complete. Länsförsäkringar no longer merely attracts customers for supplementary banking services. Today, it is a bank that customers switch to.

The Bank Group has 452,000 customers, an increase of 59,000 since 2002. The number of customers who conduct their everyday banking and have their savings and loans with the bank increased by 63% during the year.

Mutual fund management

Länsförsäkringar Fondförvaltning increased its share of the total mutual fund market to 3.9% (3.8). Länsförsäkringar has a total of 36 (36) mutual funds, with SEK 34,210 M (26,554) in managed assets. The net inflow during the year was SEK 3,922 M (3,304).

Life assurance and unit-linked insurance

Market share for Länsförsäkringar's life assurance operations amounted to 10.5% of new sales. This was unchanged compared with 2002. In terms of premium income, the market share was 8.5% (8.8). Länsförsäkringar's total premium income for life assurance and unit-linked insurance amounted to SEK 8,069 M (8,126).

At December 31, 2003, Länsförsäkringar Liv Försäkringars AB's collective consolidation ratio was 92% (86) and the solvency ratio was 122% (119). The solvency ratio is a measure of how well a life assurance company can fulfill its guaranteed commitments to customers.

Since 1985, saving in Länsförsäkringar Liv Försäkrings AB's traditional life assurance has generated an average annual bonus rate of 10.6%.

Risks and exposure in operations

Insurance risks

The insurance operations conducted within the Länsförsäkringar AB Group mainly comprise third-party liability insurance, commercial insurance, domestic animal insurance and reinsurance assumed.

Insurance risk can be divided into underwriting risks, claims risks and reinsurance risks.

Underwriting risks

Underwriting risk is the risk of the calculated premiums and other insurance revenues not covering the anticipated claims costs and operating expenses. Insurance sectors such as third-party liability, accident and domestic animal insurance are associated with a broad range of independent risks, giving a good balance of risk, provided that the tariff premiums reflect the actual differences in risk between the various subgroups in the portfolio. Länsförsäkringar continuously monitor tariffs and make adjustments where necessary. In other insurance sectors, risk selection guidelines and risk inspection are the primary instruments, in addition to computation of premiums, for controlling underwriting risk.

Claims risks

The company's total commitments for current policies and unadjusted claims amount to approximately SEK 15 billion. The estimated cost of unadjusted claims, approximately SEK 13 billion, is linked to uncertainty regarding 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 labor market situation with a lower degree of occupational rehabilitation, and greater opportunities for appeals against claims payments that have already been determined. A 1-percentage point change in the claims inflation assumption affects the provisioning requirement by approximately SEK 600–700 M.

Reinsurance risks

To limit risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance. The self-retention level (the share of the claim payable by the company on own account) varies from product to product. The table below shows a summary of reinsurance.

SEK M	Self-retention	Ceiling
Third-party liability insurance	20	300
Liability insurance	10	100
Transport insurance	5	200
Accident insurance	11	550
Horse insurance	1	15
Livestock insurance (stoploss)	100% of premium	10

The ceiling for third-party liability insurance is adjusted in line with the limitations stipulated in the Motor Traffic Damage Act. Supplementary insurance with unlimited cover is available for motor vehicle damage incurred abroad.

For individual risks with a risk amount exceeding the ceiling, facultative reinsurance is purchased on a risk-for-risk basis.

Within transport insurance, with a risk premium of approximately SEK 13 M, there is a certain risk that the company will be liable to pay additional premiums if it utilizes reinsurance protection. The cost of each additional premium is estimated at 50% of the reinsurance premium.

To minimize credit risk in reinsurance, there are rules governing the choice of reinsurance company. The minimum requirement for reinsurers is that they must have at least an A rating from Standard & Poor's for long-term transactions and at least a BBB rating for other transactions.

All reinsurance contracts run per calendar year.

Asset management risks

Asset 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. Other risks arising in operations are liquidity risk, credit risk and operating risk.

Market risks

To obtain a good return on invested capital, investors must be willing to assume a certain level of risk. The term "risk premium" is used to describe the return above the risk-free interest that investors require as compensation for assuming risk. Of the traditional asset classes, shares have higher risk premiums than bonds. The objective of asset management is to balance the portfolio's exposure to equities, interest-bearing securities, properties and alternative asset classes such as hedge funds and currency risk to achieve maximum returns without exceeding the acceptable level of risk.

Current and expected future yield and risk for the asset classes included, or being considered for inclusion, in the portfolio are continually analyzed in order to achieve the best possible portfolio composition. A number of different models are applied. It is thus possible to derive likely scenarios for future variations in yield and the correlation between yields for the various asset classes. This information is then used to adapt the overall guidelines steering the composition of the portfolio to generate optimal yield, given the selected level of risk.

The model portfolio on which strategic allocation of assets is based is referred to as the benchmark portfolio. It is a theoretical configuration of the optimal portfolio that best matches the company's commitments to its customers. This portfolio must then be realized in practice. To accomplish this in an efficient manner, a number of financial products are used in addition to traditional asset classes. This may include call or put options and various futures, including:

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

The investment portfolio is analyzed continually and sensitivity analyses are carried out at all times to show how various key figures, such as the solvency margin, are affected by anticipated future market developments and possible changes in the benchmark 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 an approved clearing institution, thus limiting the counterparty risk. The management agreements also contain specifications detailing how the asset management organizations may invest in derivative instruments.

An active asset management policy has been adopted in order to achieve a higher yield than the benchmark portfolio. A condition of active management is that the actual mix of assets is permitted to deviate from the composition of the benchmark portfolio. The limits constraining this deviation are defined in the management agreements with the asset managers. Since the asset mix is permitted to deviate from the benchmark portfolio, yield will also vary over time. This means

that the portfolio yield may be lower than the yield on the benchmark portfolio during certain periods. This is a calculated risk which must be taken in order to achieve a higher yield than the benchmark portfolio in the long term.

Interest-rate risk

Exposure to interest-rate risk relates to the fixed-interest term of financial assets.

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

The Länsförsäkringar AB Group's exposure to interest-rate risk in 2003 entails that a change in the market rate of interest of 1 percentage point would result in a reduction of approximately SEK 194 M in the Group's capital base.

Within Länsförsäkringar Bank, assets normally have longer fixed-interest terms than liabilities. When interest rates rise, this entails a reduction in net interest income. One factor that offsets this trend is that the bank has a larger volume of interest-bearing assets than liabilities, which is primarily attributable to shareholders' equity. When interest rates rise, return on equity increases since this can gradually be reinvested at higher rates of interest.

Liquidity risk

Liquidity risk is the risk of not being able to sell a financial instrument without incurring a considerable additional cost. For example, the additional cost may derive from the seller having to accept a highly unfavorable price if the seller is forced to sell for some reason. Liquidity risk is minimized by ensuring that the majority of the investment is in securities with high liquidity and that are listed on well-established stock exchanges. To further reduce liquidity risk, the asset management agreements contain provisions relating to investments in unlisted assets. Sometimes, investments are deliberately made in less liquid assets or even in unlisted assets to achieve a higher expected yield.

Credit risk

Credit risk is the risk that arises if a counterparty cannot fulfill its obligations to the company. For example, credit risk may arise if a securities transaction involves a settlement period that is longer than normal – as is the case for certain derivatives transactions. To minimize credit risk in such cases, the counterparty must have a credit rating that is considered adequate. The asset management agreements also stipulate minimum required credit rating levels for counterparties and the proportion of the portfolio which may be placed with various issuers. In some cases, an absolute limit is stipulated for each issuer. Credit risk also covers the risk of insolvency on the part of the underlying issuer. Within Länsförsäkringar Bank, credit risk covers receivables mainly from private individuals and farmers. Loans are granted after a thorough credit appraisal that, in the first instance, is based on the customer's ability to repay. All credit decisions in the bank are made by at least two persons or, for smaller loans, by one person with the support of an IT-based evaluation system. The commitments are followed up regularly, both in terms of the payment history and changes in the value of the collateral. Payments due and non-performing receivables are followed up regularly.

Operating risks

Operating risks are the risks of losses due to deficiencies in internal controls. The company's internal routines cover the entire business flow from execution by the asset manager to reconciliation, payment, valuation, accounting and reporting. An organizational structure that permits an independent and objective monitoring and control function is a key factor in this context. Control is currently undertaken as part of the compliance functions and within the asset management unit. A large part of the administrative control functions are thus within the asset management unit and are consequently separate from the management units to some extent.

Currency risks

The Länsförsäkringar AB Group has assets and liabilities in foreign currencies. Foreign assets under active management are hedged,

Fixed-interest terms for the Länsförsäkringar AB Group (excluding Länsförsäkringar Bank), December 31, 2003

SEK M	Less than 1 year	1–5 years	5–10 years	More than 10 years	Total
Bonds and other interest-bearing securities	988	5,752	1,466	1,212	9,418

The table shows the nominal term structure, gross.

but not foreign liabilities. The table below shows the Group's net foreign currency exposure.

Currency, SEK M equivalent	2003
USD	850
EUR	431
GBP	–50
ISK	18
CHF	14
Other currencies	25
Total	**1,288**

Asset management agreement

In 2002, the Länsförsäkringar AB Group entered into a cooperation agreement with ABN AMRO regarding management of the majority of investment assets. The aim of the cooperation is to achieve a high, secure return. The partnership gives customers access to high-class global asset management.

The asset management agreement with ABN AMRO is for ten years, with the option to extend the agreement for a further five years, subject to certain terms. A long-term approach and continuity in asset management is important to achieve long-term favorable returns and cost efficiency and to be able to benefit from economies of scale. Long-term cooperation is in the best interests of the customer as well as the managing company.

Premature cancellation of the agreement or failure to renew the agreement for a further five years could, in some cases, render Länsförsäkringar Sak Försäkrings AB liable to repay the entire consideration or a portion thereof. The size of the repayment that Länsförsäkringar Sak Försäkrings AB 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 of the contract, primarily by Länsförsäkringar Sak Försäkrings AB. However, given the nature of the contract and the parties' common interest in long-term cooperation, as well as the grounds for cancellation as such, the likelihood of premature cancellation is considered to be negligible.

Earnings and financial position

Group

Consolidated profit amounted to SEK 750 M (34) before tax and SEK 576 M (2) after tax. The profit for the year is primarily due to the favorable underwriting result and continued efficiency improvements within the Group.

The underwriting result for non-life insurance operations amounted to a total of SEK 586 M (111). The technical result for life assurance operations amounted to a loss of SEK 2 M (loss: 52), pertaining to Svenska Brand Livförsäkring AB.

Consolidated premium income after ceded reinsurance amounted to SEK 4,658 M (3,875) for non-life insurance and to SEK 2 M (0) for life assurance.

Total investment income in 2003 amounted to SEK 898 M (801). An amount of SEK 699 M (755) was transferred to insurance operations. Gross investment income was 4.6% (4.3).

Other non-technical revenues amounted to SEK 123 M (133). This included SEK 15 M (5) in goodwill amortization, SEK 88 M (89) in brand expansion and SEK 20 M (39) in other expenses.

Collective consolidation capital increased by SEK 747 M to SEK 6,839 M. The consolidated solvency margin fell to 147% (157) due to increased business volumes.

Parent Company

The Parent Company reported a profit of SEK 154 M (loss: 162) before tax and SEK 201 M (loss: 124) after tax. The anticipated dividend of SEK 330 M was received.

Non-life insurance

The underwriting result for non-life insurance operations amounted to SEK 586 M (111).

Premium income after ceded reinsurance rose by 19% to SEK 4,417 M (3,716). The increase is mainly attributable to third-party liability insurance, which accounts for two-thirds of volumes. Premium increases have also been implemented this year in response to the rise in claims

costs during the past few years, a trend which has now been broken.

Claims payments after ceded reinsurance amounted to SEK 3,750 M (3,500), giving a claims ratio of 85 (94). New methods of calculating claims annuities have led to a reduction in the provision for claims annuities and the provision for incurred claims. However, most of this reduction has been offset by a general strengthening of the provision for motor vehicle damage.

Investment income transferred from financial operations amounted to SEK 699 M (755).

Operating expenses declined to SEK 818 M (885). The ongoing efficiency-enhancing measures have resulted in fewer employees and more efficient processes. This, combined with an increased business volume, caused the expense ratio to fall to 19% (24).

Within third-party liability insurance, the largest insurance sector, a profit of SEK 409 (loss: 37) was reported. Premium increases were again implemented in 2003. Earnings were also impacted by altered assumptions for calculating claims annuities. Accepted reinsurance comprising active reinsurance and run-off transactions generated a profit during the year as a result of gains on run-off activities. Run-off of reinsurance transactions is conducted within the Wasa Försäkring Run-Off AB Group and Länsförsäkringar Sak Försäkrings AB. Commercial and property insurance posted positive earnings as a result of risk restructuring and premium increases. The domestic animal, home and contents, motor vehicle, and marine, aviation and transportation insurance sectors also reported profits, while direct insurance abroad posted a small loss. Losses were reported for medical and accident insurance as a result of high claims costs. Premium increases and terms amendments were implemented during the year.

Banking operations

Banking operations generated a profit of SEK 65 M (9), attributable to significant increases in business volumes. Lending to the public rose by 51% to SEK 30 billion and deposits from the public rose by 15% to SEK 17 billion.

Mutual fund management

Fund management operations generated a profit of SEK 26 M (25), largely because the mutual fund company is no longer required to pay VAT on fund management services. The result was also affected by the positive development in the financial markets and efficiency improvements in operations.

Life assurance

The Länsförsäkringar Liv Försäkrings AB Group is not consolidated since the company operates in accordance with mutual principles. The income statement and balance sheet for the Länsförsäkringar Liv Försäkrings AB Group are presented in condensed form on page 63.

Anticipated future developments

Focus on the three core operations of non-life insurance, life assurance and banking was further intensified during the year. Efforts to increase volumes within banking operations will continue. All three areas have achieved significant earnings improvements. The efficiency-enhancing efforts and focus on profitability have yielded distinct results, with increased market shares and increased confidence in the Länsförsäkringar brand. These efforts will continue in 2004.

Employees

Information regarding the average number of employees, salary and remuneration for the Group as well as details of salary and other remuneration to senior executives and auditors' fees are provided in Note 43 on page 50.

Proposed distribution of earnings

The proposed distribution of earnings is presented on page 61.

The result of the year's operations and the company's position at December 31, 2003 are presented in the following consolidated and Parent Company income statements and balance sheets, and the accompanying notes.

▶ FIVE-YEAR SUMMARY

Länsförsäkringar AB Group, excl. Länsförsäkringar Liv [1], SEK M	1999	2000	2001	2002	2003
INCOME					
Premiums earned (after ceded reinsurance)	3,017	2,624	3,039	3,716	4,417
Investment income transferred from financial operations	698	715	757	755	699
Claims payments (after ceded reinsurance)	–2,793	–2,566	–3,032	–3,500	–3,750
Operating expenses	–779	–729	–816	–885	–818
Other technical revenues and expenses	–40	104	29	25	37
Technical result, non-life insurance operations	**103**	**148**	**–23**	**111**	**586**
Technical result, life assurance operations	**–96**	**–**	**2**	**–52**	**–2**
Remaining investment income	1,531	220	–409	46	199
Change in surplus value in unit-linked life assurance [2]	–606	–	–	–	–
Income from banking operations	24	67	1	9	65
Income from mutual fund operations	–5	–10	54	25	26
Income from asset management operations	135	80	31	28	–
Other non-technical revenues and expenses	–33	–102	–51	–133	–123
Operating income	**1,052**	**402**	**–395**	**34**	**750**
Of which, change in surplus value in unit-linked life assurance [2]	606	–	–	–	
Result before tax	**1,658**	**402**	**–395**	**34**	**750**
Net profit/loss for the year	**1,554**	**166**	**–217**	**2**	**576**
Premium income before ceded reinsurance					
Non-life insurance	4,198	4,085	5,045	5,401	6,214
Premium income after ceded reinsurance					
Non-life insurance	2,502	2,705	3,270	3,875	4,658
Life assurance	2,806	–	2	0	2
FINANCIAL POSITION					
Investment assets (valued at fair value)	12,953	16,961	16,648	17,646	18,641
Technical reserves	11,785	11,944	12,926	13,860	15,000
Net asset value					
Shareholders' equity	5,136	5,530	5,531	5,518	6,086
Deferred tax	647	542	399	435	614
Debenture loans	200	200	327	139	139
Net asset value	**5,983**	**6,272**	**6,257**	**6,092**	**6,839**
Solvency margin, %	**239**	**232**	**191**	**157**	**147**
Net worth (SEK M)	5,136	5,530	5,531	5,518	6,086
Number of shares (000s) at SEK 100 par value	6,265	6,075	6,297	6,297	6,298
Net worth per share (SEK)	820	910	878	876	966
KEY RATIOS, %					
Non-life insurance operations					
Claims ratio	93	98	100	94	85
Expense ratio	26	28	27	24	19
Combined ratio	118	126	127	118	103
Asset management					
Direct yield	4.1	2.8	2.6	2.9	2.2
Total yield	6.3	6.9	1.9	4.3	4.6

For 1999, the above summary applies to the Länsförsäkringar Wasa Försäkrings AB Group.

[1] The operations of the Länsförsäkringar Liv Försäkrings AB Group are conducted in accordance with mutual principles. This Group is therefore not consolidated.

[2] For 1999, the annual change in surplus value in unit-linked life assurance is included in consolidated operating income. The surplus value in unit-linked life assurance is calculated as 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. Although the unit-linked life assurance company was sold in 1999, the full-year income for the unit-linked company is reported for 1999.

▶ CONSOLIDATED INCOME STATEMENT

SEK M		2003	2002
TECHNICAL ACCOUNTING, NON-LIFE INSURANCE OPERATIONS			
Premiums earned (after ceded reinsurance)			
Premium income	Note 1	6,214.4	5,401.5
Premiums for ceded reinsurance		–1,556.7	–1,526.1
Change in provision for unearned premiums and unexpired risks		–193.8	–115.5
Reinsurers' portion of change in the provision for unearned premiums and unexpired risks		–46.7	–43.7
		4,417.3	**3,716.2**
Investment income transferred from financial operations	Note 2	698.9	755.5
Other underwriting revenues (after ceded reinsurance)	Note 3	37.6	28.0
Claims payments (after ceded reinsurance)			
Claims payments	Note 4		
Before ceded reinsurance		–4,093.6	–4,332.5
Reinsurers' portion		1,324.4	1,644.8
		–2,769.2	**–2,687.7**
Change in provision for outstanding claims			
Before ceded reinsurance		–663.8	–522.8
Reinsurers' portion		–316.8	–289.0
		–980.6	**–811.9**
Claims payments (after ceded reinsurance)		**–3,749.9**	**–3,499.6**
Operating expenses	Note 5	–817.5	–885.5
Other underwriting expenses (after ceded reinsurance)	Note 6	–0.1	–3.8
TECHNICAL RESULT, NON-LIFE INSURANCE OPERATIONS		**586.3**	**110.8**

SEK M (Group life and occupational group life)		2003	2002
TECHNICAL ACCOUNTING, LIFE ASSURANCE OPERATIONS			
Premium income (after ceded reinsurance)			
Premium income	Note 7	0.7	0.3
Premiums for ceded reinsurance		1.5	–0.8
		2.2	**–0.5**
Investment income, earned	Note 8	1.8	1.1
Unrealized gains on bonds and other interest-bearing securities		0.2	0.3
Claims payments (after ceded reinsurance)			
Claims payments			
Before ceded reinsurance		–3.6	–12.2
Reinsurers' portion		–3.8	3.4
		–7.4	**–8.8**
Change in provision for outstanding claims			
Before ceded reinsurance		3.0	–46.8
Reinsurers' portion		–0.3	9.9
		2.7	**–36.9**
Claims payments (after ceded reinsurance)		**–4.7**	**–45.8**
Change in life assurance provision (after ceded reinsurance)			
Before ceded reinsurance		0.7	–4.3
Reinsurers' portion		–	–1.4
		0.7	**–5.6**
Operating expenses	Note 9	–1.9	–1.0
Investment income, expenses	Note 10	–0.1	–0.2
TECHNICAL RESULT, LIFE ASSURANCE OPERATIONS		**–1.8**	**–51.6**

NON-TECHNICAL ACCOUNTING			
Technical result, non-life insurance operations		586.3	110.8
Technical result, life assurance operations		–1.8	–51.6
Investment income, earned	Note 11	1,022.6	1,854.0
Unrealized gains on investment assets	Note 12	691.7	361.5
Investment income, expenses	Note 13	–606.4	–798.8
Unrealized losses on investment assets	Note 12	–210.3	–615.4
Investment income transferred to non-life insurance operations		–698.9	–755.5
Goodwill amortization		–15.2	–5.3
Other non-technical revenues and expenses	Note 14	–108.3	–127.4
Income from insurance operations		**659.6**	**–27.6**
Income from mutual fund operations		**25.7**	**24.7**
Income from asset management	Note 15	**–**	**27.8**
Net interest income		700.7	537.8
Operating revenues		204.6	158.7
Operating expenses		–858.4	–711.7
Income from Wasa Garanti Försäkrings AB		18.0	24.4
Income from banking operations	Note 16	**64.9**	**9.1**
Result before tax		**750.2**	**34.1**
Tax on income for the year	Note 17	–178.2	–35.9
Minority share of earnings		3.7	4.2
NET PROFIT/LOSS FOR THE YEAR	Note 42	**575.8**	**2.3**

▶ CONSOLIDATED PERFORMANCE ANALYSIS FOR 2003

SEK M	Total	Medical & accident	Indus-trial injuries	Home & contents	Commer-cial & property	Motor vehicle	Third-party liability (Note C)	Marine, aviation & trans-portation	Domestic animals	Direct insurance, Swedish risk	Direct insurance foreign risk	Accepted reinsur-ance
Technical result, non-life insurance operations												
Premiums earned (after ceded reinsurance) Note A	4,417.2	184.1	–	12.2	126.1	144.1	2,947.9	112.3	701.6	4,228.3	–	189.0
Investment income transferred from financial operations	698.9	28.0	0.1	1.9	44.7	5.5	553.7	6.0	12.2	652.1	0.0	46.9
Other underwriting revenues (after ceded reinsurance)	37.6	2.0	–	5.6	0.4	5.0	5.6	–	–	18.6	–	19.0
Claims payments (after ceded reinsurance) Note B	–3,749.9	–214.1	0.7	–4.3	–79.8	–115.5	–2,656.9	–84.6	–429.6	–3,583.9	–0.7	–165.2
Operating expenses	–817.5	–52.8	0.0	–3.3	–49.6	–15.0	–441.4	–25.6	–196.6	–784.2	0.0	–33.3
Other underwriting expenses (after ceded reinsurance)	–0.1	–	–	–	–	–	–	–	–	–	–	–0.1
	586.3	**–52.8**	**0.8**	**12.0**	**41.9**	**24.2**	**408.9**	**8.2**	**87.6**	**530.8**	**–0.7**	**56.2**
Run-off result, gross	–96.1	–66.8	0.7	–1.1	64.2	0.5	–152.5	–9.4	10.9	–153.6	–0.7	58.2
Technical reserves, before ceded reinsurance												
Provision for unearned premiums and unexpired risks	1,867.1	55.5	–	1.1	189.0	55.0	1,194.7	28.5	345.4	1,869.3	–	–2.2
Provision for outstanding claims	16,258.4	567.6	0.8	32.7	1,280.5	41.6	11,324.3	140.5	120.9	13,508.9	4.8	2,744.6
	18,125.5	**623.2**	**0.8**	**33.8**	**1,469.6**	**96.6**	**12,519.1**	**169.0**	**466.3**	**15,378.3**	**4.8**	**2,742.4**
From life assurance operations, outstanding claims	50.0											
Reinsurers' portion of technical reserves												
Provision for unearned premiums and unexpired risks	107.6	1.0	–	–	103.8	–	0.0	3.3	0.6	108.6	–	–1.0
Provision for outstanding claims	3,062.7	34.8	–	5.9	303.3	–	524.2	43.3	48.1	959.7	–	2,103.1
	3,170.4	**35.8**	**–**	**5.9**	**407.1**	**–**	**524.2**	**46.6**	**48.7**	**1,068.3**	**–**	**2,102.1**
From life assurance operations, outstanding claims	11.9											

NOTES TO CONSOLIDATED PERFORMANCE ANALYSIS FOR 2003, SEK M

Note A Premiums earned (after ceded reinsurance)												
Premium income (before ceded reinsurance)	6,214.4	188.7	–	0.1	364.7	146.9	3,157.3	136.6	749.7	4,744.2	–	1,470.2
Premiums for ceded reinsurance	–1,556.7	–11.4	–	–0.4	–225.4	–	–18.2	–21.6	–6.4	–283.4	–	–1,273.2
Change in provision for unearned premiums and unexpired risks	–193.8	5.9	–	15.1	23.1	–2.8	–191.2	–4.4	–42.0	–196.5	–	2.7
Reinsurers' portion of change in the provision for unearned premiums and unexpired risks	–46.7	0.9	–	–2.7	–36.2	–	0.0	1.8	0.3	–35.9	–	–10.8
	4,417.2	**184.1**	**–**	**12.2**	**126.1**	**144.1**	**2,947.9**	**112.3**	**701.6**	**4,228.3**	**–**	**189.0**
Note B Claims payments (after ceded reinsurance)												
Claims payments												
Before ceded reinsurance	–4,093.6	–189.1	–0.2	–33.0	–366.1	–113.6	–1,666.8	–95.1	–429.8	–2,893.7	–1.8	–1,198.2
Reinsurers' portion	1,324.4	17.6	–	13.6	216.7	0.1	85.0	25.0	2.0	360.1	0.0	964.3
Change in provision for outstanding claims												
Before ceded reinsurance	–663.8	–40.8	0.9	19.6	176.7	–1.9	–1,031.8	3.5	–49.9	–923.7	1.1	258.8
Reinsurers' portion	–316.8	–1.8	–	–4.6	–107.0	0.0	–43.3	–18.0	48.1	–126.6	–	–190.2
	–3,749.9	**–214.1**	**0.7**	**–4.3**	**–79.8**	**–115.5**	**–2,656.9**	**–84.6**	**–429.6**	**–3,583.9**	**–0.7**	**–165.2**

Note C Operations being phased out

Effective January 2004, the regional insurance companies have resolved to underwrite third-party liability insurance. In conjunction with this, Länsförsäkringar Sak Försäkrings AB will cease to issue new third-party liability policies, with the exception of third-party liability insurance for customers with operations in several counties (currently about 3% of the total third-party liability policies). The claims reserve for third-party liability insurance taken out up until December 2003 will be eliminated within Länsförsäkringar Sak (Non-life).

▶ CONSOLIDATED BALANCE SHEET

SEK M		Dec 31, 2003	Dec 31, 2002
ASSETS			
Intangible assets			
Goodwill	Note 18	–	15.2
Other intangible assets	Note 19	239.9	128.9
		239.9	**144.0**
Investment assets			
Buildings and land	Note 20	202.4	225.4
Investments in Group and associated companies			
Shares in Länsförsäkringar Liv	Note 21	452.0	452.0
Shares and participations in associated companies	Note 21	1,148.2	1,096.6
Other financial investment assets			
Shares and participations (see page 56)		5,559.6	4,293.5
Bonds and other interest-bearing securities	Note 22	10,341.4	11,020.4
Other loans		302.2	300.7
Lending to credit institutions		0.0	2.2
Derivatives	Note 23	587.1	205.2
Deposits with companies that have ceded reinsurance		47.7	50.1
		18,640.7	**17,646.0**
Reinsurers' portion of technical reserves			
Unearned premiums and unexpired risks		107.6	154.4
Outstanding claims		3,074.6	3,460.0
		3,182.3	**3,614.3**
Assets in the Bank Group	Note 24		
Bonds and other interest-bearing securities		1,243.1	499.2
Lending		30,645.8	21,269.4
Other receivables and assets		513.1	524.6
		32,402.0	**22,293.1**
Receivables			
Receivables pertaining to direct insurance	Note 25	877.1	764.1
Receivables pertaining to reinsurance	Note 26	655.3	511.0
Deferred tax assets	Note 27	107.6	262.0
Other receivables from related companies	Note 28	135.5	347.2
Other receivables		413.3	222.7
		2,188.8	**2,107.1**
Other assets			
Tangible assets and inventories	Note 29	129.5	133.4
Cash and bank balances		1,873.1	1,426.7
		2,002.6	**1,560.1**
Prepaid expenses and accrued income			
Accrued interest and rental income		143.1	191.8
Prepaid acquisition costs	Note 30	53.5	51.8
Other prepaid expenses and accrued income		207.8	90.5
		404.4	**334.1**
TOTAL ASSETS		**59,060.7**	**47,698.8**

SEK M		Dec 31, 2003	Dec 31, 2002
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	Note 31		
Share capital		629.8	629.7
Share premium reserve		4,801.3	4,931.0
Statutory reserve		0.0	0.0
Reserve for unrealized gains	Note 32	52.9	4.6
Other restricted reserves		330.7	444.3
Non-restricted shareholders' equity			
Profit/loss brought forward		–304.4	–494.4
Net profit/loss for the year		575.8	2.3
Total shareholders' equity		**6,086.1**	**5,517.6**
Minority interests in equity		**0.0**	**9.3**
Subordinated debt	Note 33	**139.0**	**139.0**
Technical reserves (before ceded reinsurance)			
Unearned premiums and unexpired risks	Note 34	1,867.1	1,673.5
Life assurance provision		6.3	7.0
Outstanding claims	Note 35	16,308.4	15,794.3
		18,181.8	**17,474.8**
Liabilities in the Bank Group	Note 36		
Liabilities to credit institutions		1,357.0	266.8
Deposits and borrowing from the public		17,012.8	14,736.0
Issued securities		9,120.1	3,705.5
Other provisions and liabilities		693.6	494.7
		28,183.5	**19,203.0**
Provision for other risks and expenses			
Pensions and similar commitments		48.1	43.6
Current tax		–	0.7
Deferred tax	Note 27	721.5	697.1
Other provisions		4.5	–
		774.0	**741.4**
Deposits from reinsurers		**103.3**	**107.3**
Liabilities			
Liabilities pertaining to direct insurance	Note 37	270.5	89.8
Liabilities pertaining to reinsurance	Note 38	524.5	396.6
Bond loans	Note 39	2,688.0	–
Liabilities to credit institutions		–	1.2
Derivatives	Note 23	202.7	158.3
Other liabilities to related companies	Note 40	1,182.5	3,073.7
Other liabilities		258.8	323.1
		5,127.0	**4,042.7**
Accrued expenses and prepaid income			
Other accrued expenses and prepaid income		**466.0**	**463.8**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**59,060.7**	**47,698.8**
Memorandum items	Note 41		
Pledged assets		16,592.0	15,305.7
Contingent liabilities		3,643.1	3,716.7
Other commitments		8,469.7	2,902.2

▶ CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Share capital	Restricted reserves	Non-restricted equity
CHANGES IN SHAREHOLDERS' EQUITY			
Closing balance as stated on balance sheet at Dec 31, 2001	629.7	4,930.9	–29.8
Contribution from successive acquisition of associated companies	–	2.8	0.7
Transfers between non-restricted and restricted reserves	–	482.0	–482.0
Change in translation difference 2002	–	–36.6	17.4
Net profit/loss for the year 2002	–	–	2.3
Shareholders' equity at Dec 31, 2002	**629.7**	**5,379.2**	**–491.3**
Contribution from successive acquisition of other holdings	–	–	–5.5
New share issue	0.1	0.7	–
Transfers between non-restricted and restricted reserves	–	–161.1	161.1
Change in translation difference 2003	–	–33.9	31.4
Net profit/loss for the year 2003	–	–	575.8
Shareholders' equity at Dec 31, 2003	**629.8**	**5,184.9**	**271.4**
Of which, accumulated translation differences			
Accumulated translation difference at Dec 31, 2001		52.8	–16.6
Change in translation difference 2002		–36.6	17.4
Accumulated translation difference at Dec 31, 2002		16.3	0.8
Change in translation difference 2003		–33.9	31.4
Accumulated translation difference at Dec 31, 2003		**–17.7**	**32.2**

SEK M	Share capital	Restricted reserves	Non-restricted equity
SENSITIVITY ANALYSIS, EFFECT ON SHAREHOLDERS' EQUITY			
10% decline in share price	–670.8	187.8	–482.9
1% increase in bond rates	–194.1	54.3	–139.7
2% increase in yield requirement for properties	–76.0	21.3	–54.7
Negative 10% foreign exchange fluctuation	–128.8	36.1	–92.7
	–1,069.6	**299.5**	**–770.1**

▶ CONSOLIDATED CASH-FLOW STATEMENT

SEK M	2003	2002
Operating activities		
Result before tax	750.2	34.1
Adjustments for items not included in cash flow, etc.	833.2	1,310.7
	1,583.5	**1,344.8**
Tax paid	0.0	0.7
Cash flow from operating activities before changes in working capital	**1,583.5**	**1,345.5**
Cash flow from changes in working capital		
Investments in investment assets, net	–391.3	–2,308.1
Increase in net assets, banking operations	–1,162.6	–1,048.2
Increase(-)/Decrease(+) in operating receivables	–289.0	214.1
Increase(+)/Decrease(-) in operating liabilities	228.5	–261.6
Cash flow from operating activities	**–31.0**	**–2,058.2**
Investing activities		
Acquisition of subsidiaries	0.0	–
Divestment of subsidiaries	0.0	17.0
Divestment of operations	–	1,035.9
Acquisition of intangible fixed assets	–124.7	–100.3
Acquisition of tangible fixed assets	–192.7	–169.3
Divestment of tangible fixed assets	5.4	5.6
Cash flow from investing activities	**–312.0**	**789.0**
Financing activities		
New share issue	0.8	–
Loans raised	2,688.0	702.0
Amortization of loans	–1,865.4	–132.4
Cash flow from financing activities	**823.5**	**569.6**
Cash flow for the year	480.5	–699.7
Liquid assets at the beginning of the year	1,426.7	2,092.8
Exchange rate difference for liquid assets	–34.2	33.7
Liquid assets at year-end	**1,873.1**	**1,426.7**
Supplementary information to the cash-flow statement		
Interest paid and dividends received		
Dividends received	66.0	29.7
Interest received	726.7	738.4
Interest paid	–232.6	–145.0

SEK M	2003	2002
Adjustments for items not included in cash flow, etc.		
Acquired earnings	–5.5	–
Less: participations in the earnings of associated companies	–0.3	0.7
Depreciation and writedown of assets	158.4	199.2
Unrealized exchange rate differences	136.3	887.5
Capital gains/losses on assets	–657.6	294.4
Capital gains/losses on divestment of subsidiaries/operations	0.0	–1,051.5
Technical reserves after ceded reinsurance	1,188.4	977.9
Pension provisions,	7.4	–1.4
Other provisions	9.7	–
Other profit/loss items not affecting liquidity	–3.4	3.9
	833.2	**1,310.7**
Acquisition of subsidiaries and other business units		
Acquired assets and liabilities		
Intangible fixed assets	–4.6	–
Tangible fixed assets	0.1	–
Financial assets	8.9	–
Operating receivables	1.3	–
Liquid assets	1.1	–
Total assets	**6.9**	**–**
Minority interests	–5.6	–
Provisions	–	–
Operating liabilities	11.4	–
Total minority interests, liabilities and provisions	**5.8**	**–**
Consideration	1.1	–
Consideration paid	1.1	–
Less: acquired liquid assets	–1.1	–
Effect on liquid assets	0.0	–
Divestment of subsidiaries and other business units		
Divested assets and liabilities		
Tangible fixed assets	–	2.8
Operating receivables	0.1	3.7
Liquid assets	0.1	1.8
Total assets	**0.2**	**8.3**
Operating liabilities	0.1	5.0
Total liabilities and provisions	**0.1**	**5.0**
Sales price	0.1	1,054.7
Consideration received	0.1	1,054.7
Less: divested liquid assets	–0.1	–1.8
Effect on liquid assets	**0.0**	**1,052.9**
Liquid assets		
Cash and bank balances	1,873.1	1,426.7

PARENT COMPANY
▶ INCOME STATEMENT

SEK M		2003	2002
Net sales	Note 44	759.8	854.1
Operating expenses			
External costs	Note 45	–660.8	–723.7
Personnel costs	Note 43	–210.5	–240.4
Depreciation of tangible fixed assets		–54.1	–56.2
Operating income		**–165.6**	**–166.2**
Income from financial items			
Income from participations in Group companies	Note 46	320.3	–13.0
Interest income and similar profit/loss items	Note 47	27.0	33.1
Interest expense and similar profit/loss items	Note 48	–28.3	–15.8
Result before tax		**153.5**	**–161.9**
Tax on income for the year	Note 49	47.1	37.4
Net profit/loss for the year		**200.6**	**–124.4**

BALANCE SHEET

SEK M		Dec 31, 2003	Dec 31, 2002
ASSETS			
Fixed assets			
Tangible fixed assets			
Equipment	Note 50	100.1	104.3
Financial fixed assets			
Shares and participations in Group companies	Note 51	5,110.5	4,910.7
Receivables from Group companies	Note 52	2,210.0	180.0
Deferred tax assets	Note 53	43.2	33.8
		7,363.7	**5,124.5**
Total fixed assets		**7,463.8**	**5,228.8**
Current assets			
Inventories		8.2	9.3
Current receivables			
Receivables from Group companies		648.7	389.4
Receivables from other related companies	Note 54	33.3	138.7
Other receivables		27.0	26.7
Prepaid expenses and accrued income	Note 55	51.8	23.7
		760.7	**578.4**
Current investments	Note 56	361.4	409.0
Cash and bank balances		599.1	204.6
Total current assets		**1,729.4**	**1,201.3**
TOTAL ASSETS		**9,193.2**	**6,430.0**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity	Note 57		
Restricted equity			
Share capital (6,297,583 shares, SEK 100 par value)		629.8	629.7
Share premium reserve		4,801.3	4,931.0
Statutory reserve		0.0	0.0
		5,431.0	**5,560.6**
Non-restricted equity			
Profit/loss brought forward		96.9	–6.0
Net profit/loss for the year		**200.6**	**–124.4**
		297.5	**–130.4**
Total shareholders' equity		**5,728.5**	**5,430.2**
Provisions			
Pension provisions	Note 58	35.6	28.5
Long-term liabilities			
Debenture loans from regional insurance companies	Note 59	139.0	139.0
Bond loans	Note 39	2,688.0	–
		2,827.0	**139.0**
Current liabilities			
Accounts payable		19.6	53.3
Liabilities to Group companies		478.2	656.6
Liabilities to other related companies	Note 60	44.9	47.9
Other liabilities		3.6	3.4
Accrued expenses and prepaid income	Note 61	55.7	71.1
		602.0	**832.3**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**9,193.2**	**6,430.0**
Pledged assets		None	None
Contingent liabilities		6.4	30.0

PARENT COMPANY
CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Share capital	Restricted reserves	Non-restricted equity
Closing balance as stated on balance sheet at Dec 31, 2001	629.7	4,931.0	–6.0
Net profit/loss for the year	–	–	–124.4
Shareholders' equity at Dec 31, 2002	**629.7**	**4,931.0**	**–130.4**
New share issue	0.1	0.7	–
Covering of loss from share premium reserve	–	–130.4	130.4
Net profit/loss for the year	–	–	200.6
Group contribution	–	–	134.6
Tax effect of Group contribution	–	–	–37.7
Shareholders' equity at Dec 31, 2003	**629.8**	**4,801.3**	**297.5**

It is proposed that non-restricted equity of SEK 297.5 M be carried forward.

CASH-FLOW STATEMENT

SEK M	2003	2002
Operating activities		
Income after financial items	153.5	–161.9
Adjustments for items not included in cash flow, etc.	–261.3	76.6
	–107.8	**–85.3**
Tax paid	–4.4	–1.2
Cash flow from operating activities before changes in working capital	**–112.2**	**–86.5**
Cash flow from changes in working capital:		
Increase (-)/Decrease (+) in inventories	1.1	–1.1
Increase (-)/Decrease (+) in operating receivables	456.4	–271.2
Increase (+)/Decrease (-) in operating liabilities	–230.3	345.8
Cash flow from operating activities	**115.0**	**–13.0**
Investing activities		
Shareholders' contribution paid	–740.0	–180.0
Acquisition of subsidiaries	–	–28.0
Divestment of subsidiaries	22.9	0.1
Reduction of share capital and share premium reserve in subsidiaries	–	947.0
Dividends received	338.0	–
Acquisition of tangible fixed assets	–50.0	–156.9
Investments in financial assets	49.8	–416.5
Cash flow from investing activities	**–379.4**	**165.8**
Financing activities		
New share issue	0.8	–
Lending	–2,030.0	–180.0
Loans raised	2,688.0	12.0
Group contribution received	–	78.7
Group contribution paid	–	–50.0
Cash flow from financing activities	**658.8**	**–139.3**
Cash flow for the year	394.5	13.4
Liquid assets at the beginning of the year	204.6	191.1
Liquid assets at year-end	599.1	204.6
SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT		
Interest paid and dividends received		
Interest received	23.5	20.8
Interest paid	–23.1	–8.0
Adjustments for items not included in cash flow, etc.		
Depreciation and writedown of assets	59.1	76.7
Anticipated dividend from subsidiaries	–330.5	–
Reversal of writedown of securities	–2.2	–
Capital gain on the divestment of participations	5.1	–
Pension provisions	7.1	–0.1
	–261.3	**76.6**
Liquid assets		
Cash and bank balances	599.1	204.6

Unutilized credit facilities amount to SEK 50 M (50).

▶ VALUATION AND ACCOUNTING PRINCIPLES

The annual report and consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act, the Annual Accounts Act for Insurance Companies (SFS 1995:1560), and the regulations and guidelines issued by Finansinspektionen (Swedish Financial Supervisory Authority). The recommendations and statements made by the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force were also applied. The following recommendations of the Swedish Financial Accounting Standards Council were applied from 2003: RR 7 Cash-flow Accounting, RR 22 Presentation of Financial Statements, RR 24 Investment Property, RR 25 Segment Reporting, RR 26 Events after the Balance Sheet Date and RR 27 Financial Instruments.

The application of new recommendations from the Swedish Financial Accounting Standards Council has not had any effect on the company's earnings and shareholders' equity. On the other hand, the new recommendations imply additional supplementary disclosures.

Segment reporting

The Group's operations are broken down by business activity. Geographical division is not applied.

For the Insurance, Bank and Mutual Fund businesses, pricing between the different segments is based on market terms. Internal prices for service operations are based on the full costing method.

Consolidated accounts

The consolidated accounts cover Länsförsäkringar AB and those companies in which Länsförsäkringar AB directly or indirectly holds more than 50% of the voting rights. Holdings in associated companies in which the Group holds a minimum of 20% and a maximum of 50% of the voting rights or otherwise has significant influence over operational and financial control, are reported in accordance with the equity method. The consolidated accounts do not include life assurance operations conducted in accordance with mutual principles via Länsförsäkringar Liv Försäkringsaktiebolag (publ) and whose earnings accrue in their entirety to policyholders.

The consolidated accounts were prepared in accordance with the purchase method and Recommendation RR 1:00 of the Swedish Financial Accounting Standards Council. Untaxed reserves in the consolidated balance sheet were divided into deferred tax liabilities and restricted equity.

Foreign subsidiaries' income statements were translated at the average exchange rate, and balance sheets at the year-end exchange rate. The translation difference arising on comparison with opening shareholders' equity was charged directly against shareholders' equity.

Properties owned by the Humlegården HB and Utile Dulci HB associated companies were valued in the Group at their fair value.

Closely related companies

Group companies, companies within the Life Group, associated companies and the regional insurance companies are considered closely related legal entities.

Pricing of business operations is based on market terms. Commissions paid to the regional insurance companies from Länsförsäkringar Bank and Länsförsäkringar Fondförvaltning are shown in the note on net sales by business area (Note 42). Pricing of service operations with the Länsförsäkring Alliance is based on direct and indirect costs. A price list is prepared in conjunction with the budget process. In general, pricing aims to allocate costs fairly within the Group based on consumption. Joint development projects and service are collectively financed and invoiced according to a list. The extent of internal sales is shown in the note on Group operating expenses (Note 5) and the note on Parent Company net sales (Note 44). For a breakdown of the Life Group's transactions with closely related parties, refer to Länsförsäkringar Liv Försäkringsaktiebolag's annual report for 2003.

Assets, liabilities and profit/loss items in foreign currencies

Assets and liabilities in foreign currencies are translated at year-end rates. Any translation gains or losses that arise are reported net as currency gains/losses from financial operations. For Swedish companies, profit/loss items in foreign currencies were translated at current rates. Consequently, the income statement is affected by the point during the year at which profit/loss items are reported.

Goodwill

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

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 comprise development expenditure on internally developed and acquired software that is assessed to be of considerable economic value to operations in coming years. The amortization period is based on an estimated economic life that varies between three and 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 in the Group

Valuation

Investments are reported at fair value, with the exception of shares and participations in Group and associated companies. For listed securities, the most recent market price is used.

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 (or accrued acquisition cost in the case of bonds and other interest-bearing securities) and are reported in the income statement under investment income earned and investment income expenses, respectively. Unrealized changes in value are the difference between the fair 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, reported under shareholders' equity.

Reporting of business transactions

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

Buildings and land

Valuation of the property portfolio was conducted by an external assessor. The valuation was primarily based on a cash flow analysis covering a 10-year period and an estimated residual value at period-end computed from the present value. The analysis was supplemented by an assessment of local prices based on sales of equivalent properties during the year.

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 (private equity) and hedge funds. Valuation data is obtained from the various funds and valuation of their assets complies with the guidelines of the European Private Equity and Venture Capital Association.

Bonds and other interest-bearing securities

Capital gains/losses on bonds and other interest-bearing securities are calculated as the difference between the sales value and the accrued acquisition value. The accrued acquisition value is reported by periodizing the difference between the acquisition value and the redemption price across the income statement during the remaining duration. The change in the accrued acquisition value is reported net as interest income. Unrealized changes are the difference between fair value and accrued acquisition value.

Derivatives

Derivatives are valued at fair value.

Financial management risks

An account of market, interest rate, liquidity, credit and currency risks is provided in the Board of Directors' report.

Investment assets in the Parent Company

In the Parent Company, current investments are valued in accordance with the lowest value principle, i.e. the lower of acquisition cost and fair value on the balance sheet date.

Receivables

Receivables are valued at fair value.

Tangible assets

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

Prepaid acquisition costs

Selling expenses with a clear correlation to the underwriting of new insurance contracts are reported as assets under prepaid acquisition costs, and are depreciated during their 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, are considered to generate a margin that at least covers the acquisition costs that are to be capitalized. Selling expenses include commission, marketing costs, salary and costs for sales representatives, which vary according to the acquisition or renewal of insurance contracts and are directly or indirectly related to this. In non-life insurance operations, the capitalized expenditure is periodized in a manner corresponding to the periodization of unearned premiums. The depreciation period does not exceed twelve months.

Reserve for unrealized gains

Gains which occur as a result of the fair value exceeding the acquisition value are allocated to a reserve for unrealized gains, after deduction of deferred tax. The reserve is broken down by asset type in the Notes. The valuation of the reserve is based on a collective valuation by asset type for all investment assets except buildings and land, which are valued per individual property.

Group contribution and shareholders' contribution

Group contribution and shareholders' contribution are reported in accordance with statements issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholders' contribution is reported directly against non-restricted equity in the receiving company's accounts and is capitalized in shares and participations in the accounts of the company making the contribution, to the extent that writedown is not required.

Group contribution is reported according to its financial significance. This means that Group contribution paid to minimize the Group's total tax is reported directly against retained earnings after deduction for the current tax effect.

Untaxed reserves

Untaxed reserves occur only in the individual companies and not in the Group. In the consolidated accounts, 28% of untaxed reserves are reported as deferred tax liability and 72% as restricted equity.

Technical reserves

Technical reserves include a provision for unearned premiums and unexpired risks, a life assurance provision and a provision for outstanding claims. Technical reserves correspond to commitments in accordance with current insurance contracts.

Provision for unearned premiums and unexpired risks

The provision for unearned premiums is intended to cover the anticipated claims costs and operating expenses during the remaining term 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 assessed that the provision for unearned premiums is insufficient to cover the cost of claims and operating expenses pertaining to the remaining term of insurance contracts valid on the balance sheet date, a provision is made for unexpired risks to cover the difference.

Life assurance provision

The life assurance provision corresponds to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The provision is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity, overheads and loading for contingencies.

Calculation of the life assurance provision was based on a gross interest rate assumption in accordance with Finansinspektionen's Regulation FFFS 2003:9 regarding the maximum interest permissible for the calculation of life assurance provisions (3.0–3.5%).

Provision for outstanding claims

The provision for outstanding claims is to 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 covers 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 assessed individually.

With the exception of medical and accident insurance for children and claims annuities, provisions for outstanding claims are not discounted. Medical and accident insurance for children is discounted based on 4% real interest. The active component of these operations is delegated to the regional insurance companies. The provision for claims annuities is discounted in accordance with standard actuarial methods for life assurance.

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

Provision for other risks and expenses

A provision is reported in the balance sheet when the company has a commitment as a result of an event that has occurred and when it is probable that an outflow of resources will be required to settle the undertaking and a reliable estimate of the amount can be made.

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.

Within life assurance operations, premium income is reported on a cash basis.

Investment income transferred from financial operations

The non-life insurance operations have been allocated interest equal to half the premiums earned plus the average of the opening and closing provisions for outstanding claims for own account. The interest is risk-free interest and is set to equal the interest on a 60-day treasury bill. For technical reserves 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

Operating expenses in the insurance operations include the costs of acquiring insurance contracts, periodization of prepaid acquisition costs, and administration. Operating expenses for claims adjustment are reported under claims payments. Under investment income, revenues pertain to the operating surplus for buildings and land after deduction of property management costs. Operating expenses for financial management are reported under asset management costs.

Taxes

The Parent Company and the Group apply Recommendation RR9 Income taxes issued by the Swedish Financial Accounting Standards Council. Tax for the year comprises current tax and deferred tax. Taxes are reported in the income statement, except for when the underlying transaction is charged directly against shareholders' equity, in which case the associated tax effect is reported under shareholders' equity.

Current tax is tax that is due to be paid or received during the current year. This also includes 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 how these temporary differences are expected to be offset, using the tax rates and tax rules applied or announced on the closing date. Untaxed reserves including deferred tax liabilities are reported for legal entities. In the consolidated accounts, however, untaxed reserves are divided into deferred tax liabilities and restricted equity.

Deferred tax assets in tax-deductible temporary differences and loss carryforwards are only reported if they are likely to result in lower tax payments in the future.

Cash-flow statement

Cash-flow statements are 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 annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (SFS 1995:1559). The consolidated balance sheet includes assets and liabilities for the Bank Group, reported separately after Group eliminations on separate lines. For the items that follow, a more specific description of the Bank Group's accounting principles is provided.

Fixed assets and current assets

Fixed assets are classified as assets intended to be held permanently and continuously used in operations until they become obsolete, or over the long term. All other assets are classified as current assets.

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

Financial instruments

The bank's portfolio of bonds and other interest-bearing securities intended to be held until maturity are classified as fixed assets and

carried at accrued acquisition value. Bonds that are not intended to be held to maturity are classified as current assets and carried at fair value.

The fair value of the financial instrument on the balance sheet date corresponds to the most recent paid price.

The acquisition value of the instrument is defined as the accrued acquisition value, which means that any premium or discount on the price at the time of acquisition is distributed (according to the effective interest-rate method) over the remaining maturity.

Payments received and adjustments in the financial instrument's accrued acquisition value during the period are reported as interest income.

Unrealized and realized gains and losses on the financial instruments are reported as net income from financial transactions.

Hedge accounting

The bank uses interest-rate swaps to hedge certain loan receivables with established payment flows from interest-rate risks. Hedged and protected positions have been identified individually and show a high correlation during changes in value, which means that unrealized gains and losses on hedged positions are offset by unrealized losses and gains on protected positions.

The bank applies hedge accounting with acquisition valuation, which means that the hedged and protected positions are reported in the income statement and balance sheet without taking into account unrealized changes in value.

Lending

Loan receivables are initially reported in the balance sheet at their acquisition value, that is, in the amount lent to the borrower. Thereafter, loan receivables are reported continuously at their acquisition value after deductions for write-offs and specific and group provisions for loan losses.

All loan receivables are classified as fixed assets and are reported at the highest value expected to be received.

Lending is reported in the balance sheet after deductions for confirmed and probable loan losses. Confirmed loan losses during the year and allocations to provisions for probable loan losses, less recoveries and reversals on previous confirmed and probable loan losses, are reported as loan losses, net.

Confirmed loan losses are losses for which the amounts have been definitively established following distraints, schemes of arrangement, etc. Non-performing receivables are receivables for which interest payments, amortization or overdrafts are more than 60 days past due. A doubtful receivable is a non-performing receivable or a receivable for which payments are unlikely to be made in accordance with the terms of the claim, and for which the value of the collateral is not adequate to cover both the principal and accrued interest rates, including penalties for possible late payments.

As a provision for probable loan losses, the receivable is reported at an amount corresponding to the difference between its reported value and the amount expected to be recovered.

The bank applies either an individual or a group valuation of credits when deciding on a provision for probable loan losses. The group valuation is used for homogenous groups of loan receivables with similar credit risk. A standard provision is made, based on an assessment of a potential loss trend in the future. Group provisions of individually appraised loan receivables have not been deemed necessary.

Recovered funds for doubtful receivables on which provisions have been made are, in the first instance, settled against the principal and in the second, against the interest rate. Interest rates on doubtful receivables are reported according to the cash principle, which means they are not reported as income until payment has been received.

Leasing

The leasing operations of the Bank Group mainly comprise financial leasing. In reporting financial leasing transactions, the leasing item is reported as lending to the lessee. Lease payments net of amortization are reported as interest income.

Events after the balance sheet date

The consolidated and Parent Company income statements and balance sheets will be submitted to the Annual General Meeting for approval.

Amounts in SEK M unless otherwise stated

NOTE 1 PREMIUM INCOME, NON-LIFE INSURANCE OPERATIONS

	2003	2002
Direct insurance, Sweden	4,744.2	4,020.4
Accepted reinsurance	1,470.2	1,381.1
	6,214.4	**5,401.5**

NOTE 2 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS TO NON-LIFE INSURANCE OPERATIONS

	2003	2002
Investment income transferred	698.9	755.5
Interest rates		
Third-party liability insurance	4.83%	5.56%
Other Swedish liabilities	4.25%	5.26%
Liabilities in USD	1.75%	4.60%
Liabilities in GBP	3.88%	5.89%
Liabilities in EUR	3.25%	5.23%
Other foreign liabilities	2.96%	5.27%

The investment income transferred has been calculated on the basis of half the premiums earned after ceded reinsurance plus the average of the opening and closing provisions for outstanding claims after ceded reinsurance 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 UNDERWRITING REVENUES (AFTER CEDED REINSURANCE), NON-LIFE INSURANCE OPERATIONS

	2003	2002
Portfolio fees	18.6	–
Revenue attributable to repaid VAT	–	13.1
Interest on claims reserve	0.3	–
Dissolution of reserve for doubtful receivables	18.7	9.9
Elimination of negative goodwill	–	4.9
	37.6	**28.0**

NOTE 4 CLAIMS PAYMENTS, NON-LIFE INSURANCE OPERATIONS

	2003	2002
Claims paid	–2,504.6	–2,394.0
Operating expenses for claims adjustment	–264.6	–293.7
	–2,769.2	**–2,687.7**

NOTE 5 OPERATING EXPENSES, NON-LIFE INSURANCE OPERATIONS

Total operating expenses by type of expense	2003	2002
Personnel costs	–824.8	–836.8
Cost of premises	–178.3	–230.6
Depreciation	–131.4	–135.9
Other expenses [1]	27.6	0.4
	–1,106.9	**–1,203.0**

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NOTE 5 OPERATING EXPENSES, NON-LIFE INSURANCE OPERATIONS, *cont.*

Total operating expenses by function	2003	2002
Operating expenses for asset management	–23.4	–22.7
Operating expenses for property management	–1.4	–1.1
Operating expenses for claims adjustment	–264.6	–293.7
Operating expenses for acquisitions and administration	–817.5	–885.5
	–1,106.9	**–1,203.0**
Operating expenses		
Acquisition costs [2]	–506.2	–427.4
Change in prepaid acquisition costs	1.6	6.6
Administration expenses	–454.2	–649.2
Commissions and profit sharing – ceded reinsurance	141.3	184.5
	–817.5	**–885.5**
[1] Including service revenues, of which from related companies		
Life assurance Group	402.9	460.5
Regional insurance companies	479.0	401.4
[2] Of which, commissions on direct insurance	–205.8	–92.7

NOTE 6 OTHER UNDERWRITING EXPENSES (AFTER CEDED REINSURANCE), NON-LIFE INSURANCE OPERATIONS

	2003	2002
Other underwriting expenses	–0.1	–3.8

NOTE 7 PREMIUM INCOME (AFTER CEDED REINSURANCE), LIFE ASSURANCE OPERATIONS

	2003	2002
Premium income for group insurance underwritten in Sweden	0.7	0.3

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

NOTE 8 INVESTMENT INCOME EARNED, LIFE ASSURANCE OPERATIONS

	2003	2002
Capital gain, interest-bearing securities	–	0.1
Interest income		
Bonds and other interest-bearing securities	1.7	0.8
Other interest income	0.1	0.2
	1.8	**1.1**

NOTE 9 OPERATING EXPENSES, LIFE ASSURANCE OPERATIONS

	2003	2002
Total operating expenses by type of expense		
Cost of premises	0.0	–
Other expenses	–3.0	–1.2
	–3.0	**–1.2**
Total operating expenses by function		
Operating expenses for asset management	–0.1	0.0
Operating expenses for claims adjustment	–1.0	–0.1
Operating expenses for acquisitions and administration	–1.9	–1.0
	–3.0	**–1.2**

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NOTE 9 OPERATING EXPENSES, LIFE ASSURANCE OPERATIONS, *cont.*

	2003	2002
Operating expenses		
Administration expenses	–1.4	–1.7
Commissions and profit sharing – ceded reinsurance	–0.5	0.7
	–1.9	**–1.0**

NOTE 10 INVESTMENT INCOME, EXPENSES, LIFE ASSURANCE OPERATIONS

	2003	2002
Asset management costs	–0.1	0.0
Interest expense, bonds and other interest-bearing securities	0.0	0.0
Capital loss, net		
Shares and participations	–	–0.1
Interest-bearing securities	0.0	–
	–0.1	**–0.2**

NOTE 11 INVESTMENT INCOME, EARNED

	2003	2002
Operating surplus, buildings and land		
Rental income	4.4	12.0
Operating expenses	–2.1	–8.3
	2.3	**3.6**
Dividends on shares and participations	127.1	87.7
Interest income, etc.		
Bonds and other interest-bearing securities	421.7	477.4
Other interest income	221.4	214.4
Reversed writedowns		
Shares and participations	2.1	–
Capital gains, net		
Shares and participations	131.2	–
Bonds and other interest-bearing securities	–	34.9
Other investment assets	116.9	–
Divestment of asset management operations	–	1,035.9
Investment income, earned	**1,022.6**	**1,854.0**

NOTE 12 UNREALIZED GAINS/LOSSES ON INVESTMENT ASSETS

	Unrealized gains		Unrealized losses	
	2003	2002	2003	2002
Buildings and land	–	86.2	–33.2	–
Shares and participations	507.3	–	–	–486.1
Bonds and other interest-bearing securities	–	275.2	–177.1	–
Interest rate derivatives	184.4	–	–	–129.3
	691.7	**361.5**	**–210.3**	**–615.4**

NOTE 13 INVESTMENT INCOME, EXPENSES

	2003	2002
Asset management costs	–91.8	–94.7
Interest expense, etc.		
Bonds and other interest-bearing securities	–75.3	–75.7
Other interest expense	–172.4	–71.0
Exchange losses, net	–190.7	–117.4
Depreciation and writedowns		
Shares and participations	–6.4	–
Capital losses, net		
Shares and participations	–	–439.9
Bonds and interest-bearing securities	–69.9	–
Investment income, expenses	**–606.4**	**–798.8**

NOTE 14 OTHER NON-TECHNICAL REVENUES AND EXPENSES

	2003	2002
Other revenues, Wasa Sak	–	1.0
Expenses related to brand extension	–88.4	–88.7
Other expenses, Länsförsäkringar Sak	–18.5	–
Other expenses, Länsförsäkringar AB	–	–37.1
Other expenses, Agria	–1.4	–2.1
Other expenses, Run-Off Group	–	–0.5
	–108.3	**–127.4**

NOTE 15 OPERATIONS BEING PHASED OUT

Until May 2002, Länsförsäkringar Kapitalförvaltning AB managed investment assets on behalf of the Länsförsäkringar AB Group and customers outside the Länsförsäkring Alliance. In June 2002, asset management operations were transferred to ABN AMRO and asset management operations at Länsförsäkringar Kapitalförvaltning AB were phased out. At year-end 2003, there were no employees remaining.

NOTE 16 INCOME FROM BANKING OPERATIONS

	2003	2002
Interest income	1,607.1	1,143.2
Interest expense	–906.4	–605.4
Net interest income	700.7	537.8
Commission revenue	111.3	85.1
Commission expense	–83.1	–57.5
Net income from financial transactions	–0.4	–0.2
Other operating revenues	93.7	73.8
Total operating revenues	**822.2**	**639.0**
General administration expenses	–650.2	–563.9
Depreciation/amortization and writedowns of tangible and intangible fixed assets	–57.7	–46.3
Other operating expenses	–28.5	–30.9
Total expenses before loan losses	**–736.4**	**–641.1**
Income before loan losses	85.8	–2.1
Loan losses, net	–38.9	–13.2
Income from Wasa Garanti	18.0	24.4
Income from banking operations	**64.9**	**9.1**

NOTE 17 TAX ON INCOME FOR THE YEAR

	2003	2002
Current tax		
Tax expense for the period	0.6	0.0
Adjustment of tax expense pertaining to prior years	–	0.1
Total current tax	**0.6**	**0.1**
Deferred tax		
Change in deferred tax expense pertaining to temporary differences	–65.5	–0.2
Change in deferred tax revenue/cost of tax value in loss carryforwards capitalized during the year	–113.3	–35.8
Total reported tax expense	**–178.2**	**–35.9**

Of the tax expense, SEK 0.1 M (8.4) pertains to operations that have been phased out.

Reconciliation of effective tax rate		
Result before tax	750.2	34.1
Tax at applicable rate for Parent Company	–210.1	–9.5
Effect of other tax rates for foreign subsidiaries	0.3	6.5
Amortization of consolidated goodwill	–4.3	–1.5
Non-tax-deductible costs	–293.2	–309.4
Non-tax-deductible revenue	314.1	267.1
Increase in loss carryforwards without corresponding capitalization of deferred tax	–3.5	–4.5
Utilization of non-capitalized loss carryforwards	22.1	2.7
Tax pertaining to prior years	–8.4	0.0
Other	4.8	12.5
Total tax on result for the year	**–178.2**	**–35.9**
Applicable tax rate, %	28%	28%
Effective tax rate, %	24%	105%

No tax items have been charged directly against shareholders' equity

NOTE 18 GOODWILL

	Dec 31, 2003	Dec 31, 2002
Acquisition value		
Opening balance	184.1	184.1
Change during the year	0.0	–
Closing acquisition value	184.1	184.1
Accumulated amortization		
Opening balance	–168.9	–177.0
Writedown of negative goodwill	–	13.4
Amortization during the year	–15.2	–5.3
Closing accumulated amortization	–184.1	–168.9
Residual value according to plan	**–**	**15.2**

NOTE 19 OTHER INTANGIBLE ASSETS

Capitalized expenditure pertaining to the internal development and acquisition of computer systems

	Internally developed	Acquired	Total
Opening acquisition value	267.6	7.0	274.6
Disposals	–66.1	–	–66.1
Acquisitions during the year	117.6	10.2	127.8
Closing accumulated acquisition values	319.0	17.2	336.2
Opening accumulated amortization	–145.7	–	–145.7
Accumulated amortization, disposals	66.1	–	66.1
Amortization during the year	–15.0	–1.7	–16.7
Closing amortization	**–94.6**	**–1.7**	**–96.3**
Closing residual value according to plan	**224.5**	**15.5**	**239.9**

NOTE 20 BUILDINGS AND LAND

	Apartment buildings	Leisure homes	Total
Number	6	6	12
Acquisition value, SEK M	29.3	4.7	34.0
Fair value, SEK M	197.0	5.4	202.4
Fair value, SEK/m^2	15,066		
Floor space vacancy rate, %	0.0		
Direct yield, %	2.1		
Value for taxation purposes, SEK M	152.3	3.7	156.0

Direct yield is calculated as net operating income for the properties owned at year-end 2003 in relation to the fair value as per the balance sheet date.

Geographical distribution
All residential properties are located in the municipality of Stockholm. The properties are owned by Länsförsäkringar Sak and Agria.

Valuation methods
The property portfolio was valued by an external assessor. The valuation was based on a cash flow analysis covering a 10-year period and an estimated residual value at period-end computed from the present value. The analysis was supplemented by an assessment of local prices based on sales of equivalent properties during the year.

The yield requirement applied is approximately 3.4% for residential properties.

Risk exposure
An increase of 2% in the yield requirement has a negative impact of SEK 76 M on the value of the properties. A reduction of 2% has a positive impact of SEK 297 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 the operations of the Länsförsäkringar AB Group.

NOTE 21 SHARES AND PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

All shares are unlisted.

Company name	Corporate registration number	Head office	Number of shares	Proportion of equity, %	Book value Dec 31, 2003	Book value Dec 31, 2002
Group companies						
Länsförsäkringar Liv AB (publ)	516401-6627	Stockholm	8,000	100	**452.0**	**452.0**
Associated companies						
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	204,888	28.5	720.7	673.1
Utile Dulci 2 HB	916601-0067	Stockholm	1,960	12.5	396.1	396.1
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	13.7	12.8
Eureko Property Captive	B61147	Luxemburg	5,000	16.7	1.9	1.9
European Alliance Partners Company AG	CH-0203026423-1	Zürich	10,570	14.3	7.4	7.4
Neuroprevention Scandinavian AB	556609-0162	Stockholm	150	12.0	3.0	–
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.2	0.2
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	50.0	5.0	5.0
Total associated companies					**1,148.2**	**1,096.6**

NOTE 22 BONDS AND OTHER INTEREST-BEARING SECURITIES

December 31	Accrued acquisition value 2003	Market value 2003	Accrued acquisition value 2002	Market value 2002
Listed bonds and other interest-bearing securities				
Issued by the Swedish government	3,126.7	3,155.2	3,185.8	3,246.8
Swedish mortgage institutions	2,210.6	2,232.8	2,132.7	2,169.6
Other Swedish issuers	263.9	278.1	411.4	432.0
	5,601.2	**5,666.2**	**5,729.9**	**5,848.5**
Foreign governments	3,992.8	3,689.4	4,174.6	4,215.2
Other foreign issuers	1,019.2	939.3	919.1	912.8
	5,012.0	**4,628.6**	**5,093.6**	**5,128.0**
Listed interest-bearing securities	10,613.2	10,294.8	10,823.6	10,976.5
Unlisted bonds and other interest-bearing securities				
Issued by other Swedish issuers	46.0	46.5	43.1	43.9
Total bonds and other interest-bearing securities	**10,659.2**	**10,341.4**	**10,866.7**	**11,020.4**

NOTE 23 DERIVATIVES

December 31	Interest-rate derivatives fair value 2003	Interest-rate derivatives nominal amount 2003	Exchange-rate derivatives fair value 2002	Exchange-rate derivatives nominal amount 2002
Derivative instruments with positive values				
Swaps	55.0	4,850.4		
Futures			532.1	13,557.4
	55.0	**4,850.4**	**532.1**	**13,557.4**
Derivative instruments with negative values				
Futures	0.1	484.7	202.4	13,219.3
of which, cleared	0.1	484.7		

December 31	Equity derivatives real value 2003	Equity derivatives nominal value 2003	Total real value 2002	Total nominal value 2002
Derivative instruments with positive values				
Swaps			55.0	4,850.4
Futures			532.1	13,557.4
	–	–	**587.1**	**18,407.8**
Derivative instruments with negative values				
Futures	0.2	596.3	202.7	14,300.3
of which, cleared			0.1	484.7

NOTE 24 ASSETS IN THE BANK GROUP

	Dec 31, 2003	Dec 31, 2002
Cash and central bank account balances	75.1	68.8
Lending to credit institutions	602.1	1,408.0
Lending to the public	30,043.7	19,861.3
Shares and participations	1,243.1	499.2
Bonds and other interest-bearing securities	3.8	0.5
Intangible assets	77.7	108.5
Tangible assets	25.6	29.8
Other assets	233.9	227.0
Assets in Wasa Garanti	0.0	12.2
Prepaid expenses and accrued income	97.0	77.9
	32,402.0	**22,293.1**

NOTE 25 RECEIVABLES PERTAINING TO DIRECT INSURANCE

	Dec 31, 2003	Dec 31, 2002
Receivables from policyholders	800.7	689.4
Receivables from insurance brokers	1.8	1.4
Receivables from regional insurance companies	0.9	0.2
Receivables from other insurance companies	73.8	73.2
	877.1	**764.1**

NOTE 26 RECEIVABLES PERTAINING TO REINSURANCE

	Dec 31, 2003	Dec 31, 2002
Receivables from regional insurance companies	212.8	66.0
Other receivables	442.5	445.0
	655.3	**511.0**

NOTE 27 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities may be classified as follows:

	Assets		Liabilities		Net	
December 31	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Intangible assets	0.0	–0.3			0.0	–0.3
Buildings and land			217.4	225.7	217.4	225.7
Other financial investment assets		0.0	321.3	315.2	321.3	315.2
Receivables			19.8		19.8	
Other assets	–12.2	–9.1	0.5	1.4	–11.7	–7.7
Liabilities	–19.6	–26.6			–19.6	–26.6
Utilization of loss carryforwards	–418.1	–543.4			–418.1	–543.4
Untaxed reserves			504.7	472.2	504.7	472.2
Deferred tax assets (-) /deferred tax liability (+)	**–449.8**	**–579.5**	**1,063.6**	**1,014.5**	**613.8**	**435.1**
Offset	342.2	317.4	–342.2	–317.4		
Net deferred tax assets (-) /deferred tax liability (+)	**–107.6**	**–262.0**	**721.5**	**697.1**	**613.8**	**435.1**

The Parent Company and Group have no temporary differences with a tax effect on Group and associated companies.

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NOTE 27 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES, *cont.*

Deferred tax assets not reported

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

	Dec 31, 2003	Dec 31, 2002
Tax losses carried forward	633.7	649.2

Change in deferred tax in temporary differences and loss carryforwards

	Amount at beginning of the year	Reported in income statement	Amount at year-end
Intangible assets	–0.3	0.4	0.0
Buildings and land	225.7	–8.4	217.4
Other financial investments assets	315.2	6.1	321.3
Receivables		19.8	19.8
Other assets	–7.7	–4.0	–11.7
Liabilities	–26.6	7.0	–19.6
Utilization of loss carryforwards	–543.4	125.3	–418.1
Untaxed reserves	472.2	32.4	504.7
Deferred tax assets (-)/tax liability (+)	435.1	178.8	613.8

NOTE 28 OTHER RECEIVABLES FROM AFFILIATED COMPANIES

	Dec 31, 2003	Dec 31, 2002
Regional insurance companies	24.3	121.4
Länsförsäkringar Liv Group	111.2	225.9
	135.5	**347.2**

NOTE 29 TANGIBLE ASSETS AND INVENTORIES

	Dec 31, 2003	Dec 31, 2002
Opening acquisition value	550.6	499.3
Exchange rate fluctuations	–	–0.3
Acquisitions during the year	67.9	72.6
Acquisition value of equipment sold or scrapped	–46.8	–14.9
Closing accumulated acquisition value	**571.7**	**556.8**
Opening accumulated depreciation	–434.1	–346.1
Exchange rate fluctuations	–	0.2
Accumulated depreciation on acquisitions	–0.7	–
Accumulated depreciation on sold equipment	42.9	11.6
Depreciation for the year	–58.4	–98.5
Closing depreciation	**–450.4**	**–432.7**
Closing residual value according to plan	121.4	124.1
Inventory of advertising items and printed materials	8.2	9.3
Tangible assets and inventories	**129.5**	**133.4**

Leasing charges

Financial leasing

Assets held through financial leasing contracts are reported as tangible assets in the Group.

Opening acquisition value	17.8	–
Acquisition value for the year	2.1	17.8
Depreciation for the year	–7.1	–6.1
Leasing expense for the year	**–9.2**	**–6.3**

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NOTE 29 TANGIBLE ASSETS AND INVENTORIES, *cont.*

	Dec 31, 2003	Dec 31, 2002
Future payment commitments in the Group		
Within one year	4.8	7.5
Within one to five years	2.4	4.9
Later than five years	–	–
Operational leasing		
Payment commitments pertaining to rent		
Within one year	138.6	141.0
Within one to five years	140.6	557.9
Later than five years	277.2	415.7
External rental expense in the Parent Company	**161.6**	**175.2**

NOTE 30 PREPAID ACQUISITION COSTS

	Dec 31, 2003	Dec 31, 2002
Opening prepaid acquisition costs	51.8	44.7
Provision for the year	53.5	51.8
Depreciation for the year	–51.8	–44.7
Closing prepaid acquisition costs	**53.5**	**51.8**

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

NOTE 31 SHAREHOLDERS' EQUITY

Restricted reserves
Restricted reserves may not be reduced through profit distribution.

Statutory reserve
The statutory reserve is intended for saving a portion of the net profit which is not used to cover losses carried forward.

Share premium reserve
When shares are issued at a premium, i.e. at a price above their par value, an amount corresponding to the amount received above the par value of the shares is to be transferred to the share premium reserve.

Non-restricted equity

Profit/loss brought forward
Consists of the non-restricted equity from the preceding year after transfer to the statutory reserve and payment of dividends. The profit brought forward and the net profit for the year jointly make up the total non-restricted equity, i.e. the amount that is available for distribution to the shareholders.

NOTE 32 RESERVE FOR UNREALIZED GAINS

	Dec 31, 2003	Dec 31, 2002
Shares and participations	52.9	4.4
Interest-bearing investments	–	0.3
	52.9	**4.6**

NOTE 33 SUBORDINATED DEBT

The terms of the debenture loans from the regional insurance companies are fixed until December 15, 2006. The interest on the loans corresponds to the interest on treasury bills with a corresponding maturity, plus 0.65%. During the year, the interest rate was fixed at 5.63%.

NOTE 34 UNEARNED PREMIUMS AND UNEXPIRED RISKS

	Dec 31, 2003	Dec 31, 2002
Opening balance	1,673.5	1,560.7
Exchange rate fluctuations	–0.1	30.5
Transfer of portfolio	–0.1	–33.2
Change for the year	193.8	115.5
	1,867.1	**1,673.5**

NOTE 35 OUTSTANDING CLAIMS

	Claims incurred and reported	Claims incurred, not reported	Claims adjustment costs	Total 2003	Total 2002
Opening balance	13,707.8	1,768.3	318.2	15,794.3	15,286.8
Transfer of portfolio	1.3	–22.5	–	–21.2	56.4
Exchange rate fluctuations	–59.2	–66.4	0.0	–125.5	–118.6
Change for the year	541.2	–96.7	216.3	660.8	569.7
	14,191.1	**1,582.8**	**534.5**	**16,308.4**	**15,794.3**

NOTE 36 LIABILITIES IN THE BANK GROUP

	Dec 31, 2003	Dec 31, 2002
Liabilities to credit institutions	1,357.0	266.8
Deposits and borrowing from the public	17,012.8	14,736.0
Issued securities	9,120.1	3,705.5
Liabilities, Wasa Garanti	5.4	5.4
Other liabilities	224.8	221.4
Accrued expenses and prepaid income	459.1	268.0
Provisions	4.3	–
	28,183.5	**19,203.0**

NOTE 37 LIABILITIES PERTAINING TO DIRECT INSURANCE

	Dec 31, 2003	Dec 31, 2002
Liabilities to policyholders	50.7	35.1
Liabilities to insurance brokers	4.7	5.4
Liabilities to regional insurance companies	–	1.8
Liabilities to other insurance companies	215.1	47.6
	270.5	**89.8**

NOTE 38 LIABILITIES PERTAINING TO REINSURANCE

	Dec 31, 2003	Dec 31, 2002
Liabilities to regional insurance companies	326.6	159.1
Other	197.9	237.5
	524.5	**396.6**

NOTE 39 BOND LOANS

	Dec 31, 2003	Dec 31, 2002
Bond loans	2,688.0	–

The loan, which is listed on the Luxembourg exchange, is for EUR 300 M and carries a fixed rate of interest at 4.625%. The loan matures on December 15, 2008. The entire exchange rate exposure is hedged.

NOTE 40 OTHER LIABILITIES TO RELATED COMPANIES

	Dec 31, 2003	Dec 31, 2002
Liabilities to the Länsförsäkringar Liv Group	1,178.1	3,023.0
Liabilities to regional insurance companies	4.4	50.7
	1,182.5	**3,073.7**

NOTE 41 MEMORANDUM ITEMS

	Dec 31, 2003	Dec 31, 2002
Pledged assets		
Mortgages on company-owned property, nominal value	–	1.6
Total registered investment assets on policyholders' account	16,000.4	14,758.2
of which pertain to preferential commitments	(2,419.7)	(2,581.6)
Bonds	523.3	514.5
Shares	5.0	–
Bank balances	63.3	31.5
	16,592.0	**15,305.7**
Contingent liabilities		
Guarantees	27.3	24.0
Credit guarantee for staff loans	1.0	1.6
Surety	12.0	7.8
Partnership in Länsförsäkringsbolagens Fastighets HB Humlegården	2,487.6	2,641.2
Partnership in Utile Dulci 2 HB	1,113.4	1,035.5
Other contingent liabilities	1.8	6.5
	3,643.1	**3,716.7**

NOTE 41 MEMORANDUM ITEMS

	Dec 31, 2003	Dec 31, 2002
Other commitments, banking operations		
Loans and credit approved but not provided	1,144.1	1,202.2
Exchange rate contracts	1,725.6	–
Interest rate swaps	5,600.0	1,700.0
	8,469.7	**2,902.2**

Premature cancellation of the contract with ABN AMRO or failure to renew the contract after ten years for a further five years could, in some cases, render Länsförsäkringar Sak liable to repay the entire consideration 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 of the contract, primarily by Länsförsäkringar Sak. However, given the nature of the contract and the parties' common interest in long-term cooperation, as well as the grounds for cancellation as such, the likelihood of premature cancellation is considered to be negligible.

NOTE 42 NET SALES BY BUSINESS SEGMENT

	2003	Percentage of total sales	2002	Percentage of total sales
Net sales by business segment				
Insurance	6,407.8	72%	5,609.0	60%
Bank and Mutual Funds	1,146.0	13%	958.3	10%
Other	1,241.3	15%	1,633.8	30%
Total	8,795.0	100%	8,201.1	100%
Elimination	–567.5		–989.4	
Group total	**8,227.5**		**7,211.7**	

Net sales for the Insurance business area are defined as premium income after ceded reinsurance and service revenues from insurance operations. For Mutual Funds, net sales are defined as fund management revenues. For the Bank business area, net sales are defined as operating revenues (net interest income, net commission income and other revenues). For Other, net sales are defined as revenues from services. Commission to the regional insurance companies from banking and mutual fund operations less compensation for costs amounts to SEK 154.7 M (119.8). The corresponding amount paid to the Länsförsäkringar Liv Group amounts to SEK 91.2 M (97.4).

Information about business segments (primary segment)

	Insurance		Bank and Mutual Funds		Other		Eliminations		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenues										
External sales	6,268.2	5,506.0	1,128.7	944.0	830.6	761.7	–	–	8,227.5	7,211.7
Internal sales	139.5	103.1	17.3	14.3	410.7	872.0	–567.5	–989.4	–	–
Total revenues	**6,407.8**	**5,609.0**	**1,146.0**	**958.3**	**1,241.3**	**1,633.8**	**–567.5**	**–989.4**	**8,227.5**	**7,211.7**
Technical result, life assurance operations	1.7	–53.8	–	–	–	–	–3.5	2.2	–1.8	–51.6
Technical result, non-life insurance operations	558.9	111.4	–	–	–	–	27.4	–0.6	586.3	110.8
Investment income, gross	862.9	819.3	–	–	324.3	–8.6	–289.6	18.4	897.6	829.2
Investment income transferred to non-life insurance operations	–698.9	–755.5	–	–	–	–	–	–	–698.9	–755.5
Goodwill amortization	0.0	42.2	–15.2	–47.5	–	–	–	–	–15.2	–5.3
Other expenses	–1.4	–38.7	–	–	–106.9	–88.7	–	–	–108.3	–127.4
Operating income before tax	738.0	155.6	86.1	35.2	202.5	–127.9	–276.4	–28.8	750.2	34.1
Minority interest	3.7	4.2	–	–	–	–	–	–	3.7	4.2
Net profit/loss for the year	**572.1**	**103.8**	**60.7**	**31.2**	**235.7**	**–101.4**	**–292.7**	**–31.2**	**575.8**	**2.3**

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NOTE 42 NET SALES BY BUSINESS AREA, *cont.*

	Insurance		Bank and Mutual Funds		Other		Eliminations		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Other disclosures										
Assets	25,131.0	24,189.0	32,500.6	22,394.1	4,585.1	2,333.5	–3,266.6	–1,482.9	58,950.0	47,433.7
Share of equity	3.1	2.8	–	–	–	–	–	–	3.1	2.8
Liabilities	1,736.0	1,899.9	30,475.1	21,105.3	3,355.9	1,024.3	–2,977.9	–1,481.0	32,589.0	22,548.6
Investment in tangible assets	15.2	8.0	25.6	29.8	106.1	116.1	–	–	147.0	153.8
Investment in intangible assets	199.0	117.7	96.3	119.7	–	–	–	–	295.3	237.4
Depreciation for the year	70.0	79.7	60.3	46.8	61.3	56.2	–	–	191.7	182.7
Other items not affecting liquidity, revenues (-)/expenses (+)	804.0	1,195.0	–21.2	–0.1	17.0	36.5	–	–	799.8	1,231.4

The Group's operations are primarily divided into business areas. No geographical division is applied since most operations are conducted in Sweden. The Insurance business area covers non-life insurance and life assurance operations and related asset management, in addition to services provided for the regional insurance companies. The business area also includes internal and external reinsurance for the Länsförsäkring Alliance and the phasing out of international reinsurance ceded previously. The Bank and Mutual Funds business area conducts deposit and lending operations and administers mutual funds. Other Operations includes service provision and asset management services within the Parent Company, IT Center and Dator- och Systemservice.

Division of net sales

Group	2003	2002
Net sales by significant type of revenue		
Premium income after ceded reinsurance	6,214.4	5,401.5
Management revenues, Mutual Funds	305.1	304.4
Net interest income, Bank	822.2	639.0
Service revenues	885.9	866.9
Total external sales	**8,227.5**	**7,211.7**
Parent Company		
Net sales by significant type of revenue		
Service revenues	303.2	343.3
Leasing of premises and equipment	53.9	49.6
Total external sales	357.1	392.9
Internal sales	402.7	461.2
Total revenues	**759.8**	**854.1**

NOTE 43 PERSONNEL, SALARIES AND REMUNERATION IN THE GROUP AND AUDITORS' FEES

Average number of employees by workplace and country:

Salaried employees	2003 Men	2002 Men	2003 Women	2002 Women	2003 Total	2002 Total
Parent Company						
Sweden	95	119	110	127	205	246
Subsidiaries						
Sweden	475	531	518	568	993	1,099
UK		5		5		10
US		2				2
Total	**570**	**657**	**628**	**700**	**1,198**	**1,357**

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NOTE 43 PERSONNEL, SALARIES AND REMUNERATION IN THE GROUP AND AUDITORS' FEES, *cont.*

Salaries, remuneration and social security costs paid:

	Board, MD and Deputy MDs		Salaried employees		Total	
	2003	2002	2003	2002	2003	2002
Parent Company						
Sweden						
Salaries and remuneration	5.3	7.8	105.1	114.4	110.3	122.1
Social security costs	4.6	7.1	64.7	82.4	69.3	89.5
of which, pension contributions	2.3	3.6	23.3	43.4	25.6	47.0
	9.9	**14.9**	**169.8**	**196.8**	**179.7**	**211.6**
Subsidiaries						
Sweden						
Salaries and remuneration	22.5	26.8	417.5	510.0	440.0	536.8
Social security costs	15.9	40.1	305.0	335.9	320.9	375.9
of which, pension contributions	7.0	25.4	133.3	132.4	140.2	157.8
UK						
Salaries and remuneration		1.9		8.1		10.1
Social security costs		0.3		1.1		1.4
of which, pension contributions		0.1		0.5		0.7
US						
Salaries and remuneration		–		15.8		15.8
Social security costs		–		1.2		1.2
of which, pension contributions		–		–		–
	38.4	**69.1**	**722.6**	**872.1**	**760.9**	**941.2**
Total, Group	**48.3**	**84.0**	**892.4**	**1,068.9**	**940.6**	**1,152.8**

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NOTE 43 PERSONNEL, SALARIES AND REMUNERATION IN THE GROUP AND AUDITORS' FEES, *cont.*

Gender distribution in corporate management

	2003 Group	2003 Parent Company
Management, women	34.4%	27.3%
Board of Directors, women	18.6%	25.0%

Absence due to sickness in the Parent Company, July-December 2003

Total absence due to sickness as a percentage of regular working hours	5.4%
Absence for a continuous period of 60 days or more as a percentage of total absence due to sickness	66.9%

Absence due to sickness as a percentage of regular working hours, by age and gender

Absence due to sickness, by gender	
Men	5.0%
Women	5.7%

Absence due to sickness, by age category	
29 years or younger	7.3%
30–49 years	2.9%
50 years or older	8.9%

Remuneration to senior executives

Directors' fees are payable to the Chairman and members of the Board in accordance with the decision of the Annual General Meeting. No fees are payable to employee representatives.

Remuneration to the Managing Director and other senior executives comprises basic salary, variable remuneration, other benefits and pension. Other senior executives refer to the other members of the Group management besides the Managing Director. Only the five senior executives who receive salary from the Parent Company are reported here, with the remaining members reported in those companies in which they are employed.

According to policy, the maximum variable remuneration payable is equivalent to two months' salary at the Group management level and one month's salary at the level below.

Retirement benefits and other benefits for the Managing Director and other senior executives are included in total remuneration.

Remuneration and other benefits in 2003

	Basic salary	Variable remuneration	Other benefits	Pension expense	Total
Managing Director	3,430.5	227.4	72.4	2,306.6	6,036.9
Board Chairman	455.7	–	–	–	455.7
Board members	1,169.5	–	–	–	1,169.5
Other senior executives	6,736.7	1,122.2	344.3	3,222.1	11,425.2
	11,792.4	**1,349.6**	**416.7**	**5,528.7**	**19,087.3**

Variable remuneration for the 2003 financial year comprises actually paid bonuses. Other benefits include company car, subsidized lunches and beneficial interest. The pension expense pertains to the cost that has been charged against earnings for the year. The Group mainly has defined-contribution pension plans.

Variable remuneration

Variable remuneration paid to the Managing Director and other senior executives in 2002 was based on:
Achieved Goals in accordance with the Business Plan
Satisfied Employee Index
Management Index
Other individual goals

Pensions

The retirement age for the Managing Director is 60 years. Between the ages of 60 and 65, pension is to correspond to 75% of pensionable salary. This portion is secured through pension provisions. Alternatively, the Managing Director may retire from the age of 55, in which case the current pension will correspond to approximately 50% of final salary. Pension payable from the age of 65 is entirely contribution-defined, with the pension premium corresponding to 29% of pensionable salary. Pensionable salary is defined as basic salary plus the average variable remuneration paid over the past three years.

For other senior executives, the retirement age varies between 60 and 65. Retirement pension between the ages of 60 and 65 is contribution-defined and corresponds to approximately 70% of pensionable salary. Pension payable from the age of 65 is in accordance with pension agreements with FAO (the insurance sector's employers' organization) and FTF (Union of Insurance Employees).

Severance pay

Termination of employment by the company entitles the Managing Director, Deputy Managing Directors and senior executives in the management group to two years' salary. Termination of employment by the employee is subject to a period of notice of three months and no severance pay is payable.

Auditors' fees

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

	Group		Parent Company	
	2003	2002	2003	2002
KPMG				
– audit assignments	4.5	3.0	1.2	0.7
– other assignments	2.7	5.7	2.0	5.1
Deloitte & Touche				
– other assignments	0.7	–	–	–
Ernst & Young				
– audit assignments	0.5	0.3	0.1	0.1
– other assignments	–	0.1	–	–

NOTE 44 NET SALES

Parent Company sales comprise service revenues and rental income for premises and equipment leased to companies within the Länsförsäkring Alliance. The company's sales are reported under other. Of the company's sales, 53% (54) derive from companies within the Group, 30% (32) from the Länsförsäkringar Liv Group and 17% (14) from the regional insurance companies.

NOTE 45 EXTERNAL COSTS

	2003	2002
Cost of premises	–189.4	–206.6
Marketing	–166.1	–187.5
Consultants	–78.7	–96.8
IT costs	–47.0	–66.5
Printed matter, telephony and postage	–49.9	–56.2
Other	–129.7	–110.1
	–660.8	**–723.7**

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 161.6 M (175.2) and leasing revenues to SEK 124.0 M (116.1).

The company has no assets held under operational leases.

Marketing costs include SEK 88.3 M (88.6) paid to the regional insurance companies for marketing activities focusing on brand extension.

NOTE 46 INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

	2003	2002
Writedowns	–5.0	–13.0
Dividend	330.5	–
Capital gain on the divestment of participations	–5.1	–
	320.3	**–13.0**

NOTE 47 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2003	2002
Interest income, Group companies	12.6	5.3
Interest income, other	9.1	16.4
Capital gain on interest-bearing securities	1.8	11.4
Other	3.5	–
	27.0	**33.1**

NOTE 48 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2003	2002
Interest expense Group companies	–9.6	–
Interest expense, debenture loans	–7.8	–8.3
Interest expense, other	–7.1	–
Unrealized loss on current investments	–	–7.5
Other	–3.7	–
	–28.3	**–15.8**

NOTE 49 TAX ON INCOME FOR THE YEAR

	2003	2002
Current tax revenue		
Tax revenue for the period	37.7	8.0
Deferred tax expense (-)/tax revenue(+)		
Deferred tax pertaining to temporary differences	–3.4	13.7
Deferred tax revenue in tax value in loss carryforwards capitalized during the year	12.8	15.8
Total reported tax revenue	**47.1**	**37.4**
Reconciliation of effective tax		
Reported result before tax	153.5	–161.9
Tax at applicable tax rate	–43.0	45.3
Non-tax-deductible costs	–2.5	–7.9
Non-tax-deductible revenue	92.5	–
Reported effective tax	**47.1**	**37.4**
Current tax rate	28,%	28,%
Effective tax rate	31,%	23,%
Tax items charged directly against shareholders' equity		
Current tax on Group contribution received	37.7	8.0

NOTE 50 EQUIPMENT

Accumulated acquisition values	**Dec 31, 2003**	**Dec 31, 2002**
At the beginning of the year	507.5	3.5
Acquisitions from Group companies	–	447.3
New acquisitions	50.0	56.7
	557.5	**507.5**
Accumulated depreciation according to plan		
At the beginning of the year	–403.3	–
Acquisitions from Group companies	–	–347.1
The year's depreciation according to plan	–54.1	–56.2
	–457.4	**–403.3**
Reported value at year-end	**100.1**	**104.3**

Equipment includes SEK 4.1 M (4.2) representing works of art that are not depreciated.

Länsförsäkringar AB leases equipment to Group companies. The book value of leased equipment amounts to SEK 33.8 M (52.5) and rental income was SEK 27.5 M (37.8). The rental income corresponds to the depreciation of the leased equipment.

NOTE 51 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Accumulated acquisition values	Dec 31, 2003	Dec 31, 2002
At the beginning of the year	8,010.1	6,739.4
Purchases	–	28.0
Shareholders' contribution	740.0	180.0
Divestments	–28.0	–0.1
Repayment to the shareholder	–	1,062.8
	8,722.1	**8,010.1**
Accumulated writedowns		
At the beginning of the year	–3,099.4	–1,076.5
Repayment to the shareholder	–	–2,009.8
Writedowns during the year	–512.2	–13.0
	–3,611.6	**–3,099.4**
Reported value at year-end	**5,110.5**	**4,910.7**

Of writedowns during the year, SEK 507.2 M pertains to dividends received from subsidiaries.

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

Company name	Corporate reg. no.	No. of shares and participations	Percentage of equity [1]	Book value 2003	Book value 2002
Agria Försäkrings AB (publ)	516401-8003	40,000	100	362.0	362.0
LF Gruppen AB (dormant)	556420-8535	1,000	100	0.1	0.1
Länsförsäkringar Bank AB (publ)	516401-9878	8,398,708	100	1,924.6	1,194.6
Länsförsäkringar Fondförvaltning AB (publ)	556364-2783	10,000	100	115.0	115.0
Länsförsäkringar Dator- och systemservice AB (publ)	556356-0670	1,400	100	3.4	23.4
Länsförsäkringar Liv Försäkrings AB (publ)	516401-6627	8,000	100	452.0	452.0
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	2,000,000	100	1,998.7	2,485.9
Länsförsäkringar IT Center AB	556549-7004	10,000	100	6.0	1.0
Svenska Brand Livförsäkring AB	516401-6692	–	–	0.0	28.0
Wasa Försäkring Run-Off AB	556563-9456	1,000	100	248.8	248.8
Shares and participations in Group companies				**5,110.5**	**4,910.7**

All subsidiaries have their head office in Stockholm.

During the year, Svenska Brand Livförsäkring AB was sold within the Group to Wasa Försäkring Run-Off AB.

[1] Refers to ownership proportion of capital, which also corresponds to the proportion of votes in relation to the total number of shares.

NOTE 52 RECEIVABLES FROM GROUP COMPANIES

Accumulated acquisition values	Dec 31, 2003	Dec 31, 2002
At the beginning of the year	180.0	–
Additional receivables	2,030.0	180.0
Reported value at year-end	**2,210.0**	**180.0**
Debenture loans to Länsförsäkringar Bank	1,050.0	180.0
Promissory note to Länsförsäkringar Sak	1,160.0	–

The loan to Länsförsäkringar Sak runs from December 16, 2003 to December 16, 2008 with an interest rate of 5.735%. The loans to Länsförsäkringar Bank comprise three loans with different terms: 180 matures on May 31, 2012. Interest is fixed at 2.90% until June 1, 2007. 580 matures on December 15, 2013. Interest is fixed at 6.945% until December 15, 2008. 290 is a perpetual loan. Interest is fixed at 8.245% until December 15, 2008.

NOTE 53 DEFERRED TAX ASSETS

	Dec 31, 2003	Dec 31, 2002
Machinery and equipment	10.6	7.0
Financial fixed assets	1.5	2.1
Pension provisions	2.4	8.8
Loss carryforwards	28.7	15.9
Net deferred tax assets	**43.2**	**33.8**

Change in deferred tax in temporary differences and loss carryforwards

	Amount at beginning of the year	Reported via income statement	Amount at year-end
Machinery and equipment	7.0	3.6	10.6
Financial fixed assets	2.1	–0.6	1.5
Pension provisions	8.8	–6.4	2.4
Utilization of loss carryforwards	15.9	12.8	28.7
	33.8	9.4	43.2

NOTE 54 RECEIVABLES FROM OTHER RELATED COMPANIES

	Dec 31, 2003	Dec 31, 2002
Länsförsäkringar Liv Group	16.8	93.7
Regional insurance companies	16.4	44.9
	33.3	**138.7**

NOTE 55 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2003	Dec 31, 2002
Lunch vouchers	0.8	0.3
Prepaid insurance costs	–	6.4
Accrued interest	3.5	–
Prepaid rent	43.8	11.1
Other	3.7	5.8
	51.8	**23.7**

NOTE 56 CURRENT INVESTMENTS

December 31	Book value, 2003	Market value, 2003	Book value, 2002	Market value, 2002
Listed shares	86.9	151.5	86.9	93.0
Interest-bearing securities	249.5	249.6	299.2	299.6
Mutual fund units	25.0	25.0	22.8	22.8
	361.4	**426.1**	**409.0**	**415.4**

Specification of securities

	Number	Market value	Book value
Listed shares			
Kaupthing Búnadarbanki hf	6,642,957	151.5	86.9
Mutual fund units			
Länsförsäkringar Europe Fund	742	0.2	0.2
Länsförsäkringar Fund-in-fund Low risk	100,546	9.2	9.2
Länsförsäkringar Fund-in-fund Normal risk	100,596	8.3	8.3
Länsförsäkringar Fund-in-fund Offensive/High risk	100,635	7.4	7.4
		25.0	**25.0**

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NOTE 56 CURRENT INVESTMENTS, *cont.*

Interest-bearing securities

	Market value	Accrued acquisition value
Listed bonds issued by:		
Swedish government	249.6	249.5

NOTE 57 SHAREHOLDERS' EQUITY

Shares at SEK 100 par value	No. of votes per share	Dec 31, 2003 Number	Dec 31, 2002 Number
Series A	10	1,532,678	1,532,678
Series B	1	4,761,455	4,761,455
Series C	1	3,450	2,450
Number of shares in issue		**6,297,583**	**6,296,583**

Restricted reserves
Restricted reserves may not be reduced through profit distribution.

Statutory reserve
The statutory reserve is intended for saving a portion of the net profit, which is not used to cover loss carried forward.

Share premium reserve
When shares are issued at a premium, i.e. at a price above their par value, an amount corresponding to the amount received above the par value of the shares is to be transferred to the share premium reserve.

Non-restricted equity
Profit/loss brought forward
Consists of the non-restricted equity from the preceding year after transfer to the statutory reserve and payment of dividends. The profit brought forward and the net profit for the year jointly make up the total non-restricted equity, i.e. the amount that is available for distribution to the shareholders.

NOTE 58 PENSION PROVISIONS

	Dec 31, 2003	Dec 31, 2002
Amount expected to be paid from provision:		
within 12 months	2.2	1.9
after more than 12 months	33.5	26.6
	35.6	**28.5**

NOTE 59 DEBENTURE LOANS FROM REGIONAL INSURANCE COMPANIES

The terms of the debenture loans from the regional insurance companies are fixed until December 15, 2006. The interest on the loans corresponds to the interest on treasury bills with a corresponding maturity, plus 0.65%. During the year, the interest rate was fixed at 5.63%.

NOTE 60 LIABILITIES TO OTHER RELATED COMPANIES

	Dec 31, 2003	Dec 31, 2002
Liabilities to the Länsförsäkringar Liv Group	4.3	4.9
Liabilities to regional insurance companies	40.7	42.9
	44.9	**47.9**

NOTE 61 ACCRUED EXPENSES AND PREPAID INCOME

	Dec 31, 2003	Dec 31, 2002
Restructuring costs	17.3	42.1
Holiday pay liability	10.0	9.3
Social security costs	12.8	11.5
Accrued interest expense	5.2	–
Other accrued expenses	10.5	8.2
	55.7	**71.1**

▶ SUPPLEMENTARY INFORMATION REGARDING INSURANCE OPERATIONS – CONSOLIDATED 2003

Breakdown of income statement items by insurance class:

	Total	Medical & accident	Motor vehicle, third-party liability	Motor vehicle, other classes	Marine, aviation & trans-portation	Fire & other property damage	General liability
Premiums earned, gross	6,020.6	195.7	2,966.1	144.1	132.2	216.2	166.6
Claims payments, gross	–4,757.5	–230.8	–2,698.6	–115.5	–92.3	–168.8	–51.3
Operating expenses, gross	–958.8	–56.4	–441.4	–15.0	–26.6	–21.1	–39.4
Income from ceded reinsurance	–454.5	9.5	23.5	0.0	–11.8	–19.6	–84.4
	–150.1	**–82.0**	**–150.4**	**13.7**	**1.5**	**6.7**	**–8.5**
Premium income, gross	6,214.4	188.8	3,157.3	146.9	136.6	207.8	136.7

	Legal expenses cover	Other insurance classes	Total direct insurance	Accepted reinsurance
Premiums earned, gross	1.5	725.3	4,547.6	1,472.9
Claims payments, gross	27.4	–488.3	–3,818.1	–939.3
Operating expenses, gross	–0.5	–201.0	–801.3	–157.5
Income from ceded reinsurance	–27.6	41.4	–68.8	–385.7
	0.8	**77.5**	**–140.6**	**–9.6**
Premium income, gross	0.8	769.3	4,744.2	1,470.2

▶ INVESTMENT IN SHARES AND PARTICIPATIONS

	Number	Market value, SEK 000s
SWEDEN		
Listed shares		
Finance		
Salusansvar, B	745,500	11,406
Total finance		**11,406**
Industrial goods		
Atlas Copco, A	18,000	4,635
Sandvik	22,000	5,456
Total industrial goods		**10,091**
Telecommunications		
Ericsson LM, B	1,061,000	13,687
Total telecommunications		13,687
Total listed shares		**35,184**
Listed mutual funds		
Asia Fund LF	349,793	19,375
Industry Focus Fund LF	502,367	19,238
Europe Fund LF	742	217
Fund-in-fund Low risk LF	100,546	9,150
Fund-in-fund Normal risk LF	100,596	8,255
Fund-in-fund Offensive/High risk LF	100,635	7,392
Brain Fund LF	100,000	10,805
Internet Fund LF	500,000	12,333
Japan Fund LF	1,652,968	111,106
Kaupthing Time Fund	12,251	1,031
Mega Europe LF	75,688	135,681
Mega North America LF	294,205	148,445
North America Fund LF	171,551	26,420
Pension 2045 Fund LF	513,647	32,810
Robur Communication Fund	85,296	1,343
Skandia Time Global	21,786	1,227
Small Company Fund LF	529,170	66,127
Growth Market Fund LF	1,083,266	154,822
Developing Countries Fund LF	37,557	4,927
Total		**770,704**
Total listed mutual funds		**770,704**
Total listed		**805,888**
Unlisted shares		
Finance		
HealthCap Coinvest	5,950,000	5,950
HealthCap KB III	6,304,000	6,304
Industrial Development & Invest	16,582,510	16,583
Länsförsäkringar Mäklarservice AB	200	180
Länsteknik	500	0
SBC Bo Ekon.Förening	150	0
Sjöassuradörerna	54	0
Total finance		**29,017**
Industrial goods		
Besqab, B	21,000	6,300
Byggtjänst	25	9
Total industrial goods		**6,309**
Media		
Öijared Company & Country Club AB	8	136
Total media		**136**
Services		
Jonic	100	0
Larmtjänst	275	0
Optimum Utveckling A	25,047,476	0
Optimum Utveckling B	340,378	0
Svensk Bilprovning	560	5,994
Trinova, B	500	0
Total services		**5,994**
Total unlisted shares		**41,456**
Unlisted mutual funds		
Nektar	70,850	140,693
Total unlisted mutual funds		**140,693**
Tenant-ownership righs		
Brf Jaktvarvet 7		638
Brf Kalvheden		362
Total tenant-ownership rights		**1,000**
Total unlisted		**183,149**
Total Sweden		**989,036**
SWITZERLAND		
Listed shares		
Adecco	8,500	3,931
Credit Suisse	48,400	12,742
Nestle	9,800	17,618
Novartis	86,000	28,094
Roche Holding, Genusscheine	35,200	25,548
Schweiz Rueckversicherung	11,500	5,587
UBS	47,350	23,333
Zurich Finl Services	10,960	11,350
Total listed shares		**128,202**
Total Switzerland		**128,202**
GERMANY		
Listed shares		
Adidas-Salomon	15,300	12,539
Allianz AG	6,800	6,176
BASF	27,500	11,126
Bayer	37,500	7,903
Bayerische Motoren Werke	27,619	9,212
Deutsche Bank, Namen	11,500	6,857
Deutsche Post AG	54,500	8,087
Deutsche Telekom, Namen	33,000	4,346
E ON (Veba)	34,368	16,139
Lufthansa	62,000	7,456
SAP	12,571	15,191
Schering	15,200	5,539
Siemens, Namen	33,730	19,439
Total listed shares		**130,010**
Total Germany		**130,010**
DENMARK		
Listed shares		
AP Moller Maersk A/S	145	7,529
Total listed shares		**7,529**
Unlisted shares		
SOS International A/S	114,500	491
Total unlisted shares		**491**
Total Denmark		**8,020**
SPAIN		
Listed shares		
Banco Bilbao Vizcaya Argentaria BBVA	74,000	7,354
BSCH Banco Santander	100,000	8,522
Indra Sistemas, A	51,500	4,753
Telefonica de Espana	92,208	9,741
Total listed shares		**30,371**
Total Spain		**30,371**
FINLAND		
Listed shares		
Nokia	100,000	12,398
Total listed shares		**12,398**
Total Finland		**12,398**

	Number	Market value, SEK 000s
FRANCE		
Listed shares		
Atos Origin	5,193	2,390
AXA	33,000	5,083
BNP Paribas	21,000	9,514
Business Objects S.A	17,500	4,392
Cap Gemini	14,500	4,634
Carrefour Supermarkets	13,750	5,431
Credit Agricole	37,500	6,443
France Telecom	23,500	4,833
L'Oreal	8,200	4,837
LVMH (Louis Vuitton Moet Henessy)	5,700	2,985
Renault S.A	28,400	14,099
Schneider Electric	13,500	6,359
Societe Generale	15,300	9,720
ST Microelectronics	14,000	2,732
TF 1	19,800	4,974
Total (formerly TOTAL FINA)	23,200	31,036
Total listed shares		**119,461**
Total France		**119,461**

	Number	Market value, SEK 000s
UK		
Listed shares		
Astrazeneca (GB)	42,100	14,533
Barclays	155,000	9,953
BP Plc (Amoco)	536,933	31,589
British Gas	85,000	3,156
British Sky Broadcasting	82,000	7,457
Compass Group Plc	52,000	2,545
Diageo	76,000	7,190
GlaxoSmithkline Plc	210,000	34,840
HSBC Holdings (GBP 0.75)	351,664	39,997
Imperial Tobacco Group Plc	50,500	7,194
Intercontinental Hotels	172,000	11,964
Lloyds TSB Group	120,000	6,898
National Grid Group Plc	74,000	3,815
Prudential	50,000	3,053
Reckitt Benckiser PLC	58,000	9,443
Rio Tinto	22,661	4,496
Royal Bank of Scotland	65,974	14,022
Shell Transport & Trading Co	591,962	31,739
Standard & Chartered Bank	42,333	5,054
Tesco	214,179	7,097
Three I Group	122,245	9,723
Unilever	129,074	8,658

	Number	Market value, SEK 000s
Vodafone	2,509,233	44,845
WPP Group	212,000	14,978
Total listed shares		**334,236**
Unlisted shares		
Altius Assoc	13,218	170
Scan Re	7,500,000	0
Total unlisted shares		**170**
Total UK		**334,407**
IRELAND		
Listed shares		
CRH	74,304	10,958
Total listed shares		**10,958**
Total Ireland		**10,958**
ICELAND		
Listed shares		
Kaupthing	7,495,313	170,880
Total listed shares		**170,880**
Total Iceland		**170,880**
ITALY		
Listed shares		
Enel	72,000	3,522
ENI	64,000	8,690
TIM, Ord	100,000	3,917
Total listed shares		**16,129**
Total Italy		**16,129**
JAPAN		
Listed shares		
Acom Co	2,150	702
Aderans	1,000	116
Advantest Corp	1,900	1,084
Aeon Co	6,900	1,663
Aeon Credit Service Co Ltd	700	215
Aiful Corp	1,250	658
Ajinomoto Co	16,000	1,325
All Nippon Airways Co Ltd	15,000	267
Alps Electric Co	5,000	526
Amada Co	9,000	337
Amano Corp	2,000	104
Anritsu Corp	3,000	144
Aoyama Trading	1,600	228
Ariake Japan Co Ltd	500	114

	Number	Market value, SEK 000s
Asahi,Breweries	11,300	741
Asahi Glass Co	22,000	1,300
Asahi Kasei Co	36,000	1,407
Asatsu (DK)	900	167
Autobacs Seven Co	800	132
Bandai Co	2,000	363
Bank Fukuoka	16,000	483
Bank Yokohama	28,000	936
Bellsystem 24	90	132
Benesse Corp	1,900	334
Bridgestone Corp	19,000	1,838
Canon Inc	24,000	8,041
Capcom Co Ltd, Ord	1,200	106
Casio Computer Co	6,000	457
Central Glass Co	5,000	227
Central Japan Railway Co	26	1,616
Chiba Bank Ltd (The)	19,000	560
Chubu Electric Power	18,400	2,761
Chugai Pharmaceutical Co	8,100	838
Citizen Watch	8,000	529
Coca-Cola West Japan Co Ltd	1,200	169
Comsys Holdings	3,000	138
Credit Saison	4,000	650
CSK Corp	1,900	494
Dai Nippon Printing	18,000	1,819
Daicel Chemical Ind	8,000	237
Daido Life Insurance NPV	35	750
Daiichi Pharmaceutical	7,200	933
Daikin Industries	5,000	831
Daimaru	6,000	240
Dainippon Ink	19,000	260
Dainippon Screen MFG Co	4,000	197
Daito Trust Construction	2,600	555
Daiwa House	13,000	995
Daiwa Securities Co	35,000	1,713
Denki Kagaku Kogyo K.K	12,000	278
Denso Corp	14,300	2,026
Dentsu	8	290
Dowa Mining Co Ltd	8,000	309
East Japan Railway	100	3,391
Ebara Corp	7,000	219
Eisai Co	6,500	1,261
FamilyMart	1,900	311
Fanuc	4,000	1,724
Fast Retailing	1,600	699

	Number	Market value, SEK 000s
Fuji Electric Co Ltd	15,000	237
Fuji Photo Film	14,000	3,252
Fuji Television Network	6	234
Fujikura	10,000	424
Fujisawa Pharmaceuticals	7,800	1,197
Fujitsu	47,000	1,994
Furukawa Electric Co	16,000	382
Gunma Bank	11,000	354
Gunze	6,000	195
Hankyu Department Stores	4,000	193
Hino Motors Ltd	7,000	359
Hirose Electric Co	900	743
Hitachi	84,000	3,643
Hitachi Cable Ltd	5,000	135
Hitachi Chemical Co	3,000	363
Hitachi Software Engineering Co Ltd	800	149
Hokugin Financial Group	23,000	224
Honda Motor Co	22,900	7,318
House Foods (House Fd Ind)	2,000	163
Hoya Corp	3,200	2,114
Isetan Co	4,900	388
Ishihara Sangyo Kaisha	8,000	115
Ishikawajima Harima	31,000	318
ITO EN Ltd	800	248
Itochu Corp	40,000	951
Itochu Techno-Science Corp	900	202
Ito-Yokado Co	10,000	2,263
Jafco JPY 50	800	452
Japan Airlines System	19,000	361
Japan Real Estate Inv	5	228
Japan Tobacco	21	1,107
JFE Hldgs	13,500	2,651
JGC Corp	6,000	450
Joyo Bank	20,000	470
JSR Corp	5,000	804
Kajima Corp	26,000	607
Kaken Pharmaceutical Co	2,000	72
Kamigumi Co	6,000	305
Kanebo	12,000	87
Kaneka Corp	7,000	376
Kansai Electric Power	19,800	2,497
Kao Corp	16,000	2,342
Katokichi Co	1,200	141
Kawasaki Heavy Ind	36,000	319
Kawasaki Kisen Kaisha	14,000	501

	Number	Market value, SEK 000s
Keihin Electric Express	11,000	465
Keio Electric Railway Co Ltd	15,000	561
Keyence Corp	940	1,426
Kikkoman Corp	4,000	205
Kinden Corp	4,000	136
Kinki Nippon Railway Co	43,000	930
Kirin Brewery Co	20,000	1,227
Kokuyo Co	2,100	164
Komatsu	28,000	1,278
Komori Corp	2,000	213
Konami Co	2,500	524
Konica Corp	11,500	1,113
Koyo Seiko Co	3,000	222
Kubota Corp	29,000	861
Kuraray Co	11,000	668
Kurita Water	2,900	252
Kyocera Corp	4,800	2,301
Kyowa Hakko Kogyo Co	10,000	458
Kyushu Electric Power	11,800	1,460
Lawson JPY50	1,700	418
Mabuchi Motor Co Ltd	900	499
Makita Corp	3,000	216
Marubeni Corp	37,000	509
Marui Co	9,800	888
Matsumotokiyoshi Co Ltd	1,000	161
Matsushita Elect Ind	61,000	6,070
Matsushita Electric Works	12,000	776
Meiji Milk Products Co	6,000	185
Meiji Seika Kaisha	8,000	232
Meitec Corp	1,000	277
Millea Holdings	44	4,136
Minebea Co	9,000	329
Mitsubishi Chemical Corp	48,000	899
Mitsubishi Corp	30,000	2,288
Mitsubishi Electric Corp	50,000	1,494
Mitsubishi Estate	29,000	1,978
Mitsubishi Gas Chemical	10,000	245
Mitsubishi Heavy Ind	84,000	1,681
Mitsubishi Logistics	3,000	179
Mitsubishi Materials	27,000	299
Mitsubishi Rayon Co	14,000	378
Mitsubishi Tokyo Financial Group Inc	119	6,679
Mitsui	35,000	2,028
Mitsui Chemicals Inc	16,000	671
Mitsui Engineering &Ship.	20,000	238

	Number	Market value, SEK 000s
Mitsui Fudosan	21,000	1,365
Mitsui Marine & Fire Insurance	37,000	2,186
Mitsui Mining & Smelting	16,000	478
Mitsui O.S.K. Lines Ltd	23,000	808
Mitsui Trust Hldgs Inc	16,000	643
Mitsukoshi	11,000	322
Mitsumi Electric Co Ltd	1,900	151
Mizuho Financial Group	178	3,884
Murata Manufacturing	6,800	2,643
Namco	1,100	219
NEC Corp	47,000	2,490
NET One Systems Co Ltd	5	277
NGK Insulators	8,000	430
NGK Spark Plug Co	5,000	292
Nichii Gakkan Co	600	245
Nichirei Corp	7,000	163
Nidec Corp	1,000	687
Nikko Securities	38,000	1,523
Nikon Corp	8,000	868
Nintendo Co	2,900	1,947
Nippon Building Fund	6	277
Nippon Express Co	23,000	781
Nippon Kayaku Co Ltd	4,000	143
Nippon Meat Packers	5,000	352
Nippon Mining Hldgs	15,000	377
Nippon Mitsubishi Oil	38,000	1,393
Nippon Sanso Corp	6,000	182
Nippon Sheet Glass Co	10,000	210
Nippon Shokubai Co	4,000	218
Nippon Steel Corp	160,000	2,471
Nippon Tel & Tel Corp	155	5,380
Nippon Unipac Holding	26	965
Nippon Yusen K.K	27,000	879
Nishimatsu Construction	7,000	167
Nissan Chemical Industries	4,000	256
Nissan Motor Co	73,100	6,007
Nisshin Seifun Group Y50	5,000	320
Nisshinbo Industries	4,000	160
Nissin Food Products Co	2,400	430
Nitto Denko Corp	4,600	1,760
Nomura Holdings	52,000	6,372
Nomura Research Institute	700	491
NSK (Nippon Seiko K K)	12,000	315
NTN Corp	12,000	412
NTT Data	37	1,006

	Number	Market value, SEK 000s
NTT Docomo Inc	516	8,418
Obayashi Corp	17,000	547
Obic Co Ltd	200	290
Oji Paper Co	23,000	1,069
Oki Electric Industry Co Ltd	15,000	422
Okumura Corp	5,000	153
Olympus Optical Co	6,000	937
Omron Corp	6,200	905
Onward Kashiyama Co	4,000	349
Oracle Corp Japan	900	335
Oriental Land Co	1,500	666
Orix Corp	2,400	1,428
Osaka Gas Co	59,000	1,149
Pioneer Electronic Corp	4,500	894
Promise Co	2,600	815
QP Corp (JP)	3,200	191
Resona HIdgs (F Daiwa Bank)	133,000	1,205
Ricoh Co	19,000	2,698
Rohm Co	3,100	2,614
Saizeriya Co Ltd	800	57
Sanden Corp	3,000	133
Sankyo Co (4501)	10,600	1,434
Sankyo Co (6417)	1,400	320
Sanyo Electric Co	44,000	1,654
Sapporo Breweries	8,000	158
Secom Co	6,000	1,611
Sega Entreprises	3,300	226
Seiko Epson	1,700	571
Seino Transportation Co	4,000	238
Sekisui Chemical	12,000	440
Sekisui House	15,000	1,115
Seven-Eleven Japan	12,000	2,618
Seventy-Seven Bank	10,000	406
Sharp Corp	28,000	3,179
Shimachu Co	1,400	200
Shimamura Co	600	293
Shimano	2,200	328
Shimizu Corp	15,000	411
Shin Etsu Chemical	10,600	3,117
Shionogi & Co	9,000	1,206
Shiseido Co	10,000	875
Shizuoka Bank	18,000	957
Showa Denko K.K	28,000	453
Showa Shell Sekiyu K.K	3,900	228
Skylark Co	2,400	285

	Number	Market value, SEK 000s
SMC Corp	1,600	1,433
Snow Brand Milk Products	3,500	73
Softbank Corp (JP)	5,900	1,299
Sony Corp	25,800	6,426
Stanley Electric Co Ltd	4,400	613
Sumitomo Bakelite Co Ltd	5,000	235
Sumitomo Chemical Co	34,000	1,009
Sumitomo Corp	20,000	1,073
Sumitomo Electric Ind	18,000	1,158
Sumitomo Heavy Ind	15,000	245
Sumitomo Metal Industries	91,000	648
Sumitomo Metal Mining Co	15,000	801
Sumitomo Mitsui Financial Group	111	4,255
Sumitomo Osaka Cement Co	11,000	155
Sumitomo Realty & Developmnt	10,000	634
Sumitomo Trust Banking Co Ltd (The)	28,000	1,184
Suruga Bank Ltd (The)	6,000	278
Suzuken Co Ltd	1,100	257
Taiheiyo Cement	22,000	448
Taisei Corp	23,000	605
Taisho Pharmaceutical	5,000	643
Taiyo Yuden Co	3,000	282
Takara Holdings Inc	5,000	337
Takashimaya Co	8,000	411
Takeda Chemical Industries	24,800	7,076
Takefuji Corp	1,950	656
Takuma Co	2,000	79
TBS Tokyo Broadcasting	1,100	126
TDK Corp	3,300	1,710
Teijin	23,000	486
Teikoku Oil Co	6,000	217
Terumo Corp	5,000	683
THK Co Ltd	2,800	410
Tobu Railway Co	21,000	540
Toda Co	6,000	122
Toho Co	3,900	357
Tohoku Electric Power	12,600	1,503
Tokyo Electric Power	33,800	5,333
Tokyo Electron	4,400	2,405
Tokyo Gas Co	74,000	1,898
Tokyo Style Co	2,000	155
Tokyu Corp	29,000	1,071
TonenGeneral Sekiyu KK	9,000	536
Toppan Printing	16,000	1,198

	Number	Market value, SEK 000s
Toray Industries	35,000	1,053
Toshiba Corp	80,000	2,181
Tosoh Corp	13,000	312
Tostem Corp	7,000	973
Toto	9,000	549
Toyo Informations Systems	1,000	243
Toyo Seikan Kaisha	4,000	402
Toyo Suisan Kaisha	2,000	160
Toyobo Co	16,000	251
Toyoda Gosei Co Ltd	1,500	311
Toyota Industries Corp	4,600	703
Toyota Motor Corp	79,100	19,225
Trend Micro	2,500	483
Ube Industries	22,000	318
UFJ Holdings	104	3,596
Uni-Charm Corp	1,200	425
Uny Co	4,000	295
Ushio Inc	3,000	358
USS Co	560	285
Wacoal Corp	3,000	178
West Japan Railway	32	904
World Co	1,100	252
Yakult Honsha Co	3,000	337
Yamada Denki Co Ltd	2,200	532
Yamaha Corp	4,600	650
Yamaha Motor Co Ltd	3 000	235
Yamanouchi Pharm	9,000	2,012
Yamato Transport Co	12,000	1,017
Yamazaki Baking	4,000	239
Yasuda Fire & Marine	22,000	1,301
Yokogawa Electric Corp	6,000	624
Total listed shares		**333,094**
Total Japan		**333,094**

NETHERLANDS

Listed shares

ABN Amro Holding	64,500	10,859
Akzo Nobel	39,500	10,970
ASM Lithography Holding	35,000	4,994
Elsevier	220,000	19,667
ING Groep	95,000	15,942
KPN	43,000	2,388
Philips Electronics	92,500	19,435
Vedior	22,500	2,532
Total listed shares		**86,787**

	Number	Market value, SEK 000s
Unlisted shares		
Eureko BV Placeringsaktie	1,761,294	477,796
Total unlisted shares		**477,796**
Total Netherlands		**564,583**
US		
Listed shares		
3M Company	101,800	62,283
American Intl Group	155,600	74,206
Amgen Inc	152,300	67,712
Bed Bath & Beyond Inc	104,600	32,626
Caterpillar	66,000	39,425
Cisco Systems Inc	120,000	20,921
Citigroup Inc	168,200	58,746
Coca-Cola Co	204,400	74,639
Colgate Palmolive	74,900	26,973
eBay Inc.	57,000	26,499
Electronic Arts	139,200	47,756
Gala Gen Inc	27,083	0
Gannett Co	106,400	68,259
Genentech Inc	49,200	33,125
General Electric Co (US)	84,300	18,791
Gillette Co	278,700	73,656
Intel Corp	80,100	18,472
Johnson & Johnson	147,600	54,864
Kohls Corp	184,100	59,530
Lilly (Eli) & Co	105,100	53,185
Lowe's Co's	41,700	16,619
Marriott Intl, A	121,000	40,223
Marsh & McLennan Cos	134,500	46,346
Masco Corp	179,200	35,342
Medtronic	233,800	81,775
Omnicom Group	71,300	44,802
Oracle Systems Corp	803,000	76,441
Paychex	122,400	32,762
Pepsico Inc	206,700	69,336
Pfizer Inc	366,660	93,209
Procter & Gamble Co	121,900	87,605
Qualcomm	224,100	86,960
Schlumberger Ltd	198,900	78,312
United Parcel Service	147,900	79,335
Walt Disney Co	238,600	40,053
Total shares		**1,820,791**
Total listed		**1,820,791**
Unlisted shares		
Hyperion Inc	35,496	0
Total unlisted shares		**0**
Unlisted mutual funds		
Ferox Fund Limited Class C	50,907	51,353
Ferox Fund Limited Class C Equalisation	114,357	818
Harbert Distressed Investment Offshore Fund, A12	63,739	46,050
Harbert Distressed Investment Offshore Fund, A7	91,300	72,816
Moore Global Fixed Income Fund Ltd	2,889	115,218
Narragansett Offshore Ltd, Class B, Series 2	4	32
Narragansett Offshore Ltd, Class D, Series 1	2,721	23,579
Narragansett Offshore Ltd, Class E, Series 0203	1,150	8,497
Narragansett Offshore Ltd, Class E, Series 04	3,000	22,309
Narragansett Offshore Ltd, Class E, Series 07	2,300	17,230
Narragansett Offshore Ltd, Class E, Series 12	3,555	25,903
Oz Overseas Fund Ltd, Class A, Series 232	746	6,476
Raphael II Ltd, July-03 interim shares	1,652	20,920
Raphael II Ltd, Regular shares	5,595	70,891
Styx International Ltd	3,239	55,126
The Capital Fund Equalisation 2	2,253	342
The Capital Fund Equalisation 3	123	24
The Capital Fund Ltd	6,014	72,551
Tiedemann Arbitrage Associates Ltd, Series 1	147,473	29,223
Tiedemann Arbitrage Associates Ltd, Series 12	36,127	7,208
Viking Global Equities III Ltd A/4E	11,000	189,539
Viking Global Equities III, Class A, Series 1E	2,539	55,144
Total unlisted mutual funds		**891,250**
Total US		**2,712,041**
TOTAL LÄNSFÖRSÄKRINGAR AB GROUP		**5,559,590**

▶ PROPOSED DISTRIBUTION OF EARNINGS

Non-restricted equity as stated in the consolidated balance sheet amounts to SEK 271,402,000.

According to the balance sheet for Länsförsäkringar AB, non-restricted equity totaling SEK 297,498,963 is at the disposal of the Annual General Meeting.

Group contribution received	SEK 96,935,760
Net profit for the year	SEK 200,563,203
Non-restricted equity	SEK 297,498,963

The Board of Directors and the Managing Director propose that the above unappropriated earnings in the Parent Company be carried forward.

Stockholm, March 18, 2004

Hans Jonsson
Chairman

Gunnar Kinch
Deputy Chairman

Jan Fager

Olav Hytta

Bengt Ljungqvist

Anna-Greta Lundh

Anders Nilsson

Karin Starrin

Tommy Persson
Managing Director

Agneta Johansson
Employee representative

Tomas Jönsson
Employee representative

Sven-Erik Martinell
Employee representative

Our audit report was submitted on March 18, 2004.

Stefan Holmström
Authorized Public Accountant

Lars Bonnevier
Authorized Public Accountant
Appointed by Finansinspektionen
(Swedish Financial Supervisory Authority)

▶ AUDIT REPORT

To the Annual General Meeting of Shareholders of Länsförsäkringar Aktiebolag (publ)
Corporate reg. no. 556549-7020

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Aktiebolag (publ) for the year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts for the Parent Company have been prepared in accordance with the Annual Accounts Act and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and, thereby give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the General Meeting of shareholders that the income statements and balance sheets for the Parent Company and for the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 18, 2004

Stefan Holmström
Authorized Public Accountant

Lars Bonnevier
Authorized Public Accountant
Appointed by Finansinspektionen
(Swedish Financial Supervisory Authority)

▶ LÄNSFÖRSÄKRINGAR LIV, CONSOLIDATED

The life assurance Group is not consolidated in the Länsförsäkringar AB Group since the entire profit is distributed to policyholders.

Income statement

Income statement, SEK M	2003	2002
Premium income, gross	8,268	8,257
Premium income, net	8,069	8,126
Investment income, net	9,139	–14,508
Claims payments	–4,336	–3,738
Change in technical reserves	–6,644	650
Operating expenses	–1,477	–1,857
Technical result, life assurance operations	**4,750**	**–11,326**
Non-technical items	–168	–145
Income before appropriations and tax	**4,582**	**–11,471**
Tax	–774	–971
Net profit/loss for the year	**3,808**	**–12,442**

Balance sheet

Balance sheet, SEK M	Dec 31, 2003	Dec 31, 2002
Assets		
Intangible assets	1,913	1,954
Investment assets	85,175	79,027
Investment assets for which policyholders bear the investment risk	18,164	13,762
Reinsurers' portion of technical reserves	624	478
Receivables	222	512
Other assets	3,370	4,766
Prepaid expenses and accrued income	2,989	3,186
Total assets	**112,456**	**103,685**
Shareholders' equity, provisions and liabilities		
Share capital	8	8
Other equity	15,819	14,358
Technical reserves	75,886	72,908
Provisions for life assurance for which the policyholders bear the investment risk	18,167	13,763
Provision for other risks and expenses	30	167
Deposits from reinsurers	639	476
Liabilities	1,475	1,512
Accrued expenses and prepaid income	431	494
Total shareholders' equity, provisions and liabilities	**112,456**	**103,685**

▶ BOARD OF DIRECTORS AND AUDITORS OF LÄNSFÖRSÄKRINGAR AB

Hans Jonsson

Gunnar Kinch

Jan Fager

Olav Hytta

Bengt Ljungqvist

Anna-Greta Lundh

Anders Nilsson

Tommy Persson

Karin Starrin

Lars Brolin

Agneta Johansson

Tomas Jönsson

Sven-Erik Martinell

Hans Jonsson

Born 1949. Elected 2001

Farm Manager, Chairman of the Board

Other Board memberships: Chairman of Länsförsäkringar Skaraborg

Previous experience: Chairman of the Federation of Swedish Farmers (LRF), President of the European Confederation of Agriculture, President of the European Union Advisory Committee on CAP.

Gunnar Kinch

Born 1936. Elected 1992

Farm Manager, Belteberga Lantbruks AB

Deputy Chairman of the Board

Other Board memberships: Chairman of Länsförsäkringar Skåne, Board member of Länsförsäkringar Miljö AB

Previous experience: Managing Director of Belteberga Lantbruks AB and Skånemotor AB, Chairman of Helsingborgs Mjölkcentral and Nordvästra Skånes Mejeriförbund, Deputy Chairman of the Swedish Dairy Association.

Jan Fager

Born 1940. Elected 2000

Managing Director of Länsförsäkringar Älvsborg

Other Board memberships: Chairman of Nyföretagar-Centrum Tvåstad

Previous experience: Managing Director of the Development Fund in the county of Älvsborg, Desk Officer at the (former) Department of the Interior.

Olav Hytta

Born 1943. Elected 2003

Other Board memberships: Chairman of Sparebankgårdene AS, Board member of Union Bank of Norway International S.A. and the Norwegian Savings Bank Association.

Previous experience: Head of Operations for Region Oslo/Akershus Sparebanken NOR, Vice President of Sparebanken NOR, CEO of Gjensidige NOR ASA and Gjensidige NOR Sparebank ASA.

Bengt Ljungqvist

Born 1937. Elected 2003

Lawyer

Other Board memberships: Chairman of Länsförsäkringar Stockholm and Hargs Egendom AB. Deputy Chairman of Skogssällskapet and Forssjö Bruk AB. Board member of the Danviks Hospital Foundation. Court Auditor, Royal Household.

Previous experience: Chairman of the Danderyd local authority, JP-bank, the Swedish Property Federation and the Swedish Bar Association.

Anna-Greta Lundh

Born 1955. Elected 2000

Managing Director of Länsförsäkringar Södermanland

Other Board memberships: Klövern AB

Previous experience: Marketing Director of Länsförsäkringar AB. Business Area Manager at Länsförsäkringar Uppsala.

Anders Nilsson

Born 1945. Elected 2001

Economist at ABN Konsult in Västerbotten

Other Board memberships: Chairman of Länsförsäkringar Västerbotten

Previous experience: Managing Director of Sveriges Fastighetsägare Umeå Service AB and the Agricultural Society of Västerbotten. Bank Manager at Föreningsbanken in Umeå.

Tommy Persson

Born 1948. Elected 1996

Managing Director and CEO of Länsförsäkringar AB

Other Board memberships: Chairman of EurAPCo A.G., the Swedish Insurance Federation, and FAO. Board member of Kaupthing Búnadarbanki, Eureko B.V.

Previous experience: Vice President of Posten AB. Managing Director of Holmen Hygiene.

Karin Starrin

Born 1947. Elected 2000

Governor of Halland County

Other Board memberships: Chairman of the Södra Götaland Regional Forestry Board and Hallands Akademi. Board member of the Royal Swedish Opera.

Previous experience: Municipal Council Ovanåker, Member of Parliament, Member of the European Parliament.

Lars Brolin

Born 1944.

Board Secretary

Head of Legal Affairs, Länsförsäkringar AB

Previous experience: Associate judge of appeal.

Agneta Johansson

Born 1943. Elected 2003

Union of Insurance Employees (FTF) branch at Länsförsäkringar AB

Other Board memberships: Länsförsäkringar Sak Försäkrings AB, Länsförsäkringar IT Center AB.

Tomas Jönsson

Born 1951. Elected 2001

Swedish Confederation of Professional Associations branch at Länsförsäkringar AB

Other Board memberships: Länsförsäkringar Sak Försäkrings AB, Länsförsäkringar IT Center AB,

Banking and insurance section of Jusek.

Previous experience: Bank attorney, Föreningsbanken.

Sven-Erik Martinell

Born 1943. Elected 1994

Regional insurance companies' staff association.

Other Board memberships: Board member of Länsförsäkringar Bank and Länsförsäkringar Jämtland. Deputy Chairman of the Union of Insurance Employees.

Previous experience: Non-commissioned pilot, farmer, District Manager Länsförsäkringar Bergslagen.

Board of Directors of Länsförsäkringar AB

Representatives of all companies in Länsförsäkringar convene every year at the Annual General Meeting and elect the Board of Directors of the jointly owned Länsförsäkringar AB, which in turn appoints the Boards of Directors of the subsidiaries. According to the Articles of Association, the Board shall consist of not less than nine and not more than twelve members.

Auditor elected by the Annual General Meeting

Stefan Holmström

Authorized Public Accountant, KPMG Bohlins AB

Deputy Auditor

Johan Baeckström

Authorized Public Accountant, KPMG Bohlins AB

Appointed by Finansinspektionen (Swedish Financial Supervisory authority)

Lars Bonnevier

Authorized Public Accountant, Ernst & Young AB

GROUP MANAGEMENT LÄNSFÖRSÄKRINGAR AB

Tommy Persson

Christer Baldhagen

Hans Benndorf

Sten Dunér

Gunnel Edenius

Tomas Johansson

Jan Lundmark

Ann Sommer

Hans Sterte

Tommy Persson
Born 1948. Employed since 1996

Managing Director and CEO

Previous experience: Vice President of Posten AB, Managing Director of Holmen Hygiene.

Board memberships: Chairman of EurAPCo A.G., the Swedish Insurance Federation, and FAO. Board member of Kaupthing Búnadarbanki, Eureko B.V.

Christer Baldhagen

Born 1957. Employed since 1994

Director of Corporate Communications

Previous experience: Director of Corporate Communications at Wasa Försäkring, Consultant at JKL.

Hans Benndorf

Born 1954. Employed since 2001

Deputy Managing Director, Managing Director of Länsförsäkringar Liv

Previous experience: Doctor of Economics at the Stockholm School of Economics, Deputy Managing Director of Skandia Liv, Managing Director of Postbanken

Board memberships: KW Partners, Financial Education at the Stockholm School of Economics

Sten Dunér

Born 1951. Employed since 1982

Group Controller

Previous experience: Deputy Managing Director of Stockholm Re.

Board memberships: Chairman of Wasa Försäkring Run-Off AB

Gunnel Edenius

Born 1945. Employed since 2000

CIO

Previous experience: CIO of Procordia, Business Development Manager at Scania, IT Manager/CIO at KF.

Board memberships: Länsförsäkringar IT Center AB

Tomas Johansson

Born 1950. Employed since 2000

Deputy Managing Director, Managing Director of Länsförsäkringar Bank

Previous experience: Deputy Managing Director at FöreningsSparbanken AB, Deputy Managing Director of Länsförsäkringar Bank.

Board memberships: BGC Holding AB, the Swedish Bankers' Association.

Jan Lundmark

Born 1955. Employed since 2002

Director of Human Resources

Previous experience: Director of Human Resources at Kraft Foods AB, GB Glace AB, Ericsson Radio Systems AB.

Ann Sommer

Born 1959. Employed since 1988

Deputy Managing Director, Managing Director of Länsförsäkringar Sak

Previous experience: Managing Director of WASA International, WASA Special Försäkrings AB, Wasa International UK, Stockholm Re.

Board memberships: Länsförsäkringar Mäklarservice (Broker Service), Länsförsäkringar Miljö AB.

Hans Sterte

Born 1961. Employed since 1998

Director of Finance

Previous experience: Chief Economist for the Länsförsäkringar Alliance, Equity Strategist at the Handelsbanken Markets Equity Research, Chief Economist at Erik Penser Fondkommission AB

Board memberships: Länsförsäkringar Fondförvaltning AB, Humlegården Fastigheter HB.

OTHER SENIOR EXECUTIVES

Lars Brolin
Born 1944

Chief Counsel, Secretary to Group Management

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, Länsförsäkringar 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 Törnell
Born 1958

Chief Assistant, Legal Affairs
Employed since 1992

Ingemar Åkeson
Born 1944

Head of Managing Director's Business Environment staff unit
Employed since 1987

Tobias Malmgren
Born 1959

Managing Director, IT Center
Employed since 2003

Johan Sojde
Born 1962

Manager, Market Development
Employed since 2003

▶ 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.

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

Alternative investments
Assets that are not currently regarded as traditional. Alternative investments currently comprise 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 loans.

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

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.

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, dividends on shares and participations , and the surplus (deficit) on the company's own real estate.

Expense ratio
Operating expenses as a percentage of premiums earned.

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

Interest margin, Bank
Difference between average interest on all assets and average interest on all liabilities.

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".

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).

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

Net asset value
The sum of shareholders' equity, 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 for own account, expressed as a percentage.

Solvency ratio (life)
Value of the company's assets compared with the guaranteed commitments to customers.

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 operations.

▶ ADDRESSES

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Financial calendar

First quarter:

Interim report January–March, Länsförsäkringar Bank: April 23, 2004

Solvency report, life assurance: April 26, 2004

Second quarter:

Solvency report, life assurance: August 20, 2004

Interim report January–June, Länsförsäkringar Bank: August 30, 2004

Interim report January–June, Länsförsäkringar Alliance: August 30, 2004

Third quarter:

Solvency report, life assurance: October 25, 2004

Interim report January–September, Länsförsäkringar Bank: October 26, 2004

Ordering annual reports

Additional copies of this annual report can be ordered from
Communications Unit, Länsförsäkringar AB
Tel. +46 8-588 415 38, Fax +46 8-588 433 65
www.lansforsakringar.se

The annual reports of Länsförsäkringar Liv and Länsförsäkringar Bank
can be ordered from the addresses listed on page 67.

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