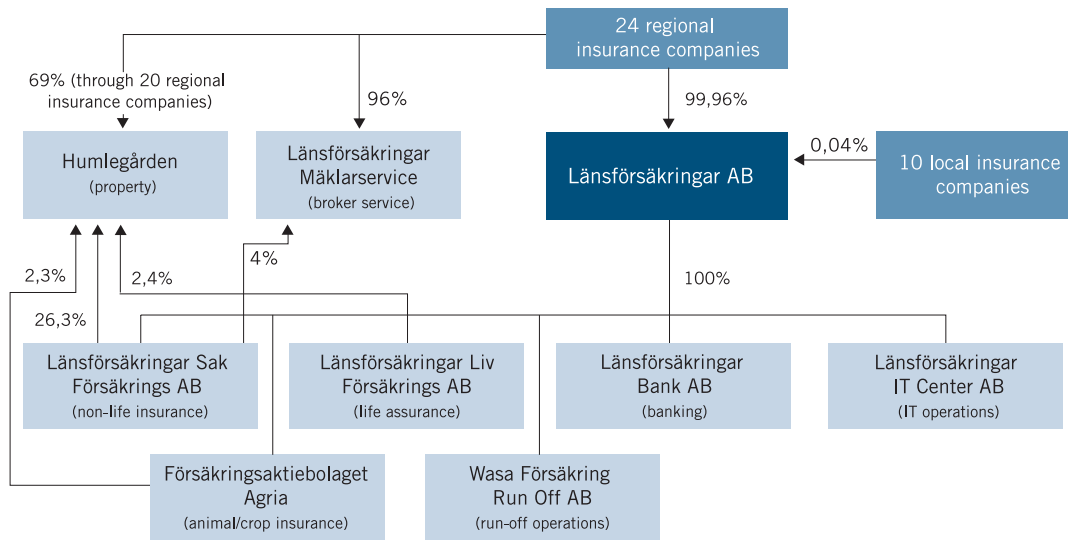


2004 Länsförsäkringar AB

ANNUAL REPORT



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 the Länsförsäkringar Alliance. 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.

Contents



2004 in brief.....	1
Länsförsäkringar AB.....	2
Comments by the Managing Director.....	8
Länsförsäkringar and the business environment.....	12
Länsförsäkringar Sak (non-life insurance).....	14
Länsförsäkringar Liv (life assurance).....	16
Länsförsäkringar Bank.....	18
Agria Djurförsäkring (animal and crop insurance).....	20
Wasa Försäkring Run-Off AB.....	21
Asset management.....	22
Employees.....	26
Environment.....	29
Board of Directors' report.....	31
Five-year summary.....	38
Financial statements and notes.....	39
Audit report.....	74
Condensed income statement and balance sheet for the Länsförsäkringar Liv Group.....	75
Board of Directors, auditors, Group management and other senior executives.....	76
Terms and expressions.....	78
Addresses.....	79

Company terms

Länsförsäkringar Alliance

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

Länsförsäkringar

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

Regional insurance companies

24 independent and customer-owned regional insurance companies, each conducting banking and insurance operations in a specific geographical area and responsible for all contacts with customers within all business areas of the Länsförsäkringar Alliance.

Länsförsäkringar AB

The Parent Company of a financial group owned by the 24 regional insurance companies and 10 local insurance companies. The Group provides services for the regional insurance companies, is responsible for development operations and common strategies for the Länsförsäkringar Alliance and also conducts business operations via subsidiaries.

Länsförsäkringar Liv

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

Länsförsäkringar Bank

Conducts banking operations targeting private individuals and the agricultural sector as well as fund management via subsidiaries.

Länsförsäkringar Sak

Conducts the Länsförsäkringar AB Group's non-life insurance operations, which include medical and accident insurance, various kinds of third-party and other liability insurance, transportation insurance, national customers in the commercial automotive area and producer liability insurance.

Agria Djurförsäkring

Insures animals and crops.

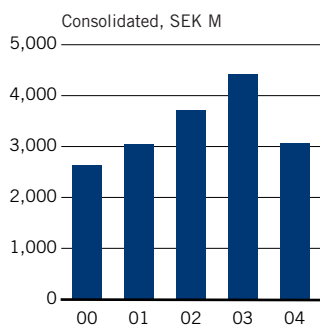
Länsförsäkringar Mäklarservice

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

Humlegården

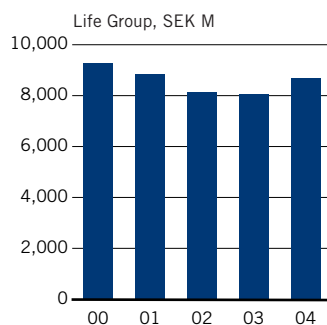
Humlegården is included in the Länsförsäkringar Alliance and is owned by 20 regional insurance companies, Länsförsäkringar Sak Försäkrings AB, Länsförsäkringar Liv Försäkrings AB and Agria Djurförsäkring. The purpose of the company is to enable its owners to invest jointly in the property market in Stockholm.

Premiums earned after ceded reinsurance, non-life insurance

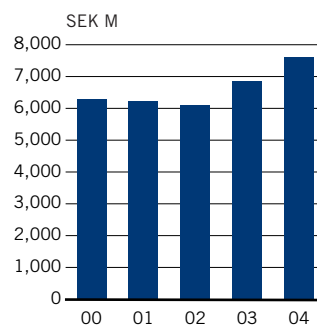


From January 2004, new third-party liability contracts are underwritten directly by the regional insurance companies.

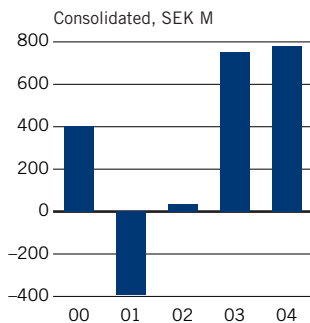
Premium income, net, life assurance



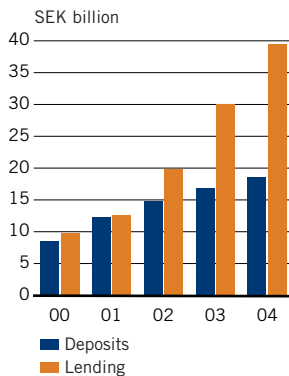
Net asset value, Länsförsäkringar AB Group



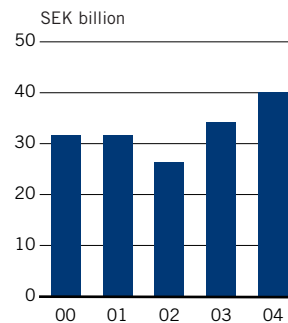
Earnings before tax, excluding Life Group



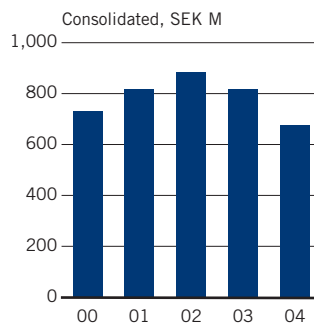
Deposits and lending, Banking Group



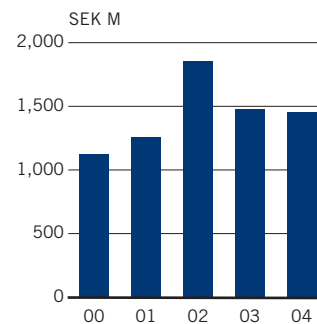
Managed fund volume



Operating expense trend, excluding life assurance and bank



Operating expenses, Life Group



2004 in brief

- Profit after tax for the year improved from SEK 576 M to SEK 945 M.
- The technical result amounted to SEK 262 M (584).
- Pretax profit for the Bank rose from SEK 65 M to SEK 127 M.*
- Profit after tax for the life assurance group amounted to SEK 2,348 M (3,808).
- The Länsförsäkringar AB share rose from SEK 966 to SEK 1,114.
- The administration result for life assurance improved by SEK 219 M. Within non-life insurance, operating expenses declined by SEK 143 M, partly because third-party liability insurance is now underwritten by the regional insurance companies.
- Standard and Poor's raised its credit rating for the Bank to A-/A-2. Moody's issued an initial credit rating of A3/P-2.

* The improvement in earnings is due partly to the fact that Länsförsäkringar Fondförvaltning has been a subsidiary of Länsförsäkringar Bank since January 1, 2004.

Rating

Credit ratings affect both Länsförsäkringar Sak's possibility to write assumed reinsurance and the Länsförsäkringar AB Group's costs of raising funds in the international capital markets. A high rating entails lower financing costs and a greater possibility to write assumed reinsurance. A credit rating is assigned to each legal entity separately and not to the Länsförsäkringar AB Group or the Länsförsäkringar Alliance as a whole. However, the ratings reflect the Länsförsäkringar Alliance's financial strength and strong financial results. Each rating is accompanied by a forecast, stating whether the current rating is positive, stable or negative. On May 5, 2004, Moody's issued Länsförsäkringar Bank with a rating for the first time: A3 with a stable forecast. On May 19, 2004, Standard & Poor's upgraded its credit rating for Länsförsäkringar Bank from BBB+ to A-, with a stable forecast.

CURRENT RATINGS, FEBRUARY 2005

Company	Institute	Long-term rating	Short-term rating
Länsförsäkringar AB	Standard & Poor's	A-/Stable	–
Länsförsäkringar AB	Moody's	A3/Stable	–
Länsförsäkringar Bank	Standard & Poor's	A-/Stable	A-2(K-1)
Länsförsäkringar Bank	Moody's	A3/Stable	P-2
Länsförsäkringar Sak	Standard & Poor's	A/Stable	–
Länsförsäkringar Sak	Moody's	A2/Stable	–
Humlegården	Standard & Poor's	A/Stable	(K-1)
Agria Djurförsäkring	Standard & Poor's	A-pi*	–

*pi means that the rating is based on public information such as annual reports.

Länsförsäkringar AB

The financial hub of the Länsförsäkringar Alliance

Länsförsäkringar AB's basic task is to manage and coordinate the joint strategic and development processes within the Länsförsäkringar Alliance and provide services to the regional insurance companies. Länsförsäkringar AB is the strong financial hub that makes it possible for the regional insurance companies to provide their customers with an attractive offering in the areas of non-life insurance, life assurance and banking.

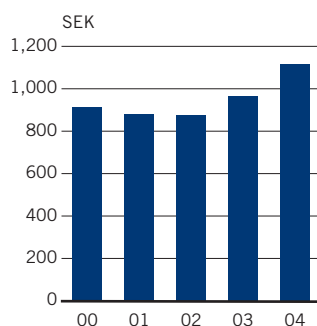


THE LÄNSFÖRSÄKRINGAR of today is the result of a series of development stages. The regional, customer-owned insurance companies have gradually been able to expand their services to meet new demands as these have emerged. At times, there has been a need to create better competition within a specific area. The goal is customer satisfaction. Profitability and efficiency are important tools in achieving this ultimate goal. 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 regional insurance company. All of these services have been gathered under a common brand.

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

- promoting the Alliance's common strategic development activities
- providing the regional insurance companies with the level and range of services they desire
- supplying the regional insurance companies with products and conducting busi-

Net asset value, Länsförsäkringar AB share



The regional insurance companies own shares in the joint company Länsförsäkringar AB and place the same demands with regard to return for these shares as for listed shares and other investment assets. Since 2000, the value has increased by 22%.

ness operations under its own concession/charter where specifically decided

- representing the Länsförsäkringar Alliance externally at the national and international levels.

Business operations at Länsförsäkringar AB shall be conducted with the aim to generate a profit so that the company can provide a good return for its owners. There is also a possibility of paying dividends to the owners. Development and service activities shall be conducted at cost price.

Länsförsäkringar AB thus serves as the hub of the Länsförsäkringar Alliance and is responsible for shared functions comprising service, strategic development, product development and, where motivated by economies of scale, product supply. One of the first tasks was to create a joint reinsurance system. It was precisely the need for reinsurance that brought about solid business collaboration among the regional insurance companies. In 1936, Landsbyg-gens Återförsäkrings AB was formed,

Shareholders

Company	No. of shares			Proportion of equity, %
	A	B	C	
Länsförsäkringar Skåne	141,849	468,566	–	9.7
Länsförsäkringar Stockholm	129,212	451,139	–	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
10 local insurance companies	–	–	2,450	0.04
Total number of shares	1,532,678	4,761,455	3,450	100.0

which subsequently became Länsförsäkringar AB. Today, reinsurance operations continue to be of major strategic importance. This unique structure provides a competitive advantage for Länsförsäkringar and is a key component of the Alliance.

Some of the larger joint development projects undertaken in recent years include business development support for the regional insurance companies (sales process), development of a new customer database system to support discussions with customers, further development of

Internet functionality, improvement of customer communications through new Consolidated Customer Statements and combined value statements for life and pension insurance policies, and the development of a new system for motor insurance.

Development activity in 2004

In 2004, several important steps were taken towards achieving future development solutions across organizational boundaries. Examples include a common security platform (GEMI), joint payment processing

and a common platform for data output. The aim is to achieve simplicity and efficiency by developing common building bricks. Efforts will continue in 2005 to successively broaden the application of these solutions.

The new Consolidated Customer Statements were also launched in 2004, whereby customers are now given an easy-to-understand overview of all their business with Länsförsäkringar. This is the first tangible result delivered to customers reflecting the ongoing efforts to provide a total customer service. A new sales support system for pension insurance products was launched as well as a new administration system for life assurance products.

Development activity within non-life insurance has focused on a new motor insurance system that will replace several existing systems. The focus of development activity in banking operations has also been on simplicity and efficiency. Following work to simplify the credit granting process, analyses were performed in the Saving and Payment areas with the goal of simplifying these processes too.

An IT Center was set up within Länsförsäkringar AB in 2004. The IT Center will gather IT development resources with the aim of making further efficiency improvements.

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, however, is the transfer of all motor insurance business to the regional insurance companies, which took place in two stages. The first step was

when automobile damage insurance was shifted to the regional insurance companies in 1994. The second stage was implemented in 2004, when the regional insurance companies stated to underwrite third-party liability insurance.

Banking operations were launched in 1996, using a high interest-rate account as the primary competitive weapon against other niche banks. Since then, the bank has evolved in 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, it is the individual regional insurance company that is responsible for all customer contacts, and banking operations are no exception. The various divisions have different roles to play within the value chain. In the case of the bank, the bank charter is held jointly, and financing, Internet bank and back office functions are also shared.

The largest development step taken by Länsförsäkringar to date was the merger with Wasa in 1998. This was made possible partly because 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.

The goal behind this merger was to form a powerful financial group covering the fields of life assurance, non-life insurance and banking – Länsförsäkringar Bank & Insurance. Today, this process has resulted in the harnessing of synergies, reducing costs significantly. The regional



insurance companies have, in collaboration with Länsförsäkringar AB, also created additional benefits in the form of shared expenses for items such as asset management, IT, corporate law, communications, marketing development, controlling, compliance and internal audits. These shared operations within Länsförsäkringar AB have formed the basis for the successful and comprehensive building and development of the Länsförsäkringar brand.

Decision-making and joint consultation process

The consortium agreement between the regional insurance companies regulates the procedures for common decision-making. The consortium resolves on matters con-



cerning share ownership in Länsförsäkringar AB and the regional insurance companies' mandate to Länsförsäkringar AB. Since 2002, the consortium has also been responsible for addressing and, where necessary, following up on matters concerning internal affairs within the regional insurance companies and common obligations.

INTERACTION AT THE STRATEGIC LEVEL

At the overall strategic level, interaction occurs between the regional insurance companies and Länsförsäkringar AB in the consortium, through the Meeting of the Chairmen of the regional insurance companies, and through the Joint Council of the Managing Directors in the regional insurance

companies. Issues are addressed formally in the consortium. The Joint Council and the Meeting of the Chairmen are not formal decision-making forums but play an important role in securing support for forthcoming decisions, both jointly in the consortium, in the individual boardrooms of the regional insurance companies and within the Boards of Länsförsäkringar AB.

INTERACTION AT THE OPERATIONAL LEVEL

The operations of Länsförsäkringar AB are governed by the mandate determined jointly by the regional insurance companies. The regional insurance companies interact closely with Länsförsäkringar AB to ensure that the latter's business plan truly

mirrors the wishes communicated in the mandate. Close collaboration is also maintained in terms of Länsförsäkringar AB's performance of its tasks. This cooperation is important to ensure correct delivery but also to confirm the receiving capacity of the regional insurance companies. The products and services that Länsförsäkringar AB develops and delivers normally require measures and activity to be undertaken in the regional insurance companies to derive maximum benefit from the investment.

JOINT DECISION-MAKING AND CONSULTATION BODIES

The Owners Consortium of the regional insurance companies

The consortium addresses matters relating to share ownership in Länsförsäkringar AB as well as internal affairs and common obligations in the regional insurance companies. In the case of the latter, all decisions are reached by consensus. The consortium also acts as the strategic discussion forum for the regional insurance companies. The strategic platform and other common strategies are determined in the consortium, and also the regional insurance companies' mandate for Länsförsäkringar AB. Significant structural matters and other issues of strategic importance to the regional insurance companies are also addressed in the consortium. All of the 24 regional insurance companies are represented in the Owners Consortium, which convenes at least once per year.

Association of Regional Insurance Companies

The members of the Association of Regional Insurance Companies comprise the 24 regional insurance companies and 12 local insurance companies. The Association's pur-

pose is to pursue economic policy issues and to act as a referral body for legislative matters primarily pertaining to mutual insurance but also insurance issues in general.

General Meeting of Länsförsäkringar AB

The General Meeting is Länsförsäkringar AB's highest decision-making body with a number of formal duties governed by legislation and the company's Articles of Association. The General Meeting's foremost tasks are to adopt the Articles of Association for Länsförsäkringar AB, appoint the Board, adopt the income statement and bal-

ance sheet, and discharge the members of the Board from liability. The General Meeting is held once per year.

Board of Directors of Länsförsäkringar AB

The Board of Directors is responsible for Länsförsäkringar AB's organization and administration. This responsibility includes adopting organization, goals and strategies, and establishing guidelines for corporate governance. The Board of Directors must ensure that the goals and strategies established by the Boards of the subsidiaries are

coordinated and make optimal use of Group's resources. The Board of Directors of Länsförsäkringar AB can also make recommendations on issues relating to the operations of the regional insurance companies.

Boards of divisions/subsidiaries in the Länsförsäkringar AB Group

Certain divisions within the Länsförsäkringar AB Group are individual companies while others encompass several companies. Unless specifically decided otherwise, the CEO also serves as the Board Chairman in each of the divisions and in the legal entities included in

Financial overview

LÄNSFÖRSÄKRINGAR AB GROUP*

	2004	2003
Profit before tax, SEK M	781	750
Average number of employees	1,225	1,198
Solvency margin, %	389	147

*Excluding Life Group

LÄNSFÖRSÄKRINGAR AB

(Parent Company of the Länsförsäkringar AB Group)

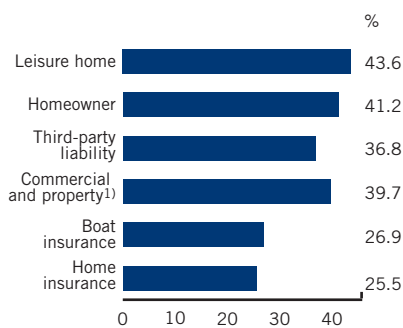
	2004	2003
Profit before tax, SEK M	208	218
Average number of employees	211	205

LÄNSFÖRSÄKRINGAR BANK GROUP

	2004	2003
Deposits from the public, SEK billion	19	17
Lending to the public, SEK billion	39	30
Operating income, SEK M	127	65
Average number of employees	275	254

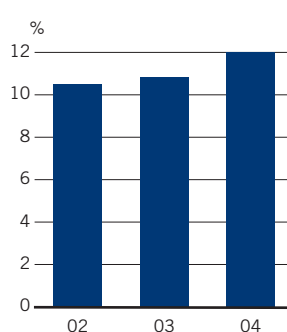
Market shares

Non-life insurance by product area (no. of policies) Länsförsäkringar Alliance

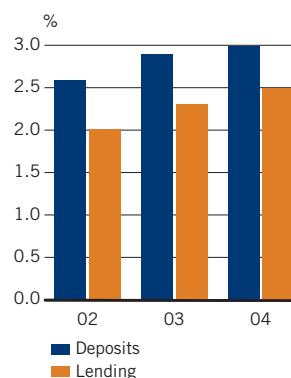


¹⁾ Refers to premiums.

Traditional life assurance, new sales



Banking



each division. The purpose of this is to prevent the occurrence of divisional goals that are in conflict with the Group's goals. The divisional Boards are responsible for their division's operations and also have a statutory responsibility for the companies included in their particular division.

Board of Directors of Länsförsäkringar Liv

As of the 2005 Annual General Meeting, more than half of the Board members in Länsförsäkringar Liv, including the employee representatives, are required to be

independent, meaning that they must not be employees or Board members within the Länsförsäkringar AB Group.

A further step to promote the life assurance policyholders' interests was taken in 2003 when a policyholder association was formed. The association has 48 members, two from each of the 24 geographical regions in which the regional insurance companies operate. The members are appointed directly by the life policyholders. The policyholder association appoints two of the independent members of the Länsförsäkringar Liv Board of Directors.

Other joint councils

A number of joint councils have been formed to ensure efficient interaction between the regional insurance companies and Länsförsäkringar AB. These councils are as follows: budget council, market council, IT/development council, staff council and a life assurance council. The councils are not decision forums and can only issue recommendations for decisions in the relevant formal decision-making bodies.

LÄNSFÖRSÄKRINGAR SAK FÖRSÄKRINGS AB

	2004	2003
Premiums earned after ceded reinsurance, SEK M	2,260	3,697
Profit before tax, SEK M	641	617
Average number of employees	318	397
Solvency margin, %	273	72

AGRIA DJURFÖRSÄKRING

	2004	2003
Premiums earned after ceded reinsurance, SEK M	787	717
Income before appropriations and taxes, SEK M	154	107
Market share, %	62.5	62.3
Number of customers	378,000	361,000
Average number of employees	142	136

LÄNSFÖRSÄKRINGAR LIV GROUP

	2004	2003
Premium income, net, SEK M	8,676	8,069
Profit for the year, SEK M	2,347	3,808
Average number of employees	299	426
Collective consolidation, %	103	92
Solvency ratio, %	123	122

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



Comments by the Managing Director

Profitability through greater efficiency

In recent years, Länsförsäkringar AB has focused on improving its profitability. The profit for 2004 was one of the best ever and was achieved concurrently with considerable efficiency improvements. The number of employees has been reduced by more than 300 over the past three years. Peer comparisons are compiled regularly for all of the Group's operations, and our long-term goal is to constantly rank among the very best in these comparisons. Länsförsäkringar AB will concentrate on three areas in the next few years – further efficiency enhancements, profitability and measures to achieve our growth targets within banking and life assurance.

LÄNSFÖRSÄKRINGAR AB IS ONE of Sweden's largest financial groups. Since its operations encompass non-life insurance, life assurance and banking, the company has no real equivalent in Sweden. Business operations within the three core areas comprise one of the company's tasks, but far from the only one. Länsförsäkringar AB shall also provide services for the 24 regional insurance companies in areas where economies of scale can clearly be identified. The third task involves developing common strategies and methods for the Länsförsäkringar Alliance to meet its customers more efficiently. The fourth task is to develop business that is then transferred out to the regional insurance companies when it has reached a sufficient level of maturity.

Major significance for each regional insurance company

The operations conducted by Länsförsäkringar AB are of major significance to all of the 24 regional insurance companies since they allow them to share the cost of functions such as IT, product development, brand communication and methods to develop and strengthen customer relations, instead of each company having to build up these resources locally. Coordination of the three core businesses also creates economies of scale through shared costs for security platforms, payment processing and data platforms. This frees up resources for the regional insurance companies to develop their local market knowledge and expand and deepen their individual customer relations – which is why Länsförsäkringar as a

whole has the most satisfied customers in those areas in which we jointly conduct business.

This division of duties between the 24 regional insurance companies and Länsförsäkringar AB creates a clear focus for each company. Länsförsäkringar AB is to create optimal conditions for the regional insurance companies to be more effective in their primary roles; to serve the local markets and create and develop customer relations. A fundamental prerequisite for this is financial efficiency. This is the reason why life assurance and banking operations are conducted jointly. This set-up must not, and indeed does not, affect customer relations, which are managed by each regional insurance company as if it were a local bank or a local life assurance company. The division of duties, which does not change over time, constitutes the very core of the Länsförsäkringar concept.

The Länsförsäkringar Alliance of today differs considerably from the corporate group of just a few years ago. Of course, many similarities remain and will always do so. Our local market presence and proximity to customers via the 24 independent regional insurance companies in cooperation will never change. However, the differences are substantial. Alongside our market-leading non-life insurance operations, we have developed two new core businesses – a life assurance company with a market share of about 12% and a bank with a mar-

ket share of about 3%. While these market shares may seem modest compared with our market share within non-life insurance, we have ambitious growth goals for both life assurance and banking. One of Länsförsäkringar AB's main tasks is to provide the regional insurance companies with the tools to be able to realize these growth targets.

Increased efficiency requirements for banking operations

Having three core businesses that are coordinated to provide a strong local customer offering entails new requirements for the Länsförsäkringar AB Group. With a fast-growing bank whose express goal is to grow even faster over the next few years whilst remaining profitable, financial efficiency becomes even more important. The three main areas of focus are transaction efficiency, borrowing efficiency and capital utilization efficiency.

Banking operations are far more transaction-intensive than insurance operations. In view of our growth ambitions, it is natural to strive to provide one of the most efficient processes in the industry to make it easier for customers to switch to Länsförsäkringar and use our services. Major efficiency improvements and simplifications have been made in the credit approval process, which is now one of the best in the market. The same goals are now being set for the savings and payment processes. The



transaction intensity of banking operations creates more customer meetings, which increasingly aim to also offer non-life insurance and life assurance products.

The cost of borrowing is a decisive competitive factor to be able to continue to offer some of the most favorable interest rates in the market and achieve a necessary level of profitability. Our cost of borrowing in the capital markets has improved significantly in the past two years and we have considerably narrowed the gap to the large banks. In turn, the cost advantages entailed by the bank's structure balance out the marginally higher cost of borrowing.

Länsförsäkringar's success is a result of efficient utilization of capital, made possible through the cooperation between the 24 regional insurance companies and the economies of scale achieved via Länsförsäkringar AB. The regional insurance companies first began to cooperate in the area of reinsurance. The model that has been created shows how each individual company is only exposed to low risk in the event of major damage claims. Without the cooperation with regard to reinsurance, the costs of Gudrun, the storm that hit Sweden

in January 2005, would have caused substantial problems for several of the companies that were worst affected. In the same efficient manner, requirements are set with regard to how capital is utilized within the banking operations. The division of responsibilities between the regional insurance companies and Länsförsäkringar AB is based on a "central bank function" for processes and financial efficiency and a local organization with a high degree of market knowledge at the regional insurance companies.

Yield must be improved

Significant efficiency improvements have already been made in the life assurance operations. The goal of a balanced operating result was achieved in 2004. Following the cost cutbacks and staff reductions implemented, premiums are now sufficient to cover the cost of operations. The foundation has been laid for powerful growth in the Länsförsäkringar Alliance's life assurance operations.

A fundamental principle of life assurance operations is that each customer collective shall bear its own costs. Several measures were taken in 2004 to achieve this goal.

Although several of these changes have attracted criticism, the measures were both necessary and fair. Ultimately, objections to adjusting the value of bonuses and raising health insurance premiums are the result of unclear information from the insurance

industry, Länsförsäkringar included, during earlier years. In view of this, we have set the goal of providing the clearest information in the industry from now on.

Asset management in the life assurance company has improved, but we have yet to reach our goal of generating a yield over time that is among the top three in the sector. Extensive efforts have therefore been devoted to sharpening and improving return in our traditional life assurance company, as well as developing our selection of complementary unit-linked funds offered by some of the most reputable international fund managers. During the year, agreements were signed with the French fund manager Société Générale and with US Fidelity. By offering a wider range of external funds, the customer offering is honed further and Länsförsäkringar's competitiveness strengthened, not least within the priority area of occupational pensions.

Now that the efficiency goals have been achieved, the life assurance operations have shifted their focus to growth and profitability. At the same time, the sales process has been analyzed and developed, with the launch of a new sales support and administration system that serves as a basis for simplifying meetings and dialog with customers. The goal is to finalize 80% of business directly through customer meetings, enabling a transfer of resources from administration to sales and customer dialog.

Capital market dependency

In 2001, Länsförsäkringar's banking operation abandoned its niche bank strategy and

switched its focus to becoming a full-service bank for private individuals and farmers. We have now assumed this position as a full-service bank with all the new requirements that this entails. Länsförsäkringar AB is today a player on the international capital markets through our various funding programs. Our dependency on external players and our assessment of such have increased the requirements in terms of our financial reporting. Länsförsäkringar AB is not exchange listed – our owners are the 24 regional insurance companies. However, the requirements to which we are subject are increasingly nearing those that apply for listed companies. As a result, we will be focusing on improving and developing our financial information in the years ahead.

The Länsförsäkringar AB of tomorrow

Länsförsäkringar AB's ultimate task is to create economies of scale, both financial and in terms of expertise. In view of this, there is a large and growing need for highly competent employees. Länsförsäkringar's obvious goal is therefore to be one of Sweden's most attractive employers. This entails far more than merely offering a competitive salary and benefits. It involves being an employer with insight and understanding of how Sweden is gradually evolving into a more multi-cultural society. This increased diversity will result in new and altered demands from the market and customers and must be met with new forms of customer relations, products and services. To know which requirements to place on the managers and employees of tomorrow, it is important that we analyze our current

business environment and how it is likely to change. The role and supply of managers in the future is a strategically important issue for Länsförsäkringar AB to perform its duty to support the regional insurance companies and strive to meet the common growth ambitions.

Greater importance is being attached to employees' individual participation and involvement in realizing the Group's strategic and business goals. This is natural in such a distinct specialist and development organization as Länsförsäkringar AB. Special goal contracts are made with each employee, defining their individual goals and role in realizing their unit's business plan, which is in turn steered by the Group's overall goals. In 2005, a special reward system will be established for individual employees who have fulfilled their goal contract and thereby made a direct contribution toward meeting the Group's goals.

With the aim of shaping the Länsförsäkringar AB of tomorrow, efficiency, development and improvement efforts are being intensified to enable the company to better meet our owners' requirements so that they can realize their local growth ambitions.

Stockholm, March 15, 2005



Tommy Persson

*Managing Director and CEO,
Länsförsäkringar AB*



Länsförsäkringar and the business environment

The Länsförsäkringar Alliance needs to monitor various external issues, some of which are predictable and represent initial threats to operations or bring new opportunities, while others are characterized by the unexpected and demand a more general capacity to adapt. The ability within the Länsförsäkringar Alliance to make rapid adjustments is aided by the independence of each of the regional insurance companies. Länsförsäkringar AB actively analyzes the business environment within which the Alliance operates. The range of issues is broad – here we describe only a few of the issues affected by changes that in turn influence banking and insurance operations.

The public welfare system

When the welfare system was being established in Sweden during the postwar years, a large proportion of the population was of working age. The economic growth rate was extremely high, and for a number of years GDP growth was around 5% annually. Such a growth rate seems astronomical today and is only matched in countries undergoing major social and economic change, such as the Baltic States.

As demand for welfare services has increased and economic growth has weakened, the robustness of the Swedish welfare model has increasingly been questioned. In recent years, there has also been a sharp decline in the confidence Swedes have in public institutions, with a resulting approximation to international conditions. The threats to the welfare system, which Swedes nevertheless support, come in the form of new conditions, such as a higher average life

expectancy, low birth rate, increased period spent in education and changed attitudes and values in regard to welfare systems.

Accordingly, as a natural part of the process of social change, the private complements to public welfare have expanded their scope both in the social debate and in practical operations in such areas as healthcare, care of the elderly and rehabilitation. The deficiencies in public welfare have thus become an opportunity for private initiatives.

At the same time, the risks and threats that affect insurance companies and others when the institutional safety net weakens have been analyzed only to a marginal extent. Nevertheless, reduced resources in publicly financed functions such as psychiatric care, fire prevention and the police force can have significant consequences for large sections of society. This trend is accompanied by large regional imbalances, and sparsely populated rural areas are in

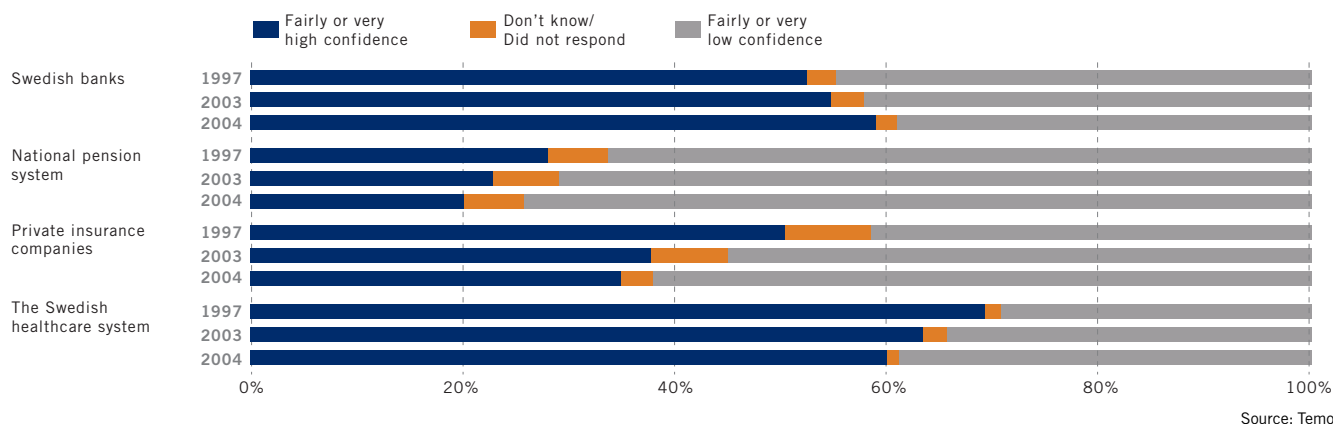
many respects more vulnerable to the effects of change than the major urban areas.

It remains to be seen how the public and private institutions will interact in future to meet citizens' needs for physical, social and economic security. Ultimately, it is a question for the citizens and consumers themselves. Backed by its 200 years of experience in working with security issues, the Länsförsäkringar Alliance will endeavor to meet the demand that will naturally arise among the country's inhabitants, with a continued focus on customer satisfaction.

Ethics and morality

Who can you trust? This is an increasingly relevant question in both society and business. The background includes earlier initiatives, as when 101 corporate leaders collectively criticized the political establishment during 1997. On that occasion, much of the criticism came from the business community, which felt it was being unfairly treated in regard to tax levels, energy policy and other factors that affect how companies develop. The situation has been reversed during the past few years, and debate now focuses on the profound disappointment aroused by the lack of morality in business – typified by cartels, dubious accounting principles, free options, and so forth. This represents a clear reversal of roles in regard to who is criticizing whom.

Based on the views expressed in the Swedish and international media, there appears to be a moral vacuum in both the public and private sectors, in Sweden as well



as internationally. Virtually no one is any more above criticism than anyone else, and there is a general need for sanitizing. It is also very clear that a number of players in banking and insurance have been severely criticized, and several independent commissions have been appointed in the industry to investigate the accusations made. Confidence in private insurance companies has declined at the same time as confidence in banks has risen, with the result that, during 2003 and 2004, the sector was clearly divided into two distinct blocs in terms of public confidence.

During 2004, at the request of the government, Finansinspektionen submitted a number of proposals regarding how insight into insurance companies could be improved, both for the general public and for the supervisory authorities. The government's legislative work has intensified and increased regulation can be expected during the next few years.

Given that the Länsförsäkringar Alliance subscribes to the principle that customer satisfaction is the ultimate objective, external interests also have the right to demand that operations are characterized by extremely high ethical and moral standards. Customer surveys show that confidence in the operations has remained stable despite strong criticism of the industry as a whole during the past few years.

Ethnic diversity in the population

For many hundreds of years, the Swedish population has been characterized and influenced by both immigration and emi-

gration. The process can be summarized by saying that Sweden was a nation of emigrants until World War II, and thereafter an immigrant nation, in the sense that today more people immigrate into Sweden than emigrate from it.

In an international perspective, Sweden has a very high proportion of citizens with a foreign background*. In terms of the proportion of its citizens born outside the country – slightly more than 11% – Sweden is in third place in the world.

The local variations throughout the country are substantial in terms of inhabitants with a foreign background. Measured by county, Stockholm has the largest proportion with a foreign background, at 33%, while Jämtland, with 8%, has the lowest proportion. The national average is 22%.

Forecasts from Statistics Sweden for the period up to 2020 show that inhabitants with a foreign background will account for 90% of population growth. Statistics Sweden's forecasts do not take increased labor immigration into account, despite the fact that this is a strong probability within a time horizon of 15 years.

To gain a better understanding of how the ethnic diversity of the population affects market conditions in banking and insurance, Länsförsäkringar conducted an extensive customer survey during spring 2004. More than 2,000 private individuals and business owners with foreign backgrounds gave the following results:

- Utilization of banking and insurance services is noticeably lower among consumers

and business owners with a foreign background, one reason being that persons with a foreign background have difficulty familiarizing themselves with the Swedish banking and insurance market. However, there are considerable differences between different ethnic groups in terms of becoming familiar with and making use of banking and insurance services.

- Generally speaking, personal meetings appear to be of greater importance in contacts with customers with a foreign background.
- Four out of ten people with a foreign background own their homes, while the corresponding figure for the entire population is seven out of ten.

To sum up, the Länsförsäkringar Alliance has a new ethnic market to cultivate. In the 1970s, this market comprised some 300,000 Swedes with a foreign background, compared with more than 2 million today. During the next few years, ethnic diversity is expected to broaden further, which will create a number of opportunities, both as a local employer and as a supplier of banking and insurance services. With its tradition of having Sweden's most satisfied customers, based on a strong local presence and personal meetings, the Länsförsäkringar Alliance is well positioned to benefit from ethnic pluralism.

* "With a foreign background" refers to citizens who were born outside Sweden or have at least one parent who was born abroad.

Länsförsäkringar Sak (non-life)

Continued focus on development

Länsförsäkringar Sak conducts development activities in a number of areas and provides support for the regional insurance companies in the form of various services, analysis and development. In addition, Länsförsäkringar Sak conducts business operations of its own in the areas of medical and accident insurance, various kinds of third-party and other liability insurance, transportation insurance, national customers in the commercial automotive area and producer liability insurance. Länsförsäkringar Sak also handles internal and external reinsurance on behalf of the regional insurance companies.

IN ADDITION TO CONDUCTING insurance operations of its own, Länsförsäkringar Sak complements and supports the regional insurance companies by providing expertise in a number of areas in the form of various services, analysis and development. Key functions include support processes for sales, claims adjustment and evaluation. A growing number of customers are purchasing more products within non-life insurance. The regional bonus system (Läns-Bonus) will contribute toward 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.

Development for the future

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 emergence of new services and product solutions. The growth potential is estimated to be very large while the design and pricing of products is complex.

As of 2004, all regional insurance companies have expanded 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 policies written prior to 2003 will be dissolved. Product development and specialist services will continue to be handled jointly, while business responsibility has been transferred over to the regional insurance companies.

In order to manage the ever-expanding motor insurance segment, a project is underway to create a new system for private and commercial automotive insurance. The system components for quotations and new policies were successfully implemented during 2003. In 2004, substantial resources were spent on schedule amendments and the special requirements entailed by commercial automotive insurance.

As part of the process of change to meet the competence requirements of tomorrow, nearly all employees have undergone the "Saklicensen" non-life training package, a basic training course aimed at improving employees' specialist knowledge. Internal efficiency is also being continually reviewed within the divisions. As employees retire or resign, an analysis is performed before any decisions are made regarding future competence requirements or possible replacements.

Profit for insurance operations

Länsförsäkringar Sak reported a profit of SEK 641 M (617) before appropriations and tax. The technical result amounted to SEK 244 M (444). Premiums earned after ceded reinsurance amounted to SEK 2,260 M (3,697). The decline is mainly because third-party liability policies have been written by the regional insurance companies since January 1, 2004. Premium increases have impacted on continuing operations. A reduction in the maximum rate of interest for calculating annuities was announced by

Finansinspektionen during the autumn of 2004. This had a significant negative effect on earnings, which, however, was offset by strong earnings from the portion of third-party liability insurance pertaining to the period before these policies are renewed with the regional insurance companies.

There was a reduction in operating expenses compared with the preceding year since third-party liability policies are now underwritten by the regional insurance companies. Operating expenses in 2004 amounted to SEK 357 M (612). However, third-party liability insurance remains the largest insurance sector also this year, with a profit of SEK 146 M (402).

The solvency margin increased to 273% (72), primarily due to a reduction in the business volume since new policies for third-party liability insurance are now underwritten by the regional insurance companies. Several product areas increased their share of the non-life insurance market during the year.

Investment assets (excluding shares and participations in Group companies) had a market value of SEK 17.4 billion (17.2) at year-end. Investment assets generated a total yield of 4.5% (5.5) in 2004, which can be compared with the five-year average of 3.7% (4.2). The total yield on properties was 2.5% (3.7), which includes the company's holdings in Humlegården.

Future campaigns and new markets

The market for healthcare products is increasingly in focus. As of January 1, 2005, employers are subject to new rules with regard to financing absence due to sickness. This makes it even more important for Länsförsäkringar to assume an active role in the market and develop new

products. Underfunding in the public healthcare sector will place even greater demands on Länsförsäkringar to supplement and develop its existing offering with private alternatives with short delivery times and facilities close to the patient. Demographic changes and altered labor market conditions have meant that the company's organization has evolved into working with a greater number of future-oriented studies and projects.

In the environmental area, the conditions for a large future market have improved as a result of an EU directive regarding individual producer liability. The directive, which applies to all producers of electric and electronic products, is currently being transposed into national law in the EU member states. The directive emphasizes recycling insurance as a means of securing a financial guarantee for recycling of products launched in the market. The financial guarantee obligation must be met by August 2005 at the latest. To this end, Länsförsäkringar Sak has finished products ready for launch in the market. Environmental certification and the ongoing improvement efforts make Länsförsäkringar more attractive to those customers and suppliers who are also focusing on environmentally-friendly operations.

Claims prevention measures are becoming increasingly important. In having the industry's largest statistical database to facilitate analysis and pricing, Länsförsäkringar has a strategic advantage that needs to be developed further. An action plan with common areas of priority is currently being compiled within third-party liability insurance. Another claims prevention measure involves training traffic safety advisors at Länsförsäkringar's commercial



motor insurance customers. A project is in progress involving dialog to promote safer construction through more efficient use of resources, more efficient energy consumption and a safer indoor environment. A new example of Länsförsäkringar's long-term commitment to claims prevention work is the "Third Life" research project conducted jointly with Linköping University, the Blekinge Institute of Technology and the Royal Institute of Technology. The project conducts research into ideal homes for functionally impaired persons, seniors and the elderly.

Key figures, SEK M	2004	2003
Premiums earned after ceded reinsurance	2,260	3,697
Profit for the year after tax	747	478
Technical result, non-life insurance operations	244	444
Solvency margin, %	273	72
Claims ratio, %	94.4	89.7
Expense ratio, %	15.8	16.6
Combined ratio, %	110.2	106.2

Länsförsäkringar Liv (life)

Efficiency improvements and collective consolidation restored at over 100%

Länsförsäkringar Liv supplies the regional insurance companies with products and provides support and other services. Länsförsäkringar Liv develops concepts, products, processes and systems and the 24 regional insurance companies establish and develop relationships with customers.

During 2004, the focus of Länsförsäkringar's life assurance operations was on continued efficiency enhancements, cost reductions and measures to improve consolidation.

The administration result improved by SEK 219 M. At the same time, measures were taken to secure future profitability and growth in the private and occupational pension markets.

Measures to improve consolidation

On June 1, 2004, collective consolidation was restored at over 100% through a reduction in the value of customers' preliminary bonus allocation. At the same time, the bonus rate for customers saving in pension insurance and life assurance with traditional management was increased to 4% before taxes and fees. The background to the adjustment is that, as a result of the dramatic stock market decline between March 2000 and March 2003, Länsförsäkringar Liv had not achieved full balance between the customers' guaranteed return and preliminary bonus allocation and assets in the life assurance company. This was the case despite a low bonus rate, sharply reduced operating expenses and favorable investments that were able to benefit from the market upturn during the past year. In an additional move to improve consolidation, payments from insurance with traditional management can be reduced by up to 9% annually from July 1, 2004.

At December 31, 2004, Länsförsäkringar Liv's solvency ratio was 123% and collective consolidation was 103%. Profit for the year amounted to SEK 2,348 M (3,808).

Traditional life assurance in 2004 generated a total return of 6.8% (8.5). The New World management alternative, with a higher equities portion but a lower guarantee, generated a return of 9.6% (12.5). Some 80% of Länsförsäkringar's mutual funds open for insurance savings yielded positive returns in 2004. The customer offering was reinforced with a new private pension insurance product. Länsförsäkringar's unit-linked insurance customers also gained access during the year to several mutual funds managed by Société Générale Asset Management and Fidelity Investments.

Life assurance market

Länsförsäkringar's market share in terms of new sales rose in 2004 from 10.8% to 12.0%. Measured as premium income, Länsförsäkringar's market share increased from 8.5% to 8.9%.

The life assurance market can be divided up into the occupational pension market, the savings market and private pensions. Länsförsäkringar focuses primarily on the occupational pension market, which includes the collective bargaining sector. The large companies also serve as a marketplace for private insurance policies.

The Swedish welfare system has undergone sweeping changes over the past ten to

fifteen years. Under the new pension system, it is harder for individuals to predict the size of their future pension. At the same time, the new system entails greater possibilities to affect the size of the pension by making various pension choices. The changes have resulted in an increased need for saving in private pension schemes and a growing number of people are being forced to assume greater responsibility for their future pension. Länsförsäkringar offers a complete range of insurance solutions both for companies and private individuals. Customers who have their savings and private insurance with Länsförsäkringar can also arrange occupational pension insurance with Länsförsäkringar.

Audit team's improvement suggestions now fully implemented

An independent review of transactions between Länsförsäkringar Sak and Länsförsäkringar Liv was carried out in 2003. The review concluded that the transactions were conducted correctly. The improvement measures suggested by the audit team have now been fully implemented by Länsförsäkringar Liv.

Asset management

Changes were made in 2004 in the distribution between different asset classes in the portfolio, with a gradual shift toward greater equities exposure. This means that Länsförsäkringar Liv has restored the por-

tion of equities in the portfolio to the company's long-term target level.

Several awards during the year

Länsförsäkringar was named "Life and Unit-linked Insurance Company of the Year" by the business magazine Affärsvärlden and "Best Pension Fund in Sweden" by the industry publication Investment & Pensions Europe. Länsförsäkringar Liv was also named "Business Owners' Life Assurance Company of the Year" in 2004.

Key figures, SEK M	2004	2003
Premium income, net	8,676	8,069
Operating expenses	-1,456	-1,477
Profit for the year	2,348	3,808

INVESTMENT INCOME IN 2004 FOR THE LIFE ASSURANCE COMPANY INCLUDING THE PROPERTY COMPANY AND NEW WORLD WEIGHTED CAPITAL BASE

Investments Amounts in SEK M	Market value, Jan. 1, 2004	%	Net investment	Change in value	%	Market value, Dec. 31, 2004	%	Direct yield	%	Total yield	%
Interest-bearing, Swedish	27,053	31	-3,160	7	0.0	23,900	26	976	4.3	983	4.3
Interest-bearing, foreign	20,832	24	1,513	38	0.2	22,383	25	693	3.2	731	3.4
Interest-bearing, total	47,885	55	-1,647	45	0.1	46,283	51	1,669	3.8	1,714	3.9
Shares, Swedish	8,242	9	2,461	1,408	16.6	12,111	13	241	2.8	1,649	19.4
Shares, foreign	18,996	22	2,144	941	4.2	22,081	24	475	2.1	1,416	6.3
Total shares, excluding AI	27,238	31	4,605	2,349	7.6	34,192	37	716	2.3	3,065	9.9
Alternative Investments (AI)	8,354	9	-1,984	-356	-5.7	6,014	7	747	12.0	391	6.3
Properties	4,657	5	-414	199	3.8	4,442	5	164	3.1	363	6.9
Financing of investments	-13	0	0	0	0.0	-13	0	-1	-7.7	-1	-7.7
Total	88,121	100	560	2,237	2.6	90,918	100	3,295	3.8	5,532	6.4
Other	3,954		674	837		5,465		-182		655	
Total	92,075		1,234	3,074	3.4	96,383		3,113	3.4	6,187	6.8

Länsförsäkringar Bank

Increased volumes and strengthened earnings

Länsförsäkringar Bank is responsible for supplying products to the regional insurance companies and providing support and service. Länsförsäkringar Bank AB in turn has the subsidiaries Länsförsäkringar Hypotek AB (mortgage institution), Wasa Kredit AB (financing company), Länsförsäkringar Fondförvaltning AB (mutual fund company) and WASA Garanti Försäkrings AB in liquidation.

LÄNSFÖRSÄKRINGAR HAS 84 advisory offices throughout Sweden that provide banking services. Customers can also conduct their banking business via the Internet, by telephone and at the 1,000 or so Svensk Kassaservice (Swedish Cashier Service) outlets, pay for their purchases with credit/debit cards and use all ATMs in Sweden and abroad. Länsförsäkringar has Sweden's most outstandingly satisfied bank customers, according to this year's Swedish Quality Index survey conducted by the Stockholm School of Economics.

A growing number of Länsförsäkringar's insurance customers are realizing the benefits of also conducting their banking business with Länsförsäkringar. The share of strategic target groups among insurance customers who also entrust their banking commitments to Länsförsäkringar grew in 2004.

Earnings and profitability

Operating income for the Banking Group amounted to SEK 127 M (65). Profit after tax amounted to SEK 186 M (46), giving a return on average equity of 8.8% (3.0). Revenue continues to grow faster than expenses.

Volume growth

There was intense activity in the lending market during 2004, a major contributory factor being interest-rate levels, which declined further during the year and were

the lowest for many decades. The lending market is characterized by increasingly tough competition, primarily from commercial banks, which has led to increased pressure on prices and lower interest-rate margins. Despite these trends, Länsförsäkringar increased its market share for mortgage loans to 2.5% (1.9). The market share for loans to private individuals amounted to 2.5% (2.3). First-lien mortgages are carried in Länsförsäkringar's own mortgage company, Länsförsäkringar Hypotek. Mortgage lending increased by 47%, SEK 7.6 billion, to SEK 23.8 billion during 2004.

Despite the low market interest rates in 2004, the volume of deposits rose by 9% to SEK 19 billion (17).

Two stock index bonds – World and China & Japan – were launched for the first time during the year. The stock index bonds combine the potential of shares with the security of bonds.

Volume growth in the total stock of cards was strong, and the number of cards increased from 67,000 to 85,000. The proportion of payments made electronically also continued to increase, amounting to 67% (64). The rise in the number of transaction accounts opened and the number of cards shows that a growing number of customers are choosing Länsförsäkringar as their main bank. The number of newly opened share deposit accounts grew by 64% in 2004 compared with 2003.

A foreign payment service was launched in 2004.

BANKING GROUP SEK M	2004	2003
Total assets	43,016	32,406
Operating income	127	65
Return on equity, %	8.8	3.0
Investment margin, %	2.18	2.59
Capital adequacy, %	11.37	13.00

Credit quality

To maintain high credit quality, a careful assessment of each loan application is made. Particular emphasis is placed on providing the customer with complete, simple and clear information about loan terms and the financial consequences. This work is facilitated by using a computer-based credit appraisal and loan processing system that is also linked to external sources such as the Credit Information Center and the National Land Survey. As a result, current information is obtained quickly and accurately about the customer's financial situation as well as the value and status of collateral pledged. This ensures fast and correct loan decisions in each case. Quality is checked annually through analyses of the loan portfolio. The results indicate distinct improve-

ments. The percentage of loans with overdue amounts and payment reminders is declining year by year.

Rating

In May 2004, Standard & Poor's upgraded Länsförsäkringar Bank's earlier rating of BBB+ (stable) to A- (stable), motivating the upgrade by the fact that the bank had evolved from a niche bank into a full-service bank and achieved its growth and profitability targets. Standard & Poor's also pointed out that the quality of assets had been maintained despite a substantial expansion in lending activity. In May 2004, Länsförsäkringar Bank also received a rating from Moody's, A3 (stable).

Borrowing

To finance the expansion of lending operations and diversify the borrowing portfolio, Länsförsäkringar Bank increased its activities in the capital market in 2004. During the year, a Euro Medium Term Note (EMTN) program was therefore established. The program is listed on the Luxembourg Stock Exchange and regulated by English law. The purpose of the program is to gain access to the euro market and to

supplement the established domestic MTN program listed on the Stockholm Stock Exchange.

Fund management

As of January 1, 2004, Länsförsäkringar Fondförvaltning has been a subsidiary of the Banking Group. The company manages SEK 40 billion in 34 mutual funds. Länsförsäkringar's mutual funds are available as direct fund saving, as various unit-linked products and through the PPM system. All funds are managed by ABN AMRO Bank and its subsidiary, Alfred Berg Kapitalförvaltning, commissioned by Länsförsäkringar Fondförvaltning. As of February 1, 2005, however, the two Europe funds have been managed by Goldman Sachs Asset Management International. Länsförsäkringar Fondförvaltning retains its position as the fifth largest mutual fund company in Sweden, with a market share of 4.0% (3.9).

SEK M	2004	2003
Total number of funds	34	36
Assets under management	40,114	34,210
Profit before tax	46	21

BORROWING

	Limit	Utilized at Dec. 31, 2004
Commercial paper	SEK 15 billion	SEK 3 billion
MTN (Medium Term Note)	SEK 15 billion	SEK 10 billion
EMTN (European Medium Term Note)	EUR 1.5 billion	EUR 500 M

Agria Djurförsäkring (animal and crop insurance)

Strong earnings and new business

Agria Djurförsäkring reported stable earnings in 2004 and has never before had as many customers: 378,000 (361,000). Market share rose slightly to 62.5% (62.3). Processes were streamlined during the year, with more efficient resource planning resulting in a lower staff cost per claim/transaction.

TOTAL PREMIUMS EARNED in 2004 amounted to SEK 787 M (717). Premium growth was 7%. Over the past five years, however, premiums have grown by 51%. Income before appropriations and tax amounted to SEK 154 M (107).

Operating expenses during the year amounted to SEK 228 M (204), largely due to an increase in the portfolio. The claims ratio was 62% (61).

The continued decline in the number of farms is resulting in a decline in the agricultural insurance portfolio. The farms that remain are growing larger and more specialized. The year was spared from major damage claims. Crops also avoided resowing and hail damage. As a result, the market area was the most successful in terms of earnings relative to premiums earned.

Sweden's most common domestic animal, the cat, continues to account for the fastest growth in Agria's portfolio. For the first time in several years, the trend of a declining dog insurance portfolio was reversed. The number of horse insurance policies also grew.

Agera is the Agria subsidiary that develops business concepts to create strategic value for Agria and promote animal ownership and security for animals and people. Agria M operates under the

umbrella of Agera and provides business consulting services to other companies and organizations.

Agria International's business concept is to sell the animal insurance business as a franchise concept abroad. At the beginning of the year, Agria insurance was available in Finland and on the Åland Islands. Since the end of February 2004, it has also been possible to take out Agria insurance in Iceland. In 2004, Agria prepared to launch its insurance in Norway and, since January 1, 2005, a sales organization has been set up in Norway with administrative personnel at Agria's head office in Stockholm.

Agria aims to achieve sales of SEK 1.4 billion by 2008. This target, which is double the sales level reported for 2003, may seem aggressive. However, the year-end accounts for 2004 indicate that Agria is in line with achieving this target.

SEK M	2004	2003
Premiums earned	787	717
Income before appropriations and tax	154	107
Market share, %	62.5	62.3

Wasa Försäkring Run-Off AB

Profit generated through active run-off

Wasa Försäkring Run-Off AB is a wholly owned subsidiary of Länsförsäkringar AB and works actively with the run-off of various types of insurance transactions, primarily reinsurance risk as well as direct insurance risks. In 2004, Wasa Försäkring Run-Off AB managed the run-off of nine companies included in the Wasa Försäkring Run-Off Group and five different portfolios for Länsförsäkringar Sak Försäkrings AB.

THE TECHNICAL RESULT for 2004 amounted to SEK 18.7 M (56.5), attributable to the aggressive run-off programs actively pursued by Wasa Försäkring Run-Off.

An important task during 2004 was to reduce the number of companies within Wasa Försäkring Run-Off AB from nine to five. This is required as part of the efforts to enhance efficiency and cut administrative costs. During the year, the insurance portfolio of the UK subsidiary Stockholm Reinsurance Co (UK) Ltd was transferred to Sweden and the company was liquidated. The other UK subsidiaries, Wasa International UK Holding and its subsidiary Wasa International UK Insurance Company Ltd, were also liquidated in 2004, following the transfer of their insurance portfolios to Sweden in 2002. Lastly, Försäkrings AB Svenska Brand was merged with Wasa International Försäkrings AB.

Intensive efforts were undertaken in 2004 to expand business volumes by accepting new external run-off assignments.

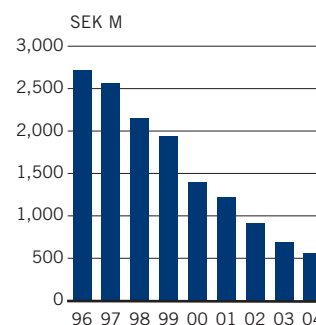
Total insurance claims arising from the four hurricanes in Florida in 2004 are estimated at USD 22 billion, which can be compared with the USD 15.5 billion from Hurricane Andrew in 1992. Only the attack

on the World Trade Center on September 11, 2001 resulted in higher claims, totaling USD 32 billion. It is not unlikely that these hurricanes will force additional companies into run-off.

At a seminar in London in March 2004, KPMG estimated that the total European run-off market exceeds EUR 350 billion, which is more than 20% of the total non-life insurance market. The global run-off market is estimated to grow by 10% per year.

A M Best claims that total provisions for the insurance industry are insufficient in an amount of USD 67 billion, of which USD 38.5 billion relates to asbestos and environmental damage.

Gross reserves trend 1996–2004



Asset management

Successful investment process is key

Länsförsäkringar AB has a joint specialist function (“Asset Management”) that is responsible for asset management within the Group. The function manages assets on behalf of Group’s life assurance and non-life insurance companies, the mutual fund company, Agria Djurförsäkring (animal and crop insurance) and several smaller Group companies. The total volume of assets under management amounts to approximately SEK 150 billion.

ASSET MANAGEMENT’S GOAL is to create favorable and competitive returns given the underlying conditions of the various assignments. Successful asset management is achieved through a combination of in-depth and broad expertise of asset management, sound knowledge about the client’s operations and a well thought-out investment process. This approach to asset management has proven successful in recent years, further confirmation of which was seen in December 2004 when Länsförsäkringar was named “Best Pension Fund in Sweden” by the leading industry publication Investment & Pensions Europe (IPE) for the second consecutive year.

The investment process

The long-term management of assets is determined using a balance sheet analysis, which takes into account the company’s liability to its policyholders. This analysis identifies risks and uncertainty related to the liability and the assets and their covariance over time. The goal of the study is to establish an optimal risk level for the asset portfolio that gives a competitive return and that balances the liability with future incoming and outgoing payments.

The study establishes an overall risk level that is suitable and acceptable. The next step involves distributing this risk across various risk sources to achieve an optimal return with an ample spread of risk. Risk associated with financial investments

is normally broken down into two components: market risk and active risk. The most important strategic decision for each mandate is market risk, or the long-term asset allocation.

A suitable level of market risk is established through quantitative and qualitative analyses of return, risk and correlations for different asset classes. This results in a number of risk sources with different characteristics but which, combined, give a market return with broad market risk. The long-term strategic asset allocation is then established based on the results of this study. Asset allocation is also subject to legal restrictions.

Once the asset allocation has been decided, the quest to achieve return via active risk commences through asset manager analysis. Asset manager analysis is applied in two different ways, both by evaluating and procuring new asset managers and by controlling and monitoring existing management assignments. Asset managers are evaluated based mainly on qualitative factors, such as assessments of the management team, investment process and portfolio composition. Historical presentations also play an important role in assessing asset managers.

Asset Management works continuously to allocate, or distribute, the risks in the portfolios so as to achieve optimal yield with limited risk-taking.

Management

Länsförsäkringar AB has chosen to transfer the daily management of listed assets and real estate to a number of external asset managers. As of February 1, 2005, unlisted shares and hedge funds are managed internally. With regard to the external asset managers, ABN AMRO handles the management of the greater part of shares and interest-bearing securities. To expose ABN AMRO to competition, two additional asset management companies – T Rowe Price and ING Investment Management – have been selected to manage a small percentage of the assets. The property portfolio is managed by the Humlegården real estate company.

Asset Management defines the assignments for the asset managers, specifying distinct risk levels and yield requirements. The managers' task is then to create the best possible return given the framework and guidelines they have received. This is achieved through active management, entailing that the composition of shares that a manager chooses for a portfolio may deviate from that of the portfolio's benchmark index.

The outsourced management assignments are continually evaluated by Asset Management. The evaluation comprises regular qualitative and quantitative analysis of the asset managers and management results. This includes continually monitoring and establishing changes to ensure that the frameworks prescribed for each management assignment are relevant and that they are complied with. Evaluation also includes meetings between specialists from Asset Management and the assets managers handling the daily management.

ABN AMRO Asset Management

ABN AMRO Asset Management is Länsförsäkringar's primary asset manager and manages the greater part of Länsförsäkringar's life assurance and mutual fund portfolios. ABN AMRO Asset Management, a separate division of the Dutch ABN AMRO Bank, manages assets on behalf of institutional investors and private investors. ABN AMRO Asset Management is based in London and Amsterdam but also has large offices in Atlanta, Chicago, Hong Kong and Singapore. Total assets under management amount to approximately

EUR 160 billion. Asset Management is also represented through local offices on all continents.

T Rowe Price

T Rowe Price of North America manages an equity portfolio on behalf of Länsförsäkringar Liv. The primary purpose of this assignment is to expose the company's main asset manager, ABN AMRO, to competition. The portfolio management concentrates mainly on North American equities, although the company possesses expertise in all major asset classes.

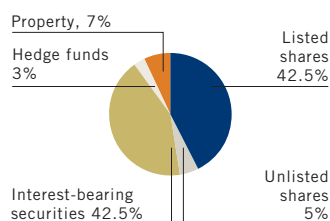
ING Investment Management

ING Investment Management manages an equity portfolio on behalf of Länsförsäkringar Liv. ING Investment Management is part of the ING Group, a Dutch company specializing in banking, insurance and asset management.

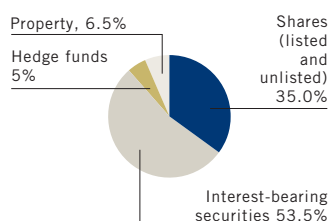
Goldman Sachs Asset Management

Since February 2005, Länsförsäkringar's two Europe Funds have been managed by Goldman Sachs.

Normal portfolio, life assurance
December 31, 2004



Normal portfolio, non-life insurance
December 31, 2004



Total yield on investment assets, %	2004
Life assurance	6.8
Non-life insurance	4.5
Agria	6.5

Länsförsäkringar named Best Pension Fund in Sweden

In December, Länsförsäkringar was named “Best Pension Fund in Sweden” by the leading industry magazine *Investment & Pensions Europe (IPE)* for the second consecutive year. In addition, Länsförsäkringar received two European themed awards for “Private Equity Investments” and “Hedge Fund Investments.”

The jury’s reasoning for awarding the “Best Pension Fund in Sweden” prize was as follows: “Good management that, in a risk-controlled manner, succeeded in increasing the equities portion of Länsförsäkringar Liv’s portfolio from undesirable underweight to a strategically desirable proportion, while improving the solvency of the life assurance company and maintaining a competitive return.” The jury motivated the awards for best investor in Europe in the asset classes private equity and hedge funds as follows: “Länsförsäkringar’s expertise and knowledge in these areas has resulted in the implementation of a long-term sustainable investment strategy.”

Policy and ownership issues

As representatives for insurance and mutual fund customers, Länsförsäkringar exercises corporate governance aimed at creating maximum value from asset management operations. Länsförsäkringar AB has a special corporate governance policy that sets out guidelines for work on corporate governance matters in companies on the Stockholm Stock Exchange. Länsförsäkringar AB is one of the larger Swedish institutional owners without holding any major ownership interests in any single company, except in exceptional cases. To gain influence, Länsförsäkringar therefore seeks active alliances with other large owners that share Länsförsäkringar’s views.

Länsförsäkringar shall actively continue to pursue relevant issues and participate in General Meetings to promote the interests of policyholders and mutual fund customers. In 2004, Länsförsäkringar participated in approximately 25 General Meetings, mainly those of large Swedish companies. Länsförsäkringar was also represented at six smaller General Meetings. On several occasions, current issues were discussed with other institutional owners prior to the Meetings. In addition, discussions were conducted directly with the companies’ senior management teams.

The main issues pursued in 2004 relate to the following:

- A well-functioning nominating procedure is necessary to achieve a good Board composition. Virtually all large listed companies had introduced nominating committees prior to their 2004 Annual General Meeting. This is something that Länsförsäkringar has advocated for some time.

Nominations to the Board shall be made based on candidates’ competence, network of contacts and international, financial or structural experience, and in such a manner that best benefits the company. The committee shall be compiled so that nominations to the Board take the interests of all shareholders into account. The composition of the nominating committee must be reported openly, which should be done during the fourth quarter of the year.

- First-rate auditing and transparency are essential for investors to make sound investment decisions. A first step in this direction is to make greater demands on the transparency of work performed by the auditors. At the request of the owners, the auditors shall review how well the management has handled the administra-



tion of the company. It is important to keep track of in whose interests the audit is conducted. Consequently, a review of the auditors' other assignments in the company and the extent of these should always be made at the Annual General Meeting. Nowadays, the auditor nearly always provides an account at the Annual General Meeting of how the audit work was conducted during the year.

– A well-formulated incentive program ensures that the management and employees strive toward a common goal that has the support of the company's external stakeholders. Länsförsäkringar holds a positive view of these types of incentive programs. When structured correctly, they increase motivation and commitment in the company and can help create added

value. Incentive programs must be goal-oriented, transparent and sufficiently extensive that they can be evaluated. All incentive programs entail costs for the company. Ceilings must be established to avoid programs from becoming too large. Incentive programs that cannot be valued must not be applied, since it is not possible for shareholders to form a correct picture of the company's financial position.

In summarizing the General Meetings for 2004, a number of changes have been made compared with prior years. Today, companies have generally thought carefully about their reasons for introducing a particular incentive program and have sought the approval of their major shareholders in good time prior to the Meeting.

Länsförsäkringar's representatives were more active in driving issues in 2004 than in prior years. Cooperation with other institutional owners was developed further during the year and will continue to be so.

It is important that the current debate does not result in an undesirable situation whereby corporate governance and management become overregulated. Such a development could be very costly and act as an obstacle to a well-functioning capital market. In December, a decision was taken to introduce a common code of corporate governance. Whether or not the code will contribute to a well-functioning capital market will become apparent when it becomes effective from July 1, 2005.



Employees

Focus on manager supply

Development and efficiency-enhancement of processes, further savings demands, reorganizations and personnel cuts characterized Länsförsäkringar AB's operations during 2004, affecting many employees. At the same time, there was a clear focus on management issues during the year.

Manager supply – a strategic area for Länsförsäkringar

Manager supply is a strategic area for the 24 regional insurance companies and for Länsförsäkringar AB.

- Länsförsäkringar's structure, comprising autonomous local companies of varying size, and its market situation give it a unique opportunity to offer competent employees an interesting career-development path.
- Länsförsäkringar is on the threshold of a generation change due to the average age of its employees.
- As more employees gain experience of working at different regional insurance companies, a learning and skills-transfer process takes place between these companies, which also reinforces and develops the corporate culture.

A common manager-supply model has been developed in order to perform an advance survey, identify talented employees and plan for their development. The aim is to utilize the entire Länsförsäkringar Alliance as a joint labor market to prepare

the ground and cultivate future management material. A project aimed at identifying ways for Länsförsäkringar to increase equality between women and men in the management structure was also conducted during the year. This is a long-term project that will remain in focus over the next three to five years.

Individual goals

During 2003, Länsförsäkringar introduced a system of individual target contracts for each individual employee. The individually defined goals are based on the employee's performance appraisal. All employees are assigned clear development plans and goals that are linked to the unit's earnings targets and the action plans contained in the business plan. During 2005, the focus is on further raising the quality in the goal contracts.

Satisfied employees despite tougher demands

Development and efficiency-enhancement of processes, further savings demands, reorganizations and personnel cuts characterized Länsförsäkringar AB's operations

during 2004, affecting many employees.

During 2004, developments in the Liv & Fond division were characterized by a continued focus on efficiency enhancement and cost savings, which also resulted in personnel cutbacks affecting nearly 70 positions.

At IT Center, IT operations and work assignments closely linked to these operations were outsourced to Hewlett-Packard, and in the process about 20 positions were also transferred. The joint Human Resources unit, including the Training Center, was merged with the divisional personnel functions in order to develop support for the organization and enhance the efficiency of personnel-related work by adopting process-oriented work methods.

The Länsförsäkringar AB Group reduced its total workforce by approximately 100 employees during 2004. Since 2002, a development program has been in operation for employees who are made redundant. The aim of the program is that after six months an employee in this situation should have received decision data to serve as a guide when seeking a suitable new job.

Despite the tougher demands, the annual employee survey produced satisfactory results. The Employee Index for 2004 was 76.5, which was on par with 2003. According to the measurement method used by Länsförsäkringar AB, 70 is regarded as acceptable. The results also showed that employees were more satisfied

than in 2003 regarding 15 of the 18 areas addressed. The highest scores were awarded to influence over work, employee solidarity, goals and results-orientation. The score awarded to management, the Manager Index, was 77, which was in line with the preceding measurement.

Another employee survey, conducted in response to the crisis of confidence that affected life assurance companies, showed that 83% of employees felt proud to work at Länsförsäkringar AB.

Smoothly functioning processes

Employee participation in business planning and the conduct of performance appraisals leading to individual development plans and documented goal contracts are processes that function smoothly within the organization. Länsförsäkringar AB's core values of Customer Value, Consideration and Results provide the basis for the employee profile, which is also discussed during the performance appraisal. The employee profile is an assessment process in which the manager and the employee have a dialog about the employee's work and attitude. The employee profile discussion focuses on the significance of employee solidarity rather than on professional competence.

Equality

Länsförsäkringar is an equal-opportunities workplace, which enhances the opportunities for both men and women to develop and grow within the Group. Such a work environment generates creativity, motivation and competitiveness. A follow-up of the equality plan covering the years 2002-2004 shows that:



- employees perceive the working conditions as being suitable for both women and men in terms of influence over work, work requirements, management and competence – all viewed from an equality perspective.
- employees perceive that there are opportunities for combining parenthood and work – flexible working hours, among other factors, make this easier to achieve. Länsförsäkringar AB also applies salary supplementation in addition to the regional social insurance office's minimum level for parental leave, bringing the total up to 90% of salary for 200 days.
- bullying and sexual harassment are countered through a clear policy and in conjunction with work-environment surveys.
- 45% of management positions were held by women in 2003. To increase the number of women managers and management candidates, a development program for female employees and women at middle-

management level was introduced in 2001.

A new equality plan containing all discrimination legislation has been drafted to cover the years 2005–2007.

Health and the work environment

Regular examination, implementation and follow-up of health and work-environment measures are now thoroughly integrated in both operations and management. A proactive health program has achieved a total employee health index of 74.1. The health index is based on questions relating to the work environment and how healthy employees feel.

Work in the health and work-environment areas has been made more efficient, and in regard to rehabilitation work, a joint contact person has been appointed at the social insurance office. The aim of all rehabilitation is that the employee will return to

work as soon as possible with improved health.

The annual risk profile assessment showed 261 employees to be in the risk group, meaning those employees with lifestyle habits that increase the risk of ill health. The follow-up shows that 74 of these employees have changed their habits to such an extent that they have transferred to the healthy group.

The health profile assessment has also been expanded through the addition of alcohol screening*. The aim is that employees should themselves reflect on their alcohol habits and regard alcohol as a health issue, in common with food and exercise habits or other lifestyle issues.

Survey shows continued favorable employer image

For 2004, Länsförsäkringar ended up in third place in the finance sector and retained first place in the insurance sector. Decision-makers in 335 companies that have more than 50 employees responded to a survey conducted by Image Survey International. According to the persons surveyed, Länsförsäkringar is a well-known and respected company in the finance sector. Universum Communications' annual survey of students – the Corporate Barometer – shows that Länsförsäkringar has retained its position as the most attractive employer in the insurance sector.

Trainee program

Länsförsäkringar implemented its first trainee program in 2001. The program was repeated during the period from September 2003 to September 2004, with three trainees employed at Länsförsäkringar AB. A new recruitment drive for trainees is planned to commence during autumn 2005, with the program scheduled to begin in January 2006.

Länsförsäkringar AB Group

EMPLOYEE STATISTICS

	December 31, 2004	December 31, 2003
Number of employees	1,561	1,674
Women	897	950
Men	664	724
Permanent employees who left during the year	203	165
Permanent employees recruited during the year	49	42

AGE RANGE

	2004	2003
	Managers	All employees
0–30 years	6	167
31–40 years	65	492
41–50 years	70	418
51–60 years	71	443
61 years–	4	41
Average age, women	44	43
Average age, men	47	44

MANAGEMENT STATISTICS

Managers	2004	2003
Women	90	96
Men	126	133

	2004		2003	
Elected officers	Women	Men	Women	Men
Managing Director	2	9	3	8
Management teams	32	58	25	49
Board members	22	78	22	82

Management team: Includes union representatives.

Board: Regular members including union representatives.

ABSENCE DUE TO SICKNESS

%	2004	2003*
Total absence due to sickness as a percentage of regular working hours	4.6	4.5
Absence for a continuous period of 60 days or more as a percentage of total absence due to sickness	65.2	65.4

Absence due to sickness by gender

Men	3.1	2.9
Women	5.7	5.7

Absence due to sickness by age category

29 years or younger	3.6	3.2
30–49 years	4.3	4.0
50 years or older	5.5	5.0

* Pertains to the second half of 2003.

* Conducted via the AUDIT program developed by the World Health Organization (WHO). AUDIT has been quality-assured to Swedish conditions by Professor Hans Bergman of Karolinska Institute.

Environment

Joint and local active environmental work

During 2004, Länsförsäkringar AB intensified its environmental work. The environmental perspective is a natural element in all operational areas, and the long-term joint environmental objectives are to reduce carbon dioxide emissions and paper consumption. The most important task is to support the regional insurance companies in their environmental work. During the year, Länsförsäkringar AB introduced and certified an environmental management system covering most of the Group. As part of this process, all employees completed a training program to learn about Länsförsäkringar AB's own environmental impact and about the environmental management system. Certification in accordance with ISO 14001 was received in December.

ENVIRONMENTAL WORK within Länsförsäkringar AB is organized through a joint environmental coordinator. Each unit also has its own environmental coordinator, and environmental work is integrated with and follows the normal business plan. The environmental perspective is a natural element in all areas.

In the course of the certification process, a number of environmental aspects were identified, of which two were assessed as significant. One of the significant environmental aspects is carbon dioxide emissions resulting from energy consumption and business travel, while the other is paper consumption. Accordingly, Länsförsäkringar AB's long-term joint environmental objective is to reduce these emissions.

During 2004, certificates were awarded to the Liv & Fond, Bank and Run-Off divisions and the Groupwide units, as well as the Humlegården property company. All 24 regional insurance companies, Agria, the non-life division and Länsförsäkringar Miljö (environment) had previously obtained certification. IT Center, Wasa Kredit and Mäklarservice (broker service) began certification work during 2004 and expect to receive ISO 14001 certification during 2005. Mäklarservice will obtain its own certificate, while IT Center and Wasa Kredit will be included in the Groupwide certificate.

Support for the regional insurance companies

The non-life division has focused on supporting the regional insurance companies in their environmental work. The most important areas are damage-prevention measures to reduce the number of claims, reduction of carbon dioxide emissions, monitoring and influencing the PVC industry and influencing the use of metals in automotive workshops.

Activities during the year included:

CLAIMS MEASURES

The ByggaBoDialogen project (Building, Living and Property Management for the Future) is a unique agreement between the

government, companies and municipalities, in which Länsförsäkringar is also one of the players involved. The players participating in the agreement commit themselves to working actively for sustainable development in the construction and property sector.

In January, Länsförsäkringar hosted a seminar on Classification of Housing and Premises for some 50 players involved in ByggaBoDialogen. The program included a presentation of VASKA, a project aimed at reducing the incidence of water damage by building in such a way that damage is discovered at an early stage.

Through its participation in the ByggaBoDialogen project's steering committee meetings, Länsförsäkringar has had the opportunity to influence developments and be kept updated on significant events in the industry.

CARBON DIOXIDE

Through increased use of electronic inspection via the WinCabas calculation system, Länsförsäkringar can reduce the number of personal inspections and trips. Use of the system increased by 13% during 2004. Considering that an average inspection by Länsförsäkringar involving a personal visit to a workshop means traveling 50 km, the increased use of WinCabas during the year corresponds to approximately a 230-ton reduction in carbon dioxide emissions.

PVC

Länsförsäkringar conducts an annual follow-up of developments in the PVC industry. The 2004 report noted that the use of mercury in PVC production is in the process of being phased out due to a switchover to a new production process, the

membrane method, which will replace the amalgam method used previously. Within a few years, the amalgam method will have been entirely replaced by the membrane method.

Recycling of PVC is also a key area. A new facility in Denmark will enable PVC to be recovered from demolition waste, which was not previously possible.

CAR REPAIRS

Länsförsäkringar also encourages automotive repair shops to use recycled parts in car repairs to reduce metal consumption, and maintains an ongoing dialog with businesses and manufacturers to steer developments in the right direction.

ENVIRONMENT MANUAL

The Environment Manual is a generally recognized model for environmental assessments of materials and products. Länsförsäkringar has been one of the owners of the manual since 1998. The manual previously existed only in book form, but a searchable Internet version with a clearer structure than before has been developed. There are plans to integrate the Environment Manual with the Meps construction calculation system, as Environment-Meps, for use in settling construction claims.

JOINT ENVIRONMENTAL FOCUS

Länsförsäkringar's environmental focus is also evident in the unique recycling insurance it offers. Länsförsäkringar's commitment to the Swedish Ecocycle Foundation (Stiftelsen Svenskt Kretslopp) is a further investment in improving the environment. The Foundation's purpose is to promote scientific research and development focusing

on environmentally compatible methods, proceeding from an ecocycle-based approach, for the disposal and recycling of goods and products.



Board of Directors' report

The Board of Directors and the Managing Director of Länsförsäkringar AB (publ) hereby submit the annual report and consolidated accounts for fiscal year 2004. 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. The Länsförsäkringar 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 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 limited liability company.

The life assurance sub-Group in which Länsförsäkringar Liv Försäkringsaktiebolag (publ) is the Parent Company and which includes Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) is not consolidated in the accounts since the company's earnings are distributed in their entirety to the policyholders. The income statements and balance sheets for the Länsförsäkringar Liv Group are presented in condensed form on page 75.

Corporate governance

The Board of Länsförsäkringar AB is responsible for the company's organization and for the administration of the company's affairs. This responsibility includes estab-

lishing an appropriate organization, overall goals and strategies for the company's operations as well as guidelines for operational control and management. The Board of Länsförsäkringar AB also has corresponding responsibilities at the Group level. This entails that the Board must ensure that goals and strategies are coordinated and result in optimal utilization of the Group's resources to meet the requirements of the owners, the 24 regional insurance companies. In view of the fact that the different lines of business within the Group operate under somewhat varying legal requirements, the Board has the important task of ensuring that a balance is constantly maintained between the different financial interests that exist within the Group, so that no single grouping of interests is unduly favored at the expense of another. As the responsible owner of Länsförsäkringar Liv Försäkrings AB, the Board of Directors resolved during the year that the Board of Länsförsäkringar Liv Försäkrings AB shall comprise a majority of members who are independent of the companies within the Länsförsäkringar Alliance. Of these independent members, two shall be appointed by Länsförsäkringar Liv Försäkrings AB's policyholder association.

To enhance its performance, the Board has set up a finance committee and an audit committee, as well as internal audit and compliance functions. All of the above bodies follow special instructions prepared by the Board.

The Board adopts an annual formal work plan for its activities, terms of reference for the Managing Director/CEO and an instruction relating to financial reporting within the Group. The Board also prepares and approves a separate Group instruction detailing the Group's organization and clarifying the division of responsibilities between the various governing bodies and officers within the Group. The Board has initiated measures to successively adapt the corporate governance rules applied within the Group to relevant parts of the Swedish Code of Corporate Governance.

The Board, which currently comprises nine members elected by the Annual General Meeting, held eight meetings during the year. The names of suitable candidates for election to the Länsförsäkringar AB Board of Directors and to the Boards of the subsidiaries and other important decision-making bodies in the Länsförsäkringar Alliance are proposed by a special nomination committee appointed by the Annual General Meeting. In addition to the members elected by the Annual General Meeting, the Board also includes three representatives of employee organizations.

Operations

The Länsförsäkringar AB Group is responsible for managing and coordinating the joint strategic and development process within the Länsförsäkringar Alliance. The Länsförsäkringar Alliance offers private individuals, companies and farmers value-for-money services within non-life insurance, life assurance and banking. Guiding principles for operations are customer-owned, local, available and personal attention. The primary task of the Länsförsäkringar AB Group is to create the prerequi-

sites 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 2004

INCREASE IN THE NET ASSET VALUE OF THE LÄNSFÖRSÄKRINGAR AB GROUP SHARE

As shown in the five-year summary on page 38, the net asset value of the Länsförsäkringar AB Group share has risen by 22% since 2000.

ENVIRONMENTAL CERTIFICATION

An environmental management system in accordance with ISO 14001 has been introduced within the Länsförsäkringar AB Group. An environmental management system provides a framework for goal-oriented efforts to improve the environment. The introduction of environmental management systems also gives the company a stronger profile as a responsible member of society. The certification process signifies the Länsförsäkringar AB Group's attitude towards the environment. It describes how to identify factors that impact the environment and how to prepare action plans to help eliminate these factors. Länsförsäkringar's certification may also influence suppliers and customers to introduce environmental management systems of their own or propose related improvements.

TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS)

The IAS Regulation stipulates that listed companies in the EU must apply international accounting principles in their consolidated accounts from 2005. However, companies that only have listed debentures are not required to apply the new accounting rules until fiscal year 2007. Länsförsäkringar AB belongs to this category of company and, consequently, the Läns-

försäkringar AB Group will apply the new regulations as of 2007.

To date, the Länsförsäkringar AB Group has prepared for the transition in project form by monitoring developments in the new regulations. These efforts will be intensified in 2005 and sub-projects will be started in different areas. The effects on the accounts will differ depending on whether operations are currently reported in accordance with the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Annual Accounts Act for Insurance Companies, since the regulations currently differ. Continued efforts will focus on identifying effects and differences between the current accounting principles and IAS/IFRS and on initiating the necessary changes in systems and other areas.

Events after the balance sheet date STORM DAMAGE

The storm damage to the forests in Götaland covers a total of approximately 70 million cubic meters. This is the largest financial insurance claim ever in Sweden. The cost of the claim for the Länsförsäkringar Alliance is estimated at SEK 2.8 billion. To limit costs for this type of claim, the Länsförsäkringar Alliance has external reinsurance cover. The self-retention for the Länsförsäkringar Alliance amounts to SEK 100 M. Länsförsäkringar Sak Försäkrings AB will incur only marginal costs.

Market developments NON-LIFE INSURANCE

According to statistics published by the Swedish Insurance Federation, the total market for non-life insurance in Sweden, measured in terms of premiums paid for individually underwritten policies, grew by 3.8% in 2004 to SEK 51.2 billion. Premiums have been raised throughout the industry in recent years to meet higher claims costs. The cost of claims declined during the year, thereby reducing the need to raise premiums.

The Länsförsäkringar Alliance strengthened its market leadership within non-life insurance further during the year, increasing its total market share in terms of premiums paid to 32.2% (30.7). The local organization with its proximity to customers continued to prove a market success in 2004, with increasing market shares in several product areas. With regard to third-party liability insurance, which accounts for the major share of insurance operations conducted by Länsförsäkringar Sak Försäkrings AB in 2004, the market share in terms of number of policies is 36.8% (36.2).

BANKING OPERATIONS

Länsförsäkringar first provided banking services in 1996. In less than ten years, operations have grown to encompass complete offerings within the areas of saving, lending and payments. The primary target groups are private individuals and farmers. Today, the bank is a full-service bank for these customer groups.

The Banking Group has 568,000 customers, an increase of 26% since 2003. The number of customers who use Länsförsäkringar Bank for their daily finances has grown by 27% since the beginning of the year. However, the number of customers who use Länsförsäkringar for their daily finances, savings and loans grew by 35% in 2004.

Market share in terms of deposits from households was up 0.1% to 3.0%, while market share in terms of lending to households rose from 2.3% to 2.5%.

Mortgage operations by the Länsförsäkringar Hypotek subsidiary continued to show strong growth in 2004, with market share rising to 2.5%. Mortgage lending grew by 47% to SEK 24 billion.

Länsförsäkringar Fondförvaltning AB has been included in the Banking Group since January 1, 2004. Länsförsäkringar Fondförvaltning has increased its share of the total mutual fund market to 4.0% (3.9). Länsförsäkringar has a total of 34 (36) securities funds with different investment orientations.

LIFE ASSURANCE AND UNIT-LINKED INSURANCE

Länsförsäkringar Liv's total premiums for life and unit-linked assurance amounted to SEK 8,676 M (8,069), up 8%. Market share amounted to 8.9% (8.5) in terms of premium income and 12.0% (10.8) in terms of new sales.

Länsförsäkringar Liv Försäkrings AB has a strong balance sheet and the solvency ratio at December 31, 2004 was 123% (122). Solvency is a measure of a life assurance company's financial strength. It shows the value of the company's assets in relation to its guaranteed commitments to customers. The lowest permissible solvency ratio is 104%.

Collective consolidation at December 31, 2004 was 103% (92). Collective consolidation is a measure of a life assurance company's ability to distribute a bonus. It shows the value of the company's assets in relation to the guaranteed commitments and the non-guaranteed bonus to customers, that is, the entire capital assured.

Since the company was formed in 1985, the average annual bonus rate for customers saving in Länsförsäkringar Liv's traditional life assurance product has been 9.8%.

Risk management

The risks associated with the operations conducted in the different areas of the Group are handled within that part of the Group in which they arise. Insurance risks are thereby managed within the Group's insurance companies, risks related to the insurance companies' investment assets are managed by the Groupwide asset management unit on behalf of the insurance companies, and credit risks associated with lending are managed within the Banking Group.

In addition to shares in Group companies and receivables from Group companies, the Parent Company of the Group also has investment assets. However, these investment assets are limited in size relative to the investment assets of the Group's insurance companies.

RISKS ASSOCIATED WITH INSURANCE OPERATIONS

Risks in the Group's insurance operations derive both from the actual insurance activities and from investment risks in the insurance companies' assets. To limit risk, the Länsförsäkringar Alliance strives to match investment assets with insurance risks. A project is in progress to improve the analytical data for this matching process using a DFA model (Dynamic Financial Analysis).

The insurance operations conducted within the Länsförsäkringar AB Group, excluding the non-consolidated Life Group, mainly comprise third-party liability insurance, accident insurance, commercial insurance, animal insurance and assumed reinsurance.

INSURANCE RISKS

Where applicable, the Boards of the insurance companies limit insurance risk by setting maximum self-retention levels for various types of insurance risk and by determining which categories of reinsurers may be used for ceded reinsurance.

UNDERWRITING RISKS

Underwriting risk is the risk of calculated premiums and other insurance revenue not covering the anticipated claims costs and operating expenses.

Insurance sectors such as third-party liability, accident and animal insurance are associated with a wide 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. Tariffs are continuously monitored and adjustments made 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

Claims risk is the risk that technical reserves will be insufficient to cover the cost of claims.

The Group's total commitments for current policies and unadjusted claims amount to approximately SEK 17.2 billion. The estimated cost of unadjusted claims, approximately SEK 16.5 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 Group's commitments. There is considerable uncertainty about future cost trends in this area since legislation and decisions announced by authorities can affect the distribution of costs for third-party liability claims between insurance companies and society, and in many cases the outlook with regard to rehabilitation is difficult to assess.

A 1-percentage point change in the claims inflation assumption – in other words, an assumption of a 1-percentage point higher/lower annual cost increase for claims incurred – affects the provisioning requirement by approximately SEK 600–700 M.

The provision requirement is monitored regularly using various key ratios and comparisons with other insurance companies. The actuarial calculations pertaining to technical reserves are continually developed so that the methods used are well adapted to the conditions for each category or sub-category of insurance.

RISK LIMITATION THROUGH REINSURANCE

The very nature of insurance operations means that they are exposed to major fluctuations. To limit risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance. The self-retention (cost of each claim payable by the company) and the reinsurance cover (the limit up to which

reinsurance covers the cost of a claim) vary from product to product.

REINSURANCE PER CLAIM SEK M	Self retention	Cover
Third-party liability insurance	20	300
Liability insurance	10	100
Transportation insurance	5	200
Accident insurance	11	550
Horse insurance	1	15
Livestock insurance (stop loss)	100 % of premium	60

Third-party liability cover 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 reinsurance cover, reinsurance is purchased on a risk-for-risk basis. The majority of reinsurance contracts are valid per calendar year.

Länsförsäkringar Sak Försäkrings AB has external reinsurance cover for storms and natural disasters. All of the regional insurance companies are covered by this policy. The maximum cover is SEK 3 billion, with a self-retention level of SEK 100 M for the regional insurance companies. In March 2005, it was decided to raise the level of reinsurance cover to SEK 4 billion. There is also an inter-company reinsurance policy for the same type of damage, providing additional cover of slightly less than SEK 2 billion and that applies in cases where the size of the claim exceeds the limit of the external reinsurance.

REINSURANCE RISKS

Reinsurance risk is the risk of not receiving payment from reinsurers in accordance with reinsurance agreements.

To minimize reinsurance risk, 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.

ASSET MANAGEMENT RISKS

Asset management on behalf of the insurance companies involves assessments of the level of risk and the potential for generating good returns in order to create long-term investment strategies and to enable more operational investment decisions.

A benchmark portfolio serves as a reference for how investments are to be allocated between asset classes. Decision data for the composition of the benchmark portfolio and short-term investment decisions is compiled through continual analysis of current and expected future yield and risk for the asset classes that may be included in the portfolio.

An active asset management policy has been adopted in order to achieve a higher yield than the benchmark portfolio. The actual mix of assets is thereby permitted to deviate from the composition of the benchmark portfolio. This means that the yield may also be lower than the yield on the benchmark portfolio during certain periods.

Investment risks within asset management are managed through Board decisions in the relevant insurance companies regarding the benchmark portfolio and the extent to which the actual portfolio is permitted to deviate from the benchmark portfolio. The Board of Directors in each company thereby decides on the risk level for investment activities and on the degree of freedom given to the operational asset management organization in seeking to increase the return by deviating from the benchmark portfolio.

The main asset classes used in portfolio management are shares, interest-bearing securities, real estate and Alternative Investments, such as hedge funds.

Derivative instruments are used to enhance the effectiveness of asset management. Normally, only derivative instruments that are settled via a recognized clearing institute are used so as to limit the

risk of payment not being made subject to the terms of the contract.

With regard to currency risk, the insurance companies have both assets and liabilities in foreign currency. Most of this currency exposure is hedged.

To limit the credit risk associated with investments in interest-bearing securities, issuers are required to have an adequate credit rating. Rules are applied regarding lowest permissible ratings for counterparties and how great a portion of the portfolio may be invested with different issuers. In certain cases, absolute limits are stated for each issuer.

RISKS IN BANKING OPERATIONS

The Group's banking operations are conducted within Länsförsäkringar Bank AB and its subsidiaries. Operations mainly comprise:

- lending to private individuals with property as collateral
- installment loans and leasing operations
- unsecured consumer credit
- loans to farmers

Commercial lending is only conducted in the agricultural sector and in terms of installment plans and leasing.

CREDIT RISKS

Credit risk is the risk of incurring losses as a result of a counterparty not being able to fulfill its obligations and any pledged collateral not covering the owed amount.

Credit risk is limited through credit-granting rules, including the credit policy approved by the bank's Board of Directors. Lending is preceded by a thorough credit assessment, supported by IT-based credit appraisal systems based primarily on the customer's ability to repay. The commitments are followed up regularly, both in terms of payment history and changes in the value of the collateral. Payments due and non-performing receivables are followed up regularly.

Adaptations being made in the Banking Group to prepare for the forthcoming Basel II capital adequacy rules entail better information data for managing risk in the loan portfolio and greater reflection of credit risk in pricing.

The Banking Group's lending portfolio is characterized by its focus on loans to private individuals and farmers, its favorable spread of risk and low occurrence of large exposures to any particular counterparty.

OTHER RISKS ASSOCIATED WITH BANKING OPERATIONS

Interest-rate risk and currency risk are limited on an ongoing basis so that they never exceed the limits stated in the financial policy adopted by the Bank's Board of Directors. This policy also sets out precise requirements in terms of payment contingency, requiring the bank to maintain a sufficient buffer of liquid funds to prevent liquidity problems from arising.

OPERATING RISKS

Operating risks pertain to the risk of losses arising due to inappropriate or failing processes, human error, faulty systems or external events. Operating risks can thereby derive from both internal and external events and can constitute both unintentional handling errors and deliberate fraud and other criminal activity directed at the company.

Operating risks are prevented through sound internal control with well-defined rules and procedures, such as the requirement that the different stages in a process are not all carried out by the same person.

Each unit within the Länsförsäkringar AB Group is responsible for preventing operating risks within its particular area of responsibility. Risk analyses are performed annually in each of the Group's units in accordance with the Group's safety policy.

The internal audit function, which reports directly to the Boards of Directors

of the Parent Company and subsidiaries, audits and evaluates internal control.

The Group's Compliance Officers have the task of monitoring compliance and preventing the risk of non-compliance with laws, regulations and accepted practice due to a lack of knowledge or other reasons. The Compliance Officers report their observations to the Boards of their particular companies in the Group.

OVERALL RISK SCENARIO

There are many dimensions to the risk scenario for a Group such as Länsförsäkringar AB. There is no easy way to compare different types of risk and balance them against each other.

One means of summarizing the Group's exposure to risk is through a compilation of the size of assets and commitments in different operations. See table below.

SUMMARY OF LÄNSFÖRSÄKRINGAR AB GROUP:

Assets and liabilities in the various business areas, SEK billion

Investments	20	Shareholders' equity	7
Shares and share-related assets	7		
Interest-bearing assets	11	Insurance reserves, gross	17
Property-related assets	1	Third-party liability	11
Other investment assets	1	Commercial and property	1
		Medical and accident	1
Lending	41	Other direct insurance	1
Mortgages to private individuals	27	Ceded reinsurance	3
Unsecured loans to private individuals	3		
Agricultural loans	3	Deposits from the public	19
Installments loans and leasing	6		
Other lending	2	Securities issued	21
Reinsurers ¹⁾	4	Other liabilities	5
Other assets	4		
Total assets	69	Total shareholders' equity and liabilities	69

¹⁾ Reinsurers' portion of technical reserves and receivables from reinsurers.

The table below shows the net foreign exposure of the Länsförsäkringar AB Group's assets and liabilities.

Net foreign exposure, Länsförsäkringar AB Group, December 31, 2004

Currency	Equivalent in SEK M
EUR	683
USD	465
Other currencies	43
Total	1,191

The table below shows the exposure to fluctuations in exchange rates for fixed-interest assets and liabilities, net.

Fixed-interest terms for assets and liabilities, net (including derivatives), Länsförsäkringar AB Group, December 31, 2004

	<1 year	1–5 years	5–10 years	>10 years	Total
Fixed-interest assets less fixed-interest liabilities	8,428	748	121	763	10,060

The table shows the nominal term structure.

Earnings and financial position

GROUP

Consolidated profit amounted to SEK 781 M (750) before tax and SEK 945 M (576) after tax. The profit for the year is primarily attributable to the strong technical result for insurance operations and the highly favorable earnings from asset management. The positive tax effect derives mainly from accounting for the possibility to utilize tax loss carry-forwards against future taxable profit.

The technical result for non-life insurance operations totaled SEK 260 M (586). For life assurance operations, the technical result amounted to a profit of SEK 2 M (loss: 2) and pertained to Svenska Brand Livförsäkring AB.

Consolidated premium income after ceded reinsurance amounted to SEK 1,955 M (4,658) for non-life insurance. Premium income for life assurance totaled SEK 1 M (2).

Total investment income in 2004 amounted to SEK 1,023 M (898). An amount of SEK 505 M (699) was transferred to insurance operations. The total yield was 4.9% (4.6).

Other non-technical revenue amounted to SEK 126 M (123). This included SEK 0 M (15) in goodwill amortization, SEK 100 M (88) in expenses relating to brand building and SEK 26 M (20) in other expenses.

The net asset value increased in 2004 by SEK 764 M to SEK 7,603 M. The consolidated solvency margin rose to 389% (147), primarily due to lower business volumes within Länsförsäkringar Sak

Försäkrings AB, since new third-party liability policies are now taken out through the regional insurance companies instead of through Länsförsäkringar Sak Försäkrings AB as previously.

PARENT COMPANY

The Parent Company reported a profit of SEK 208 M (218) before tax and SEK 260 M (247) after tax. The anticipated dividend of SEK 400 M was received. The figures for 2003 have been restated in accordance with the new principle in 2004, whereby financial assets are reported at fair value.

NON-LIFE INSURANCE

The technical result for non-life insurance operations amounted to SEK 260 M (586).

Premium income after ceded reinsurance amounted to SEK 3,057 M (4,417), which was a substantial decline compared with 2003. The decline is mainly because third-party liability policies, which previously accounted for two thirds of volumes, have been written by the regional insurance companies from January 1, 2004. Premium increases have also impacted on continuing operations.

Claims payments after ceded reinsurance amounted to SEK 2,625 M (3,750), giving a claims ratio of 86% (85). The claims ratio in 2003 was affected by new legislation regarding index-linking of annuities. This had a non-recurring positive effect on the claims ratio. The claims outcome was favorable in most product groups during the year and a positive run-off result

is reported for third-party liability transactions. A new maximum rate of interest for calculating annuities was announced by Finansinspektionen during the autumn. This generated a negative effect on earnings in the year-end accounts.

Investment income transferred from financial operations amounted to SEK 505 M (699). The decline compared with 2003 is attributable to a reduction in business volumes and a lower interest rate on the transferred investment income.

Operating expenses declined to SEK 675 M (818), mainly due to lower costs for third-party liability insurance, since new policies during the year were written by the regional insurance companies, thus affecting business volumes. The expense ratio rose to 22% (19).

Third-party liability insurance, the largest insurance sector, reported a profit of SEK 126 M (409). Earnings in 2004 pertain to customers who take out insurance policies in several counties, since Länsförsäkringar Sak Försäkrings AB will continue to underwrite such policies, and to remaining risks relating to third-party liability insurance that has not yet been renewed with the regional insurance companies. Earnings were partly affected by the change in the rate of interest relating to annuities, as described above. Assumed reinsurance comprising active reinsurance and run-off transactions generated a loss during the year, attributable to losses on run-off activities. Run-off of reinsurance transactions is conducted within the Wasa Försäkring

Run-Off AB Group and Länsförsäkringar Sak Försäkrings AB. Profits were reported by the domestic animal, commercial and property, automotive insurance, marine, aviation and transportation insurance sectors, as well as by direct insurance abroad, while household and homeowner insurance reported a loss due to additional provisioning for run-off transactions. Within medical and accident insurance, premium increases and terms amendments implemented during the year, combined with volume growth, contributed to a profit.

BANKING OPERATIONS

Profit before tax for the banking operations amounted to SEK 127 M (65), up 95% on 2003. SEK 46 M of this profit is attributable to Länsförsäkringar Fondförvaltning AB, which has been included in the Banking Group since January 1, 2004.

Net interest income rose by 18% to SEK 830 M (701). The increase is mainly attributable to higher volumes. Lending to the public was up 31% to SEK 39 billion (30) and deposits from the public rose 9% to SEK 19 billion (17). Revenue rose by 48% to SEK 1,214 M and expenses by 42% to SEK 1,042 M.

Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by about SEK 8 billion to SEK 24 billion (16).

Länsförsäkringar Fondförvaltning reported operating income of SEK 46 M (21). The improvement is primarily the result of an increased volume of assets under management. A 67% portion of the

increase is due to net sales and 33% to value growth. The net inflow to funds during 2004 amounted to SEK 56 billion for the total market in Sweden, which was a decrease of SEK 14 billion compared with 2003. Net inflow into Länsförsäkringar's funds during 2004 amounted to SEK 3.9 billion (3.9), which corresponds to a market share of 7.1% (5.5). SEK 2.7 billion of the net inflow came from unit-linked insurance and PPM saving.

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 75.

ANTICIPATED FUTURE DEVELOPMENTS

The Länsförsäkringar Alliance will continue to focus on achieving profitable growth in its three core areas of non-life insurance, life assurance and banking. It is important to strengthen the brand further and above all to raise awareness that Länsförsäkringar also offers banking services. Measures to enhance efficiency and profitability are ongoing. The Länsförsäkringar Alliance is striving to become even more customer-focused in its approach and attitudes. Customers are to perceive added benefits of conducting all of their banking and insurance business with Länsförsä-

säkringar. The goal is to continue to have the most satisfied customers within banking and insurance.

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 is provided in Note 41 on pages 59–60.

PROPOSED DISTRIBUTION OF EARNINGS

The proposed distribution of the unappropriated earnings is presented on page 73.

The result of the year's operations and the company's position at December 31, 2004 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⁾	2000	2001	2002	2003	2004
INCOME, SEK M					
Premiums earned (after ceded reinsurance)	2,624	3,039	3,716	4,417	3,057
Investment income transferred from financial operations	715	757	755	699	505
Claims payments (after ceded reinsurance)	-2,566	-3,032	-3,500	-3,750	-2,625
Operating expenses	-729	-816	-885	-818	-675
Other technical revenue and expenses	104	29	25	37	-3
Technical result, non-life insurance	148	-23	111	586	260
Technical result, life assurance	-	2	-52	-2	2
Remaining investment income	220	-409	46	199	518
Income from bank and mutual fund operations	56	55	34	91	127
Income from asset management operations	80	31	28	-	-
Other non-technical revenue and expenses	-102	-51	-133	-123	-126
Operating income before tax	402	-395	34	750	781
Net profit/loss for the year	166	-217	2	576	945
Premium income before ceded reinsurance					
Non-life insurance	4,085	5,045	5,401	6,214	3,806
Premium income after ceded reinsurance					
Non-life insurance	2,705	3,270	3,875	4,658	1,955
Life assurance	-	2	0	2	1

Länsförsäkringar AB Group excl. Länsförsäkringar Liv ¹⁾	2000	2001	2002	2003	2004
FINANCIAL POSITION					
Investment assets (valued at fair value)	16,961	16,648	17,646	18,641	19,247
Technical reserves	11,944	12,926	13,860	15,000	14,015
Net asset value					
Shareholders' equity	5,530	5,531	5,518	6,086	7,016
Deferred tax	542	399	435	614	448
Subordinated loans	200	327	139	139	139
Net asset value	6,272	6,257	6,092	6,839	7,603
Solvency margin, %	232	191	157	147	389
Net worth (SEK M)	5,530	5,531	5,518	6,086	7,016
Number of shares (000s) at par value of SEK 100	6,075	6,297	6,297	6,298	6,298
Net worth per share (SEK)	910	878	876	966	1,114
Capital base for the insurance Group ¹⁾				9,251	10,263
Required solvency margin for the insurance Group ¹⁾				4,757	4,450
KEY RATIOS, %					
Non-life insurance operations					
Claims ratio	98	100	94	85	86
Expense ratio	28	27	24	19	22
Combined ratio	126	127	118	103	108
Asset management					
Direct yield	2.8	2.6	2.9	2.2	1.2
Total yield	6.9	1.9	4.3	4.6	4.9

¹⁾ The Länsförsäkringar Liv Försäkrings AB Group is not consolidated since the company's operations are conducted in accordance with mutual principles. However, the life assurance companies are included in the insurance group.

Consolidated income statement

SEK M		2004	2003
TECHNICAL ACCOUNTING, NON-LIFE INSURANCE OPERATIONS			
Premiums earned (after ceded reinsurance)			
Premium income	Note 1	3,805.9	6,214.4
Premiums for ceded reinsurance		-1,850.6	-1,556.7
Change in Provision for unearned premiums and unexpired risks		1,155.0	-193.8
Reinsurers' portion of Change in the provision for unearned premiums and unexpired risks		-53.0	-46.7
		3,057.3	4,417.3
Investment income transferred from financial operations	Note 2	504.9	698.9
Other underwriting revenue (after ceded reinsurance)	Note 3	0.7	37.6
Claims payments (after ceded reinsurance)			
Claims payments	Note 4		
Before ceded reinsurance		-3,559.7	-4,093.6
Reinsurers' portion		1,075.8	1,324.4
		-2,483.9	-2,769.2
Change in Provision for outstanding claims			
Before ceded reinsurance		-215.4	-663.8
Reinsurers' portion		74.6	-316.8
		-140.8	-980.6
Claims payments (after ceded reinsurance)		-2,624.7	-3,749.9
Operating expenses	Note 5	-674.6	-817.5
Other underwriting expenses (after ceded reinsurance)	Note 6	-3.9	-0.1
TECHNICAL RESULT, NON-LIFE INSURANCE OPERATIONS		259.8	586.3

SEK M		2004	2003
TECHNICAL ACCOUNTING, LIFE ASSURANCE OPERATIONS (Group life and occupational group life)			
Premium income (after ceded reinsurance)			
Premium income	Note 7	0.6	0.7
Premiums for ceded reinsurance		-	1.5
		0.6	2.2
Investment income	Note 8	2.3	1.8
Unrealized gains on bonds and other interest-bearing securities		0.1	0.2
Claims payments (after ceded reinsurance)			
Claims payments			
Before ceded reinsurance		-1.3	-3.6
Reinsurers' portion		2.5	-3.8
		1.2	-7.4
Change in Provision for outstanding claims			
Before ceded reinsurance		5.4	3.0
Reinsurers' portion		-6.0	-0.3
		-0.6	2.7
Claims payments (after ceded reinsurance)		0.6	-4.7
Change in life assurance provision (after ceded reinsurance)			
Before ceded reinsurance		0.4	0.7
Operating expenses	Note 9	-1.4	-1.9
Investment charges	Note 10	-0.1	-0.1
Unrealized losses on shares and participations		-0.0	-
TECHNICAL RESULT, LIFE ASSURANCE OPERATIONS		2.5	-1.8
NON-TECHNICAL ACCOUNTING			
Technical result, non-life insurance operations		259.8	586.3
Technical result, life assurance operations		2.5	-1.8
Investment income	Note 11	1,161.4	1,022.6
Unrealized gains on investment assets	Note 12	396.8	691.7
Investment charges	Note 13	-477.8	-606.4
Unrealized losses on investment assets	Note 12	-57.4	-210.3
Investment income transferred to non-life insurance operations		-504.9	-698.9
Goodwill amortization		-	-15.2
Other non-technical revenue and expenses	Note 14	-126.0	-108.3
Income from insurance operations		654.4	659.6
Income from mutual fund operations (included in bank from 2004)		-	25.7
Net interest income		829.7	700.7
Operating revenue		726.4	204.6
Operating expenses		-1,429.5	-858.4
Income from Wasa Garanti Försäkrings AB		-	18.0
Income from banking operations	Note 15	126.6	64.9
Result before tax		781.0	750.2
Tax on income for the year	Note 16	163.6	-178.2
Minority share of earnings		0.0	3.7
NET PROFIT FOR THE YEAR	Note 17	944.6	575.8
Number of shares		6,297,583	6,297,583
Earnings per share, SEK		150.0	91.4

Consolidated performance analysis

SEK M	Total	Medical & accident	Household & homeowner	Commercial & property	Motor vehicle	Third-party liability	Marine, aviation & transportation	Industrial injury	Domestic animal	Direct insurance, Swedish risks	Direct insurance, foreign risks	Assumed reinsurance
Technical result, non-life insurance operations												
Premiums earned (after ceded reinsurance) Note A	3,057.3	216.1	0.0	149.6	145.6	1,417.6	109.0	–	768.4	2,806.2	0.0	251.1
Investment income transferred from financial operations	504.9	20.6	0.9	32.1	3.1	400.8	4.2	0.0	10.5	472.2	0.0	32.7
Other underwriting revenue (after ceded reinsurance)	0.7	–	–	–	–	–	–	–	–	–	–	0.7
Claims payments (after ceded reinsurance) Note B	–2,624.7	–179.4	–17.7	–79.4	–100.6	–1,470.1	–58.9	0.3	–481.6	–2,387.4	1.2	–238.5
Operating expenses	–674.6	–54.5	–	–54.5	–16.7	–222.6	–26.5	–	–245.1	–619.8	–	–54.7
Other underwriting expenses (after ceded reinsurance)	–3.9	–	–	–	–	–	–	–	–	–	–	–3.9
	259.8	2.7	–16.7	47.8	31.4	125.7	27.8	0.3	52.1	271.1	1.2	–12.6
Run-off result, gross	235.7	–14.6	–20.9	112.2	7.3	108.9	47.8	0.3	8.0	249.1	1.5	–14.9
Technical reserves, before ceded reinsurance												
Provision for unearned premiums and unexpired risks	712.1	64.8	1.1	145.5	73.3	37.5	22.1	–	373.3	717.7	–	–5.6
Provision for outstanding claims	16,451.1	577.2	46.3	1,173.7	40.5	11,199.4	122.4	0.2	97.4	13,256.9	3.9	3,190.3
	17,163.2	642.0	47.4	1,319.2	113.8	11,236.9	144.5	0.2	470.7	13,974.6	3.9	3,184.7
From life assurance operations, outstanding claims	44.6											
Reinsurers' portion of technical reserves												
Provision for unearned premiums and unexpired risks	54.6	1.5	–	53.1	–	–	2.1	–	0.4	57.1	–	–2.5
Provision for outstanding claims	3,138.1	37.8	3.8	209.6	–	385.2	17.2	–	24.1	677.5	–	2,460.6
	3,192.7	39.3	3.8	262.7	–	385.2	19.3	–	24.5	734.7	–	2,458.1
From life assurance operations, outstanding claims	5.9											
Note A Premiums earned (after ceded reinsurance)												
Premium income (before ceded reinsurance)	3,805.9	242.3	–	346.6	163.9	285.3	117.3	–	803.6	1,959.0	0.0	1,847.0
Premiums for ceded reinsurance	–1,850.6	–17.5	0.0	–189.9	–	–24.9	–13.5	–	–7.2	–253.0	–	–1,597.6
Change in Provision for unearned premiums and unexpired risks	1,155.0	–9.2	–	43.5	–18.3	1,157.2	6.3	–	–27.8	1,151.6	–	3.3
Reinsurers' portion of Change in the provision for unearned premiums and unexpired risks	–53.0	0.5	–	–50.6	–	0.0	–1.2	–	–0.1	–51.5	–	–1.5
	3,057.3	216.1	0.0	149.6	145.6	1,417.6	109.0	–	768.4	2,806.2	0.0	251.1
Note B Claims payments (after ceded reinsurance)												
Claims payments												
Before ceded reinsurance	–3,559.7	–189.2	–6.9	–285.6	–101.7	–1,496.8	–54.2	–0.3	–490.9	–2,625.5	0.6	–934.7
Reinsurers' portion	1,075.8	16.4	2.2	166.8	–0.1	40.9	3.5	–	9.8	239.4	–	836.4
Change in provision for outstanding claims												
Before ceded reinsurance	–215.4	–9.6	–13.6	135.9	1.2	124.9	18.0	0.6	23.5	280.9	0.7	–496.9
Reinsurers' portion	74.6	3.0	0.7	–96.5	–	–139.0	–26.2	–	–24.1	–282.2	–	356.8
	–2,624.7	–179.4	–17.7	–79.4	–100.6	–1,470.1	–58.9	0.3	–481.6	–2,387.4	1.2	–238.5

Consolidated balance sheet

SEK M		Dec. 31, 2004	Dec. 31, 2003
ASSETS			
Intangible assets			
Other intangible assets	Note 18	257.8	239.9
Investment assets			
Buildings and land	Note 19	214.4	202.4
Investments in Group and associated companies			
Shares in Länsförsäkringar Liv	Note 20	452.0	452.0
Shares and participations in associated companies	Note 20	1,184.1	1,148.2
Other financial investments assets			
Shares and participations (see pages 65–72)		6,786.5	5,559.6
Bonds and other interest-bearing securities	Note 21	9,834.7	10,341.4
Other loans		24.0	302.2
Lending to credit institutions		–	0
Derivatives	Note 22	731.6	587.1
Deposits with companies that have ceded reinsurance		19.7	47.7
Total investment assets		19,247.0	18,640.7
Reinsurers' portion of Technical reserves			
Unearned premiums and unexpired risks		54.6	107.6
Outstanding claims		3,144.0	3,074.6
		3,198.6	3,182.3
Assets in the Banking Group			
	Note 23		
Bonds and other interest-bearing securities		1,197.7	1,243.1
Lending		41,003.7	30,645.8
Other receivables and assets		733.7	513.1
		42,935.1	32,402.0
Receivables			
Receivables pertaining to direct insurance	Note 24	378.2	877.1
Receivables pertaining to reinsurance	Note 25	420.9	655.3
Deferred tax assets	Note 26	269.3	107.6
Other receivables from closely related companies	Note 27	233.1	135.5
Other receivables		155.9	413.3
		1,457.3	2,188.8
Other assets			
Tangible assets and inventories	Note 28	102.0	129.5
Cash and bank balances		1,985.9	1,873.1
		2,087.9	2,002.6
Prepaid expenses and accrued income			
Accrued interest and rental income		123.8	143.1
Prepaid acquisition costs	Note 29	40.6	53.5
Other prepaid expenses and accrued income		65.6	207.8
		230.0	404.4
TOTAL ASSETS		69,413.9	59,060.7

SEK M		Dec. 31, 2004	Dec. 31, 2003
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity			
	Note 30		
Share capital		629.8	629.8
Share premium reserve		4,801.3	4,801.3
Statutory reserve		0.0	0.0
Reserve for unrealized gains	Note 31	93.5	52.9
Other restricted reserves		352.2	330.7
Non-restricted equity			
Profit/loss brought forward		194.8	–304.4
Net profit for the year		944.6	575.8
Total shareholders' equity		7,016.2	6,086.1
Minority interests in equity			
		0.0	0.0
Subordinated debt			
	Note 32	139.0	139.0
Technical reserves (before ceded reinsurance)			
Unearned premiums and unexpired risks	Note 33	712.1	1,867.1
Life assurance provision		5.9	6.3
Outstanding claims	Note 34	16,495.8	16,308.4
		17,213.7	18,181.8
Liabilities in the Banking Group			
	Note 35		
Liabilities to credit institutions		705.5	1,357.0
Deposits and borrowing from the public		18,599.4	17,012.8
Securities issued		18,154.6	9,120.1
Other provisions and liabilities		1,062.0	693.6
		38,521.5	28,183.5
Provisions for other risks and expenses			
Pensions and similar obligations		42.8	48.1
Current tax		1.0	–
Deferred tax	Note 26	717.3	721.5
Other provisions		14.1	4.5
		775.2	774.0
Deposits from reinsurers			
		67.6	103.3
Liabilities			
Liabilities pertaining to direct insurance	Note 36	207.8	270.5
Liabilities pertaining to reinsurance	Note 37	598.7	524.5
Bond loans	Note 38	2,693.7	2,688.0
Derivatives	Note 22	445.7	202.7
Other liabilities to closely related companies	Note 39	1,109.6	1,182.5
Other liabilities		243.5	258.8
		5,299.0	5,127.0
Accrued expenses and prepaid income			
Other accrued expenses and prepaid income		381.7	466.0
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		69,413.9	59,060.7
Memorandum items			
	Note 40		
Pledged assets		16,034.2	16,592.0
Contingent liabilities		3,453.7	3,643.1
Other commitments		19,650.6	8,469.7

Changes in shareholders' equity, Group

SEK M	Share capital	Restricted reserves	Non-restricted equity
CHANGES IN SHAREHOLDERS' EQUITY			
Closing balance as stated on 'balance sheet 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	
Transfer between non-restricted and restricted reserves	-	-161.1	161.1
Change in translation difference 2003	-	-33.9	31.4
Net profit for the year 2003			575.8
Shareholders' equity at Dec. 31, 2003	629.8	5,184.9	271.4
Transfer between non-restricted and restricted reserves	-	44.4	-44.4
Change in translation difference 2004	-	17.7	-32.2
Net profit for the year 2004			944.6
Shareholders' equity at Dec. 31, 2004	629.8	5,247.0	1,139.5
Of which, accumulated translation differences			
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
Change in translation difference 2004		17.7	-32.2
Accumulated translation difference at Dec. 31, 2004		-	-

All foreign subsidiaries were liquidated during the year.

	Effect on value	Tax assets	Shareholders' equity
SENSITIVITY ANALYSIS, EFFECT ON SHAREHOLDERS' EQUITY			
10% decline in share price	-797.6	223.3	-574.2
1% increase in bond rates	-214.9	60.2	-154.7
2% increase in yield requirement for properties	-80.0	22.4	-57.6
Negative 10% foreign exchange fluctuation	-119.1	33.3	-85.8
	-1,211.6	339.2	-872.3

Consolidated cash-flow statement

SEK M	2004	2003
Operating activities		
Profit before tax	781.0	750.2
Adjustments for items not included in cash flow, etc.	-786.8	833.2
	-5.8	1,583.5
Tax paid	-1.1	0.0
Cash flow from operating activities before changes in working capital	-6.9	1,583.5
Cash flow from changes in working capital		
Increase(-)/decrease(+) in inventories	0.2	-
Investments in investment assets, net	-678.3	-391.3
Increase in net assets, banking operations	-195.1	-1,162.6
Increase(-)/decrease(+) in operating receivables	1,073.4	-289.0
Increase(+)/decrease(-) in operating liabilities	46.2	228.5
Cash flow from operating activities	239.5	-31.0
Investing activities		
Acquisition of subsidiaries	-1.7	-0.0
Divestment of subsidiaries	-	-0.0
Acquisition of associated companies	-0.9	-
Acquisition of intangible fixed assets	-104.4	-124.7
Acquisition of tangible fixed assets	-24.4	-192.7
Divestment of tangible fixed assets	3.1	5.4
Cash flow from investing activities	-128.3	-312.0
Financing activities		
New share issue	-	0.8
Borrowings	-	2,688.0
Repayment of debt	-	-1,865.4
Cash flow from financing activities	-	823.5
Cash flow for the year	111.2	480.5
Liquid funds at the beginning of the year	1,873.1	1,426.7
Exchange rate difference for liquid funds	1.6	-34.2
Liquid funds at year-end	1,985.9	1,873.1

Supplementary information to the cash-flow statement

SEK M	2004	2003
Interest paid and dividend received		
Dividend received	20.5	66.0
Interest received	722.3	726.7
Interest paid	-288.6	-232.6
Adjustments for items not included in cash flow, etc.		
Acquired earnings	-	-5.5
Less: participations in earnings of associated companies	-36.7	-0.3
Depreciation and writedown of assets	111.1	158.4
Unrealized exchange rate differences	-340.1	136.3
Capital gains/losses on assets	446.1	-657.6
Capital gains/losses on divestment of subsidiaries/operations	-	0.0
Technical reserves after ceded reinsurance	-961.6	1,188.4
Pension provisions	-5.2	7.4
Other provisions	9.6	9.7
Other profit/loss items not affecting liquidity	-9.9	-3.4
	-786.8	833.2
Acquisition of subsidiaries and other business units		
Acquired assets and liabilities		
Intangible fixed assets	1.6	-4.6
Tangible fixed assets	-	0.1
Financial assets	-	8.9
Operating receivables	0.1	1.3
Liquid funds	-	1.1
Total assets	1.7	6.9
Minority interests	0.0	-5.6
Operating liabilities	0.0	11.4
Total minority interests, liabilities and provisions	0.0	5.8
Consideration paid	1.7	1.1
Less: acquired liquid funds	-0.1	-1.1
Effect on liquid funds	1.6	-0.0
Divestment of subsidiaries and other business units		
Divested assets and liabilities		
Operating receivables	-	0.1
Liquid funds	-	0.1
Total assets	-	0.2
Operating liabilities		0.1
Total liabilities and provisions	-	0.1
Sales price	-	0.1
Less: divested liquid funds	-	-0.1
Effect on liquid funds	-	-0.0
Liquid funds		
Cash and bank balances	1,985.9	1,873.1

Parent Company income statement

SEK M		2004	2003
Net sales	Note 42	811.7	759.8
Operating expenses			
External costs	Note 43	-778.5	-660.8
Personnel costs	Note 41	-293.2	-210.5
Depreciation of tangible fixed assets		-39.9	-54.1
Operating income		-299.9	-165.6
Income from financial items			
Income from participations in Group companies	Note 44	398.3	320.3
Interest income and similar profit/loss items	Note 45	279.2	91.7
Interest expense and similar profit/loss items	Note 46	-169.7	-28.3
Result before tax		207.9	218.2
Tax on income for the year	Note 47	52.2	28.9
Net profit for the year		260.1	247.1

Parent Company balance sheet

SEK M		Dec. 31, 2004	Dec. 31, 2003
ASSETS			
Fixed assets			
Tangible fixed assets			
Equipment	Note 48	78.8	100.1
Financial fixed assets			
Shares and participations in Group companies	Note 49	5,408.8	5,110.5
Loans to Group companies	Note 50	2,210.0	2,210.0
Deferred tax assets	Note 51	25.0	25.0
		7,643.8	7,345.6
Total fixed assets		7,722.5	7,445.7
Current assets			
Inventories		3.7	8.2
Current receivables			
Receivables from Group companies		598.0	648.7
Receivables from other closely related companies	Note 52	41.6	33.3
Other receivables		35.5	27.0
Prepaid expenses and accrued income, Group companies		22.2	3.4
Other prepaid expenses and accrued income	Note 53	31.3	48.4
		728.6	760.7
Current investments	Note 54	375.3	426.1
Cash and bank balances		822.6	599.1
Total current assets		1,930.1	1,794.1
TOTAL ASSETS		9,652.6	9,239.8

Parent Company balance sheet, cont.

SEK M	Dec. 31, 2004	Dec. 31, 2003	
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity	Note 55		
Restricted equity			
Share capital (6,297,583 shares à SEK 100 par value)	629.8	629.8	
Share premium reserve	4,801.3	4,801.3	
Statutory reserve	0.0	0.0	
	5,431.0	5,431.0	
Non-restricted equity			
Profit brought forward	478.5	96.9	
Net profit for the year	260.1	247.1	
	738.6	344.1	
Total shareholders' equity	6,169.7	5,775.1	
Provisions			
Pension provisions	Note 56	42.1	35.6
Long-term liabilities			
Subordinated loans from regional insurance companies	Note 57	139.0	139.0
Bond loans	Note 38	2,693.7	2,688.0
	2,832.7	2,827.0	
Current liabilities			
Accounts payable		25.3	19.6
Liabilities to Group companies		375.7	478.2
Liabilities to other closely related companies	Note 58	85.2	44.9
Other liabilities		3.5	3.6
Accrued expenses and prepaid income, Group companies		13.0	0.0
Other accrued expenses and prepaid income	Note 59	105.4	55.7
	608.2	602.0	
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	9,652.6	9,239.8	
Pledged assets	None	None	
Contingent liabilities	None	6.4	

Changes in shareholders' equity, Parent Company

SEK M	Share capital	Restricted reserves	Non-restricted equity
Changes in shareholders' equity in the Parent Company			
Closing balance as stated on balance sheet 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 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
Effect of change in accounting principle on net profit for the year			46.6
Adjusted opening balance at Jan. 1, 2004			344.1
Net profit for the year			260.1
Group contribution			186.7
Tax effect of Group contribution			-52.3
Shareholders' equity at Dec. 31, 2004	629.8	4,801.3	738.6

It is proposed that non-restricted equity of SEK 738.6 M be carried forward.

Parent Company cash-flow statement

SEK M	2004	2003
Operating activities		
Income after financial items	207.9	218.2
Adjustments for items not included in cash flow, etc.	-484.3	-326.0
	-276.4	-107.8
Tax paid	-	-4.4
Cash flow from operating activities before changes in working capital	-276.4	-112.2
Cash flow from changes in working capital:		
Increase(-)/decrease(+) in inventories	0.9	1.1
Increase(-)/decrease(+) in operating receivables	-6.9	427.7
Increase(+)/decrease(-) in operating liabilities	-2.4	-230.3
Cash flow from operating activities	-284.8	86.4
Investing activities		
Shareholders' contribution paid	-300.0	-740.0
Acquisition of subsidiaries	-0.0	-
Divestment of subsidiaries	-	22.9
Dividend received	499.7	338.0
Acquisition of tangible fixed assets	-20.6	-50.0
Divestment of fixed assets	2.0	-
Investments in financial assets	192.5	49.8
Cash flow from investing activities	373.7	-379.4
Financing activities		
New share issue	-	0.8
Lending	-	-2,030.0
Borrowings	-	2,688.0
Group contribution received	134.6	28.7
Cash flow from financing activities	134.6	687.5
Cash flow for the year	223.5	394.5
Liquid funds at the beginning of the year	599.1	204.6
Liquid funds at year-end	822.6	599.1
SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT		
Interest payments		
Interest received	138.3	23.5
Interest paid	-164.2	-23.1
Adjustments for items not included in cash flow, etc.		
Depreciation and writedown of assets	45.1	59.1
Anticipated dividend from subsidiaries	-400.0	-330.5
Reversal of writedown of securities	-	-2.2
Capital gain on the divestment of participations	-65.1	5.1
Unrealized gains	-70.8	-64.7
Exchange losses	-0.1	-
Pension provisions	6.5	7.1
	-484.3	-326.0
Liquid funds		
Cash and bank balances	822.6	599.1
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. The recommendations and statements of the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force were also applied. The Swedish Financial Accounting Standards Council's recommendation RR29 "Employee Benefits" was applied from 2004. The new recommendation from the Swedish Financial Accounting Standards Council has not had any effect on the company's earnings and shareholders' equity. However, it does imply additional supplementary disclosures.

Change in accounting principle in the Parent Company

Pursuant to an amendment in the Annual Accounts Act, non-financial limited companies are permitted from 2004 onwards to report financial assets at fair value instead of at acquisition value. Those companies in the Länsförsäkringar AB Group that are not bank or insurance companies have chosen to change accounting principle so that financial assets are now reported at fair value. In practice, only the Parent Company is affected in the 2004 year-end accounts. This principle was already applied in the Group, although not for the Banking Group.

Until the end of 2003, accumulated unrealized changes in value were accounted for in the Parent Company in accordance with the Swedish Financial Accounting Standards Council's recommendation RR5 "Change in accounting principle" and thus reported directly in shareholders' equity and deferred tax. Comparative figures for 2003 have been restated in accordance with this principle.

Segment reporting

The Group's operations are primarily broken down by business segment. Geographical division is not applied in the operational follow-up since the Group operates mainly on a national basis, in contrast to the regional insurance companies, which operate within their respective geographical markets.

For the Insurance, Bank and Other business areas, pricing between the Group's 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 or otherwise has a controlling influence. 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 RR1:00 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. All foreign subsidiaries were liquidated during 2004. The remaining translation difference was dissolved in the income statement.

Associated companies

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. This means that a share of profit corresponding to the Group's participation in the associated company's earnings is reported in the consolidated income statement. The Group's acquisition cost of the shares in the associated company is increased or reduced by the net share of profit. Any dividends received are reversed in the consolidated income statement and replaced with the share of the associated company's profit.

Properties owned by the Humlegården HB and Utile Dulci 2 HB associated companies were valued at 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 segment (Note 17). Pricing of service operations within the Länsförsäkringar 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 42). For a breakdown of the Life Group's transactions with closely related parties, refer to Länsförsäkringar Liv Försäkringsaktiebolag's annual report for 2004.

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 exchange 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 useful life of acquired operations. An amortization period of five years has been applied to goodwill. Negative goodwill is amortized in pace with future losses.

Other intangible assets

Other intangible assets are reported at acquisition value, with a deduction for writedowns and accumulated amortization. Amortization begins when the system or system component is placed in operation. The assets comprise development expenditure pertaining to 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 useful life varying 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". Patents also exist in the Group and are amortized over a period of five years.

Investment assets in the Group

VALUATION

Investment assets 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 selling price and the acquisition cost (or accrued acquisition value in the case of bonds and other interest-bearing securities) and are reported in the income statement under investment income and investment charges, respectively. Accrued acquisition value means that acquired premiums or discounts are allocated over the remaining duration of the asset. The change in accrued acquisition value is reported as interest (in accordance with the effective interest method). 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. Unrealized exchange gains and losses are not included in unrealized gains/losses but are reported as exchange gains/losses.

REPORTING OF BUSINESS TRANSACTIONS

The purchase and sale of securities are 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. Since properties are valued at fair value, no depreciation is applied.

SHARES AND PARTICIPATIONS

Shares are valued at fair value. Fair value refers to the market value of the shares on the balance sheet date. For shares listed on an authorized stock exchange or marketplace, the market value is normally the closing price paid for the share on the balance sheet date or, if this is not available, the closing bid price. Shares and participations include "Alternative investments". This type of asset consists of units in funds that buy, 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

Bonds and other interest-bearing securities are also valued at fair value using the closing price. If this is not available, a present value computation is made by taking into account the market rates of comparable securities on the closing day. Capital gains/losses on bonds and other interest-bearing securities are calculated as the difference between the market value and accrued acquisition value. Accrued acquisition value is reported by periodizing the difference between the acquisition value and the redemption price across the income statement over the remaining duration. The change in accrued acquisition value is reported net as interest income. Unrealized changes are the difference between fair value and accrued acquisition value.

DERIVATIVES

All derivatives are valued at fair value and are taken up in the balance sheet. Derivative transactions are undertaken within the specified risk mandate and are used to hedge financial risk and/or render asset management more effective.

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, financial instruments have been valued at fair value. The Parent Company uses interest-rate swaps to hedge certain loan receivables and borrowings with contractual fixed payment flows against interest-rate risk. The Parent Company applies hedge accounting using the cost method, which means that the hedged and protected positions are reported in the income statement and balance sheet without taking unrealized changes in value into account.

Receivables

Receivables are valued at fair value at the amounts expected to be received.

Tangible assets

Tangible assets are reported at historical acquisition value after deduction of accumulated depreciation and possible writedowns. Linear depreciation is applied over the asset's estimated useful life, calculated from when the asset is ready to be taken into operation.

Writedowns

If, in conjunction with the year-end closing, there is any indication of impairment in the value of a tangible or intangible asset, a calculation is made of the asset's recoverable amount. The recoverable amount is whichever is higher of the asset's net realizable value or its value in use. If the recoverable amount is lower than the book value, a writedown is made. If a higher value is established at a later date, the earlier writedown can be reversed.

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 over their useful 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 allocation of unearned premiums. The depreciation period does not exceed twelve months.

Reserve for unrealized gains

Gains which occur as a result of fair value exceeding acquisition value are allocated to a reserve for unrealized gains, after deduction of deferred tax. This reserve does not include unrealized exchange gains. 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, provisioning 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 intended 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.

For third-party liability insurance, a provision is made for claims adjustment costs in accordance with the unit cost principle. For other categories of insurance, 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.

Liabilities in the Parent Company

Long-term liabilities are defined as interest-bearing liabilities with a term of at least one year. Other liabilities are classed as current.

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 60-day interest rate. 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. Investment income pertains 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.

Pensions

According to a statement (URA 42) by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, the retirement and family pension plan for salaried employees, arranged through insurance with Alecta, is to be classified as a defined-benefit plan covering several employers. The ITP pension plan, on the other hand, is to be reported as a defined-contribution plan since it has not been possible to gain access to such information for fiscal year 2004 to enable this plan to be reported as a defined-benefit plan.

The FTP pension plan for the insurance sector works in the same way as the ITP plan and is therefore reported as a defined-contribution plan.

Pension obligations under the FTP plan are secured through insurance arranged through FPK and SPP Liv.

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 pertaining to the current year. This also includes adjustments of current tax pertaining to prior 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 Banking Group, reported separately after Group eliminations on separate lines. For the items that follow, a more specific description of the Banking 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 meant for long-term holding 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 price paid.

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 instrument's remaining maturity.

Payments received and adjustments in financial instruments' accrued acquisition value during the period are reported as Interest income.

Unrealized and realized exchange gains and losses on 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 against 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 hedging 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 unrealized changes in value into account.

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-wise provisions for loan losses.

All loan receivables in the bank 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 those losses whose amount is regarded as finally established through acceptance of a composition proposal or through other claim remissions. Non-performing receivables are loans 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 that the bank expects to recover.

The bank applies either an individual or a group-wise valuation of credits in determining a provision for probable loan losses. The group-wise 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-wise 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 Banking 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.

Notes to the consolidated financial statements

Amounts in SEK M unless otherwise stated

NOTE 1 PREMIUM INCOME, NON-LIFE INSURANCE OPERATIONS

	2004	2003
Direct insurance, Sweden	1,959.0	4,744.2
Assumed reinsurance	1,846.9	1,470.2
	3,805.9	6,214.4

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

	2004	2003
Investment income transferred	504.9	698.9

Interest rates, %

Third-party liability insurance	3.50	4.83
Other Swedish liabilities	2.70	4.25
Liabilities in USD	1.10	1.75
Liabilities in GBP	3.65	3.88
Liabilities in EUR	2.10	3.25
Other foreign liabilities	2.40	2.96

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 REVENUE (AFTER CEDED REINSURANCE), NON-LIFE INSURANCE OPERATIONS

	2004	2003
Portfolio fees	–	18.6
Interest on claims reserve	–	0.3
Dissolution of reserve for doubtful receivables	0.7	18.7
	0.7	37.6

NOTE 4 CLAIMS PAYMENTS, NON-LIFE INSURANCE OPERATIONS

	2004	2003
Claims paid	–2,284.6	–2,504.6
Operating expenses for claims adjustment	–199.3	–264.6
	–2,483.9	–2,769.2

NOTE 5 OPERATING EXPENSES, NON-LIFE INSURANCE OPERATIONS

Total operating expenses by type of expense	2004	2003
Personnel costs	–913.2	–824.8
Cost of premises	–151.8	–178.3
Depreciation	–82.8	–131.4
Other expenses ¹⁾	206.3	27.6
	–941.5	–1,106.9

»»»

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

Total operating expenses by function	2004	2003
Operating expenses for asset management	–67.2	–23.4
Operating expenses for property management	–0.5	–1.4
Operating expenses for claims adjustment	–199.3	–264.6
Operating expenses for acquisitions and administration	–674.5	–817.5
	–941.5	–1,106.9

Operating expenses

	2004	2003
Acquisition costs ²⁾	–337.1	–506.2
Change in Prepaid acquisition costs	–12.8	1.6
Administration expenses	–499.7	–454.2
Commissions and profit sharing – ceded reinsurance	175.1	141.3
	–674.6	–817.5

¹⁾ Including service revenue, of which from closely related companies.

Life Group	435.8	402.9
Associated companies	–153.7	–63.7
Regional insurance companies	716.7	479.0
²⁾ Of which, commissions on direct insurance	–108.1	–205.8

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

	2004	2003
Write-down of receivables	–3.9	–0.1

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

	2004	2003
Premium income for group insurance underwritten in Sweden	0.6	0.7

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

NOTE 8 INVESTMENT INCOME, LIFE ASSURANCE OPERATIONS

Interest income	2004	2003
Bonds and other interest-bearing securities	2.2	1.7
Other interest income	0.1	0.1
	2.3	1.8

NOTE 9 OPERATING EXPENSES, LIFE ASSURANCE OPERATIONS

Total operating expenses by type of expense	2004	2003
Cost of premises	–	–0.0
Other expenses	–1.5	–3.0
	–1.5	–3.0

Total operating expenses by function	2004	2003
Operating expenses for asset management	–0.1	–0.1
Operating expenses for claims adjustment	–	–1.0
Operating expenses for acquisitions and administration	–1.4	–1.9
	–1.5	–3.0

»»»

NOTE 9 OPERATING EXPENSES, LIFE ASSURANCE OPERATIONS, cont.

Operating expenses	2004	2003
Administration expenses	-1.4	-1.4
Commissions and profit sharing – ceded reinsurance	–	-0.5
	-1.4	-1.9

NOTE 10 INVESTMENT CHARGES, LIFE ASSURANCE OPERATIONS

	2004	2003
Asset management costs	-0.1	-0.1
Interest expense, bonds and other interest-bearing securities	–	-0.0
Other interest expense	-0.0	–
Exchange losses, net	-0.0	–
Capital loss, net		
Interest-bearing securities	–	-0.0
	-0.1	-0.1

NOTE 11 INVESTMENT INCOME

	2004	2003
Operating surplus, buildings and land		
Rental income	11.7	4.4
Operating expenses	-5.5	-2.1
	6.1	2.3
Dividend on shares and participations	121.4	127.1
Interest income, etc.		
Bonds and other interest-bearing securities	376.9	421.7
Other interest income	190.0	221.4
Reversed writedowns		
Shares and participations	–	2.1
Capital gains, net		
Shares and participations	467.0	131.2
Other investment assets	–	116.9
Investment income	1,161.4	1,022.6

NOTE 12 UNREALIZED GAINS/LOSSES ON INVESTMENT ASSETS

	Unrealized gains		Unrealized losses	
	2004	2003	2004	2003
Buildings and land	21.1	–	–	-33.2
Shares and participations	201.8	507.3	–	–
Bonds and other interest-bearing securities	173.9	–	–	-177.1
Interest-rate derivatives	–	184.4	-57.4	–
	396.8	691.7	-57.4	-210.3

NOTE 13 INVESTMENT CHARGES

	2004	2003
Asset management costs	-157.1	-91.8
Interest expense, etc.		
Bonds and other interest-bearing securities	-76.4	-75.3
Property loans	-1.4	–
Other interest expense	-219.3	-172.4
Exchange losses, net	-2.6	-190.7
Depreciation and writedowns		
Shares and participations	–	-6.4
Capital losses, net		
Bonds and interest-bearing securities	-20.9	-69.9
Investment charges	-477.8	-606.4

NOTE 14 OTHER NON-TECHNICAL REVENUE AND EXPENSES

	2004	2003
Expenses related to brand extension	-100.0	-88.4
Other expenses, Länsförsäkringar AB	-25.1	–
Other expenses, Länsförsäkringar Sak	–	-18.5
Other expenses, Agria	-0.9	-1.4
	-126.0	-108.3

NOTE 15 INCOME FROM BANKING OPERATIONS

	2004	2003
Interest income	2,051.1	1,607.1
Interest expense	-1,221.3	-906.4
Net interest income	829.7	700.7
Commission revenue	556.2	111.3
Commission expense	-342.5	-83.1
Net income from financial transactions	14.8	-0.4
Other operating revenue	155.4	93.7
Total operating revenue	1,213.7	822.2
General administration expenses	-976.0	-650.2
Depreciation/amortization and writedowns of tangible and intangible fixed assets	-37.1	-57.7
Other operating expenses	-29.2	-28.5
Total expenses before loan losses	-1,042.2	-736.4
Income before loan losses	171.4	85.8
Loan losses, net	-44.8	-38.9
Income from Wasa Garanti	–	18.0
Income from banking operations	126.6	64.9

For 2004, income from banking operations also includes SEK 46.1 M from fund management.

NOTE 16 TAX ON INCOME FOR THE YEAR

	2004	2003
Current tax		
Tax expense for the period	2.3	0.6
Adjustment of tax expense pertaining to prior years	-4.0	-
Total current tax	-1.7	0.6
Deferred tax		
Change in deferred tax expense pertaining to temporary differences	82.6	-65.5
Change in deferred tax revenue/cost of tax value in loss carryforwards capitalized during the year	83.3	-113.3
Total deferred tax	165.9	-178.8
Tax on profit share in associated companies	-0.5	-
Total reported tax expense	163.6	-178.2
Reconciliation of effective tax rate		
Result before tax	781.0	750.2
Tax at applicable rate for Parent Company	-218.7	-210.1
Effect of other tax rates for foreign subsidiaries	-	0.3
Amortization of consolidated goodwill	-	-4.3
Non-deductible costs	-233.0	-293.2
Non-taxable revenue	306.7	314.1
Increase in loss carryforwards without corresponding capitalization of deferred tax	-1.5	-3.5
Utilization of non-capitalized loss carryforwards	313.9	22.1
Tax pertaining to prior years	-3.6	-8.4
Other	-0.2	4.8
Total tax on income for the year	163.6	-178.2
Applicable tax rate, %	28%	28%
Effective tax rate, %	-21%	24%

NOTE 17 NET SALES BY BUSINESS SEGMENT

Net sales by business segment	2004	% of total sales	2003	% of total sales
Insurance	4,279.4	60	6,407.8	72
Bank and Mutual Funds	1,322.8	19	1,146.0	13
Other	1,523.7	21	1,241.2	15
Total	7,125.9	100	8,795.0	100
Elimination	-854.5		-567.5	
Group total	6,271.4		8,227.5	

Net sales for the Insurance business segment are defined as premium income after ceded reinsurance and service revenue from insurance operations. For Mutual funds, net sales are defined as fund management revenue. For the Bank segment, net sales are defined as operating revenue (net interest income, net commission income and other revenue). For Other, net sales are defined as revenue from services. Commission to the regional insurance companies from banking and mutual fund operations less compensation for costs amounts to SEK 265.0 M (154.7). The corresponding amount paid to the Länsförsäkringar Liv Group amounts to SEK 57.0 M (76.6).

»»»

NOTE 17 NET SALES BY BUSINESS SEGMENT, cont.
Information about business segments (primary segment)

	Insurance 2004	Insurance 2003	Bank & Mutual funds 2004	Bank & Mutual funds 2003	Other 2004	Other 2003
Revenue						
External sales	4,153.9	6,268.2	1,318.5	1,128.7	799.0	830.6
Internal sales	125.5	139.6	4.3	17.3	724.7	410.7
	4,279.4	6,407.8	1,322.8	1,146.0	1,523.7	1,241.3
Technical result, life assurance operations	2.5	1.7	-	-	-	-
Technical result, non-life operations	194.1	558.9	-	-	-	-
Investment income, gross	979.4	862.9	-	-	488.5	324.3
Investment income transferred to non-life insurance operations	-504.9	-698.9	-	-	-	-
Goodwill amortization	-	-0.0	-	-15.2	-	-
Other expenses/revenue	18.0	-1.4	-	-	-125.1	-106.9
Operating income before tax	689.1	723.2	126.6	86.1	363.4	217.3
Minority interest	0.0	3.7	-	-	-	-
Net profit for the year	745.2	572.1	186.0	60.7	411.6	235.7

	Eliminations 2004	Eliminations 2003	Total 2004	Total 2003
Revenue				
External sales	-	-	6,271.4	8,227.5
Internal sales	-854.5	-567.5	-	-
Total revenue	-854.5	-567.5	6,271.4	8,227.5
Technical result, life assurance operations	-	-3.5	2.5	-1.8
Technical result, non-life operations	65.6	27.4	259.8	586.3
Investment income, gross	-444.9	-289.6	1,023.0	897.6
Investment income transferred to non-life insurance operations	-	-	-504.9	-698.9
Goodwill amortization	-	-	-	-15.2
Other expenses/revenue	-18.9	-	-126.0	-108.3
Operating income before tax	-398.2	-276.4	781.0	750.2
Minority interest	-	-	0.0	3.7
Net profit for the year	-398.2	-292.7	944.6	575.8

Other disclosures

	Insurance 2004	Insurance 2003	Bank & Mutual funds 2004	Bank & Mutual funds 2003	Other 2004	Other 2003
Assets excluding deferred tax	24,606.1	25,131.0	42,957.4	32,500.6	4,855.3	4,585.1
Share of equity	21.6	3.1	-	-	-	-
Liabilities excluding deferred tax	2,148.5	1,736.0	40,543.2	30,475.1	3,239.2	3,355.9
Investment in tangible assets	12.9	15.2	17.3	25.6	72.8	106.1
Investment in intangible assets	257.8	199.0	82.0	96.3	-	-
Depreciation for the year	43.0	70.0	37.1	60.3	40.0	61.3
Other items not affecting cash flow, revenue(-)/expenses(+)	-746.2	804.0	186.0	-21.2	4.7	17.0

»»»

NOTE 17 NET SALES BY BUSINESS SEGMENT, cont

	Eliminations		Total	
	2004	2003	2004	2003
Assets excluding deferred tax	-3,274.3	-3,266.6	69,144.6	58,950.0
Share of equity	-	-	21.6	3.1
Liabilities excluding deferred tax	-2,827.7	-2,977.9	43,103.2	32,589.0
Investment in tangible assets	-	-	102.9	147.0
Investment in intangible assets	-	-	339.8	295.3
Depreciation for the year	-	-	119.9	191.7
Other items not affecting cash flow, revenue(-)/expenses(+)	-123.2	-	-678.7	799.8

The Group's operations are primarily broken down by business segment. Geographical division is not applied in the operational follow-up since the Group operates mainly on a national basis, in contrast to the regional insurance companies, which operate within their respective geographical markets. The Insurance business segment covers non-life insurance, life assurance and related asset management, in addition to services provided for the regional insurance companies. The segment also includes internal and external reinsurance for the Länsförsäkringar Alliance and the run-off of international reinsurance ceded previously. The Bank and Mutual funds business segment 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	2004	2003
Net sales by significant type of revenue		
Premium income after ceded reinsurance	3,805.9	6,214.4
Operating revenue, net, Banking Group	1,213.6	1,127.2
Service revenue	1,251.9	885.9
Total external sales	6,271.4	8,227.5
Parent Company		
Net sales by type of revenue		
Service revenue	369.8	303.2
Leasing of premises and equipment	33.5	53.9
Total external sales	403.3	357.1
Internal sales	408.4	402.7
Total revenue	811.7	759.8

NOTE 18 OTHER INTANGIBLE ASSETS

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

	Internally developed	Acquired	Total
Opening acquisition value	319.0	17.2	336.2
Disposals	-4.6	-17.2	-21.8
Acquisitions during the year	81.8	24.0	105.8
Writedowns during the year	-56.1	-	-56.1
Closing accumulated acquisition value	340.2	24.0	364.2
Opening accumulated amortization	-94.6	-1.7	-96.3
Accumulated amortization, disposals	1.4	1.7	3.1
Amortization during the year	-10.8	-2.4	-13.2
Closing amortization	-104.0	-2.4	-106.4
Closing residual value according to plan	236.2	21.6	257.8

No writedowns were made in previous years.

NOTE 19 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	209.0	5.4	214.4
Fair value, SEK/m ²	16,190		
Floor space vacancy rate, %	0.0		
Direct yield, %	2.5		
Value for taxation purposes, SEK M	161.3	3.7	165.0

Direct yield is calculated as net operating income for the properties owned at year-end 2004 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 3.3% for residential properties.

Risk exposure

An increase of 2% in the yield requirement has a negative impact of SEK 80 M on the value of the properties. A reduction of 2% has a positive impact of SEK 321 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 20 SHARES AND PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

All shares are unlisted.

Company name	Corporate reg. no.	Reg. office	No. of shares	Share of equity, %	Book value, Dec. 31, 2004	Book value, Dec. 31, 2003
Group companies						
Länsförsäkringar Liv Försäkrings 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	744.8	720.7
Utile Dulci 2 HB	916601-0067	Stockholm	350	12.5	417.7	396.1
Consulting AB Lennermark och Andersson	556131-2223	Örebro	1,582	28.8	8.7	13.7
Eureko Property Captive	B61147	Luxembourg	5,000	16.7	2.1	1.9
European Alliance Partners Company AG	CH-0203026423-1	Zurich	12,331	16.7	8.6	7.4
MIPS AB	556609-0162	Stockholm	150	12.0	–	3.0
Svenska Andelshästar AB	556536-9633	Uppsala	400	40.0	0.1	0.2
Trofast Veterinärt IT-stöd AB	556598-0983	Hallstahammar	5,000	50.0	2.1	5.0
Total associated companies					1,184.1	1,148.2

MIPS AB was reclassified as an investment asset in 2004 due to a reduction in the size of the holding.

NOTE 21 BONDS AND OTHER INTEREST-BEARING SECURITIES

December 31	Accrued acquisi- tion value 2004	Market value 2004	Accrued acquisi- tion value 2003	Market value 2003
Listed bonds and other interest-bearing securities				
Issued by the Swedish government	2,923.9	3,019.7	3,126.7	3,155.2
Swedish mortgage institutions	1,960.3	2,015.6	2,210.6	2,232.8
Other Swedish issuers	278.0	290.4	263.9	278.1
	5,162.2	5,325.7	5,601.2	5,666.2
Foreign governments	4,041.0	3,876.8	3,992.8	3,689.4
Other foreign issuers	641.6	588.3	1,019.2	939.3
	4,682.6	4,465.1	5,012.0	4,628.6
Listed interest-bearing securities	9,844.8	9,790.8	10,613.2	10,294.8
Unlisted bonds and other interest-bearing securities issued by other Swedish issuers	44.0	43.9	46.0	46.5
Total bonds and other interest-bearing securities	9,888.7	9,834.7	10,659.2	10,341.4

NOTE 22 DERIVATIVES

	Interest-rate derivatives Fair value Dec. 31, 2004	Nominal amount Dec. 31, 2004	Currency derivatives Fair value Dec. 31, 2004	Nominal amount Dec. 31, 2004
Derivative instruments with positive values				
Swaps	30.4	2,686.8	–	–
Forwards	–	–	701.2	15,471.4
	30.4	2,686.8	701.2	15,471.4
Derivative instruments with negative values				
Forwards	0.2	356.3	419.6	15,189.6
Swaps	25.6	2,493.1	–	–
	25.8	2,849.4	419.6	15,189.6
	Equity derivatives Fair value Dec. 31, 2004	Nominal amount Dec. 31, 2004	Fair value Dec. 31, 2004	Total Nominal amount Dec. 31, 2004
Derivative instruments with positive values				
Swaps	–	–	30.4	2,686.8
Forwards	–	–	701.2	15,471.4
	–	–	731.6	18,158.2
Derivative instruments with negative values				
Forwards	0.3	258.3	420.1	15,804.1
Swaps	–	–	25.6	2,493.1
	0.3	258.3	445.7	18,297.3

NOTE 23 ASSETS IN THE BANKING GROUP

	Dec. 31, 2004	Dec. 31, 2003
Cash and central bank account balances	146.4	75.1
Lending to credit institutions	1,577.2	602.1
Lending to the public	39,426.5	30,043.7
Shares and participations	5.2	3.8
Bonds and other interest-bearing securities	1,197.7	1,243.1
Intangible assets	82.0	77.7
Tangible assets	17.3	25.6
Other assets	241.8	233.9
Assets in Wasa Garanti	–	0.0
Prepaid expenses and accrued income	240.9	97.0
	42,935.1	32,402.0

NOTE 24 RECEIVABLES PERTAINING TO DIRECT INSURANCE

	Dec. 31, 2004	Dec. 31, 2003
Receivables from policyholders	298.3	800.7
Receivables from insurance brokers	0.0	1.8
Receivables from regional insurance companies	–	0.9
Receivables from other insurance companies	79.9	73.8
	378.2	877.1

NOTE 25 RECEIVABLES PERTAINING TO REINSURANCE

Receivables from regional insurance companies	37.6	212.8
Other receivables	383.2	442.5
	420.9	655.3

NOTE 26 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

December 31	Assets		Liabilities		Net	
	2004	2003	2004	2003	2004	2003
Intangible assets	–	0.0	–	–	–	0.0
Buildings and land	–	–	229.3	217.4	229.3	217.4
Other financial investment assets	–0.4	–	220.4	321.3	220.0	321.3
Receivables	–	–	–	19.8	–	19.8
Other assets	–	–12.2	12.2	0.5	12.2	–11.7
Liabilities	–18.1	–19.6	–	–	–18.1	–19.6
Utilization of loss carryforwards	–498.8	–418.1	–	–	–498.8	–418.1
Untaxed reserves	–	–	503.3	504.7	503.3	504.7
Deferred tax assets(-)/deferred tax liability(+)	–517.3	–449.8	965.3	1,063.6	448.0	613.8
Offset	248.0	342.2	–248.0	–342.2	–	–
Net deferred tax assets(-)/deferred tax liability(+)	–269.3	–107.6	717.3	721.5	448.0	613.8

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

**NOTE 26 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, 2004	Dec. 31, 2003
Tax losses carried forward	314.6	633.7

Change in deferred tax in temporary differences and loss carryforwards

	Amount at Jan. 1	Reported in income statement	Reported directly against shareholders' equity	Amount at Dec. 31
Intangible assets	0.0	–0.0	–	–
Buildings and land	217.4	11.9	–	229.3
Other financial investments assets	321.3	–101.3	0.1	220.0
Receivables	19.8	–19.8	–	–
Other assets	–11.7	23.9	–	12.2
Liabilities	–19.6	1.5	–	–18.1
Utilization of loss carryforwards	–418.1	–80.7	–	–498.8
Untaxed reserves	504.7	–1.3	–	503.3
Deferred tax assets(-)/tax liability(+)	613.8	–165.9	0.1	448.0

NOTE 27 OTHER RECEIVABLES FROM CLOSELY RELATED COMPANIES

	Dec. 31, 2004	Dec. 31, 2003
Länsförsäkringar Liv Group	167.8	111.2
Regional insurance companies	64.2	24.3
Associated companies	1.1	–
	233.1	135.5

NOTE 28 TANGIBLE ASSETS AND INVENTORIES

	Dec. 31, 2004	Dec. 31, 2003
Opening acquisition value	571.7	550.6
Acquisitions during the year	25.3	67.9
Scrapping	–91.5	–
Acquisition value of sold equipment	–49.6	–46.8
Closing accumulated acquisition value	456.0	571.7
Opening accumulated depreciation	–450.4	–434.1
Accumulated depreciation on acquisitions	–0.7	–0.7
Accumulated depreciation on sold equipment	46.4	42.9
Scrapping	91.5	–
Depreciation for the year	–45.2	–58.4
Closing depreciation	–358.4	–450.4
Closing residual value according to plan	97.6	121.4
Inventory of advertising items and printed materials	4.4	8.2
Tangible assets and inventories	102.0	129.5

No writedowns were made during the year. Accumulated writedowns from previous years amount to SEK 11.1 M.

The printed materials inventory was written down by SEK 3.8 M to SEK 0 in 2004.



NOTE 28 TANGIBLE ASSETS AND INVENTORIES, cont.

	Dec. 31, 2004	Dec. 31, 2003
Leasing charges		
Financial leasing		
Assets held through financial leasing contracts are reported as tangible assets in the Group.		
Opening acquisition value	19.2	17.8
Acquisition value for the year	–	2.1
Disposals	–13.2	–
Other	–	–0.7
Closing acquisition value	5.9	19.2
Opening accumulated depreciation	–13.2	–6.1
Divestment of accumulated depreciation	10.7	–
Depreciation for the year	–2.0	–7.1
Closing accumulated depreciation	–4.5	–13.2
Closing residual value	1.5	6.0
Leasing expense for the year	–5.2	–9.2
Future payment commitments in the Group		
Within one year	4.5	4.8
Within one to five years	3.3	2.4
Operational leasing		
Payment commitments pertaining to rent		
Within one year	141.6	138.6
Within one to five years	554.3	557.5
Later than five years	138.6	277.2
External rental expense in the Parent Company	183.5	161.6

NOTE 29 PREPAID ACQUISITION COSTS

	Dec. 31, 2004	Dec. 31, 2003
Opening prepaid acquisition costs	53.5	51.8
Provision for the year	40.6	53.5
Depreciation for the year	–53.5	–51.8
Closing prepaid acquisition costs	40.6	53.5

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

NOTE 30 SHAREHOLDERS' EQUITY

A specification of changes in shareholders' equity is provided after the balance sheet.

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 31 RESERVE FOR UNREALIZED GAINS

	Dec. 31, 2004	Dec. 31, 2003
Shares and participations	93.5	52.9

NOTE 32 SUBORDINATED DEBT

The terms of the subordinated loan from the regional insurance companies are fixed until December 15, 2006. The interest on the loan 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 33 UNEARNED PREMIUMS AND UNEXPIRED RISKS

	Dec. 31, 2004	Dec. 31, 2003
Opening balance	1,867.1	1,673.5
Exchange rate fluctuations	–0.1	–0.1
Transfer of portfolio	–	–0.1
Change for the year	–1,155.0	193.8
	712.1	1,867.1

NOTE 34 OUTSTANDING CLAIMS

	Claims incurred and reported	Claims incurred, not reported	Claims adjustment costs	Total 2004	Total 2003
Opening balance	14,191.1	1,582.8	534.5	16,308.4	15,794.3
Transfer of portfolio	–1.6	0.0	–	–1.6	–21.2
Exchange rate fluctuations	2.0	–23.1	–	–21.1	–125.5
Change for the year	–479.1	549.3	139.8	210.0	660.8
	13,712.4	2,109.0	674.3	16,495.8	16,308.4

NOTE 35 LIABILITIES IN THE BANKING GROUP

	Dec. 31, 2004	Dec. 31, 2003
Liabilities to credit institutions	705.5	1,357.0
Deposits and borrowing from the public	18,599.4	17,012.8
Securities issued	18,154.6	9,120.1
Liabilities, Wasa Garanti	–	5.4
Other liabilities	345.6	224.8
Accrued expenses and prepaid income	710.0	459.1
Provisions	6.4	4.3
	38,521.5	28,183.5

Not including SEK 976.6 M (1,141.4) in liabilities to the Life Group.

NOTE 36 LIABILITIES PERTAINING TO DIRECT INSURANCE

	Dec. 31, 2004	Dec. 31, 2003
Liabilities to policyholders	38.3	50.7
Liabilities to insurance brokers	5.9	4.7
Liabilities to other insurance companies	163.7	215.1
	207.8	270.5

NOTE 37 LIABILITIES PERTAINING TO REINSURANCE

	Dec. 31, 2004	Dec. 31, 2003
Liabilities to regional insurance companies	388.7	326.6
Other liabilities	210.0	197.9
	598.7	524.5

NOTE 38 BOND LOANS

	Dec. 31, 2004	Dec. 31, 2003
Bond loans	2,693.7	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 39 OTHER LIABILITIES TO CLOSELY RELATED COMPANIES

	Dec. 31, 2004	Dec. 31, 2003
Liabilities to the Länsförsäkringar Liv Group	995.3	1,178.1
Liabilities to associated companies	35.7	–
Liabilities to regional insurance companies	78.6	4.4
	1,109.6	1,182.5

NOTE 40 MEMORANDUM ITEMS

	Dec. 31, 2004	Dec. 31, 2003
Pledged assets		
Total registered investment assets on policyholders' account	15,189.6	16,000.4
of which pertain to preferential commitments	(2,745.8)	(2,419.7)
Bonds	789.5	523.3
Shares	5.0	5.0
Bank balances	50.1	63.3
	16,034.2	16,592.0
Contingent liabilities		
Guarantees	78.2	27.3
Credit guarantee for staff loans	0.9	1.0
Surety	12.0	12.0
Partnership in Länsförsäkringsbolagens Fastighets HB Humlegården	2,343.1	2,487.6
Partnership in Utile Dulci 2 HB	1,018.4	1,113.4
Other contingent liabilities	1.2	1.8
	3,453.7	3,643.1
Other commitments, bank		
Granted but undisbursed loans and credits	1,135.3	1,144.1
Exchange rate-related contracts	5,465.4	1,725.6
Interest rate swap agreements	13,050.0	5,600.0
	19,650.6	8,469.7

The following guarantees also apply:

Guarantee to ILU (Institute of London Underwriters) regarding liability for contracts underwritten by the Group company Stockholm Reinsurance Company (UK) Ltd. The insurance portfolio has been transferred to Wasa International Försäkrings AB. A guarantee to policyholders not affiliated to ILU regarding liability for contracts underwritten by the Group company Stockholm Reinsurance Company (UK) Ltd, up to a maximum amount of GBP 500,000. 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 portion of the consideration. 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. The contract was signed in 2002.

NOTE 41 PERSONNEL, SALARIES AND REMUNERATION IN THE GROUP AND AUDITORS' FEES

Average number of employees by workplace and country:

	2004 Men	2003 Men	2004 Women	2003 Women	2004 Total	2003 Total
Salaried employees						
Parent Company						
Sweden	102	95	109	110	211	205
Subsidiaries						
Sweden	489	475	525	518	1,014	993
Totalt	591	570	634	628	1,225	1198

Salaries, remuneration and social security expenses paid:

	Board, MD and Deputy MDs 2004	2003	Salaried employees 2004	2003	Total 2004	2003
Parent Company						
Sweden						
Salaries and remuneration	6.2	5.3	114.7	105.1	120.9	110.3
of which, variable salary	1.7	0.2	6.4	3.1	8.0	3.3
Social security expenses	5.5	4.6	118.0	64.7	123.6	69.3
of which, pension contributions	2.8	2.3	62.5	23.3	65.3	25.6
	11.8	9.9	232.7	169.8	244.5	179.7
Subsidiaries						
Sweden						
Salaries and remuneration	20.3	22.5	431.7	417.5	452.0	440.0
of which, variable salary	2.4	1.6	9.6	8.0	12.0	9.6
Social security expenses	14.4	15.9	304.1	305.0	318.6	320.9
of which, pension contributions	7.4	7.0	129.3	133.3	136.7	140.2
	34.7	38.4	735.9	722.6	770.6	760.9
Total, Group	46.5	48.3	968.6	892.4	1,015.0	940.6

Pension plans

Retirement and family pensions for salaried employees are arranged through insurance with FPK and SPP Liv. Charges during the year for pension insurance arranged through FPK and SPP Liv amounted to SEK 25.0 M in the Parent Company and SEK 102.8 M in the subsidiaries.

	Parent Company 2004	2003	Group 2004	2003
Gender distribution in executive management, %				
Management, women	27	27	37	34
Board of Directors, women	25	25	20	19

	Parent Company 2004	July 1–Dec. 31, 2003	Group 2004
Absence due to sickness, %			
Total absence due to sickness as a percentage of regular working hours	5	5	4
Absence for a continuous period of 60 days or more as a percentage of total absence due to sickness	67	67	67

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

Absence due to sickness, by gender, %			
Men	5	5	3
Women	5	6	6

Absence due to sickness, by age category, %			
29 years or younger	3	7	3
30–49 years	4	3	4
50 years or older	7	9	5

>>>

NOTE 41 PERSONNEL, SALARIES AND REMUNERATION IN THE GROUP AND AUDITORS' FEES, cont.**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 fee is payable to employee representatives.

Remuneration to the Managing Director and other senior executives comprises basic salary, variable salary (bonus), other benefits and pension. Senior executives are the persons who, together with the Managing Director, comprise the executive management team.

According to policy, variable remuneration is maximized to three months' salary for the Managing Director and two months' salary for other senior executives.

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

Remuneration and other benefits during the year

Parent Company 2004	Basic salary	Variable remuneration	Other benefits	Pension expense	Total
Managing Director	3.6	1.7	0.1	2.8	8.2
Board Chairman	0.5	–	–	–	0.5
Board members	1.3	–	–	–	1.3
Other senior executives	13.6	3.5	0.6	7.4	25.1
	19.0	5.2	0.7	10.2	35.1

The pension expense corresponds to 68% of pensionable salary for the Managing Director and 48% of pensionable salary for other senior executives.

Variable salary comprises actual bonus paid for fiscal year 2003 and estimated bonus for fiscal year 2004. See "Variable salary" below for information on how bonuses are calculated. Other benefits relate to company car, lunch and beneficial interest rate. The pension expense pertains to the expense affecting the year's earnings.

Variable salary

Variable salary (bonus) for the Managing Director and other senior executives for 2004 is based on:

Goals achieved in accordance with the Business Plan

Employee Satisfaction Index

Leadership 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 (SEK 8,250,000). Pension payable from the age of 65 is entirely defined-contribution, with the pension premium corresponding to 29% of pensionable salary. Pensionable salary is defined as basic salary plus the average variable salary 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 defined-contribution 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 the Union of Insurance Employees (FTF).

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:

	Parent Company 2004	Parent Company 2003	Group 2004	Group 2003
KPMG				
– audit assignments	5.8	4.5	1.6	1.2
– other assignments	3.0	2.7	1.9	2.0

Deloitte & Touche

– audit assignments	–	–	–	–
– other assignments	0.1	0.7	–	–

Ernst & Young

– audit assignments	0.2	0.5	0.1	0.1
---------------------	-----	-----	-----	-----

SET Revisionsbyrå

– audit assignments	0.7	–	0.2	–
– other assignments	0.0	–	0.0	–

Others

– audit assignments	0.0	–	–	–
	9.7	8.4	3.8	3.3

Notes to the financial statements for the Parent Company

NOTE 42 NET SALES

Parent Company sales comprise service revenue and rental income for premises and equipment leased to companies within the Länsförsäkringar Alliance. The company's sales are reported under "Other". Of the company's sales, 50% (53) derive from companies within the Länsförsäkringar AB Group, 24% (30) from the Länsförsäkringar Liv Group and 26% (17) from the regional insurance companies.

NOTE 43 EXTERNAL COSTS

	2004	2003
Cost of premises	-180.4	-189.4
Marketing	-194.4	-166.1
Consultants	-63.7	-78.7
IT costs	-130.9	-47.0
Printed matter, telephony and postage	-35.8	-49.9
Asset management costs	-21.2	-3.7
Other	-152.1	-126.0
	-778.5	-660.8

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 144.7 M (161.6) and leasing revenue to SEK 108.1 M (124.0).

The company has no assets held under operational leases.

Marketing costs include SEK 100.0 M (88.3) paid to the regional insurance companies for marketing activities focusing on broadening the brand.

NOTE 44 INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

	2004	2003
Writedowns	-1.7	-5.0
Dividend	400.0	330.5
Capital gain on the divestment of participations	-	-5.1
	398.3	320.3

NOTE 45 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS,

	2004	2003
Interest income, Group companies	113.9	12.6
Capital gain on interest-bearing securities	28.5	9.1
Capital gain on shares and participations	1.4	1.8
Unrealized gain on interest-bearing securities	63.7	-
Unrealized gain on shares and participations	0.0	-
Orealiserad, vinst, aktier, och, andelar	70.7	64.7
Other	0.9	3.5
	279.2	91.7

NOTE 46 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2004	2003
Interest expense, Group companies	-7.0	-9.6
Interest expense, subordinated loans	-7.8	-7.8
Interest expense, other	-154.8	-7.1
Other	-0.1	-3.7
	-169.7	-28.3

NOTE 47 TAX ON INCOME FOR THE YEAR

	2004	2003
Current tax revenue		
Tax revenue for the period	52.3	37.7
Deferred tax expense(-)/tax revenue(+)		
Deferred tax pertaining to temporary differences	-24.1	-21.5
Deferred tax revenue in tax value in loss carryforwards capitalized during the year	24.0	12.8
Total reported tax revenue	52.2	28.9
Reconciliation of effective tax		
Reported result before tax	207.9	218.2
Tax at applicable tax rate	-58.2	-61.1
Non-deductible costs	-2.4	-2.5
Non-taxable revenue	112.8	92.5
Reported effective tax	52.2	28.9
Current tax rate	28,%	28,%
Effective tax rate	-25,%	-13,%

Tax items charged directly against shareholders' equity

Current tax on Group contribution received	52.3	37.7
--	------	------

NOTE 48 EQUIPMENT

Accumulated acquisition values	Dec. 31, 2004	Dec. 31, 2003
At the beginning of the year	557.5	507.5
Disposals	-43.8	-
Scrapping	-134.8	-
New acquisitions	20.6	50.0
	399.5	557.5

Accumulated depreciation according to plan

At the beginning of the year	-457.4	-403.3
Disposals	41.7	-
Scrapping	134.8	-
The year's depreciation according to plan	-39.9	-54.1
	-320.8	-457.4

Reported value at year-end

	78.8	100.1
--	-------------	--------------

Equipment includes SEK 4.2 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 26.7 M (33.8) and rental income was SEK 16.4 M (27.5). The rental income corresponds to the depreciation of the leased equipment.

NOTE 49 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Accumulated acquisition values	Dec. 31, 2004	Dec. 31, 2003
At the beginning of the year	8,722.1	8,010.1
Purchases	115.0	–
Shareholders' contribution	300.0	740.0
Divestments	–115.0	–28.0
	9,022.1	8,722.1
Accumulated writedowns		
At the beginning of the year	–3,611.6	–3,099.4
Writedowns during the year	–1.7	–512.2
	–3,613.3	–3,611.6
Reported value at year-end	5,408.8	5,110.5

Of writedowns during the year, SEK 1.7 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	Share of equity, % ¹⁾	Book value 2004	Book value 2003
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	9,548,708	100	2,339.6	1,924.6
Länsförsäkringar Fondförvaltning AB (publ)	556364-2783	–	–	–	115.0
Länsförsäkringar Dator- och systemservice AB (publ)	556356-0670	1,400	100	1.7	3.4
Länsförsäkringar Liv Försäkrings AB (publ)	516401-6627	8,000	100	452.0	452.0
Länsförsäkringar Sak Försäkrings AB (publ)	502010-9681	6,265,252	100	1,998.7	1,998.7
Länsförsäkringar IT Center AB	556549-7004	10,000	100	6.0	6.0
Wasa Försäkring Run-Off AB	556563-9456	1,000	100	248.8	248.8
Shares and participations in Group companies				5,408.8	5,110.5

The registered office of all subsidiaries is in Stockholm.

During the year, Länsförsäkringar Fondförvaltning was sold within the Group to Länsförsäkringar Bank AB.

¹⁾ Share of equity refers to ownership proportion of capital, which also corresponds to the proportion of votes in relation to the total number of shares.

NOTE 50 LOANS TO GROUP COMPANIES

	Dec. 31, 2004	Dec. 31, 2003
Accumulated acquisition values		
At the beginning of the year	2,210.0	180.0
Additional loans	–	2,030.0
Reported value at year-end	2,210.0	2,210.0
Subordinated loan to Länsförsäkringar Bank	1,050.0	1,050.0
Promissory note to Länsförsäkringar Sak	1,160.0	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:

SEK 180.0 M, due May 31, 2012. Interest is fixed at the 3-month STIBORFIX rate plus 1.00% until June 1, 2007.

SEK 580.0 M, due December 15, 2013. Interest is fixed at the 3-month STIBORFIX rate plus 1.125% until December 15, 2008.

SEK 290.0 M, perpetual. Interest is fixed at the 3-month STIBORFIX rate plus 1.99% until December 15, 2013.

NOTE 51 DEFERRED TAX ASSETS

	Dec. 31, 2004	Dec. 31, 2003
Machinery and equipment	6.6	10.6
Financial fixed assets	–36.4	–16.6
Pension provisions	2.1	2.4
Loss carryforwards	52.7	28.7
Net deferred tax assets	25.0	25.0

Change in deferred tax in temporary differences and loss carryforwards

	Amount at Jan. 1	Reported in income statement	Amount at Dec. 31
Machinery and equipment	10.6	–4.0	6.6
Financial fixed assets	–16.6	–19.8	–36.4
Pension provisions	2.4	–0.2	2.1
Utilization of loss carryforwards	28.7	24.0	52.7
	25.0	–0.1	25.0

NOTE 52 RECEIVABLES FROM OTHER CLOSELY RELATED COMPANIES

	Dec. 31, 2004	Dec. 31, 2003
Länsförsäkringar Liv Group	9.5	16.8
Regional insurance companies	31.0	16.4
Associated companies	1.1	–
	41.6	33.3

NOTE 53 PREPAID EXPENSES AND ACCRUED INCOME

Accrued interest	4.0	3.5
Prepaid rent	25.6	43.8
Other	1.7	1.1
	31.3	48.4

NOTE 54 CURRENT INVESTMENTS

	Dec. 31, 2004 Acquisition value	Dec. 31, 2004 Market value	Dec. 31, 2003 Acquisition value	Dec. 31, 2003 Market value
Listed shares	56.8	191.5	87.0	151.5
Interest-bearing securities	152.0	152.2	249.4	249.6
Mutual fund units	30.7	25.8	25.0	25.0
Derivatives	–	5.7	–	–
	239.5	375.3	361.4	426.1

Following an amendment to the Annual Accounts Act, Länsförsäkringar AB has changed accounting principle so that it now reports financial assets at market value. Comparison figures for 2003 have been changed.

Specification of securities

Listed shares 2004	Number	Acquisition value	Market value
Kaupthing Búnadarbanki hf	4,023,766	56.8	191.5

Mutual fund units 2004

LF Europe Fund	756	0.3	0.2
LF Fund-in-fund Low risk	102,139	10.2	9.5
LF Fund-in-fund Normal risk	101,713	10.1	8.5
LF Fund-in-fund Offensive/High risk	101,380	10.1	7.6
		30.7	25.8
		Accrued acquisition value	Market value

Interest-bearing securities 2004

Listed bonds issued by Swedish government	152.0	152.2
---	-------	-------

NOTE 55 SHAREHOLDERS' EQUITY

A specification of changes in shareholders' equity is provided after the Parent Company balance sheet.

Shares at SEK 100 par value	No. of votes per shares	Dec. 31, 2004 No. of shares	Dec. 31, 2003 No. of shares
Series A	10	1,532,678	1,532,678
Series B	1	4,761,455	4,761,455
Series C	1	3,450	3,450
Number of outstanding shares		6,297,583	6,297,583

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 56 PENSION PROVISIONS

	Dec. 31, 2004	Dec. 31, 2003
Amount expected to be paid from provision:		
within 12 months	4.0	2.2
after more than 12 months	38.1	33.5
	42.1	35.6

**NOTE 57 SUBORDINATED LOAN FROM
REGIONAL INSURANCE COMPANIES**

	Dec. 31, 2004	Dec. 31, 2003
The terms of the subordinated loan from the regional insurance companies are fixed until December 15, 2006. The interest on the loan 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%.	139.0	139.0

NOTE 58 LIABILITIES TO OTHER CLOSELY RELATED COMPANIES

	Dec. 31, 2004	Dec. 31, 2003
Liabilities to the Länsförsäkringar Liv Group	1.8	4.3
Liabilities to regional insurance companies	47.7	40.7
Liabilities to associated companies	35.7	–
	85.2	44.9

NOTE 59 ACCRUED EXPENSES AND PREPAID INCOME

	Dec. 31, 2004	Dec. 31, 2003
Restructuring costs	44.7	17.3
Vacation pay liability	9.7	10.0
Social security expenses	17.5	12.8
Accrued interest expense	5.5	5.2
Other	28.0	10.4
	105.4	55.7

Supplementary information regarding insurance operations

Supplementary information regarding insurance operations in the Group in 2004

Breakdown of income statement items by insurance class

SEK M	Total	Medical & accident	Motor vehicle, third-party liability	Motor vehicle, other classes	Marine, aviation & transportation	Fire & other property damage	General liability	Legal expenses cover	Other insurance classes	Total direct insurance	Assumed reinsurance
Premiums earned, gross	4,960.9	233.1	1,442.5	145.6	123.6	171.5	198.0	0.8	795.6	3,110.6	1,850.3
Claims payments, gross	-3,775.0	-200.1	-1,371.9	-100.5	-34.9	-114.1	-46.9	-0.9	-474.1	-2,343.4	-1,431.6
Operating expenses, gross	-849.6	-60.0	-222.6	-16.7	-27.0	-13.2	-44.0	-0.1	-250.3	-633.9	-215.8
Income from ceded reinsurance	-578.1	8.2	-123.1	-0.1	-36.9	-78.7	-78.8	-0.1	-23.7	-333.1	-245.0
Result	-241.9	-18.8	-275.1	28.3	24.8	-34.5	28.2	-0.3	47.5	-199.8	-42.1
Premium income, gross	3,805.9	242.3	285.3	163.9	117.3	173.4	153.0	0.9	823.0	1,959.0	1,847.0

Investment in shares and participations

	Number	Market value, SEK 000s
SWEDEN		
Listed shares		
Convenience goods		
Axfood	4,700	1,058
Oriflame	8,000	1,232
Swedish Match	25,000	1,925
Total, convenience goods		4,215

Financial		
Carnegie	13,600	1,170
Castellum	7,900	1,880
Föreningssparbanken, A	71,500	11,833
Industrivärden, A	25,000	4,238
Investor, B	100,100	8,458
Kinnevik B	31,400	2,222
Lundbergföretagen, B	4,100	1,166
Nordea Bank AB	378,000	25,326
OMXAB	18,200	1,547
Salusansvar, B	745,500	16,476
SEB, A	87,900	11,295
Skandia	171,700	5,683
Svenska Handelsbanken, A	148,700	25,725
Wihlborg	17,900	2,506
Total, financial		119,525

Healthcare		
AstraZeneca SDB	76,200	18,402
Capio	12,700	1,003
Elekta, B	4,500	862
Gambro, A	42,600	4,036
Getinge, B	28,600	2,367
Total, healthcare		26,670

Industry		
ABB (SDB)	73,090	2,726
Alfa Laval AB	12,500	1,344
Assa Abloy, B	101,900	11,566
Gunnebo	5,800	483
JM AB	5,800	1,111
Sandvik	21,100	5,655
SAS	13,500	810
Scania, B	16,300	4,287
Securitas, B	51,000	5,814
Skanska, B	63,200	5,040
SKF, B	15,400	4,558
Volvo, B	47,200	12,437
Total Industry		55,831

	Number	Market value, SEK 000s
IT		
Ericsson LM, B	2,370,200	50,248
Nokia SDB	29,400	3,072
Teleca, B	20,600	752
TietoEnator SDB	3,100	657
WM-Data, B	74,900	1,079
Total IT		55,808

Raw materials		
Billerud	8,000	948
Holmen, B	8,900	2,047
SCA, B	35,000	9,923
SSAB, A	10,100	1,616
Stora Enzo SDB	28,400	2,883
Total, raw materials		17,416

Durable goods		
Autoliv SDB	7,100	2,258
Electrolux, B	61,020	9,275
Eniro	44,900	3,053
Hennes & Mauritz, B	88,600	20,511
Modern Times Group, B	9,500	1,720
Trelleborg, B	14,700	1,661
Total, durable goods		38,478

Telecommunication		
Tele2, B	15,800	4,124
TeliaSonera	273,900	10,901
Total, telecommunication		15,025
Total, shares		332,967

Mutual funds		
Finance		
Asienfonden LF	445,020	25,447
Europafonden LF	756	224
Fond-i fond försiktig LF	102,139	9,475
Fond-i fond normal LF	101,713	8,491
Fond-i fond offensiv LF	101,380	7,618
Globalfonden LF	100,941	18,926
Hjärnfonden LF	100,000	9,486
Internetfonden LF	500,000	13,552
Japanfonden LF	897,974	62,365
Mega Nordamerika LF	383,756	182,716
Nordamerikafonden LF	172,383	25,072
Pension 2045 LF	521,671	35,216
Småbolagsfonden LF	636,878	102,608
Tillväxtmarknadsfonden LF	579,603	88,655
Total, finance		589,852
Total, mutual funds		589,852
Total, listed shares		922,820

	Number	Market value, SEK 000s
Unlisted shares		
Convenience goods		
Optimum Utveckling A	25,047,476	0
Optimum Utveckling B	340,378	0
Total, convenience goods		0

Financial		
HealthCap Coinvest	9,492,632	9,493
HealthCap KB III	5,075,721	5,076
Industrial Development & Invest	3,165,490	3,165
Länsförsäkringar Mäklarservice AB	200	217
Länsteknik	500	0
SBC Bo Ekon.Förening	150	0
Sjöassuradörerna	84	0
Trinova, B	500	0
Total, financial		17,951

Industrial goods		
Besqab, B	21,000	6,300
Byggtjänst	25	12
Svensk Bilprovning	560	6,762
Total, industrial goods		13,074

IT		
Jonic	100	0
Mips AB	150	2,000
Total, IT		2,000

Durable goods		
Öijared Company & Country Club AB	8	136
Total, durable goods		136
Total, shares		33,160

Mutual funds		
Finance		
Lynx Sweden	209,226	37,390
Nektar	37,693	69,532
Total, finance		106,922
Total, mutual funds		106,922

Tenant-owner associations		
Brf Jaktvarvet 7		638
Brf Kalvheden		362
Total, tenant-owner associations		1,000
Total, unlisted		141,083
Total, Sweden		1,063,902

	Number	Market value, SEK 000s
BELGIUM		
Listed shares		
Agfa Gevaert	1,476	333
Barcon NV	191	117
Bekaert	233	124
Belgacom SA	2,099	603
CMB	300	56
Cofinimmo	79	86
Colruyt	239	258
Delhaize Freres	943	477
Dexia (Brussels)	8,429	1,288
D'Ieteren	45	55
Electrabel	370	1,096
Euronav	300	52
Groupe Bruxelles Lambert	936	506
Inbev	2,450	632
KBC Bancassurance	13,449	6,864
Mobistar	457	285
Omega Pharma S.A	341	109
Solvay	859	628
UCB (Groupe)	1,185	400
Union Miniere	392	245
Total, shares	14,214	
Total, listed	14,214	
Total, Belgium	14,214	

DENMARK

Listed shares		
AP Moller Maersk A/S	38	2,086
Bang & Olufsen Holding, B	333	165
Carlsberg, B	987	332
Coloplast A/S	800	292
Danisco	1,745	708
Den Danske Bank	15,812	3,221
DSV DE Sammenslut Vogn A/S	625	282
FLS Industries, B	828	104
GN Store Nord	7,512	538
International Service System ISS	1,515	562
Kobenhavns Lufthavne	164	232
Lundbeck H	2,103	312
NKT Holding	525	102
Novo Nordisk, B New	8,744	3,175
Novozymes, B	1,879	634
Ost Asiatiske Kompagnis	607	212
TDC	6,289	1,770

	Number	Market value, SEK 000s
Topdanmark	722	378
Vestas Wind Systems	5,680	469
William Demant Holding	843	263
Total, shares	15,835	
Total, listed	15,835	
Unlisted shares		
SOS International A/S	1,652	3,531
Total, shares	3,531	
Total, unlisted	3,531	
Total, Denmark	19,365	

FINLAND

Listed shares		
Amer-Yhtymäe, A	2,097	243
Elisa Com	4,717	505
Fortum Corp	11,619	1,429
KCI Konecranes Oyi	408	120
Kesko, B	1,784	289
Kone, B	1,293	667
Metso Corp (Valmet-Rauma)	3,493	368
Nokia	159,416	16,732
Nokian Renkaat	272	275
Orion-Yhtymäe, B	2,140	230
Outokumpu, A	3,098	368
Pohjola Group, B	1,827	140
Rautaruukki K	2,499	197
Sampo Insurance Co, A	11,341	1,041
Sora Enzo, R	21,338	2,172
TietoEnator Corp (EUR)	2,833	599
UPM-Kymmene, V	17,897	2,645
Uponor	1,808	225
Wärtsilä, B	2,004	284
Total, shares	28,530	
Total, listed	28,530	
Total, Finland	28,530	

FRANCE

Listed shares		
Accor	2,562	745
Air France	1,979	251
Air Liquide	1,469	1,805
Alcatel Alsthom CGE	16,475	1,704
Alstom	58,723	297
Arcelor	6,495	996

	Number	Market value, SEK 000s
Atos Origin	589	266
Autoroutes du Sud de la France	938	313
AXA	108,814	17,869
Bicc	525	175
BNP Paribas, Paris	56,096	27,007
Bouygues, Ord	2,815	865
Business Objects S.A	1,077	181
Cap Gemini, Paris	1,690	360
Carrefour Supermarkets	7,729	2,446
Casino, Guichard-Perrachon	443	235
CNP Assurance	559	266
Credit Agricole	8,946	1,794
Danone (Groupe)	3,246	1,992
Dassault Systemes	768	257
Essilor Intl	1,321	688
Euronext	1,322	268
European Aeronautic Defense and Space	30,589	5,910
France Telecom	14,978	3,296
Gecina	341	225
Hermes	149	198
Imetal	515	287
Klepierre	363	214
L Oreal	4,105	2,071
Lafarge (France)	12,021	7,709
Lagardere	1,707	819
Louis Vuitton Moet Henessy	3,305	1,682
Michelin B	16,329	6,960
Pernod Ricard	716	729
Peugeot	14,174	5,979
Pinault-Printemps-Redoute	8,118	5,401
Publicis	1,743	375
Renault S.A	13,316	7,403
Sagem	1,475	209
Saint-Gobain	22,067	8,834
Sanofi-Aventis	12,292	6,529
Schneider Electric	15,358	7,103
Societe Generale	23,339	15,695
Sodexho Alliance	1,292	260
ST Microelectronics	7,934	1,028
Suez (Lyonnais des Eaux)	10,841	1,921
Technip	261	321
TF 1	1,604	347
Thales	1,047	334
Thomson Multimedia S.A	3,229	567

	Number	Market value, SEK 000s
Total	7,950	11,540
Unibail	579	606
Valeo	1,001	278
Vinci	986	880
Vivendi Environnement	3,552	854
Vivendi Universal	13,734	2,914
Zodiac	610	189
Total, shares		170,447
Total, listed		170,447
Total, France		170,447

GREECE

Listed shares

Alpha Bank	6,828	1,583
Bank of Piraeus	5,740	667
Cosmote Mobile	3,962	527
Duty Free Shops	553	64
Efg Eurobank Ergasias	6,366	1,453
Emporiki Bank of Greece	1,546	326
Folli-Follie	445	87
Germanos	721	142
Hellenic Bottling Co, B	2,835	461
Hellenic Petroleum	3,207	232
Hellenic Technodomiki	2,695	81
Hyatt Regency Hotel	1,260	96
Intracom, Common	2,551	92
National Bank Of Greece	8,500	1,864
Opap	5,452	1,002
OTE Hellenic Telecom	8,396	1,003
Public Power Corp	3,568	663
Technical Olympic	2,384	86
Titan Cement Co, Common	1,718	338
Viohalco Copper Co, B	3,291	199
Total, shares		10,964
Total, listed		10,964
Total, Greece		10,964

IRELAND

Listed shares

Allied Irish Banks	29 346	4 042
Bank of Ireland	33 011	3 653
CRH	18 105	3 218
DCC	2,440	364
Depfa Bank	4,779	533
EirCom Group	14,421	225

	Number	Market value, SEK 000s
Elan Corp	13,204	2,308
Fyffes	9,337	163
Grafton Group, Unit	6,906	499
Greencore Group	4,535	124
Independent News	18,914	393
Irish Life & Permanent	9,212	1,148
Kerry Group, A	4,444	711
Kingspan Group	3,472	221
Ryanair Holdings	5,656	268
Waterford Wedgwood Unit	23,922	13
Total, shares		17,883

Subscription rights

Waterford Wedgwood Unit Tr	39,870	0
Total, subscription rights		0
Total, listed		17,883
Total, Ireland		17,883

ICELAND

Listed shares

Kaupthing	1,465,445	70,019
Kaupthing (SEK)	7,509,681	357,461
Total, shares		427,480
Total, listed		427,480
Total, Iceland		427,480

ITALY

Listed shares

Alleanza Assic	15,911	1,476
Assicurazioni Generali	32,712	7,378
Autogrill	3,913	434
Autos Trade SPA 1	8,794	1,565
Banca Antonveneta	7,883	1,381
Banca Fideuram	8,821	304
Banca Monte dei Paschi di Siena SpA	37,662	893
Banca Nazionale del Lavoro	68,350	1,355
Banca Popolare Milano	13,477	794
Banche Popolari Unite Scrl	11,514	1,555
Banco di Verona e Novara	12,656	1,710
Benetton Group	1,634	144
Bulgari	3,999	328
Edison Ord	28,209	400
Enel	124,348	8,122
ENI	88,940	14,798
Fiat, Ord	17,784	948

	Number	Market value, SEK 000s
Fineco Group	4,734	243
Finmeccanica	201,895	1,215
Gruppo Edit L'Espresso	5,180	208
IntesaBci, Common	111,215	3,556
IntesaBci, Rnc	31,874	910
Italcementi, Ord	2,125	227
Luxtottica Group SpA	4,661	631
Mediaset	20,188	1,701
Mediobanca	15,968	1,718
Mediolanum	8,682	413
Mondadori, Ord	3,502	268
Pirelli & Corp	62,540	560
Ras, Ord	10,320	1,551
San Paolo IMI	32,848	3,145
Seat Pagine Gialle	138,697	424
Snam Rete Gas	30,072	1,163
Telecom Italia Ord	281,881	7,664
Telecom Italia, Media	36,930	111
Telecom Italia, Rnc	198,115	4,272
Terna Trasmissione Elettricit� Rete Nazionale SpA	34,182	651
TIM	129,730	6,445
Tiscali	5,592	138
Unicredito Italiano (Credito Italiano)	150,613	5,755
Total, shares		86,555
Total, listed		86,555
Total, Italy		86,555

JAPAN

Listed shares

Advantest Corp	8,300	4,731
Aeon Co	33,600	3,726
Aisin Seiki Co Ltd	27,800	4,678
Ajinomoto Co	34,000	2,690
Aoyama Trading	12,100	2,189
Asahi Glass Co	44,000	3,224
Asahi Kasei Co	72,000	2,395
Bandai Co	24,000	3,627
Bank Yokohama	71,000	2,975
Bridgestone Corp	34,000	4,498
Canon	49,400	17,716
Capcom	43,800	2,767
Central Glass Co	47,000	2,213
Central Japan Railway Corp	59	3,203
Chubu Electric Power	18,800	2,999
Citizen Watch	90,900	5,807

	Number	Market value, SEK 000s
Dai Nippon Printing	38,000	4,051
Dai Nippon Screen MFG Corp	15,000	612
Daikin Industries	29,400	5,644
Daiwa House	29,000	2,191
Daiwa Securities Co	70,000	3,359
DDI Corp	214	7 661
Denso Corp	28 100	5 002
Dowa Mining Co	87 000	3 763
East Japan Railway	200	7 393
Eisai Co	14 700	3 213
Fanuc	200	87
Fast Retailing	10 100	5 109
Fuji Photo Film	27 100	6 573
Fujisawa Pharmaceuticals	16 300	2 965
Fujitsu	103 000	4 455
Furukawa Electric Co	92 000	3 389
Gunze	116 000	3 581
Hankyu Department Stores	36 000	1 735
Hitachi	186 000	8 564
Hitachi Chemical Co	34 200	4 068
Hitachi Construction Machine	27 800	2 540
Hokkaido Electric Power Co	20 400	2 666
Honda Motor Co	43 800	15 083
Hoya Corp	6 200	4 652
Itochu Corp	78 000	2 398
Ito-Yokado Co	19 600	5 466
Japan Airlines System	164 000	3 159
Japan Tobacco	52	3 946
JFE Hldgs	30 900	5 861
Kaneka Corp	98 000	7 372
Kansai Electric Power	47 600	6 421
Kansai Paint Co	108 000	4 357
Kao Corp	7 000	1 189
Katokichi Co	9 800	1 303
Kawasaki Kisen Kaisha	31 000	1 325
Keyence Corp	1 840	2 740
Kinetsu	90 000	2 066
Kirin Brewery	41 000	2 683
Kobe Steel Ltd	216 000	2 199
Kokuyo Co	18 600	1 492
Komatsu	7 000	325
Konica Corp	24 500	2 161
Koyo Seiko Co	31 000	2 899
Kubota Corp	62 000	2 043
Kyocera Corp	9 500	4 861

	Number	Market value, SEK 000s
Kyushu Electric Power	28 600	3 839
Leopalace21 Corp	22,900	2,679
Makita Corp	41,000	4,765
Marubeni Corp	88,000	1,621
Matsushita Elect Ind	129,000	13,603
Mediceo Holdings	91,400	6,834
Millea Holdings	87	8,576
Mitsubishi Chemical Corp	95,000	1,922
Mitsubishi Corp	64,300	5,521
Mitsubishi Electric Corp	100,000	3,256
Mitsubishi Estate	106,000	8,249
Mitsubishi Heavy Industry	168,000	3,170
Mitsubishi Materials	7,000	98
Mitsubishi Tokyo Financial Group	264	17,806
Mitsui Corporation	74,000	4,410
Mitsui Fudosan	41,000	3,310
Mitsui Mining & Smelting	31,000	909
Mitsui O.S.K. Lines	103,000	4,108
Mitsui Sumitomo Insurance	75,000	4,329
Mitsui Trust Holdings	128,000	8,500
Mizuho Financial Group	452	15,126
Murata Manufacturing	13,100	4,868
NEC Corporation	96,000	3,966
NGK Spark Plug Co	33,000	2,271
Nikko Securities	92,000	3,240
Nintendo Corporation	5,700	4,757
Nippon Mining Holdings	70,500	2,204
Nippon Seiko K.K	160,000	5,344
Nippon Shokubai Co	83,000	4,780
Nippon Steel Corp	144,000	2,344
Nippon Taiyo Sanso Corp	57,000	2,222
Nippon Tel & Tel Corp	49	1,462
Nippon Yusen K.K	54,000	1,933
Nissan Chemical Industries	75,000	3,925
Nissan Motor Corp	139,200	10,057
Nisshin Steel Co	87,000	1,332
Nitto Denko Corp	9,600	3,499
NOK Corp	18,500	3,851
Nomura Holdings	110,000	10,658
NTN Corp	120,000	4,576
NTT Docomo	1,174	14,390
Oji Paper Corp	262,000	9,991
Orix Corp	8,200	7,402
Osaka Gas Co	152,000	3,154
Resona Holdings	265,000	3,575

	Number	Market value, SEK 000s
Ricoh Corporation	39,000	5,000
Rohm Co	6,200	4,262
Sanden Corp	8,000	329
Sankyo Corp	21,800	3,273
Sanwa Shutter Corp	62,000	2,308
Sanyo Electric Co	88,000	2,020
Secom Corporation	12,500	3,324
Seiko Epson	20,900	6,181
Sekisui Chemical	98,000	4,760
Sekisui House	29,000	2,246
Sharp Corp	56,000	6,076
Shimano	12,600	2,390
Shin Etsu Chemical	21,100	5,747
SMC Corp	3,100	2,358
Softbank Corp	13,400	4,336
Sony Corp	54,100	13,894
Sumitomo Bakelite Co	77,000	3,231
Sumitomo Chemical Co	77,000	2,507
Sumitomo Corp	53,000	3,038
Sumitomo Electric Industry	39,000	2,820
Sumitomo Metal Industries	111,000	1,001
Sumitomo Metal Mining Co	62,000	2,943
Sumitomo Mitsui Financial Group	236	11,402
Sumitomo Osaka Cement Co	69,000	1,123
Sumitomo Realty & Developmnt	16,000	1,386
Sumitomo Trust & Banking Co	67,000	3,220
T&D Holdings Inc	10,650	3,384
Taisei Corporation	245,000	6,340
Takeda Pharmaceutical Company	51,800	17,334
Takefuji Corp	5,150	2,315
TDK Corp	7,000	3,446
Teijin	214,000	6,176
THK Co	14,900	1,962
Tohoku Electric Power	30,700	3,663
Tokyo Electric Power	96,000	15,658
Tokyo Electron	10,000	4,092
Tokyo Gas Co	175,000	4,767
TonenGeneral Sekiyu KK	59,000	3,570
Toppan Printing	33,000	2,433
Toray Industries	70,000	2,179
Toshiba Corp	170,000	4,851
Tosoh Corporation	77,000	2,302
Toyo Suisan Kaisha	57,000	5,582
Toyobo Corporation	306,000	4,902
Toyoda Gosei Co Ltd	15,900	2,150

	Number	Market value, SEK 000s
Toyota Motor Corp	166,900	45,135
UFJ Holdings	222	8,941
Wacoal Corp	31,000	2,471
West Japan Railway	100	2,685
Yahoo Japan	110	3,510
Yamada Denki Co	34,500	9,822
Yamaha Motor Co	28,500	2,843
Yamanouchi Pharm	17,900	4,632
Total, shares		760,811
Total, listed		760,811
Total, Japan		760,811

LUXEMBOURG

Listed mutual funds

ABN AMRO East Europe	9,956	17,658
Total, mutual funds		17,658
Total, listed		17,658
Total, Luxembourg		17,658

NETHERLANDS

Listed shares

ABN Amro Holding	109,981	19,362
Aegon	98,967	8,966
Ahold	20,947	1,078
Akzo Nobel	3,668	1,040
ASM Lithography Holding	6,539	698
Corio	698	272
DSM	1,025	441
Elsevier	9,503	861
Fortis Dutch trading	76,508	14,077
Getronics	8,256	125
Hagemeyer	7,987	123
Heineken NV	3,316	735
IHC Caland	498	210
ING Groep	121,068	24,343
KPN	143,256	9,045
Numico	2,026	486
OCE	1,273	129
Philips Electronics	17,756	3,129
Qiagen NV	2,134	155
Randstad Holding	750	196
Rodamco Europe	607	320
Royal Dutch	147,877	56,568
TNT Post Groep	4,226	763
Unilever NV Cert	7,711	3,436
Vedior	2,232	242
Wereldhave	337	244

	Number	Market value, SEK 000s
VNU	3,219	632
Wolters Kluwer	3,756	501
Total, shares		148,177
Total, listed		148,177

Unlisted shares

Eureko BV Placeringsaktie	1,761,294	429,552
Total, shares		429,552

Mutual funds

ABN AMRO International Derivatives Fund	3,154,018	355,264
Total, mutual funds		355,264
Total, unlisted		778,836
Total, Netherlands		932,993

NORWAY

Listed shares

Den Norske Bank	22,593	1,481
Frontline	1,382	409
Golden Ocean Group Ltd	4,146	17
Norsk Hydro	4,962	2,597
Norske Skogindustrier, A	3,641	523
Orkla, A	6,581	1,437
Petroleum Geo-Services	540	224
Schibsted	1,454	274
Smedvig, A	1,073	120
Statoil	18,711	1,950
Storebrand	8,083	519
Tandberg	4,018	332
Telenor	27,759	1,675
Tomra Systems	5,353	196
Yara International	7,098	621
Total, shares		12,375
Total, listed		12,375
Total, Norway		12,375

PORTUGAL

Listed shares

Banco Espirito Santo	3,589	431
BCP Banco Comercial Nom	61,239	1,045
BPI SGPS Nom	10,258	276
BRISA Auto-Estradas Port	12,305	750
Cimpor Cimentos de Port	6,047	227
EDP Electricidade Portugal	75,064	1,512
Jeronimo Martins Sgps	1,133	99
Multimedia Servicos de Telecom e Multimedia SGPS	1,412	236

	Number	Market value, SEK 000s
Portugal Telecom	27,868	2,291
Sonae Investimentos Sgps	26,994	261
Total, shares		7,128
Total, listed		7,128
Total, Portugal		7,128

SWITZERLAND

Listed shares

ABB (CH)	25,139	948
Adecco	1,773	595
Ciba Specialty Chemicals AG	928	472
Clariant AG	3,116	334
Compagnie Financiere Richemont	7,043	1,523
Credit Suisse	97,752	27,250
Geberit	57	277
Givaudan	1,297	5,647
Holcim, Namen	19,198	7,652
Kudelski Inhaber	530	127
Kuoni Reisen, B	46	134
Logitech, Namen	584	237
Lonza Group	614	226
Micronas Semiconductor	515	168
Nestle	5,462	9,496
Nobel Biocare Holding	312	376
Novartis	32,234	10,738
Phonak Holding AG	689	151
Rieter Holdings	74	143
Roche Holding, Genusscheine	9,479	7,213
Schindler, Part	70	185
Schweiz Rueckversicherung	25,094	11,850
Serono Porteur B	87	378
SGS Surveillance	58	268
Straumann	126	174
Sulzer	59	153
Swatch Group	1,000	193
Swatch Group, Inhaber	453	442
Swisscom	357	926
Syngenta (CH)	1,443	999
Synthes-Stratec Inc	622	462
UBS	14,424	8,008
Unaxis Holding, Namen	183	118
Valora Holding	65	106
Zurich Finl Services	11,221	12,427
Total, shares		110,394
Total, listed		110,394
Total, Switzerland		110,394

	Number	Market value, SEK 000s
SINGAPORE		
Unlisted shares		
Equatorial Rein	5,000,000	0
Total, shares		0
Total, unlisted		0
Total, Singapore		0
SPAIN		
Listed shares		
Equity		
Abertis	8,792	1,287
Acciona	977	575
Acerinox	6,298	672
ACS Activ. Const. Y Svcs	9,047	1,373
Aguas de Barcelona	1,728	240
Altadis	9,432	2,871
Amadeus	11,092	758
Antena 3 Television	583	280
Banco Bilbao Vizcaya Argentaria	110,110	12,979
Banco Popular	5,441	2,384
BSCH Banco Santander	203,000	16,741
Capitalia Spa	49,035	1,493
Cintra Concesiones De Infrae	6,715	490
Empresa Nacional de Elec (ENDESA)	32,571	5,087
Fomento Const y Contr	1,562	500
Gamesa Grupo Auxiliar Metalurgico	3,284	306
Gas Natural SDG	5,357	1,101
Grupo Ferrovial	2,157	766
Iberdrola I	26,194	4,424
Iberia Lineas Aereas	15,916	367
Inditex	7,457	1,462
Indra Sistemas, A	4,297	488
Mapfre	3,224	316
Metrovacesa	1,298	401
NH Hoteles S.A	2,330	205
Promotora de Informaciones S.A (PRISA)	2,297	324
Repsol	31,299	5,417
Sogecable	1,292	381
Telefonica de Espana	152,461	19,087
TPI Amarillas	4,970	306
Union Electrica Fenosa	7,290	1,274
Vallehermoso SA	3,638	399
Zeltia	4,515	210
Total, shares		84,964
Total, listed		84,964
Total, Spain		84,964

	Number	Market value, SEK 000s
UK		
Listed shares		
Aegis Group Plc	18,034	248
Aggreko Plc	4,126	91
Alliance Unichem	3,374	325
Amec	4,848	184
Amvescap	9,862	403
ARM Holdings	16,587	234
Arriva	3,157	218
Associated British Ports Holdings Plc	4,315	262
Astrazeneca	22,613	5,450
Aviva (fd CGU)	30,556	2,448
BAA	98,180	6,356
BAE Systems	241,455	7,101
Balfour Beatty	6,813	274
Barclays	454,741	33,999
Barratt Developments	3,880	294
BBA Group	6,107	223
Bellway	1,806	188
Berkeley Group Holdings	1,462	151
BHP Billiton	33,411	2,602
BOC Group	6,739	854
Boots Group Co	10,334	864
BP Plc Amoco	1,025,374	66,458
BPB Plc	6,682	403
Brambles	9,797	324
British Airways	8,779	263
British American Tobacco	20,679	2,368
British Gas	249,717	11,278
British Land Co	6,602	755
British Sky Broadcasting	16,996	1,219
BT Group	612,293	15,858
Bunzl	6,076	337
Cable & Wireless	32,184	490
Cadbury-Schweppes	27,981	1,731
Capita Group	9,010	420
Carnival Plc	2,301	933
Cattles	5,318	249
Centrica	52,107	1,571
Close Brothers Group Plc	1,985	186
Cobham	1,502	237
Compass Group	169,874	5,337
Cookson Group	30,676	139
Corus Group	54,029	348
Daily Mail & General Trust	4,130	391
Davis Service Group	3,266	172
De La Rue	2,954	131

	Number	Market value, SEK 000s
Diageo	41,243	3,910
Dixons Group	345,339	6,686
Electrocomponents	7,057	256
Emap	3,515	366
EMI Group	10,675	361
Enterprise Inns	4,729	480
Excel (former Ocean Group)	4,036	372
Firstgroup Plc	5,446	242
FKI	9,432	141
Friends Provident	25,660	504
GKN	9,937	300
GlaxoSmithkline	80,022	12,476
Great Portland Estates Ord O,50	1,976	83
Great Universal Stores	13,682	1,638
Group 4 Securicor	15,405	276
Hammerson	3,742	415
Hanson	123,508	7,048
Hays	23,494	373
Hbos Group	274,804	29,732
HMV Group	6,228	207
HSBC Holdings	149,148	16,727
Icap	7,482	259
IMI	4,783	240
Imperial Chemical (ICI)	16,125	496
Imperial Tobacco Group	9,838	1,794
Inchcape Plc	1,216	303
Intercontinental Hotels	70,438	5,826
International Power	17,945	354
Intertek Group	2,501	225
Invensys	92,219	182
ITV (formerly GB0008275660)	417,410	5,605
Johnson Matthey	2,971	375
Kelda Group	5,085	409
Kesa Electricals	7,168	258
Kidde Yale	13,571	288
Kingfisher	47,032	1,859
Ladbroke Group (Hilton Group)	157,855	5,730
Land Securities Group	6,286	1,123
Legal & General Group	87,744	1,231
Lloyds TSB Group	395,485	23,867
Logica Cmg	10,150	250
London Stock Exchange	4,128	307
Man Group	3,780	709
Marconi	3,243	230
Marks & Spencer	22,199	971
Meggitt	6,842	229
MFI Furniture Group	10,064	159

	Number	Market value, SEK 000s
Misys	7,204	192
Mitchells & Butlers	7,069	306
National Express Group	2,219	234
National Grid Group	41,535	2,628
New Liberty Intl Plc (GB)	3,266	404
Next Plc	3,546	746
Novar Plc	6,987	168
Pearson	10,862	871
Pen & Oriental Steam	9,986	379
Persimmon	3,697	326
Pilkington	16,523	231
Premier Farnell	5,885	128
Provident Financial	3,445	295
Prudential	32,572	1,880
Punch Taverns	3,362	297
Rank Group	8,103	271
Reckitt Benckiser	8,020	1,611
Reed Elsevier PLC	17,160	1,052
Rentokil Initial	24,599	463
Reuters Group	19,336	931
Rexam	99,630	5,860
Rio Tinto	14,401	2,817
RMC Group	3,604	390
Rolls Royce	190,438	6,001
Rolls Royce B	5,366,090	65
Royal Bank of Scotland	188,143	42,055
Royal Sun Alliance	39,106	387
Sabmiller Plc (South African Breweries, GBP)	10,797	1,190
Sage Group	17,327	447
Sainsbury, J	18,412	635
Schroders	2,016	193
Scott & South Ener (Scot Hyd)	11,568	1,288
Scottish & Newcastle	10,904	606
Scottish Power	145,272	7,479
Serco Group	7,051	216
Severn Trent	51,881	6,401
Shell Transport & Trading Co	130,301	7,381
Signet Group PLC	23,370	328
Slough Estates	5,656	397
Smith & Nephew	12,637	859
Smiths Industries	7,596	797
SSL Intl	3,070	123
Stagecoach Holdings	12,717	182
Tate & Lyle	5,547	335

	Number	Market value, SEK 000s
Taylor Woodrow	7,824	272
Tesco	104,174	4,276
TGI plc	10	0
Three I Group	8,306	706
Tomkins	10,458	339
Trinity Mirror	3,977	322
Unilever	37,316	2,435
United Utilities	87,360	7,022
United Utilities A	5,008	286
UTD Business Media	4,546	279
Whitbread PLC	4,027	435
William Hill	5,650	407
Wimpey (George)	5,268	272
Vodafone	3,229,045	58,192
Wolseley	7,862	976
WPP Group	15,270	1,116
Yell Group Plc	9,446	530
Total, shares		487,947
Total, listed		487,947

Unlisted shares

Altius Assoc	13,218	2,530
Scan Re	7,500,000	0
Total, shares		2,530
Total, unlisted		2,530
Total, UK		490,477

SOUTH AFRICA

Listed shares

Anglo American PLC	19,073	2,998
Total, shares		2,998
Total, listed		2,998
Total, South Africa		2,998

GERMANY

Listed shares

Adidas-Salomon	616	661
Allianz	4,152	3,660
Altana AG	950	399
BASF	7,093	3,396
Bayer	8,868	1,998
Beiersdorf	272	210
Commerzbank	6,050	828
Continental	15,101	6,374
Daimler-Chrysler	59,950	19,094

	Number	Market value, SEK 000s
Deutsche Bank	7,065	4,168
Deutsche Boerse	1,438	575
Deutsche Post	6,025	920
Deutsche Telekom	33,981	5,111
Douglas Holding	539	127
E ON (Veba)	44,203	26,775
Epcos	794	79
Fresenius Medical Care	474	254
Fresenius Medical Care AG	425	164
GEHE	461	249
Heidelberger Zement	820	328
Henkel, Pref	804	465
Hypo Real Estate Holding	1,766	487
Hypovereinsbank	8,470	1,278
Infineon Technologies, Namen	8,602	620
Karstadt	890	61
Linde	14,274	5,939
Lufthansa	3,099	295
Man	1,431	366
Marschollek Lautenschlaeger & Partner	1,057	139
Merck Kgaa	670	306
Metro	1,968	720
Muenchener Rueckversicherung, Namen	2,486	2,031
Porsche Prefs	1,237	5,246
Preussag	1,691	266
Prosieben Sat1 Media VZ	1,330	162
Puma AG	220	402
Rhein-Westfalen EI-Werk	27,860	10,242
Rhein-Westfalen EI-Werk, Pref	632	195
SAP	2,767	3,284
Schering	2,225	1,106
Siemens	10,819	6,096
Suedzucker	850	117
Thyssen Krupp	4,179	612
Volkswagen	17,238	5,193
Volkswagen, Pref	1,425	314
Total, shares		121,312
Total, listed		121,312
Total, Germany		121,312

US

Listed shares

3M Company	23,000	12,544
American Express	30,000	11,238

	Number	Market value, SEK 000s
American Intl Group	40,400	17,631
Amgen	35,100	14,963
Bed Bath & Beyond	46,500	12,308
Boston Scientific Corp	70,200	16,584
Caremark RX Inc	20,500	5,372
Caterpillar	23,900	15,487
Citigroup	34,200	10,950
Colgate Palmolive	31,700	10,777
Conocophillips	32,700	18,869
Cumulus Media Inc	7	1
Electronic Arts	12,100	4,960
Gala Gen Inc	27,083	0
Genentech	48,700	17,618
General Electric Co	76,000	18,434
Gillette Co	76,500	22,765
Illinois Tool Works	16,400	10,101
Johnson & Johnson	48,200	20,314
Juniper Networks	29,300	5,294
Kohls Corp	48,700	15,913
Lilly (Eli) & Co	44,400	16,744
Marriott Intl, A	12,400	5,190
Maxim Integrated Products	41,800	11,775
McDonald's Corporation	76,100	16,213
Medtronic	44,000	14,523
Omnicom Group	20,400	11,431
Oracle Systems Corp	180,600	16,466
Paychex	44,600	10,101
Pepsico	43,900	15,228
Pfizer	44,600	7,970
Procter & Gamble Co	64,200	23,499
Qualcomm	46,500	13,102
Schlumberger	47,800	21,267
Standard and Poor Depod Recpts	1,444,800	1,160,506
United Parcel Service	31,100	17,662
Wal Mart Stores Inc	16,400	5,757
Walt Disney Co	30,600	5,653
Total, shares		1,635,210
Total, listed		1,635,210
Unlisted shares		
Hyperion Inc	35,496	0
Total, shares		0

	Number	Market value, SEK 000s
Mutual funds		
Ferox Fund Limited Class C	51,717	41,867
Harbert Distressed Investment Offshore Fund, A1	124,070	120,712
Heirloom Capital Offshore Fund Ltd A okt-04	46,666	39,069
Lynx Bermuda	833	6,025
Moore Global Fixed Income Fund Ltd	2,500	103,562
Narragansett Offshore Ltd, Class B, Series 2	4	30
Narragansett Offshore Ltd, Class D, Series 1	2,721	23,601
Narragansett Offshore Ltd, Class E, Series 01	9,768	74,010
Raphael II Ltd, Regular shares	6,515	75,603
Styx International Ltd	3,239	55,462
The Capital Fund Ltd	5,413	61,818
Tiedemann Arbitrage Associates Ltd, Series 1	147,499	27,641
Tiedemann Arbitrage Associates Ltd, Series 6	114,408	21,509
Viking Global Equities III, Class A, Series 1E	3,482	75,520
Oz Overseas Fund Ltd, Class A, Series 324	859	6,373
Oz Overseas Fund Ltd, Class C, Series 35	0	0
Oz Overseas Fund Ltd, Class C, Series 36	0	2
Oz Overseas Fund Ltd, Class C, Series 37	1	4
Oz Overseas Fund Ltd, Class C, Series 38	1	11
Oz Overseas Fund Ltd, Class C, Series 39	0	1
Oz Overseas Fund Ltd, Class C, Series 40	1	11
Oz Overseas Fund Ltd, Class C, Series 41	0	2
Oz Overseas Fund Ltd, Class C, Series 42	1	5
Oz Overseas Fund Ltd, Class C, Series 43	0	0
Oz Overseas Fund Ltd, Class C, Series 44	10	67
Oz Overseas Fund Ltd, Class C, Series 45	5	37
Oz Overseas Fund Ltd, Class C, Series 46	1	4
Oz Overseas Fund Ltd, Class C, Series 47	1	5
Oz Overseas Fund Ltd, Class C, Series 48	2	14

	Number	Market value, SEK 000s
Oz Overseas Fund Ltd, Class C, Series 49	10	66
Oz Overseas Fund Ltd, Class C, Series 50	0	1
Oz Overseas Fund Ltd, Class C, Series 51	1	4
Oz Overseas Fund Ltd, Class C, Series 52	6	44
Oz Overseas Fund Ltd, Class C, Series 53	0	2
Oz Overseas Fund Ltd, Class C, Series 54	0	1
Oz Overseas Fund Ltd, Class C, Series 56	3	22
Raphael II Ltd, Regular shares	730	8,467
The Capital Fund Ltd	632	7,215
Tiedemann Arbitrage Associates Ltd, Series 1	36,380	6,818
Viking Global Equities III, Class A, Series 1E	380	8,247
Total, mutual funds		763,853
Total, unlisted		763,853
Total, US		2,399,064

AUSTRIA

Listed shares

Bank Austria Credit Anst	1,257	755
Boehler-Uddeholm	231	194
Erste Bank Oester	4,098	1,455
Flughafen Wien	315	158
Immofinanz Innobilien	8,174	520
Mayr-Melnhof Karton	126	143
OMV AG	462	925
RHI	511	103
Telekom Austria	9,400	1,184
VA Technologie	337	178
Verbund Oesterr Elek, A	185	274
Wienerberger Baustoffindustrie	2,131	677
Vöest-Alpine AG	879	454
Total, shares		7,020
Total, listed		7,020
Total, Austria		7,020

TOTAL LÄNSFÖRSÄKRINGAR AB GROUP	6,786,534
--	------------------

Proposed treatment of the unappropriated earnings

Non-restricted equity as stated in the consolidated balance sheet amounts to SEK 1,139,464,000. SEK 900,000 is intended for transfer to restricted reserves. According to the balance sheet for Länsförsäkringar AB, non-restricted equity totaling SEK 738,608,678 is at the disposal of the Annual General Meeting.

Profit brought forward	297,498,963
Effect of change in accounting principle	46,576,289
Group contribution received, net	134,432,426
Net profit for the year	260,101,000
Non-restricted equity	738,608,678

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

Stockholm, March 15, 2005

Hans Jonsson
Chairman

Bengt Ljungqvist
Vice Chairman

Ulf W Eriksson

Olav Hytta

Anna-Greta Lundh

Gösta af Petersens

Karin Starrin

Fredrik Waern

Tommy Persson
Managing Director

Agneta Johansson
Employee representative

Tomas Jönsson
Employee representative

Sven-Erik Martinell
Employee representative

Our audit report was submitted on March 15, 2005.

Stefan Holmström
Authorized Public Accountant

Lars-Ola Andersson
Authorized Public Accountant
Appointed by Finansinspektionen

The consolidated and Parent Company income statement and balance sheet are subject to approval by the Annual General Meeting.

Audit report

To the General Meeting of shareholders in 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 for 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts 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 and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts 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 com-

pany 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 Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance 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 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. The statutory Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and 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 15, 2005

Stefan Holmström
Authorized Public Accountant

Lars-Ola Andersson
Authorized Public Accountant
Appointed by
Finansinspektionen

Condensed income statement and balance sheet for the Länsförsäkringar Liv Group

INCOME STATEMENT

SEK M	2004	2003
Premium income, gross	8,869	8,268
Premium income, net	8,676	8,069
Investment income, net	6,882	9,139
Claims payments	-4,359	-4,336
Change in life assurance provisions	-6,497	-6,644
Operating expenses	-1,456	-1,477
Other technical revenue	5	-
Technical result, life assurance operations	3,252	4,750
Non-technical items	-162	-168
Income before appropriations and tax	3,090	4,582
NET PROFIT FOR THE YEAR	2,348	3,808

BALANCE SHEET

SEK M	Dec. 31, 2004	Dec. 31, 2003
Assets		
Intangible assets	1,873	1,913
Investment assets	89,679	85,175
Investment assets for which policyholders bear the investment risk	22,070	18,164
Reinsurers' portion of technical reserves	732	624
Receivables	660	222
Other assets	3,149	3,370
Prepaid expenses and accrued income	2,805	2,989
Total assets	120,967	112,456
Shareholders' equity, provisions and liabilities		
Share capital	8	8
Other equity	15,969	15,819
Technical reserves	78,739	75,886
Provisions for life assurance for which policyholders bear the investment risk	22,074	18,167
Provisions for other risks and expenses	109	30
Deposits from reinsurers	754	639
Liabilities	2,816	1,475
Accrued expenses and prepaid income	498	431
Total shareholders' equity, provisions and liabilities	120,967	112,456

Board of Directors and auditors



Hans Jonsson



Gösta af Petersens



Fredrik Waern



Olav Hytta



Bengt Ljungqvist



Anna-Greta Lundh



Ulf W Eriksson



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 appointments: 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.

Gösta af Petersens

Born 1947. Elected 2004
Farm manager
Other Board appointments: Chairman of Länsförsäkringar Gotland, Länsinvest AB, Gotlandsägg AB, Slite Stenhuggeri AB.
Previous experience: Managing Director of Guteprodukter AB and Gotlands Trädgårdsprodukter.

Fredrik Waern

Born 1943. Elected 2004
Agrologist.
Other Board appointments: Chairman of Länsförsäkringar Älvsborg, Länsförsäkringar Research Foundation. Board member of Tvåstads Tidnings AB and Östad Foundation and others.
Previous experience: Länsförsäkringar Bank, Älvsborg and other mortgage societies.

Olav Hytta

Born 1943. Elected 2003
Other Board appointments: Chairman of DnB NOR ASA and DnB NOR Bank ASA. Deputy Chairman of Vital Forsikring ASA.
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
Attorney
Other Board appointments: Chairman of Länsförsäkringar Stockholm and Hargs Egen-dom AB. Deputy Chairman of Skogssällskapet. Board member of the Danviks Hospital Foundation. Solicitor to HM the King.
Previous experience: Chairman of the Danderyd local authority, Board Chairman of JP-bank, Chairman of the Swedish Property Federation and the Swedish Bar Association.

Anna-Greta Lundh

Born 1955. Elected 2000
Managing Director of Länsförsäkringar Södermanland
Other Board appointments: Klöver AB, Södermanlands Nyheter.
Previous experience: Marketing Director of Länsförsäkringar AB, Business Area Manager of Länsförsäkringar Uppsala.

Ulf W Eriksson

Born 1952. Elected 2004
Managing Director of Länsförsäkringar Värmland
Other Board appointments: Board member of Länsförsäkringar Värmland, Länsförsäkringar Värmland Fastigheter AB and Stiftelsen Värmländska Provinsiallogens Frimurarehus
Previous experience: Bank attorney and Chief Legal Officer, Mellersta Sveriges Föreningsbank, Bank Manager, Föreningsbanken Karlstad.

Tommy Persson

Born 1948. Elected 1996
Managing Director and CEO of Länsförsäkringar AB
Other Board appointments: Chairman of FAO, the Swedish Insurance Federation, and EurAPCo A.G. Board member of Kaupthing Búnadarbanki, Eurok B.V., Confederation of Swedish Enterprise.
Previous experience: Vice President of Posten AB. Managing Director of Holmen Hygien and others.

Karin Starrin

Born 1947. Elected 2000
Director General of Customs
Other Board appointments: Chairman of the Södra Götaland Regional Forestry Board and Halland Akademi. Board member of the Royal Swedish Opera.
Previous experience: Governor of Halland County, Consulting Accountant at Driftsbyrån, Bollnäs, Municipal Commissioner in 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 appointments: Länsförsäkringar IT Center AB.

Tomas Jönsson

Born 1951. Elected 2001
Swedish Confederation of Professional Associations branch at Länsförsäkringar AB. Non-life claims adjuster.
Other Board appointments: Länsförsäkringar Sak Försäkrings AB, Länsförsäkringar IT Center AB, Bank and Insurance Section of Jusek.
Previous experience: Bank attorney, Föreningsbanken.

Sven-Erik Martinell,

Born 1943. Elected 1994
Regional insurance companies' staff association.
District Manager, Länsförsäkringar Bergslagen.
Other Board appointments: Board member of Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Deputy Chairman of the Union of Insurance Employees (FTF) Unemployment Benefit Fund, MMS AB, and the Uppsala branch of the Voluntary Flying Corps (FFK)

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.

AUDITOR APPOINTED BY FINANSINSPEKTIONEN

Lars-Ola Andersson

Authorized Public Accountant, SET Revisionsbyrå AB.

Group management, Länsförsäkringar AB



Tommy Persson



Christer Baldhagen



Hans Benndorf



Sten Dunér



Gunnel Edenius



Tomas Johansson



Jan Lundmark



Tobias Malmgren



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 Hygien and others.
Board appointments: Chairman of EurAPCo A.G., the Swedish Insurance Federation, and FAO. Board member of Kaupthing Búnadarbanki, Eureko B.V., Swedish Confederation of Enterprise.

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.

Sten Dunér

Born 1951. Employed since 1982
Group Controller
Previous experience: Deputy Managing Director of Stockholm Re.
Board appointments: 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 appointments: 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 appointments: Swedish Bankers' Association. Chairman of Länsförsäkringar Fondförvaltning AB. Member of Länsförsäkringar Bank AB, Länsförsäkringar Hypotek AB and Wasa Kredit AB.

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.

Tobias Malmgren

Born 1955. Employed since 2003.
Managing Director of IT Center. Member of the Group management team from 2005.
Previous experience: Managing Director of Scandinavian IT Group Sweden AB, Head of Operations at Digital Consulting.

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 appointments: Länsförsäkringar Måklarservice AB, Länsförsäkringar Miljö AB.
Chairman of Agria.

Hans Sterte

Born 1961. Employed since 1998
Director of Finance
Previous experience: Chief Economist for the Länsförsäkringar Alliance, Equity Strategist at Handelsbanken Markets Equity Research, Chief Economist at Erik Penser Fondkommission AB.
Board appointments: Humlegården Fastigheter HB.

OTHER SENIOR EXECUTIVES

Lars Brolin

Born 1944
Chief Counsel, Secretary to the Board and Group Management
Employed since 1987

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
Internal auditor
Employed since 1979

Johan Sojde

Born 1962
Manager, Market Development
Employed since 2003

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

EMPLOYEE REPRESENTATIVES

Agneta Johansson

Born 1943
Union of Insurance Employees (FTF)
Employed since 1982

Tomas Jönsson

Born 1951
Swedish Confederation of Professional Associations (SACO)
Employed since 1985

Terms and expressions

Absolute Return

The goal of Absolute Return is to deliver a positive return regardless of underlying fluctuations in various markets. Absolute Return is based on investments in hedge funds, but has a lower correlation to underlying markets and lower downside risk than average hedge funds.

Administration income, Life

Fees paid by customers minus operating expenses.

After ceded reinsurance

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

Alternative Investments

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

Asset allocation

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

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 subordinated 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%.

Claims payments

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

Claims ratio

Cost of claims as a percentage of premiums earned.

Collective consolidation (Life)

The value of the company's assets in relation to the guaranteed commitments to customers and the preliminary bonus allocation.

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 investment income to insurance operations.

Direct insurance

Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Direct yield

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

Earnings per share

Net profit for the year divided by the average number of shares during the year.

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

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

Loan losses, Bank

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

Net asset value

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

Run-off result

Profit or loss arising at accounting year-end in the provision for outstanding claims made in the preceding year-end accounts. The profit/loss arises since some of the claims in the provision are either settled during the financial year at amounts differing from those allocated or are revalued pending final settlement.

Solvency margin (Non-life)

Net asset value as a percentage of premium income after ceded reinsurance.

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.

Technical result, non-life insurance operations

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

Total investment income ratio

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.

Addresses

Länsförsäkringar AB

SE-106 50 Stockholm
Visitors: Tegeluddsvägen 11-13
Tel: +46 8-588 400 00
Fax: +46 8-670 48 23
E-mail: info@lansforsakringar.se

Länsförsäkringar Liv

SE-106 50 Stockholm
Visitors: Tegeluddsvägen 21
Tel: +46 8-588 400 00
Fax: +46 8-588 408 51
E-mail: info@lansforsakringar.se

Länsförsäkringar Sak

SE-106 50 Stockholm
Visitors: Tegeluddsvägen 11-13
Tel: +46 8-588 400 00
Fax: +46 8-588 418 10
E-mail: info@lansforsakringar.se

Länsförsäkringar Bank

SE-106 50 Stockholm
Visitors: Tegeluddsvägen 11-13
Tel: +46 8-588 416 00
Fax: +46 8-670 48 37
E-mail: info@lansforsakringar.se

Agria Djurförsäkring

Box 70306
SE-107 23 Stockholm
Visitors: Tegeluddsvägen 11-13
Tel: +46 20-88 88 88
Fax: +46 8-588 421 80
E-mail: info@agria.se

Humlegården Fastigheter

Box 5182
SE-102 44 Stockholm
Visitors: Birger Jarlsgatan 25
Tel: +46 8-678 92 00
Fax: +46 8-678 92 99
E-mail: info@humlegarden-fastigheter.se

Ordering annual reports

Additional copies of this annual report can be ordered from Communications Unit,
Länsförsäkringar AB, tel. +46 8-588 415 38
or at www.lansforsakringar.se

The annual reports of Länsförsäkringar Liv and Länsförsäkringar Bank, Agria and Humlegården
can be ordered from the addresses listed on page 79.

Production:

Länsförsäkringar AB, Communications Unit, n3prenör

Photo: Mats Lundqvist, Andreas Johansson, Magnus Pehrsson, Johnér Bildbyrå and Nordic Photos

Printing: Tryckindustri, Solna

