



Länsförsäkringsgruppen

OPERATIONS IN 2000

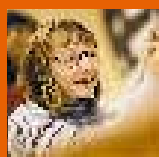




LF Insurance Group

regional insurance companies
in cooperation

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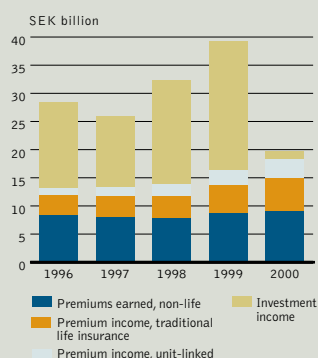
The Länsförsäkringsgruppen's (LF Insurance Group) structure, with 24 independent, customer-owned regional insurance companies, is based on a strong belief in a local presence. In principle, each regional insurance company takes care of all contacts with local customers, and issues its own income statement and balance sheet.

Decisions which affect customers most are taken at the local level. The fundamental principle is that the inhabitants and companies in a particular county should be able to receive all types of insurance and financial services from their own local insurance company. In order to further strengthen the local concept, the 24 regional companies work together in a jointly owned company, Länsförsäkringar AB.

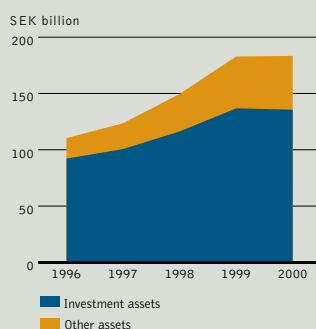
The forms employed by the LF Insurance Group for sales, claims adjustment and other forms of customer contact have played a major part in building the regional companies' positive image and the strong market position they hold today. For many years, Länsförsäkringar has had the most satisfied customers in the industry.

As independent entities, all the regional insurance companies issue their own annual reports. Brief summaries of the reports issued by the 24 companies are presented on pages 62–73, including comments and key ratios. Pages 82–83 provide an overview of the regional companies' income statements, balance sheets and selected key ratios.

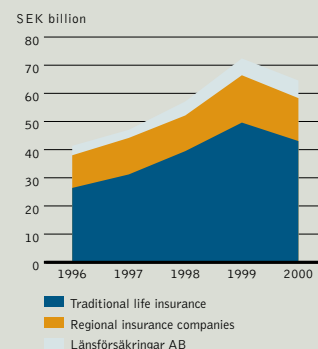
REVENUES 1996-2000



ASSETS, 1996-2000



NET ASSET VALUE 1996-2000



Major events in 2000

- The stock market trend had a serious impact on the LF insurance Group's earnings.
- Strong development of the non-life sector – 140,000 additional consumer policies.
- Premium volumes for life and unit-linked policies exceeded non-life insurance for the first time.
- Brand-extension break through – almost 420,000 customers selected Länsförsäkringar in the national premium pension scheme.
- Länsförsäkringar once again had the most satisfied life and non-life insurance customers in Sweden.
- Substantial expansion of bank branches offering advisory services – now in 64 locations.
- Ranked as Sweden's second most successful fixed-income fund manager by the Sparöversikt business journal, and the third-best mutual fund manager.
- Internet banking and mutual fund services launched.

Events after 1 January 2001

- On 26 February, Länsförsäkringar made a public offer for Svenska Brand, a listed insurance company.

The year



Premium pension success

The LF Insurance Group made a successful showing in the national premium pension selection process. The target was 5% of the capital invested by the Swedish public in the national premium pension scheme, but the final total for the LF Insurance Group was 6.9%. The highest proportion of capital invested was 17.1%, achieved by the Dalarnas Försäkringsbolag regional company. The regional companies in Gotland, Östergötland, Uppsala and Kristianstad all achieved more than 10%. In all, 420,000 people chose one or more of the Länsförsäkringar mutual funds – which means that more than 14% of those who chose a premium pension fund opted for Länsförsäkringar.

Development focus in new company

On 1 September, the LF Insurance Group's joint development activities were coordinated in a new company, Länsförsäkringar Utveckling AB, which will, for example lead the LF Insurance Group into the new business logic, based on the opportunities presented by IT. Länsförsäkringar Utveckling will develop and manage Länsförsäkringar's IT strategy and infrastructure, and coordinate and guide the development process.

A year of floods

The flooding in Arvika was an ongoing saga in the Swedish media in November and December. For Länsförsäkringar Värmland, this meant the heaviest claims for 10 years, with total costs of SEK 15-20 M. By the end of the year, the company had received 190 claims, mainly for business properties and leisure homes. Dalsland was also affected by high water levels, and the wet summer resulted in extensive flooding – the Länsförsäkringar Västernorrland and Jämtlands Länsförsäkringsbolag regional companies had the highest number of claims.



Arvika under water.





New broker service company

During the autumn, the 24 regional companies, together with the LF Insurance Group's life insurance company and Länsförsäkringar AB, formed Länsförsäkringar Mäklarservice, a joint sales company. The aim is that Länsförsäkringar should have a clear profile and improve its service to insurance brokers, both in the major urban regions and in the rest of the country.

Länsförsäkringar is focusing on this market is because sales via insurance brokers are expected to increase substantially during the next few years. Länsförsäkringar Mäklarservice is based in Stockholm, with three broker's counters in the regional offices in Gothenburg, Malmö and Stockholm.

Closer cooperation in Europe

Länsförsäkringar is one of the owners of Eureko N.V., a company which has been formed recently, following the integration of the insurance operations of Acmea (Holland) and BCP (Portugal). The new company, which has a portfolio capital of more than SEK 600 billion, is one of the 10 largest players in the European insurance business. Eureko N.V. is owned by major insurance companies in Germany, Portugal, Holland, France, Switzerland and Great Britain. Länsförsäkringar owns 2% of Eureko N.V. The new company will receive a stock exchange listing within two years.

Eureko's previous operations were simultaneously divided into two. Insurance operations in the former Eureko B.V. were integrated into Eureko N.V. Other activities, mainly consisting of exchanges of experience, training programmes and development operations, were transferred to a new service company EurAPCo, in which Länsförsäkringar has a holding of approximately 11%.

New office opened in Brussels

Länsförsäkringar opened an office in Brussels to monitor developments in the EU and, in particular, to keep track of directives and regulations which affect the Swedish insurance and financial markets. An increasing number of decisions which affect business activities and the prerequisites for operations in the Swedish insurance market are taken in Brussels. An office in the European capital will provide detailed information about plans for EU regulations and deregulation which are relevant for Länsförsäkringar's operations.

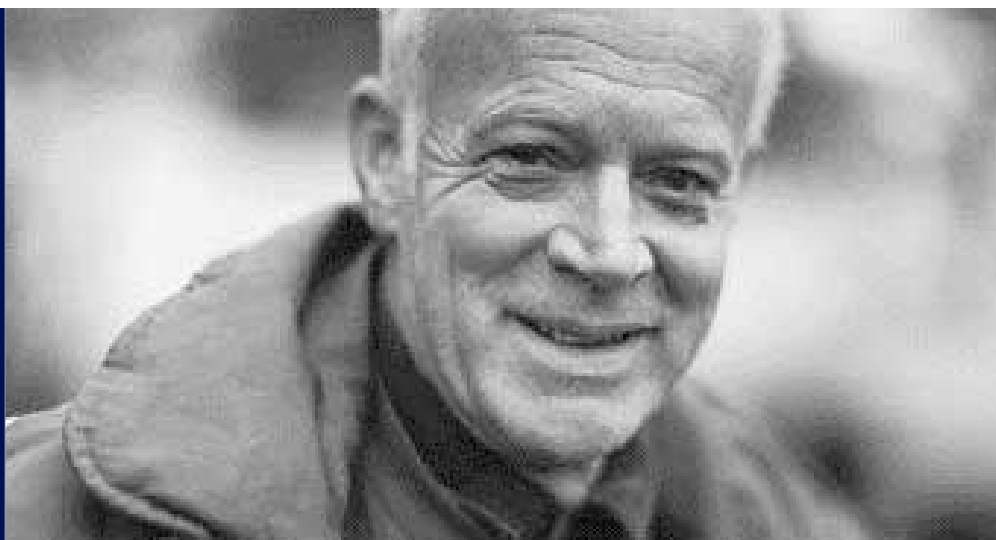
Länsförsäkringar Internet services launched

Two targets in Länsförsäkringar's ongoing Internet initiative were achieved during December when Länsförsäkringar Bank launched its Internet services at the beginning of the month. These services cover information about transactions and balances in accounts, standing orders and transfers between the customer's account and accounts in other banks. Shortly afterwards, mutual fund services were also launched on the Internet.



Still the highest proportion of satisfied customers

Länsförsäkringar continues to have the highest proportion of satisfied customers in the non-life, life and pension insurance sectors, as indicated by the Swedish Quality Index survey. This survey is based on 20,000 interviews conducted in September and October. In the case of commercial customers, the survey was confined to non-life cover, where Länsförsäkringar also leads the field. The Quality Index takes into account customer rankings of their experience of the insurance company concerned, assessment of the company in relation to expectations, and an evaluation of the company in relation to an ideal insurance company.



LänsSpar survey demonstrates Swedish faith in the savings concept

Länsförsäkringar's LänsSpar™ survey of the savings market was launched in 2000, producing unique results which confirmed that people in Sweden believe in saving for the future. This survey, which was carried out twice during the year, is based on interviews with 13,000 respondents in all parts of the country, permitting the presentation of both national results and 24 local savings indexes.

The first LänsSpar survey showed that there were clear contrasts in savings propensity in different parts of Sweden. The autumn survey indicated that, despite the downturn in the stock market, seven out of 10 Swedes believed that investing in shares would be advantageous over the next six months.

Both the LänsSpar surveys achieved a considerable impact in the media, both at the national and local levels.



Continued bonuses in 2000

Following a record year in 1999, 20 of the 24 regional insurance companies decided to distribute bonuses to 1.5 million non-life customers during 2000, amounting to a total of SEK 860 M. Despite the very weak development of the financial markets during 2000, Länsförsäkringar's non-life customers will continue to receive bonuses during 2001, based on earnings in 2000. Seven regional companies will pay total bonuses of SEK 265 M.

The LF Insurance Group had a good year in 2000. The focus on the financial area got off to a flying start as a result of our performance in the premium pension scheme. Almost 420,000 members of the public decided to let Länsförsäkringar manage their premium pension savings, wholly or partially. During the year, we established a new strategy for banking operations: Länsförsäkringar is to provide a full range of banking services for private individuals and farming operations. As a result, new banking products and services will be launched during 2001.

Länsförsäkringar is taking care of its customers' everyday finances

We caught up with our competitors in the Internet sphere at the end of the year, and are now able to offer banking and mutual fund services. In common with other players, our earnings were seriously affected by stock market developments, but our average bonus interest paid to life insurance customers was nonetheless one of the highest in the market, and several regional LF insurance companies were able to pay bonuses to non-life customers.

HOUSEHOLDERS WANT TO ENTRUST THEIR FINANCES TO A SINGLE SUPPLIER

Market surveys indicate that Swedish consumers require a "banking and insurance" concept which covers all aspects of their household finances. This means that they want to be able to use a single supplier for their savings and to insure themselves, their families and their property. They also want to use this supplier to pay their bills and as a source of credit. The players who are able to meet this demand must offer a complete range of insurance policies and financial services. Customers must also have access to services and be able to conduct transactions in a convenient manner. They must also be able to see a clear added value in entrusting their household finances to a single supplier.

Länsförsäkringar has a clear ambition to meet these requirements, and the focus on the financial sphere is a direct consequence of customer demand. Progressively, as from the autumn of 2001, concepts will be launched which give customers

added value when they choose Länsförsäkringar as a supplier of services to meet the financial needs of the entire household.

Länsförsäkringar's goal in these concepts and offers to customers is to continue to ensure that it has the most satisfied insurance customers in Sweden, and also the most satisfied bank customers. In view of Länsförsäkringar's status as a mutually owned company, its insurance customers are also its sole principal, which means that we can concentrate on our customers' interests.

If customers are to entrust their entire household finances to a single supplier – irrespective of whether this involves banking or insurance services, they must achieve genuine benefits. It must be secure, simple and advantageous to choose Länsförsäkringar. Living up to our customers' requirements calls for a substantial customer base, local decision-making and a local presence, a strong brand and stable financial foundations. Länsförsäkringar is the only company in a position to meet these prerequisites in the Swedish financial and insurance market.

CONFIRMATION OF STRENGTH IN NON-LIFE INSURANCE

The LF Insurance Group consolidated and increased its market leadership in non-life insurance in Sweden, with higher market shares in all areas of consumer business. The underwriting technical result before bonuses was positive – SEK 82 M (527) – clearly confirming the company's strength. The outcome is a combination of an improved selection of risks and appropriate premium levels, particularly in the industrial and commercial sectors. This resulted in a deliberate reduction of market shares in

order to permit continued growth on a sound, profitable basis. The operating loss was entirely due to developments in the financial markets, although seven regional companies were nonetheless able to report bonuses of a total of SEK 265 M as a result of the unique strength of their financial base.

The LF Insurance Group has not stopped growing in the Swedish non-life market. Growth ambitions – in customers' interests – are primarily targeted at brokered commercial insurance and the major urban areas. In Stockholm and Gothenburg, market shares are roughly half the national average. This is one of the reasons for the public offer for the Svenska Brand insurance company on 26 February.

SUBSTANTIAL SALES INCREASE IN LIFE INSURANCE

Life and unit-linked insurance increased by 23%, making this type of insurance the largest category for Länsförsäkringar for the first time, in terms of premiums. Länsförsäkringar achieved a substantial increase in the "savings segment," particularly endowment insurance. Despite a considerable increase in sales, however, the market share was virtually unchanged, and has declined slightly



Gunnar Kinch – Chairman of Länsförsäkringsbolagens förening.

during the past two years. This is because the company's position in the occupational pension insurance field is relatively weak compared with other sub-markets. This type of sales is largely conducted via brokers, which is one of the reasons why the Länsförsäkringar Mäklarservice (broker service) was launched during the autumn.

The occupational pension market is not merely a market for employee pensions – it also provides an increasingly important interface for contacts with employees in the public and private sectors in connection with personal savings to supplement contractual and public pension schemes. As a result, this will be a high-priority area for Länsförsäkringar in the future.

THE NEW BANK – THE SINGLE MOST IMPORTANT DECISION TAKEN

During the autumn, it was decided to establish Länsförsäkringar as the principal bank for private individuals and the farming

community. Among other things, this will take the form of the development of a complete range of products by Länsförsäkringar Bank during 2001. The regional companies will significantly increase their emphasis on the development of this market – one of the key target groups will be non-life insurance customers who currently have another supplier of banking services. Our Internet services are another important contribution to the establishment of a bank with a complete product range and a high degree of accessibility.

A personal bank offering a full range of products enables Länsförsäkringar to offer a comprehensive package of insurance and financial services, making it a full-coverage supplier which can meet the overall needs of customers in the household sector.

CHALLENGES FOR THE FUTURE

Succeeding with the strategies which we established in the spring of 1999 is one of the items on our agenda for the future. This involves increasing the advantage for the customer of utilizing Länsförsäkringar in all the areas in which we operate. We will do



Tommy Persson – Managing Director of Länsförsäkringsbolagens förening.

this by retaining our customers' view of us as a local, service-minded, accessible, value-for-money organization which offers good products and attractive values, both for older and younger customers. The way to achieve this is higher volumes, which will result in lower costs.

Since these strategies were established, there has been no cause, in principle, to modify our objectives, activities or focus. This is the way Länsförsäkringar works – methodically and in the long term.

Stockholm, 20 March 2001

Handwritten signatures of Gunnar Kinch and Tommy Persson. Gunnar Kinch's signature is on the left, and Tommy Persson's signature is on the right.

Gunnar Kinch

Chairman

Länsförsäkringsbolagens förening

Tommy Persson

Managing Director

Länsförsäkringsbolagens förening

Cooperation has developed progressively in recent years within the LF Insurance Group – from a focus on an exchange of experience to shared business operations. Ever since the original formalization of this cooperation with the establishment of an association of mutual provincial fire insurance companies in 1917, the underlying idea has been to conduct operations as close to the customer as possible.

The underlying concepts

It is generally agreed within the LF Insurance Group, that a local presence and autonomy have been the decisive factors in the Group's success. Decisions which are important for customers are taken in their immediate vicinity. The Boards and Annual General Meetings of the regional insurance companies are the ultimate decision-making bodies in matters which concern the operations of the regional company concerned. Among other things, this means that each regional company has its own income statement and balance sheet. As a result, all cooperation between regional companies is voluntary, and the federative form of association is based on this autonomy.

MUTUALITY

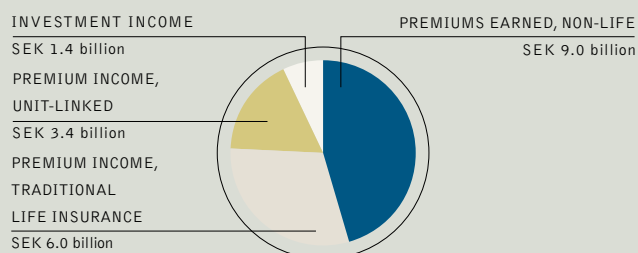
The LF regional companies are mutual companies – a form of association which is confined to the insurance industry. Each regional company is owned by its non-life insurance customers. In practical terms, mutuality means that the entire profits of the regional company concerned are distributed to policyholders in the form of bonuses. In 1999, which was a record year, the LF regional companies distributed bonuses totalling SEK 860 M,

based on profit for the year. The corresponding amount in 2000 was SEK 265 M. The Länsförsäkringar life insurance company is owned by the non-life operations and is also operated on mutual principles, since the entire yield is returned to policyholders.

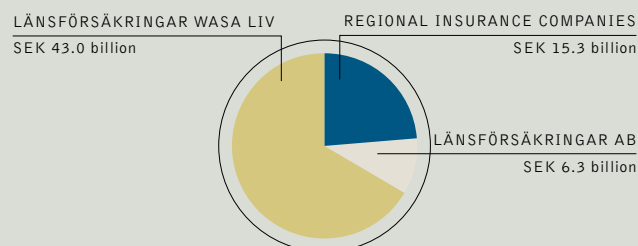
COOPERATION VIA LÄNSFÖRSÄKRINGAR AB

Cooperation between the 24 regional insurance companies is achieved via Länsförsäkringar AB – a jointly owned company – and its subsidiaries. Länsförsäkringar AB's predecessor, Länsförsäkringsbolagens AB, was formed in 1936 to meet the regional companies' need for reinsurance, and reinsurance is still an important part of current operations, even though an increasing range of joint resources has been built up over the years. Länsförsäkringar AB's assignment is to establish the prerequisites for successful operations by the regional insurance companies in their local markets. Länsförsäkringar AB is the Parent Company for all subsidiaries within a jointly owned corporate Group which conducts life, accident, motor liability, industrial, animal and reinsurance business, and banking, mutual fund and asset management operations. Länsförsäkringar AB is also responsible for joint development operations and has

REVENUES 2000



NET ASSET VALUE 2000





specialist expertise in areas such as insurance, financial services, IT and market communication. The regional insurance companies determine the range of joint operations covered by Länsförsäkringar AB, as set out in a consortium agreement and specified in the guidelines for the operations of the Länsförsäkringar AB Board. The orientation of these operations may change over time, in accordance with the wishes of Länsförsäkringar AB's owners – the regional insurance companies.

LOCAL AND JOINT OPERATIONS

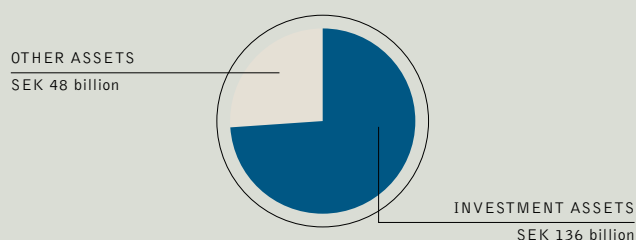
The federation structure, with local autonomous companies cooperating via a jointly owned company, requires a considerable degree of clarity in relationships between the regional companies and joint operations. Cooperation within the LF Insurance Group is based on the idea that operations should be conducted by the regional companies to the greatest possible extent. In principle, the regional companies are responsible for all contacts with customers. This unique business model, which has laid the foundations for the LF Insurance Group's success, is based on a permit for each regional company and the joint companies to

conduct virtually all types of insurance business, and a licence for banking operations. The essence of the Länsförsäkringar concept is that inhabitants and corporate entities in the county concerned should have access to a full range of insurance and financial services via their regional company.

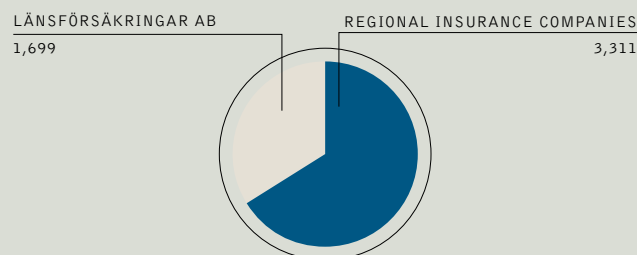
DECISIONS BASED ON CONSENSUS

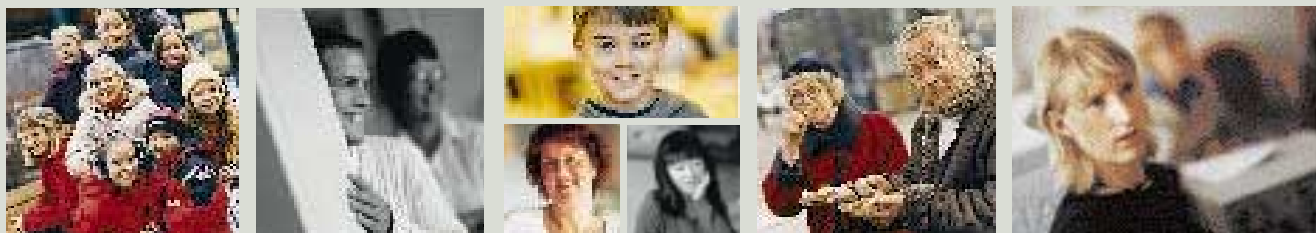
The Länsförsäkringar concept, involving voluntary cooperation between local, independent insurance companies owned by customers, also makes considerable demands on the need to ensure support for joint decisions. The autonomous nature of the regional companies means that decisions which apply to, or affect, all the companies in the LF Insurance Group must be based on a consensus, and this makes special demands on the decision-making process in joint operations. It also makes special demands on regional companies which have chosen to cooperate in a federation on a voluntary basis. Even voluntary cooperation inevitably calls for some surrender of independence. In principle, this means that all regional insurance companies undertake to try to find joint solutions, even in situations where there is a difference of opinion.

ASSETS 2000



NUMBER OF EMPLOYEES 2000





Managing Director
Kjell Lindfors



Premium income, Non-life, SEK M	130 SEK M
Premium income, Life	147 SEK M
Business volume, Banking	108 SEK M
Market value, Mutual funds	39 SEK M

(More information on page 62)



Managing Director
Rutger Arnesson



Premium income, Non-life	275 SEK M
Premium income, Life	252 SEK M
Business volume, Banking	382 SEK M
Market value, Mutual funds	123 SEK M

(More information on page 62)



Managing Director
Sören Westin



Premium income, Non-life	157 SEK M
Premium income, Life	84 SEK M
Business volume, Banking	204 SEK M
Market value, Mutual funds	32 SEK M

(More information on page 63)



Managing Director
Carl Henrik Ohlsson



Premium income, Non-life	274 SEK M
Premium income, Life	175 SEK M
Business volume, Banking	311 SEK M
Market value, Mutual funds	118 SEK M

(More information on page 68)



Managing Director
Jan-Gunnar Persson



Premium income, Non-life	509 SEK M
Premium income, Life	459 SEK M
Business volume, Banking	669 SEK M
Market value, Mutual funds	116 SEK M

(More information on page 68)



Managing Director
Jan Fager



Premium income, Non-life	516 SEK M
Premium income, Life	386 SEK M
Business volume, Banking	624 SEK M
Market value, Mutual funds	162 SEK M

(More information on page 69)

STRONG POSITION

In combination, the Länsförsäkringar regional insurance companies are the major force in non-life insurance in Sweden, with a market share of more than 26%. The market shares for motor and household insurance are about 30%. Almost 85% of Swedish farms are insured with a Länsförsäkringar company, and Länsförsäkringar is the market leader in insurance for small and medium-sized companies. The wholly-owned Agria subsidiary is Sweden's leading insurer of animals and crops, with a market share of almost 70%. Länsförsäkringar's position is not as strong in the life insurance sector. The main aim of the merger between Länsförsäkringar and Wasa in 1998 was to enable the LF Insurance Group to expand in the life insurance field. Sales increased substantially in the two years after the merger, but the

market expanded even faster, and the market share dropped to a low point of slightly less than 9%. The main reasons were deficiencies in the IT system, in combination with inadequate sales capacity in an extremely buoyant market. Sales increased significantly during 2000, but nonetheless the market share was virtually static at 9.1% (9.2). The Länsförsäkringar mutual fund company is the sixth largest in Sweden, managing assets of approximately SEK 30 billion for some 300,000 customers. Länsförsäkringar's banking operation aims to be the natural main bank for private persons and farmers. The first stage in achieving this ambition will be the launching of a competitive everyday personal finance package, including a banking debit card, Internet services and telephone banking.



2.7 million cu Länsförsäkringar regi



Managing Director
Anders Hörnfeldt



Premium income, Non-life, SEK M	205 SEK M
Premium income, Life	165 SEK M
Business volume, Banking	215 SEK M
Market value, Mutual funds	76 SEK M

(More information on page 63)



Managing Director
Janaxel Näsman



Premium income, Non-life	195 SEK M
Premium income, Life	169 SEK M
Business volume, Banking	222 SEK M
Market value, Mutual funds	51 SEK M

(More information on page 64)



Managing Director
Anders Stigers



Premium income, Non-life	498 SEK M
Premium income, Life	269 SEK M
Business volume, Banking	479 SEK M
Market value, Mutual funds	109 SEK M

(More information on page 64)



Managing Director
Leif Ellström



Premium income, Non-life	79 SEK M
Premium income, Life	28 SEK M
Business volume, Banking	174 SEK M
Market value, Mutual funds	14 SEK M

(More information on page 69)



Managing Director
Johan Svedberg



Premium income, Non-life	354 SEK M
Premium income, Life	260 SEK M
Business volume, Banking	349 SEK M
Market value, Mutual funds	82 SEK M

(More information on page 70)



Managing Director
Mats Ericsson



Premium income, Non-life	225 SEK M
Premium income, Life	230 SEK M
Business volume, Banking	432 SEK M
Market value, Mutual funds	117 SEK M

(More information on page 70)

Länsförsäkringar AB

Managing Director
Tommy Persson



Premiums earned	2 624 SEK M
Operating income	402 SEK M
Net asset value	6 272 SEK M
Solvency margin	232 %

stomers own the onal insurance companies



Länsförsäkringar Värmland

Managing Director
Ulf Eriksson



Premium income, Non-life, SEK M	218 SEK M
Premium income, Life	166 SEK M
Business volume, Banking	170 SEK M
Market value, Mutual funds	46 SEK M

(More information on page 65)

Länsförsäkringar Uppsala

Managing Director
Ann-Christin Norrström



Premium income, Non-life	324 SEK M
Premium income, Life	306 SEK M
Business volume, Banking	344 SEK M
Market value, Mutual funds	122 SEK M

(More information on page 65)

Länsförsäkringar Bergslagen

Managing Director
Jan Karlsson




Premium income, Non-life	354 SEK M
Premium income, Life	390 SEK M
Business volume, Banking	398 SEK M
Market value, Mutual funds	107 SEK M

(More information on page 65)

Länsförsäkring Kronoberg

Managing Director
Dick Söderlund



Premium income, Non-life	179 SEK M
Premium income, Life	204 SEK M
Business volume, Banking	202 SEK M
Market value, Mutual funds	48 SEK M

(More information on page 71)

Länsförsäkringar Kalmar län

Managing Director
Lars B Danielsson




Premium income, Non-life	294 SEK M
Premium income, Life	284 SEK M
Business volume, Banking	201 SEK M
Market value, Mutual funds	49 SEK M

(More information on page 71)

Blekinge Länsförsäkringsbolag

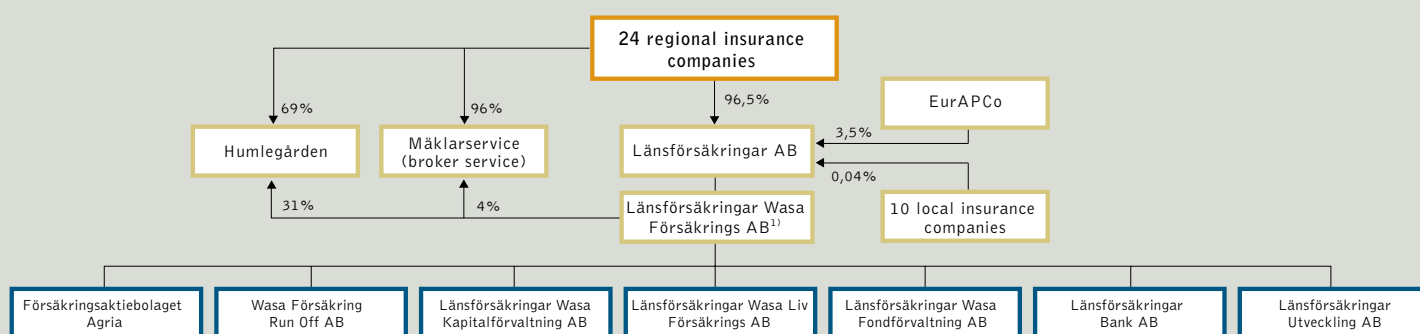
Managing Director
Jan Otterheim



Premium income, Non-life	106 SEK M
Premium income, Life	78 SEK M
Business volume, Banking	117 SEK M
Market value, Mutual funds	28 SEK M

(More information on page 72)

LEGAL ORGANIZATION CHART, 31 JANUARY 2001



¹⁾ The Länsförsäkringar Wasa Försäkrings AB name will be changed during 2001 to Länsförsäkringar Sak AB, thus achieving consistency with other subsidiaries in the Länsförsäkringar AB Group.



Managing Director
Carl Dahlberg



Premium income, Non-life, SEK M	823 SEK M
Premium income, Life	2 402 SEK M
Business volume, Banking	3 163 SEK M
Market value, Mutual funds	830 SEK M

(More information on page 66)



Managing Director
Anna-Greta Lundh



Premium income, Non-life	261 SEK M
Premium income, Life	144 SEK M
Business volume, Banking	259 SEK M
Market value, Mutual funds	68 SEK M

(More information on page 67)



Managing Director
Ingemar Larsson



Premium income, Non-life	485 SEK M
Premium income, Life	868 SEK M
Business volume, Banking	562 SEK M
Market value, Mutual funds	226 SEK M

(More information on page 67)



Managing Director
Lars-Åke Hörnlén



Premium income, Non-life	105 SEK M
Premium income, Life	63 SEK M
Business volume, Banking	88 SEK M
Market value, Mutual funds	26 SEK M

(More information on page 72)



Managing Director
Conny Famm



Premium income, Non-life	112 SEK M
Premium income, Life	72 SEK M
Business volume, Banking	136 SEK M
Market value, Mutual funds	40 SEK M

(More information on page 73)



Managing Director
Jan Fock



Premium income, Non-life	634 SEK M
Premium income, Life	732 SEK M
Business volume, Banking	589 SEK M
Market value, Mutual funds	240 SEK M

(More information on page 73)

DEFINITIONS: LÄNSFÖRSÄKRINGSGRUPPEN (LF INSURANCE GROUP)

Länsförsäkringsbolag (regional insurance companies)

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

Länsförsäkringsbolagens förening

A non-profit-making association comprising the 24 regional companies and 10 local companies. The association's aims are to further the interests of its members and promote the concept of insurance at the local level. The association is responsible for the Group's joint strategic development and market targets.

Länsförsäkringsgruppen/ Länsförsäkringar (LF Insurance Group)

A partnership between the 24 regional companies and the Parent Company, Länsförsäkringar AB.

Länsförsäkringar AB

The Parent Company of a financial Group mainly owned by the 24 regional insurance

companies and 10 local companies (96.5%), and also by EurAPCo (3.5%). This situation applied as from 31 January 2000. During the restructuring of the Group as from 1 January 2001, the 24 regional companies temporarily owned 100% of Länsförsäkringar AB.

The Group provides services to the regional companies in the following areas: non-life insurance and – via subsidiaries – life insurance, banking, mutual funds, asset management and animal insurance. The Group is also responsible for the LF Insurance Group's development operations.

Länsförsäkringar Wasa

Conducts non-life insurance operations for the Länsförsäkringar AB Group. During 2001, the name will be changed to Länsförsäkringar Sak AB.

Länsförsäkringar Wasa Liv (Länsförsäkringar's life insurance company)

Conducts traditional life insurance business and, via its Länsförsäkringar Wasa Fondliv subsidiary, unit-linked life insurance. Opera-

tions are managed in accordance with mutual principles, and hence all profits accrue to customers.

Länsförsäkringar Wasa Fonder (Länsförsäkringar's mutual funds company)

Conducts fund management operations.

Länsförsäkringar Wasa Kapitalförvaltning (Länsförsäkringar Kapitalförvaltning – LF Capital)

Conducts asset management operations both for companies in the LF Insurance Group and external institutional customers.

Länsförsäkringar Bank

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

Agria

Insures animals and crops.

Humlegården

Partnership owned by 22 regional insurance companies and Länsförsäkringar AB, via

subsidiaries. Owns and manages properties which are mainly located in Stockholm.

Lita

Lita is a separate brand offering simple value-for-money policies which may be purchased at post offices or on the Internet.

EurAPCo

European insurance alliance, in which Länsförsäkringar is one of seven partners. The EurAPCo partnership is designed to establish the prerequisites for an exchange of expertise and other resources at the international level. The various partner companies operate completely independently and have total control in their national markets. EurAPCo holds approximately 3.5% of the shares in Länsförsäkringar.

Local companies

Small local mutual insurance companies licensed for non-life insurance business in certain sectors and geographical areas, primarily in cooperation with the relevant Länsförsäkringar regional company.

Although the business press was dominated by news about falling stock prices, the international economy was very strong during 2000. It is estimated that total global GDP grew by approximately 4.5%. The recovery that began towards the end of 1998, when the repercussions of the Asian crisis started to ebb, peaked during the year. The distribution of economic growth was also highly diversified in that all the major regions of the world simultaneously achieved balanced growth for the first time in a decade. The fact that a strong economy could also be combined with a continuing low rate of inflation was another bright spot during the year.



Economic cycle has peaked

The global economy peaked during the summer and there were increasingly strong signs of an economic slowdown during the autumn, particularly in America. The outlook for the US economy deteriorated markedly towards the end of 2000. As is often the case when the business cycle changes, the slowdown was faster and stronger than most observers had forecast. This time, the Federal Reserve (FED) was obviously also surprised by the pace of the slowdown. As late as in November 2000, the FED had made an assessment that it was more probable that the next change in interest rates would be a rise rather than a reduction. On 3 January 2001, however, the FED decided to cut its key rate by half a point to 6%. The reason for the reduction was that the FED anticipated a continued softening of consumption and production trends in view of the lower level of consumer confidence, a tight credit market and high energy prices – factors which inhibit the purchasing power of both

households and companies. Subsequently, the FED reduced the key rate by a further percentage point in the period prior to the end of March.

How deep and protracted could the American downturn become? Delayed effects of the recent years of monetary policy restrictions and the continued constrained situation in the credit market, whose consequences include higher financing costs for businesses and high energy prices, are likely to result in very weak growth in the United States during 2001. The economy is not expected to bottom out until the end of 2001 and full-year growth of about 1% is predicted. This constitutes a downgrading by about two percentage points in relation to the forecast made by Länsförsäkringar at the same time last year. If this forecast is to be correct, however, it is essential that the FED follows up the reductions in interest rates which were made during the first quarter of 2001 with additional cuts totalling about one percentage point during

the second quarter of the year. If this happens, the situation in the credit market should stabilize again, which would have favourable effects on both households and businesses. A reduction in energy prices is another factor that could hasten a favourable turnaround in the American economy.

Nevertheless, it is also necessary to underscore the relatively substantial risk that the downturn in the US could be deeper and more protracted than the main scenario in Länsförsäkringar's current forecast. It could take a long time to resolve the imbalances in the North American economy in the form of a low savings ratio, a high investment ratio, a strained situation in the labour market, and a growing balance of trade deficit. In Länsförsäkringar's opinion, the key to avoiding a protracted recession is to ensure that liquidity in the credit market is improved in time, and the tool for achieving this consists of continued interest-rate reductions by the FED.

OUTLOOK IN THE US AFFECTS THE REST OF THE WORLD

Naturally, the economic outlook for other parts of the world is dependent on how the US economy develops. The Japanese economy is heading for another year of low growth, particularly as the prospects for Japanese exports are deteriorating as growth slows down in other parts of Asia and in the US. Economic growth in Europe will also slow down this year, although not to the same extent as in the US. Delayed effects of the weak euro and the tax relief which has been announced should permit the EMU countries to achieve growth of nearly 3% this year. In view of this, the European Central Bank (ECB) is expected to relax its monetary policy slightly during the current year.

The Swedish economy will also enter a calmer phase following the rapid increases of recent years. Industrial indicators and order-book statistics are early warnings of a weakening of the industrial business cycle, while a healthy trend in real household incomes indicates continuing favourable growth in consumption. On the whole, Sweden's GDP is expected to increase by about 2.5% in 2001.

Comments on markets

EQUITIES

Following five years of increases in share prices on a global scale, 2000 was marked by falling prices. The upswings of recent years have been fuelled mainly by higher profits and a fundamentally favourable economic climate. Falling interest rates, strong growth, rapid technological advances, improved productivity and increased globalization have contributed to this.

The stock market hikes at the end of the 1990s were mainly attributable to rising share prices in high-growth industries such

as the IT, telecom and Internet sectors. During the autumn of 1999 and early 2000, there was considerable interest in these growth sectors, and this drove share prices to extremely high levels in a short period of time. These valuations were increasingly questioned and a period of sharp declines in share prices in growth sectors commenced at the end of March. Concern about how a slowdown would affect profits proved to be the last straw. NASDAQ, which is dominated by technology companies, peaked in March and has since taken a nosedive. Many growth shares have followed the same pattern on a worldwide basis.

During the past year, portfolios have been reweighted away from IT and telecom shares towards the energy, finance and pharmaceutical sectors. Market players have fled sectors with high valuations, due to increased uncertainty regarding future profit growth. The energy, finance and pharmaceutical sectors have been regarded as defensive industries, providing a safe haven when the mood in stock exchanges is erratic and gloomy.

The unrest in stock markets can be explained by a number of factors, the key one being indications of weaker economic growth in the US. The main questions are how much growth will soften and the impact this will have on profit growth and investments in technology. Uncertainty in this respect resulted in downgrades of anticipated profit growth during the year, which exerted pressure on share prices.

Another factor that is difficult to assess is the reduction in access to venture capital. Banks and other credit institutions have become less willing to finance new projects, and the market is not as interested as in the past in investing venture capital in new IT companies. If this trend continues it could inhibit economic growth. High oil prices are another imponderable factor. Overall, these factors influence investment psychology, which explains a high proportion of the sharp fluctuations and declines in share prices during 2000.

INTEREST RATES

Developments in the US during the first half of the year were characterized by rising short-term interest rates. The Federal Reserve, which had started to tighten its monetary policy as early as during 1999, maintained this approach during the first half of the year. The key rate was raised in several stages from 5.5% at the beginning of the year to 6.5% at midyear. The market viewed this as beneficial for the long-term outlook for inflation. As a result, long-term bond rates, which had risen sharply during 1999, peaked at the beginning of 2000. The decline in interest rates was reinforced by deterioration in the stock market, which led to a reallocation of capital from the stock market to the bond market. When the indications of an economic downturn became progres-

sively stronger towards the end of the year, the downward pressure on interest rates increased. Viewed over the entire year, the rate for 10-year bonds fell by more than one percentage point. Towards the end of the year, the FED gave a signal that no further increase in its key rate was to be expected and that, on the contrary, there might be a reduction in the future.

The picture in Euroland was somewhat different. The European Central Bank (ECB) raised its key interest rate progressively, virtually throughout the year. In all, the key rate was raised from 3.0% to 4.75%. The main reason for these increases was the adverse effect of a weak euro on inflation. Long-term interest rates also declined in Europe.

In Sweden, Riksbanken raised the repo rate in February and subsequently kept interest rates unchanged during the greater part of the year. A new increase was effected in December. The repo rate rose from 3.25% to 4.0% during the year. Long-term interest rates fell during 2000 and the interest-rate gap in relation to Euro-land was eliminated.

CURRENCIES

In the period January-November, the US dollar appreciated by approximately 15% in relation to a weighted basket of currencies. In December, however, a correction occurred, and the USD depreciated by about 8%. The main reason for the strong appreciation during the greater part of the year was extensive flows of capital to the USA. This was attributable to expectations that the US had established a technological lead and that the American economy could be expected to continue to grow rapidly in the foreseeable future. When it subsequently became apparent that the US economy was about to slow down, an adjustment of exchange rates was a natural consequence.

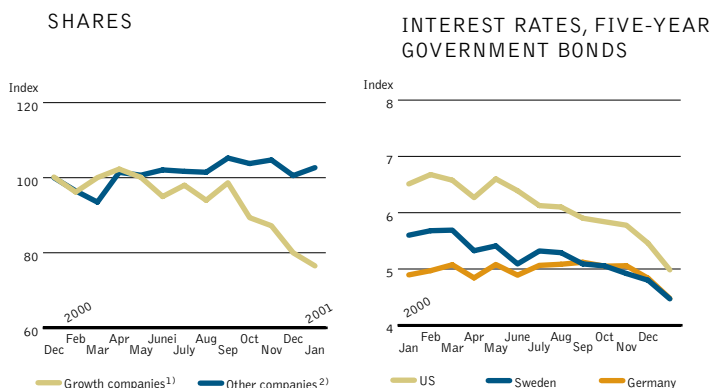
For a long time, the Japanese yen was bolstered by expectations of an economic upswing. During the autumn, when the market started to doubt whether this scenario was correct, the yen depreciated considerably. The euro, which declined in value for much of the year, displayed renewed strength at the end of 2000. This was due in part to weaknesses in the American and Japanese economies, and in part to the fact that it became apparent towards the end of the year that the slowdown in the European economy would be much less severe than in many other countries.

During 2000, the exchange rate for the Swedish krona was dictated mainly by capital flows and attitudes to shares in Swedish high technology companies. During the first half of the year, a favourable view of the Swedish economy prevailed and the SEK appreciated by approximately 4%. Subsequently, gloomier global views of technology shares and of economic conditions gained ground and had an adverse effect on the Swedish stock market, and hence on the SEK. The situation was compounded by comprehensive outflows of currency due to changes in the Swedish pension system and the continued diversification of Swedish securities portfolios. As a result, the SEK depreciated markedly during the second half of 2000, and ended up approximately 4% weaker than at the beginning of the year.

REAL ESTATE MARKET

Both tenants and property investors are continuing to focus increasingly on the most attractive properties in expanding urban centres. Accordingly, there is a growing difference between values in prime inner-city properties in Stockholm, for example, and less attractive provincial developments.

Office rents in central Stockholm rose more quickly than ever during 2000. The prices of nearly SEK 4,000 per square metre noted for prime office properties in 1999 rose to approximately



Source: Morgan Stanley
¹⁾ Morgan Stanley's World Growth Index
²⁾ Morgan Stanley's World Value Index

SEK 5,500 per square metre in 2000. There were also examples of even higher price levels. Due to increasing rents, property prices rose sharply during the year. The peak prices noted during the year were slightly more than SEK 70,000 per square metre for office space, while more normal price levels for offices in central Stockholm were in the region of SEK 30,000–50,000 per square metre. As market rents increased, the risk also increased slightly, and hence the required yield, which is currently in the 6.0%–6.5% range for office premises in central Stockholm.

In the market for residential properties, tenant-owner associations are continuing to determine price trends in Stockholm and are buying properties at price levels that are prohibitive for other prospective purchasers. During the latter part of the year, however, it appeared that the rate of price increases for residential properties had slowed and the price level stabilized.

FINANCIAL MANAGEMENT

Familiarity with the risks involved in balance sheet entries under the liability and asset headings, and information concerning the flow and matching of income and expenditure in insurance operations are required if soundly based and well-balanced decisions are to be taken regarding the allocation of assets in an insurance company. It is also important to understand the potential covariation of these risks over time. Asset Liability Management (ALM) focuses on the identification of these risks, and on finding an appropriate compromise for the allocation of resources which maximizes the yield for the desired level of risk – taking into account legal and other restrictions on the choice of investment assets.

The duties of the financial management function also include purchasing management services, establishing specifications for asset-management organizations and implementing controls and follow-ups of management assignments. These tasks require considerable analysis to determine the general economic trend and, in particular, the trend in financial markets. This also applies to a knowledge of developments for asset managers and insurance competitors. The financial departments of insurance companies also analyze and evaluate the choice of asset manager, risk mandates, return requirements and benchmarks.

A number of factors that are difficult to assess are involved in the investment mix decision – for example the interest-rate level, the general economic trend, major fluctuations in the yield (volatility) and in the market for insurance products, such as the introduction of transfer rights for traditional life insurance policies. Examples of restrictions include legislation regarding investment assets, debt coverage rules, the solvency level required, and the company's risk preferences.

KEY ISSUES

Taking Asset Liability Management and related matters into account is a key feature of an insurance company's day-to-day operations, since efficient management of the company's assets calls for sound knowledge and understanding of the liabilities side of the balance sheet. The selection of the asset mix is the primary factor that determines the long-term yield, net asset value and bonuses and the volatility/risk with regard to assets, and thus the solvency level and bonuses. The selection of assets and markets and their mix – the strategic portfolio allocation – is a key decision for the Board of the company concerned, since studies indicate that up to 95% of the variation in earnings on a portfolio may be attributed to the mix between various types of assets. The ability to take various types of risk varies from one company to another, and therefore this also applies to the ability to achieve a high yield. As a result, the restrictions vary considerably, and hence the investment income targets for different companies also differ. In other words, the prerequisites for the management process depend on who is the principal – that is, on who owns the capital.

FINANCIAL MANAGEMENT WITHIN LF INSURANCE GROUP

In the LF Insurance Group, the regional insurance company concerned and Länsförsäkringar AB both have financial management responsibilities – the latter in a joint function. The management of Alternative Investments is also conducted within this joint function. The types of assets involved comprise Private Equity and Hedge Funds. Real estate management for the life insurance company is conducted by Länsförsäkringar Fastighet.

At the overall level, financial management involves calculation of the desired long-term allocation of assets, based on the prerequisites and restrictions for Länsförsäkringar AB's life and non-life insurance operations. The long-term asset mix is rarely changed unless there is a dramatic change in the prerequisites as regards market and legal restrictions. In the case of the life insurance company, ALM has resulted in a policy aimed at achieving a solvency level of 116%. (See page 37 – life and pension insurance – for more details of the solvency policy.)

In the case of traditional management activities of the LF Insurance Group's life insurance company, the current long-term asset mix comprises 46% equities, 43% interest-bearing securities, 7% properties and 4% in Alternative Investments. Foreign assets account for 60% of equities and 50% of interest-bearing securities.

In the case of the joint non-life insurance operations, the equities proportion is normally 25%, and the remainder is primarily invested in interest-bearing assets.



The savings market – continuing to grow satisfactorily

The exercise of premium pension options was the dominant event in the savings market in 2000. The market continued to grow during the year, and almost two-thirds of the Swedish population are now saving in mutual funds.

The Swedish public's choice of a manager for their premium pension funds dominated the savings market during 2000. There was very high rate of participation in the selection process, and it proved to be a success for Länsförsäkringar. (See pages 42–45 – mutual funds – for more details of the premium pension scheme.) During the autumn, 830,000 municipal and county employees also chose managers for their occupational pensions within the framework of the “PFA 98” agreement, amounting to a total of SEK 8 billion. 6.2% of those who made an active selection chose Länsförsäkringar. This is expected to provide premium income of about SEK 350 M during 2001.

SAVINGS IN SWEDEN

New saving is continuing to increase steadily, at the same time as substantial transfers of capital have taken place. Mutual fund and unit-linked insurance savings are growing particularly rapidly. Almost two-thirds of the Swedish public have savings in mutual funds. Bank saving accounts are still popular, but are now regarded today as a safe option, offering security, but with low yield expectations. There is a slight decline in bank saving, and this also applies to traditional forms of saving, such as retail and government bonds. Investment in and the growth of mutual fund saving have developed favourably, despite major market fluctuations. The Länsförsäkringar LänsSpar™ survey indicates that the Swedish people appear to have a mature attitude to mutual funds and tend to adopt a long-term strategy.

Nearly half the population have their own pension or endowment insurance. In the life insurance sphere, growth is primarily accounted for by endowment insurance and unit-linked. Individual pension saving (IPS) is strengthening its position in the savings market, and there are now around 1 million IPS savers, with a volume of more than SEK 26 billion. Over the past seven years IPS has achieved a volume of SEK 30 billion.

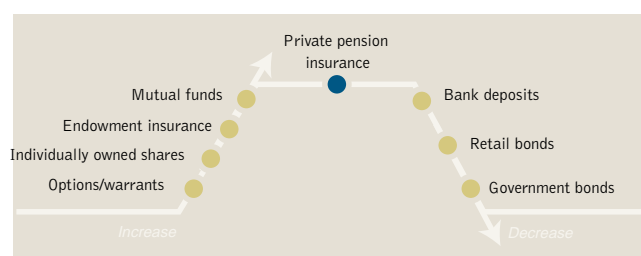
LÄNSFÖRSÄKRINGAR – A PLAYER IN THE SAVINGS MARKET

SEB and FöreningsSparbanken are the largest players in the Swedish savings market, with a market share of 19.2%. Länsförsäkringar is the sixth largest player, with a market share of 6.6%. The six largest players jointly control 81.7% of the total market and manage a total of SEK 1,739 billion of private assets in Sweden, excluding directly owned shares. Over the year, Länsförsäkringar recorded the second largest increase of all players in the case of endowment insurance. In the mutual fund market, Länsförsäkringar was responsible for 7.0% of new sales.

THE NEW INSURANCE BUSINESS ACT

Sweden's new Insurance Business Act (FRL) came into force on 1 January 2000. The Act is designed to create more rational business rules for insurance companies and to establish a body of regulations compatible with EC law. One key change in the new legislation is that companies are subject to more extensive information requirements in relation to their customers. Life insurance companies have an opportunity to reconstruct themselves to permit them to distribute profits, and are then able to offer transfer rights to their customers, enabling customers to transfer their savings within a company, between traditional and unit-linked insurance, and between different companies.

Adapting operations to the new Act requires considerable resources on part of the insurance companies, and this process is to be completed by 31 December 2001. Transfer rights are a major issue for customers, and an important competitive tool for the insurance companies. Several of the smaller players, such as Danica and Livia, have already declared that they intend to reconstruct themselves as profit-distributing companies and introduce transfer rights. This also applies to Handelsbanken Liv. But other major players, such as Länsförsäkringar, SEB and



Mutual funds and endowment policies are attracting an increasing proportion of new saving. Government-based forms of savings (i.e. bonds) have declined more than other types.

Skandia, have not yet indicated their stance with regard to transfer rights. Länsförsäkringar's life insurance company has decided that operations will continue to comply with mutual principles, under which all profit accrues to customers. The aim is to introduce transfer rights, but a formal decision has not yet been taken. The question of how transfer rights will operate in practice is being studied.

IMPORTANT LEGISLATIVE PROPOSALS AFFECTING THE SAVINGS MARKET

The start of 2000 saw a debate over the proposal of Bengt Dennis's commission to abolish the tax-deduction entitlement for pension insurance. The special deduction for pension insurance dates from the mid-1970s, prior to which there was complete freedom to make tax deductions for premiums paid into a pension policy. If the deduction entitlement is removed, there will probably be a reduction in private pension saving. Such a scenario should be seen in the light of the population trend, with an increased number of elderly people, a reduction in the level of pensions provided by the national pension scheme, and hence a greater need for individual savings for retirement. In its response to a Government referral, the Swedish Insurance Federation, which represents all the Swedish insurance companies, has criticized the proposal to abolish tax deductions for private pension insurance.

During the autumn there was also a legislative proposal to abolish capital-gains tax when mutual funds are transferred. This proposal promotes competition in the mutual fund market, and is likely to benefit the smaller players. Free switching between funds might lead to the trend which occurred in connection with the exercise of premium pension options when savers showed a considerable propensity to select smaller, new players rather than the large banks that currently dominate the Swedish mutual fund market.

At the end of the year a report was issued concerning Individual Competence Saving (IKS). The idea is to give the entire population an opportunity to save for their own skills development. This savings scheme would be subsidized by a special tax-deduction corresponding to one indexed base amount. Companies which save to improve the skills of their personnel would also receive a subsidy in the form of a reduced social security contribution. It is envisaged that IKS could be effected via both insurance and mutual fund saving. If the proposal becomes reality, this would open up an entirely new arena in the savings market.

STRUCTURAL TRANSACTIONS

The main changes in ownership in the savings market have primarily occurred among the life insurance companies. During the summer, it became clear that Folksam was buying KPA, owned by local authorities. Following the purchase, KPA has become an



independent subsidiary within Folksam. During the autumn Handelsbanken completed its purchase of the sections of SPP which are exposed to free competition. As a result of this acquisition, Handelsbanken Liv has become the leading player within certain segments of the life insurance market.

A strong inflow of new players into the mutual fund market is becoming evident. Above all, major foreign fund managers are starting to establish operations in Sweden. Naturally, one reason for this is probably the premium-pension scheme and the considerable interest in mutual fund-saving in Sweden. During the year, a number of smaller companies have become established and rapidly become successful. Skandia purchased Carlsson Fonder during the year, thereby becoming the fifth largest player in the mutual fund market. On the bank side, there is also a clear general trend with regard to savings, namely a focus on the Nordic market. Nordea acquired Kreditkassen in Norway during the year, and is now the largest player in the Nordic Market. SampoLeonia, the Finnish financial institution, is trying to establish a foothold on the Swedish market.

DISTRIBUTION

For the majority of players on the Swedish savings market the Internet is now a key information channel and a crucial distribution channel. This applies above all to share trading, banking and

mutual funds. Although some life insurance companies invite customers to sign insurance policies on the Internet, mutual fund and banking services have made most progress in this area. Länsförsäkringar launched its Internet banking and fund-management services in the autumn, and life insurance services were introduced in the first quarter of 2001.

In the life insurance market, the cultivation of corporate customers and private individuals with substantial savings will continue to take place through the in-house sales force. Insurance brokers are becoming an increasingly important distribution channel in these segments. Brokers are extending their services from traditional channels to the Internet.

During the year, a number of external marketplaces were established that broker the products of traditional mutual fund companies via the Internet. The proportion of total sales is modest so far. The major large banks continue to dominate, and account for approximately 80% of the market. Länsförsäkringar is currently working with the following marketplaces: Fondex.se, Fondmarknaden.se, and E-trade. The aim is to enter into agreements with further players during 2001. In the case of the unit-linked insurance companies, there is a clear trend for an increasing number of players to offer customers external funds in addition to their own product range. This enables customers to choose between a very large range of funds for their unit-linked policies.





The LF Insurance Group's customers

The LF Insurance Group occupies a unique position in the Swedish insurance market. Approximately 2.7 million customers with insurance policies and/or savings with Länsförsäkringar, making it the largest player in several market segments. The LF Insurance Group's federal organization and its proximity to customers, are unique in a Swedish context. Länsförsäkringar has Sweden's most satisfied customers for both non-life and private life insurance.

Within a few years, customers will probably have a greater influence on insurance companies' and banks' offers, conditions and prices. Several changes in legislation and business practice are making it easier for customers to switch companies if expectations are not met. There is also greater awareness on the part of customers, which means that insurance companies will be dealing with buyers with an increasing degree of expertise. The growing use of new technologies will facilitate these changes. Länsförsäkringar, with its unique organization and ownership structure, is well positioned to respond to developments.

PRIVATE CUSTOMERS

In all, the LF Insurance Group has more than 2 million private customers, of whom 80% have some form of non-life policy. In addition, around a half million customers use Länsförsäkringar for banking services, mutual fund savings, or life insurance. These areas are undergoing substantial growth. Länsförsäkringar is growing faster than the market in both banking and mutual funds, which means more customers and increased market shares.

Länsförsäkringar's customer structure bears the imprint of its tradition of being close to the customer. The majority of customers live in rural districts or small urban centres where Länsförsäkringar has a considerably firmer foothold than in the major cities. Of its customers, 60% live in their own houses, which compares with the national average of 45%.

Three-fifths of private customers are men, which may be explained by the fact that the man in the family is still usually responsible for household contents and car insurance. Compared

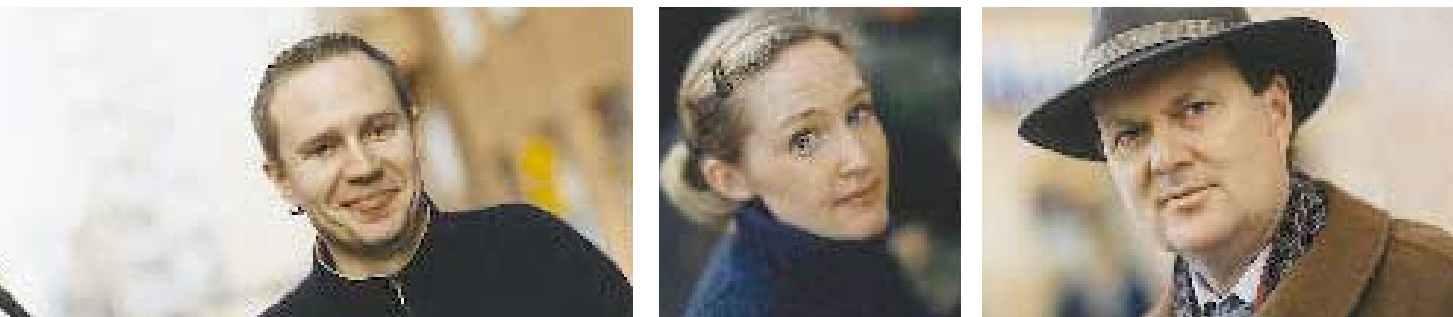
with the population as a whole, there is an over-representation of Länsförsäkringar's customers in the over-45 age group. Most have satisfactory earnings, while 18% have a household disposable income of more than SEK 260, 000, compared with 15% of the population as a whole.

The educational profile of LF Insurance Group's customers is the same as that of the rest of the population. A slightly high proportion of customers are employed in industry, 30% compared with 28%, which is probably an effect of Länsförsäkringar's strong position outside the major urban areas. The proportion of public-sector employees is 27% in both the population as a whole and among Länsförsäkringar's customers. A slightly smaller proportion of the customer group are white-collar workers, although the proportion of manual workers is roughly the same as in the population as a whole. The proportion of small businessmen and women is slightly higher than the national figure.

Market surveys indicate that the Länsförsäkringar brand is very strongly associated with proximity, security, and a long tradition within the insurance industry.

If the private market is broken down into non-life insurance and financial services, there are clear differences between customer groups. On the one hand, non-life insurance customers have approximately the same profile as Länsförsäkringar's customers as a whole, which is natural since non-life customers constitute such a large proportion of the total. But among customers who utilize the LF Insurance Group's financial services, well-educated, well-paid and white-collar groups are over-represented in comparison with both Länsförsäkringar's customers as a whole and the overall





Swedish population. Other distinguishing aspects of the customer base are a strong over-representation of men with regard to motor-insurance business, and the relatively high proportion of banking customers in the major urban areas.

There is a significant under-representation of persons under 29 among Länsförsäkringar's customers, while older people are over-represented in relation to Sweden's overall population. Special efforts will therefore be made to attract younger customers, including investment in the development of Internet services.

SATISFIED CUSTOMERS

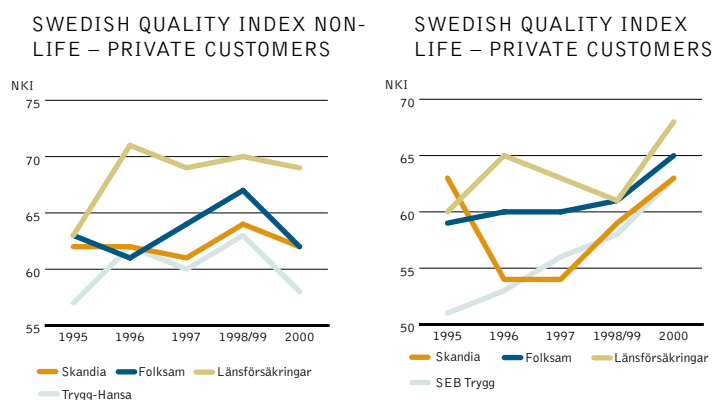
According to the Swedish Quality Index for 2000 (October–November) – conducted by the Swedish Institute for Quality (SIQ), Statistics Sweden and the Stockholm School of Economics – Länsförsäkringar has Sweden's most satisfied customers in both non-life and life insurance. With the exception of 1995, the LF Insurance Group has occupied first place in the non-life field since 1991. The LF Insurance Group's life insurance arm shared first place with Folksam in 1999, but regained its lead in 2000.

Findings based on the ratings achieved in Länsförsäkringar's own customer-satisfaction survey (NKIL) are similar. This survey was performed for the first time in 2000 to find out what customers are most satisfied with, and what scope for improvement there is in terms of accessibility, service level, information, etc. It emerged, among other things, that non-life insurance customers who have already made a claim are more content with Länsförsäkringar than those who have not suffered any loss. Thus, it seems that customers consider themselves to be fairly treated in the claims adjustment process, and that they obtain adequate compensation for the loss they have suffered.

An investigation conducted by the Dagens relationsnyheter (DNG) survey also shows that Länsförsäkringar has the highest proportion of full-service customers of all insurance companies in Sweden.

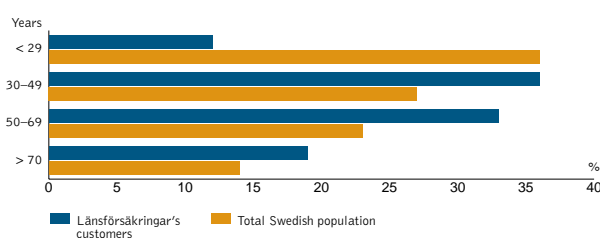
COMMERCIAL CUSTOMERS

In general, Länsförsäkringar has good market coverage in all industries throughout the country. Overall, the market coverage is



Source: Swedish Quality Index

AGE DISTRIBUTION





43%, which means that the regional companies do some business with almost half Sweden's companies on a nationwide basis. This applies to both sole proprietors and other kinds of corporate entities. The industries in which the LF Insurance Group has been particularly successful are the "traditional" sectors:

- Agriculture, hunting and forestry (where 71% of enterprises are customers of Länsförsäkringar)
- Construction (52%)
- Manufacturing (46%)

One explanation is that Länsförsäkringar has succeeded in selling all its non-life, life insurance and mutual fund products to companies in these sectors.

By contrast, Länsförsäkringar has comparatively less market coverage in service sectors.

Examples include:

- Public administration (16%)
- Financial operations (22%)
- Education (27%).

Länsförsäkringar has been more successful in developing markets in smaller urban centres and rural areas than in the major conurbations of Stockholm, Gothenburg and Malmö. In rural districts, about half the companies are customers of Länsförsäkringar, compared with 30% in the major urban areas.

Small and medium-sized enterprises account for the major proportion of commercial customers. Market coverage is also high among large companies, probably due to their need to commission more than one insurance company to meet



their security and investment needs. Large companies tend to exert greater pressure on prices than small or medium-sized enterprises.

Länsförsäkringar has a strong position in the "hotel and restaurant" and "health and welfare" sectors among companies with more than 200 employees. The proportion of life policies is greater than that of non-life policies in the hotel and restaurant sector, but the opposite applies in health care where non-life business predominates. One reason why sales results vary between sectors is that there are differences in the competitive situation.

SATISFIED COMMERCIAL CUSTOMERS

According to the NKIL survey, commercial customers are also satisfied with Länsförsäkringar, although the overall rating is slightly lower than for private customers. The most important parameters for corporate customers, in the following order, are expertise, customer-orientation and service. Ratings are satisfactory in all these areas. Länsförsäkringar has a good rating for accessibility, although this is the aspect to which commercial customers attach least importance in terms of the overall impression. On the other hand, customers are making increasing demands with regard to information. On the non-life side the results of the NKIL survey may be compared with the Swedish Quality Index scores in 2000. Länsförsäkringar was also the leading non-life insurance company in this survey.



MAJOR EVENTS IN 2000

Extensive changes in the insurance rates for private cars were introduced on 1 April. Customers approved the new package, which included changes in the bonus system, and this contributed to a considerable increase in sales of this type of motor insurance.

Further increases in the policy portfolio for all types of household insurance were noted. This also applied to agricultural, tractor, motor and boat policies.

Extensive flooding occurred, first in Norrland and later in Värmland and Dalsland. Länsförsäkringar's costs for flooding were limited to SEK 30 M, due to reinsurance.

During 2000, the Swedish non-life insurance industry was largely dominated by a new focus applied by some of the major companies. These developments were mainly due to the changes in ownership that occurred in 1999. Several insurance companies now regard the entire Nordic region as their home market, either in the form of Nordic ownership or on the basis of a broad Nordic partnership. Global players are also increasing their visibility. Due to its local roots, Länsförsäkringar is well-placed to meet this new competition.

Länsförsäkringar consolidates its leadership

Developments in the Swedish non-life insurance market are affected by the IT revolution to a considerable extent, although there is no increase in the actual range of services offered on the Internet. Instead, more players are offering similar services. The newcomers include Internet brokers and foreign companies, for example. This trend means much greater opportunities for customers to make comparisons and active choices. During the year, Länsförsäkringar embarked on a comprehensive process of offering insurance services on the Internet.

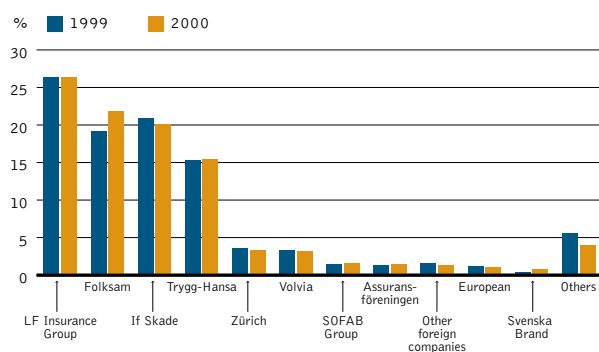
Technical developments are increasing the opportunities open to customers. Many players in the insurance industry are establishing operations on the Internet, and a strong brand is a pre-

requisite for success in the online world. As a result, Länsförsäkringar – which has the strongest brand in the industry – also has excellent opportunities to build satisfactory relationships with customers via the Internet.

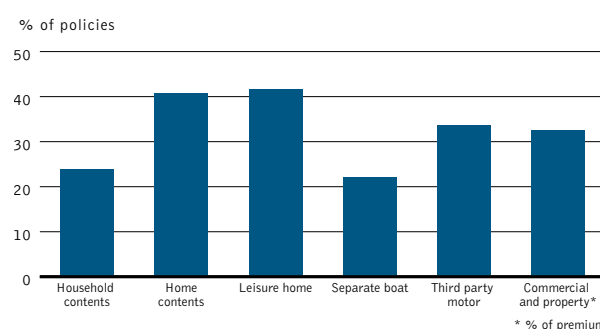
There are certain particularly noteworthy trends among customers. They are perhaps better informed than ever before, and make considerable demands – in principle they require service round the clock, for example. At the same time, their need for security is diminishing – consciously or unconsciously they are prepared to take greater risks than in the past.

Länsförsäkringar is meeting policyholders' needs and preferences, based on its traditional strengths – the extensive expertise of the regional companies and their local links. For many years,

MARKET SHARE OF PREMIUMS PAID FOR NON-LIFE INSURANCE, EXCLUDING OCCUPATIONAL PENSION INSURANCE COMPANIES



LÄNSFÖRSÄKRINGAR'S MARKET SHARES PER PRODUCT AREA, NUMBER OF POLICIES



* % of premium

Länsförsäkringar has had the most satisfied customers in the industry. It is both remarkable and pleasing to note that customers who have had to make a claim give the company a higher rating than customers who have not experienced any problems.

THIRD-PARTY LIABILITY AND OTHER MOTOR INSURANCE

In the preceding year, new registrations of passenger vehicles in the Swedish market continued at a high level of more than 290,000 new vehicles in 2000. In addition more than 62,000 cars were imported privately, an increase of 56%. In other words 2000 was a strong year for car sales.

Sales of motor cycles increased by more than 9% during 2000 to more than 15,000.

Länsförsäkringar’s market share of car insurance sales increased by 1.3 percentage points to 29% during the year. This is a considerable upturn. One of the regional companies, Dalarnas Försäkringsbolag, improved its position even further and now insures more than half of the cars in its county.

Länsförsäkringar has a satisfactory competitive position in the passenger vehicle market, and continued expansion is anticipated.

Following extensive changes in passenger car insurance rates on 1 April, profitability improved. In essence, premiums have now been adjusted in line with actual risks. The market has accepted the necessary increases in premiums and the intended impact on earnings has been achieved. An ongoing review of risks in the Commercial Motor portfolio has been conducted, and priority has been given to certain types of vehicle, which has led to improved earnings.

Development of the “Inspected Repairshop” concept – a form of quality inspection of garages – has continued in cooperation with the Swedish Consumer Agency, the Swedish Automobile

Association and the Swedish Motor Vehicle Inspection Company. In addition to servicing, this system can now be applied to quality assurance for body and paintwork repairs.

Länsförsäkringar has also actively participated in the work of the government committee currently considering coordination of personal accident claims. At the end of October, the committee studied the question of the transfer of the cost of third-party motor insurance.

Third-party liability and other motor insurance	2000	1999
Gross premiums earned, SEK M	3,397	3,160
Passenger cars, number of policies	1,267,800	1,179,700
Motor cycles, number of policies	42,000	40,100
Market share, third party, number of policies, %	33.7	31.9

HOUSEHOLD

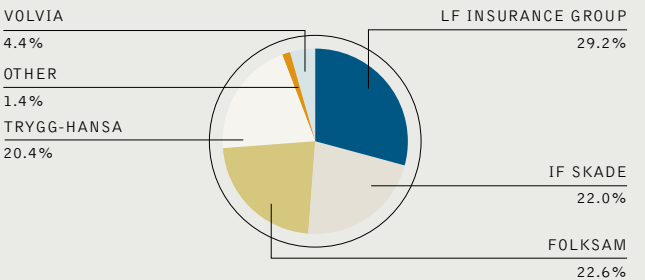
In recent years, the household insurance market has expanded slightly, following a period of considerable stability. Increased construction activity in Sweden is one of the reasons.

Länsförsäkringar is the market leader for home insurance in the Swedish market and is continuing to increase its insurance portfolio for all types of household products. This increase cannot be compared with the situation in 1999, however, which was largely due to the acquisition of Wasa.

Prior to the millennium, it was widely feared that there would be a large number of claims due to date errors in electronic equipment. Länsförsäkringar was one of the few insurance companies that did not introduce exemptions for such claims in private insurance policies. When it became possible to review the outcome of the millennium shift, it emerged that no customers had suffered any such losses.

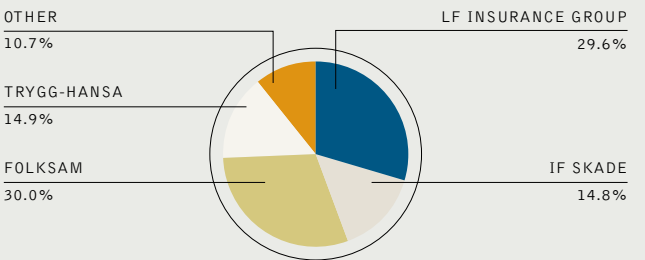
The considerable volume of precipitation during the year was a trying experience for many customers. During the summer,

THIRD-PARTY MOTOR INSURANCE MARKET SHARES – PREMIUMS PAID, 2000



Source: Swedish Insurance Federation

HOUSE AND CONTENTS INSURANCE MARKET SHARES – PREMIUMS PAID, 2000



northern Sweden, particularly Västernorrland County, suffered extensive flooding. Parts of Värmland and considerable areas around Lake Vänern were inundated in November. Following the increased number of natural disasters in recent years, Länsförsäkringar has intensified its efforts to establish what experience can be drawn and how such damage can be prevented and controlled.

Household	2000	1999
Gross premiums earned, SEK M	2,085	2,028
Household contents, number of policies	630,700	616,300
House + Home/contents, number of policies	643,000	628,800
Leisure home, number of policies	240,000	239,000
Market share, contents and home, number of policies, %	29.9	29.4

BOAT INSURANCE

The Swedish boat insurance market is broadly stable, although some growth has occurred in the past five years. Today, a total of about 265,000 separately-insured pleasure craft are insured in Sweden. The LF Insurance Group is the largest player in this sector, with a market share of 22% of the portfolio and satisfactory profitability.

Nonetheless, Länsförsäkringar has lost some business to competitors and, as a result, a separate department for boat insurance was formed in 2000. The aim is to achieve the same market share for boat insurance as for other types of non-life insurance in the private market within the next five years.

Boat insurance	2000	1999
Pleasure boats, gross premiums earned, SEK M	58	55
Pleasure boats, number of policies	57,900	55,600
Market share, number of policies, %	22.0	21.0

AGRICULTURE

Länsförsäkringar is consolidating its strong position in the agricultural market by increased sales of agricultural and tractor policies. Overall, the agricultural sector achieved satisfactory income in 2000.

The year 2000 was a year of natural disasters. The predominant features of the year were the storms in December 1999 – the effects of which were largely felt during 2000 – and the flooding which occurred during the summer and autumn of 2000. The total cost of claims for the storms amounted to SEK 400 M for the agricultural sector, or approximately 50% of premiums earned. This cost was largely covered by reinsurance, however, and Länsförsäkringar was able to announce almost immediately that these claims would not result in higher premiums, despite the scale of the damage. Länsförsäkringar also managed to handle the large volume of claims in a satisfactory manner.

Apart from natural disasters, the other major factor in the agricultural insurance sector is fire damage. In this case, however, the positive trend of reduced fire damage to farm buildings continued during 2000.

Agriculture	2000	1999
Gross premiums earned, SEK M	830	808
Agricultural insurance, number of policies	183,700	182,800
Tractor insurance, number of policies	241,200	236,200
Market share, number of policies, %	appr. 85	appr. 85

COMMERCIAL INSURANCE

Länsförsäkringar is the major player in the commercial insurance market in Sweden. In 2000, the LF Insurance Group's premium volume declined – overall premiums in this segment declined on a national scale during the 1990s. Länsförsäkringar's premium vol-





ume is based on two different trends which are both the result of a consistent strategy. Länsförsäkringar is increasing premiums in the small and medium-sized company sector since there is satisfactory profitability in this segment. On the other hand, volumes are declining in the industry and municipal sectors as a direct result of an active risk-reduction policy.

The year 2000 was characterized by efforts to improve profitability in the large-company sector, which is currently subject to an active development programme. The aim is to make Länsförsäkringar more competitive, for example by means of a broader involvement with customers.

The flooding during 2000 also resulted in extensive claims by companies in the areas affected. Flood damage is normally covered by Länsförsäkringar policies, in contrast to the policies issued by a number of competitors. Länsförsäkringar's terms and the handling of such claims have led to good publicity in the media, and have also persuaded several competitors to modify their insurance terms retroactively.

Several analyses have been conducted to improve risk assessment capability, and the results are now being applied to improve profitability in insurance portfolios.

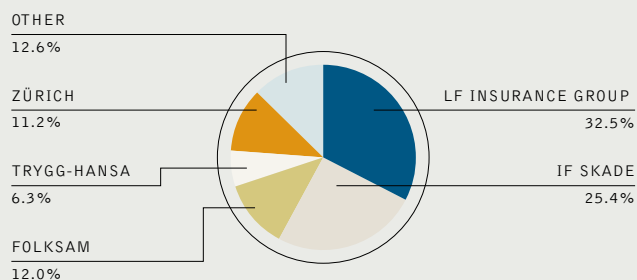
Commercial	2000	1999
Gross premiums earned, SEK M	1,980	2,130
Market share, commercial and property, premiums paid, %	32.5	35.3

REINSURANCE

Joint reinsurance operations are a key feature of cooperation within the LF Insurance Group. Reliance on external reinsurance is reduced by sharing the risk between the regional insurance companies and Länsförsäkringar AB.

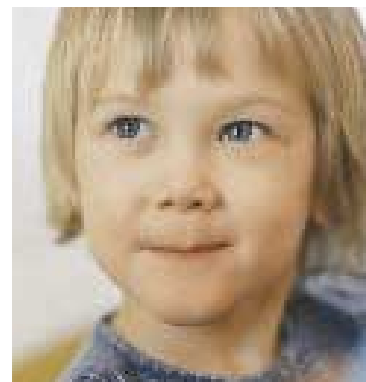
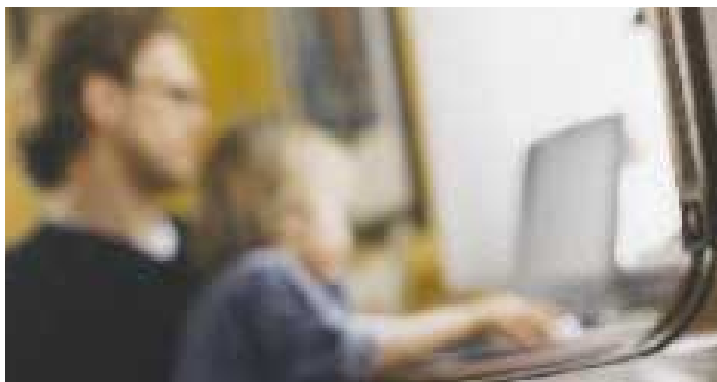
Several major natural disasters occurred in Europe and other parts of the world during 1999. As a result, there was a substantial increase in the cost of reinsurance. Internal reinsurance cooperation makes it possible to counter such increased costs by retaining a greater proportion of cover within the LF Insurance Group.

MARKET SHARES ON COMMERCIAL AND PROPERTY INSURANCE PREMIUMS PAID, 2000



Source: Swedish Insurance Federation





Länsförsäkringar also has an external reinsurance programme to cover major claims. The storm damage in Skåne in 1999 and the floods in areas such as Västernorrland and Värmland in 2000 demonstrate the advantages of this policy. Länsförsäkringar's customers in Skåne received total compensation of SEK 626 M as a result of the storm, of which reinsurance covered SEK 616 M. In other words, the overall net cost of the storm in Skåne to the LF Insurance Group was only SEK 10 M. Länsförsäkringar's costs for the flooding last year were reduced to SEK 30 M in a similar manner. In all, SEK 92 M was paid out to Länsförsäkringar's customers.

The external reinsurance programme limits Länsförsäkringar's net exposure to a specific claim incident to less than 2% of the net asset value.

Since 1993, Länsförsäkringar has also offered reinsurance in the international market. The major disasters in 2000 had little impact on income since exposure in the areas concerned was limited and such transactions are, in their turn, protected by reinsur-

ance. Higher international prices for reinsurance will contribute to greater profitability on foreign business in the future.

RESULTS AND KEY RATIOS

The LF Insurance Group's results and key ratios in non-life insurance are the sum of the results achieved by the 24 independent regional insurance companies and Länsförsäkringar AB.

	2000	1999
Premiums earned, SEK M	8,965	8,744
Underwriting result before bonuses, SEK M	82	527
Operating income before bonuses, SEK M	-554	5,981
Operating expense ratio, %	25	25
Combined ratio, %	115	111
Net asset value, SEK M	21,525	22,798
Solvency margin, %	232	262
Number of consumer policies	3,354,000	3,206,000



Agria

Agria, the LF Insurance Group's specialist animal and crop insurance company, celebrated its 110th year in the market during 2000. When Agria was founded, there were 128 companies insuring animals. Today, the number is considerably less, and 68% (68) of customers in this market insure their animals with Agria.

Agria entered the new millennium as the new Swedish champion in the quality field, following receipt of the Swedish Quality Award by the Swedish Institute for Quality (SIQ) just before the turn of the year – a good start for the year 2000.

The company's total premium volume amounted to SEK 545 M (528), an increase of 3.3%. The underwriting result, expressed as a percentage of premiums earned for own account, was a deficit of 2.8% (surplus 3.3). The operating expenses percentage amounted to 32% (30) and the combined ratio was 105% (99). Income amounted to SEK 4 M (87). Agria's earnings were less than in the record year of 1999 due to a negative stock market trend, investments in IT to rationalize insurance administration, and higher tax payments. The higher incidence of claims contributed to a claims ratio of 73 (70). During 2001, a new structure for co-operation with veterinary care services is being established, and a new agreement with the Swedish veterinary profession will be drawn up. In addition, the current products, premiums and terms are being revised to comply with the new market situation.

The threshold of 100,000 animals insured was exceeded for both horses and cats during 2000. In the Agriculture business area, the number of cattle insured increased substantially, despite a reduction in the number of animals in Sweden. The reasons for this increase include the growing risk of infections, increased vulnerability in connection with large herds and insurance products which continue to be in line with market requirements. The serious foot and mouth and BSE (mad cow disease) epizootics are subject to legislation in this area. As a result, Agria should emerge unscathed from an outbreak of such diseases, since compensation is paid by the state.

Agria's business developed strongly during 2000, particularly in the case of the company's sales channel on the Internet, for which several additional extranets for customers, veterinarians and sales personnel were launched. Agria's insurance system and an integrated sales system for the LF Insurance Group have also been developed. A new work environment, designed to encourage the transfer of information and know-how and to facilitate continuous improvements, was inaugurated during September at the company's premises at Gärdet in Stockholm. Flexible work places and IT solutions are part of the new approach, which will benefit customers in the form of improved and quicker service.

Agria's involvement in society as a whole was also developed further during the year. In the equestrian sphere, the Agria riding school national championship was held for the first time. This is the first competition of its kind and the result of cooperation with the Swedish Equestrian Federation. The scholarship winners were eight talented riders. The Agria Research Fund financed 22 projects by contributing SEK 1.8 M, and provided an additional SEK 300,000 for a canine health programme implemented in cooperation with the Swedish Kennel Club.

During the year, Agria founded Agera Djurägandeutveckling AB, a company to promote and develop animal ownership and interest in animals. The focus of these investments is on the realization of good ideas and ambitions originating, for example, in the 55 organizations with which Agria cooperates. The aim is to promote animal ownership while simultaneously supporting Agria's business concept.

Key ratios	2000	1999
Premiums earned, SEK M	527	508
Income for the year, SEK M	4	87
Total assets, SEK M	1,215	1,214
Number of animals insured	1,600,000	1,600,000
Number of hectares of crops insured	627,000	623,000

Income consolidated in Länsförsäkringar AB.



Lita

Lita was affected by major changes in 2000. Formerly, virtually all new sales were based on the Swedish post office network, but during the year sales via the Internet increased steadily, to attain almost the same level as post office sales by the end of the year.

As anticipated, the reorganization of Sweden Post and the restructuring process which is designed to convert it into a streamlined logistics company meant that there was a decline in the active selling of new Lita policies by post offices. Due to expansion of the Internet and the successful relaunching of the www.lita.se website, new sales for the year were in line with the results achieved in 1999, despite the decline in post office activity.

In May, Lita was one of the first companies in the Internet market to launch direct transactions online for all types of non-life and life products without a health statement. The successful introduction campaign for the new website, conducted both by post offices and via advertising on the Internet, resulted in a substantial increase in new sales on the Internet. Internet sales were an important factor in increasing Lita's share of the passenger car insurance market by 0.1% to 1%, according to statistics issued by the Central Vehicle Register.

Profitability continued to improve in the non-life sector due to the consistent implementation of a programme to raise earnings. The underwriting result for non-life business amounted to a small surplus. The earnings-improvement also had an impact on premium income as a result of the increased elimination of relatively expensive vehicles.

Premium income	2000	1999
Non-life insurance, SEK M	124	126
Life and pension insurance, SEK M	137	129
Lita total, SEK M	263	254

Premiums earned on non-life business are consolidated in Länsförsäkringar AB. Premium income from life and pension insurance is consolidated in Länsförsäkringar's life insurance company. In addition, premiums are handled for travel insurance in Europeiska Försäkrings AB.

Run-Off

Prior to 1993, both Länsförsäkringar and Wasa underwrote reinsurance and international direct insurance. The run-off of this business is now handled by the Länsförsäkringar AB Run-Off Division. There are provisions of SEK 1.4 billion (1.9) for the payment of future claims, and the Division is assigned to commute its commitments in the most cost-effective manner. During 2000, this run-off process resulted in a reduction in reserves from SEK 1,944 M to SEK 1,399 M.

The emphasis on the run-off of the really major items – for example liability insurance – is applied on a continuous basis. Risk levels were further reduced during the year.



MAJOR EVENTS DURING 2000

Life insurance operations had higher premium income at 30 June than non-life business – for the first time in the history of the LF Insurance Group.

Länsförsäkringar's life insurance company distributed SEK 5 billion to its customers in the form of a lump-sum bonus. The average bonus interest rate was 17.0% during 2000, before tax and charges.

During October, the new "Friplan" concept was launched in the occupational pension market.

The Swedish life insurance market is continuing to grow – sales currently amount to SEK 149 billion. The total market increased by 33% compared with the preceding year, although some slowdown in the growth rate was noted in the latter half of the year. The life insurance market is changing. The banks have steered the market in the direction of savings and investment, and this is reflected in increased sales of endowment and unit-linked insurance.

Satisfactory volume growth in a strongly expanding market

Länsförsäkringar now has a full range of products to meet the needs of all customer segments. The key target groups are small and medium-sized companies and private persons with funds to invest. The regional companies' sales forces provide the main channel for reaching customers, supplemented by franchised distributors and brokers. Products for the wider market and the occupational pension sphere are primarily distributed by means of various forms of telecom sales and customer-service personnel. The Internet will be a major channel for these products during 2001.

The products distributed by means of personal selling include "Reflex Saving Insurance", "Reflex Pension", "Friplan" (occupational pension scheme), "Life Protection" and "Health Insurance." Group insurance products, which are an important part of the range, also come under this heading. The products which are distributed via telecom sales channels include "Private Pension Insurance", "Life Protection", "New World Private Pension", "Private Unit-linked" and products for the contractual occupational market.

Health insurance has been successfully marketed in the health and welfare product sector, and is currently primarily sold to businessmen, but increasingly often to private individuals. Growth in the health care insurance sector was almost 30%.

SALES

Länsförsäkringar's sales increased by 31% during 2000. The greatest increases were noted for products designed for personal selling, and sales by the regional companies' sales forces rose by 27% during the year. Sales by brokers increased by 23%, and franchise sales by 13%, compared with the preceding year. The total increase in sales via

such sales channels was 24%. Sales of products for the wider market and occupational pension products declined. In the case of occupational pensions, this was partly due to a large volume of payments in late 1999 as a result of the new Swedish Employers' Confederation/Trade Union Confederation scheme. Receipt of premium income amounting to almost SEK 270 M as a result of the PFA-98 selection procedure is not expected until May 2001. In the case of products for the wider market, sales in this area have been given less priority than products for personal selling. The emphasis will change in 2001, and this will have a positive impact on sales.

Sales of policies based on single premiums continued to rise. The rate of increase was 32%, compared with 12% for policies based on continuous premium payments. In terms of the number of policies sold, the main increases were reported for the Reflex Saving and Friplan (occupational pension scheme) products. During the year, more than 14,000 Reflex Saving and slightly less than 20,000 Friplan policies were sold. In terms of average premiums, Friplan and single-premium Reflex Pension policies accounted for the greatest increases (17% and 13%, respectively). Reflex Saving continued to be successful in 2000 and was the leading product in revenue terms, with sales of more than SEK 5 billion. Sales of unit-linked products increased more than traditional products and New World.

A new and improved version of Friplan (occupational pension scheme) was launched during the autumn. The new Friplan was well received by the sales force and brokers and will be an important factor in the growing occupational pensions market and in efforts to increase sales in connection with distribution of the SPP (Swedish Staff Pension Society) consolidation surplus.

Länsförsäkringar's product strategy includes an extensive program for rationalizing products and streamlining the product range.

MARKET SHARES

The life and pension insurance market is continuing to grow. In terms of sales value, the rate of increase was 33% during 2000. Despite a satisfactory growth rate of 31% in Länsförsäkringar's sales, the total life insurance market increased even faster and, as a result, Länsförsäkringar's market share has declined in the past 12 months from 9.2% to 9.1%.

Of the three sub-markets – savings, occupational pensions and private pensions – the savings market continued to be the largest in value terms and had a high growth rate, but the occupational pension market expanded even more rapidly. Unit-linked insurance accounted for more than two-thirds of total new life insurance sales, although in Länsförsäkringar's case traditional and unit-linked each represented about 50% of sales. The growth rate was higher for unit-linked than for traditional life insurance. This may be one reason why the market share was not higher – another is the continued increase in the number of single-premium policies. The Swedish Insurance Federation's market-share statistics are based on sales value, which means that annual premiums are multiplied by 10. As a result, companies that sell a high proportion of policies based on continuous premium payments have an advantage in terms of market share. However, Länsförsäkringar's ambition has been to strengthen its position in the savings sub-market, and this goal has now been achieved.

Although Länsförsäkringar has made gains in the savings segment, its position in the rapidly growing occupational pensions market is somewhat weaker. During 2000, preparations were made for a firmer basis in this market and one of the outcomes was the establishment of Länsförsäkringar Mäklarservice to assist brokers. The occupational market will provide crucial opportunities for con-

tacts with employees regarding private savings programmes to supplement national and contractual occupational pension schemes.

In the group insurance market, Länsförsäkringar has signed agreements with a number of major customers, including FSB, the Federation of Private Enterprises, H&M and SPUR. Länsförsäkringar's proportion of new sales was 60%, and premium income amounted to SEK 170 M.

Länsförsäkringar is the largest participant in the health care insurance market, with a market share of 12%.

SEK M	Single premiums	Current premiums	Total	%	Sales value	%
Savings market	31,300	3,800	35,100	66	69,500	47
Occupational pensions	10,000	5,900	15,930	30	68,700	46
Private pensions	770	1,030	1,800	4	11,000	7
TOTAL	42,070	10,730	52,800	100	149,200	100

MANAGEMENT FORMS

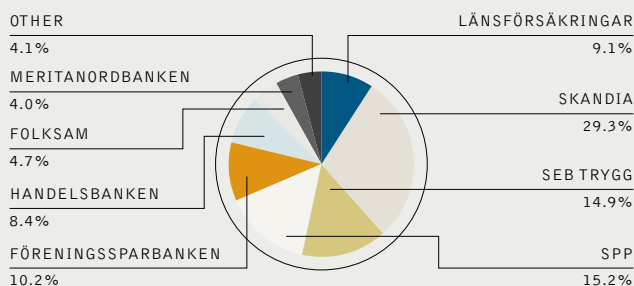
Länsförsäkringar offers three forms of management for pension insurance and saving: traditional management, unit-linked management and New World management.

Traditional management provides a guaranteed annual yield of 3% on the capital saved. Management is undertaken by the life insurance company, which is also responsible for the risk involved in the guaranteed yield. Investments are primarily in listed shares and bonds, with a smaller proportion in real estate and alternative investments. When the yield on the capital managed exceeds the guaranteed amount, the surplus is shared by policyholders in the form of a bonus.

The investment portfolio has the following structure: shares 46% (40% in Sweden and 60% in other countries), bonds 43% (50% in Sweden), real estate 7% and Alternative Investments 4%.

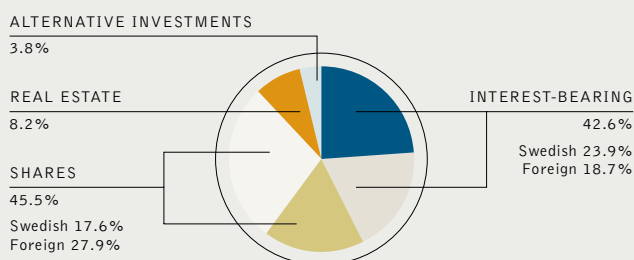
In unit-linked management, the customers themselves select the investment orientation and the level of risk, and they choose be-

LIFE AND PENSION INSURANCE MARKET SHARES, NEW SALES, 2000



Source: Swedish Insurance Federation

CURRENT INVESTMENT MIX, TRADITIONAL MANAGEMENT INCLUDING UNDERLYING VALUE OF DERIVATIVES, 2000



TEN LARGEST HOLDINGS AT 31 DECEMBER 2000 IN THE TRADITIONAL LIFE INSURANCE COMPANY

Company	Holding, SEK M	% of total shares
Ericsson LM, Series B	3,995	9.2
Nokia (SDB), Series A	1,192	2.7
Skandia	966	2.2
Nordea	914	2.1
General Electric Co	734	1.7

Company	Holding, SEK M	% of total shares
Hennes & Mauritz, Series B	688	1.6
Eureko N.V.	673	1.6
AstraZeneca (SDB)	663	1.5
Investor	654	1.5
Netcom Systems	501	1.2

tween mutual funds and fixed-income funds. This type of management provides opportunities for a high yield at an increased risk. The customer takes a risk, however, if the value of the fund declines.

New World is a mixed portfolio comprising 70% equities and 30% bonds. The portfolio consists exclusively of Länsförsäkringar mutual funds. The predetermined allocation of assets in the portfolio is 30% in the Bond Fund, 20% in the North America Fund, 15% in the Sweden Fund, 15% in the Europe Fund, 10% in the Japan Fund and 10% in the Asia Fund. There is no active reallocation between these sub-portfolios. New World combines the high-yield opportunities of unit-linked insurance with a basic guaranteed return, ensuring that the customer always has a guaranteed savings premium (less the customary management charges), even if there is a decline in the financial markets.

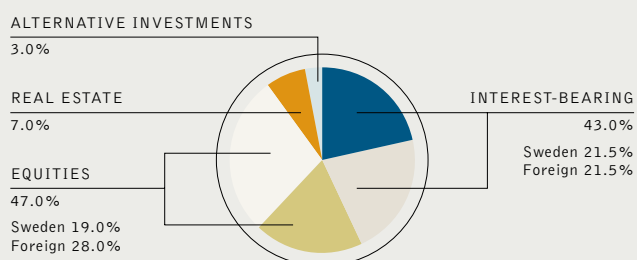
SOLVENCY POLICY AND BONUS INTEREST

At year-end 2000, Länsförsäkringar's solvency level amounted to 107.8%, and the bonus interest rate was 10.75% before tax and after general expenses. The average bonus interest during 2000 was 17%.

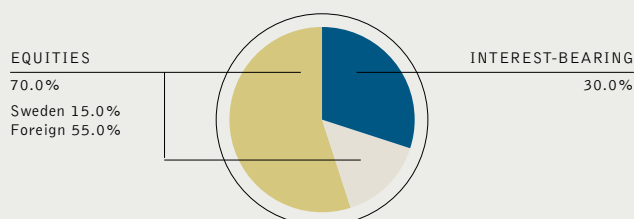
Bonus interest is determined by the solvency and bonus policy. The Board has determined the solvency policy, following completion of the Asset Liability Management (ALM) process. Policyholders are entitled to all investment income, and the bonus interest is a means of distributing this income.



NORMAL PORTFOLIO, TRADITIONAL MANAGEMENT



NORMAL PORTFOLIO, NEW WORLD



INVESTMENT INCOME IN 2000 FOR THE LIFE INSURANCE COMPANY, INCLUDING PROPERTY COMPANY AND NEW WORLD

Weighted investment base, December

Amounts in SEK M

Investments	Market value 31 Dec. 1999	%	Net investment	Change in value	%	Market value 31 Dec. 2000	%	Direct yield	%	Total yield	%
Interest-bearing, Swedish	32,129	32	-6,525	568	2.3	26,172	26	1,522	6.3	2,090	8.6
Interest-bearing, foreign	16,684	16	1,431	1,113	5.7	19,228	19	981	4.9	2,094	10.6
Direct borrowing	30	0	0	0	0.0	30	0	0	0.0	0	0.0
Swedish shares	22,476	22	-3,846	-2,673	-14.5	15,957	16	235	1.3	-2,438	-13.2
Foreign shares	21,993	22	9,148	-3,713	-13.1	27,428	27	90	0.4	-3,623	-12.7
Alternative investments	2,064	2	938	693	29.2	3,695	4	145	6.1	838	35.3
Real estate	6,730	7	113	1,323	19.8	8,166	8	304	4.6	1,627	24.4
Financing of investments	-122	0	18	0	0.0	-104	0	-8	-7.5	-8	-7.5
Total	101,984	100	1,277	-2,689	-2.7	100,572	100	3,269	3.3	580	0.6
Other	863		2,049	70		2,982		-195		-125	
TOTAL	102,847		3,326	-2,619	-2.6	103,554		3,074	3.0	455	0.4

Länsförsäkringar's life insurance company aims to achieve the highest bonus interest rate in the market. This objective should be regarded as a long-term goal, however. Since pension savings schemes are long term per se, this involves being able to provide a higher bonus interest rate than other life insurance companies over periods of more than five or 10 years.

Maximum bonus is achieved by a combination of low costs and maximum investment income. But if the highest possible investment income is desired, some caution regarding risks must be observed. As the saying goes, you should not put all your eggs in one basket, or bet everything on a single card. The same principle applies to the management of financial assets. If the aim is to generate a high long-term investment income which permits a high rate of bonus interest in the long term, the investor must risk placing all the available funds in the asset which is expected to provide the highest return. Risks have to be spread, while still maximizing investment income – this is referred to as “maximum risk-adjusted return”.

As a result, a number of rules and approaches have been drawn up to assist Länsförsäkringar Asset Management. One example is the solvency policy which, in essence, states that Länsförsäkringar Wasa Liv must always earn 16% more than the amount promised to customers in the form of bonuses – in other words a solvency margin of 116%. Consolidation policy is a tool used to simultaneously satisfy four objectives, which are contradictory to some extent, namely:

- fair treatment of different “generations” of life insurance/pension insurance policyholders,

- maximum investment income,
- safe investments,
- a reasonably consistent bonus interest rate.

The conflict of objectives may be summarized as follows: the higher the solvency level selected, the greater the risk that can be taken. The solvency level also determines the anticipated return and Länsförsäkringar's ability to provide a high bonus level in the future. High future bonuses are achieved, however, at the expense of the proportion of current bonus funds which could be distributed to current policyholders.

Fair play between generations (different policyholder age-group categories) can be ensured by maintaining the same solvency margin and, instead, allowing the bonus interest rate to vary.

Maximum investment income is only achieved with a specific degree of risk – for example holding as many shares as are permitted by Swedish legislation regarding the way in which life/pension insurance companies are allowed to invest their customers' funds. Maximum investment income and safe investments can only be combined with an ability to offset fluctuations in the stock market – which are sometimes substantial. As in the case of any other company, Länsförsäkringar must have a “shareholders' equity” which covers the risk – and this is precisely the function performed by the net asset value.

A substantial net asset value, or in other words a high solvency level, increases Länsförsäkringar's ability to maintain a consistent bonus level. Downturns in the value of assets which are significant but which prove to be temporary do not necessarily lead to an immediate reduction in the bonus level. A consistent bonus inter-



est rate that approximates to long-term average investment income is desirable, since this makes insurance contracts and pension payments more predictable.

Länsförsäkringar's life insurance company has decided to try to maintain the solvency level at 116% because a reasonably satisfactory compromise between the four objectives described above can be achieved at this level.

YIELD

The total yield on investment assets in 2000 amounted to 0.6%. The year was characterized by stock market turbulence which contributed to the negative yield on share portfolios.

Year	1996 ¹⁾	1997 ¹⁾	1998 ¹⁾	1999	2000	5-year average
Interest-bearing	16.9	7.1	13.4	-3.1	9.5	8.8
Shares	36.1	26.9	26.9	46.7	-12.9	24.7
Alternative Investments ²⁾					35.3	
Real estate	8.5	8.6	10.1	16.4	24.4	13.6
Total	21.9	14.8	18.5	17.7	0.6	14.7

¹⁾ An average weighting is applied to the yields of the two merged companies (Länsförsäkringar Liv and Wasa Livförsäkring, Ömsesidigt) for the years 1996-1998.

²⁾ Investments under the Alternative Investments heading are reported separately for 2000, but under the share yield heading in previous years.

The total yield for Swedish listed shares amounted to a deficit of 14.2%, which is 3.5 percentage points less than the relevant comparative index. This was due to an overweighting in growth companies – this focus was not successful during the year. The yield on Swedish shares amounted to a loss of 13.2%, and a loss of 12.7%

on the foreign share portfolio, including exchange-rate factors affecting the unhedged proportion. The North American portfolio represented 41% of the foreign portfolio, with a negative yield of 15.7%, which is 4.0 percentage points less than the index. The European equities portfolio represented 38% of the foreign portfolio, with a negative yield of 4.5%, which is 3.1 percentage points less than the index. The Japanese portfolio represented approximately 14% of the foreign portfolio, with a negative yield of 23.3%, which is 3.3 percentage points less than the index. On the other hand, although the Asian portfolio, which represented 7% of the foreign portfolio, had a negative yield of 24.0%, this was 1.1 percentage points better than the index. The yield figures for each sub-market are in local currencies. The fact that most share portfolios performed worse than their respective indexes was mainly due to the overweighting in growth shares and the underweighting in defensive companies. Alternative Investments had a yield of 35.3% during the year and, in this context, Private Equity had a yield of 34.9%. This is a particularly positive achievement since the Private Equity programme is in the initial stages. Hedge funds had a yield of 40.4%, which is clearly in excess of the yield requirement.

Interest-bearing securities had a yield of 9.5% in 2000, including exchange-rate factors on the unhedged portion. Fixed-income portfolios, performed 0.85 percentage points better than the relevant indexes. The higher yield was due a long portfolio in the US for much of the year, where long-term interest-rates declined by 132 points, compared with Sweden where the 10-year rate declined by 87 points. During the fourth quarter, the overweighting



in real-interest bonds also made a positive contribution. At year-end, the fixed-income portfolio consisted of 44% foreign bonds, 53% Swedish nominal-interest bonds and 3% Swedish real-interest bonds.

The yield on the life insurance company's property management operations amounted to 24.4% during the year. This satisfactory yield was largely due to a very substantial increase in office rents and property values during the year, particularly in central Stockholm, which is the primary focus of the property portfolio. There was a further reduction in the low vacancy rate, and this also contributed to an improved yield.

New World had a negative yield of 6.0% during 2000. The stock market was turbulent during the year, particularly in the case of growth companies. The MSCI world index had a negative yield of 9.6% during 2000, and this was reflected in the yield for New World. Swedish shares had a negative yield of 12.7% during the year, and North American equities had a negative yield of 6.9%. Growth shares were overweighted, in the equity portfolios, which had a negative impact on yield in comparison with the index. A decline in long-term interest rates in Sweden resulted in a yield of 9.1% on interest-bearing securities.

COMMENTS ON RESULTS

Traditional life insurance is conducted by Länsförsäkringar Wasa Liv, and unit-linked life insurance by its subsidiary, Länsförsäkringar Wasa Fondliv. Länsförsäkringar Wasa Liv operates in

accordance with mutual principles, which means that profits accrue to policyholders in the form of bonuses.

The life insurance market continued to grow during 2000, and total net premium income for Länsförsäkringar Wasa Liv and Länsförsäkringar Wasa Fondliv increased by 23% to SEK 9,361 M (7,633).

Traditional life insurance

Net premium income amounted to SEK 5,919 M (4,827) and increased by 23%, primarily due to success in the endowment insurance market.

Earnings for the year amounted to a loss of SEK 4,753 M (profit: 11,426). This was a substantial decline compared with the preceding year, primarily due to the reduction in investment income on investment assets and the increase in the provision for life insurance as a result of the change in the basic interest-rate assumption.

Net investment income amounted to SEK 60 M (14,968). One reason for the low yield was the general worldwide stock market trend, which resulted in a negative total yield on share portfolios.

The change in life insurance provisions amounted to a charge of SEK 6,434 M (charge: 4,731). The difference compared with the preceding year was primarily due to a change in the assumptions for computation of the life insurance provision. Finansinspektionen (the Swedish Financial Supervisory Authority) required life insurance companies to comply with a reduction in the basic rate



of interest as from 1 July 1999, from 4% to 3%. This adjustment is being made gradually over a 10-year period, and it resulted in an increase in the life insurance provision for the year 2000, leading to a charge against earnings of SEK 1,600 M compared with SEK 800 M in 1999.

The company's operating expenses increased by 25% to SEK 891 M (713). The increase was partly due to increased distribution costs as a result of increased sales of new policies during 2000, and partly due to continued investment in the IT sphere. The company's policy is to capitalize IT costs in the Group, rather than at the company level.

Key ratios	2000	1999
Net premium income, SEK M	5,919	4,827
Net investment income, SEK M	60	14,968
Income for the year, SEK M	-4,753	11,426
Management cost ratio, %	0.9	0.8
Investment assets, SEK M	99,740	102,528
Collective solvency level, %	108	126
Number of policies	774,794	763,738

Unit-linked life insurance

Net premium income amounted to SEK 3,442 M (2,806) and increased by 23%,

Income for the year amounted to a loss of SEK 144 M (loss: 122), The company will continue to report losses while substantial

growth in volume continues. The long-term nature of life insurance operations gives rise to a number of problems concerning the matching of revenues and costs in the accounts. The company's revenues extend over a considerable period of time, while costs primarily comprise a large initial cost for commissions and other expenses at the commencement of the policy.

The unit-linked company received a shareholder contribution of SEK 265 M to finance volume growth.

Operating expenses amounted to SEK 422 M (309) and consisted of procurement costs and administrative expenses. The increase was due to increased distribution costs as a result of the increased premium volume and major investments in IT systems which were charged directly as an operating expense.

Investment assets for which policyholders bear the risk declined in value during the year as a result of negative developments in stock exchanges throughout the world. This has a direct impact on technical provisions and an indirect effect on income due to reduced revenues in the form of charges based on the value of the fund.

Key ratios	2000	1999
Net premium income, SEK M	3,442	2,806
Result before appropriations and tax, SEK M	-144	-122
Management cost ratio, %	2.6	2.7
Total assets, SEK M	18,288	16,954
Number of policies	272,720	237,831

MAJOR EVENTS IN 2000

The capital managed in Länsförsäkringar's mutual funds increased from SEK 27 billion to SEK 32 billion during the year.

The market share in terms of net new savings in mutual fund increased to 7.0% (6.5). The total market share amounted to 3.5% (3.2).

Länsförsäkringar was the first company to launch repayment cover as an additional benefit in connection with the new national premium pension scheme. A number of other companies copied this initiative.

Länsförsäkringar's share of the premium pension scheme capital was 6.9% – almost 420,000 people selected one or more of Länsförsäkringar mutual funds.

Länsförsäkringar's Internet services were launched in December, offering customers an opportunity to buy, sell and transfer units in mutual funds and review their holdings.

The year was characterized by a downturn in most stock markets, particularly in growth industries such as IT and telecoms. In combination with the growth strategy applied in Länsförsäkringar's equities management operations, this meant that only 8 of 32 mutual funds performed better than the relevant index. The Real Estate Fund was the most successful, with a yield of more than 49% – 14% better than the index. In other respects, the Swedish public's selection of fund managers for their holdings in the national premium pension scheme was the main feature of the mutual fund market.



Premium pension choice – a success for Länsförsäkringar

New saving in Swedish securities funds was at a record level in 2000, largely due to the national premium pension scheme. Of total net savings of SEK 99.1 billion during the year, more than a third – SEK 36.4 billion – was accounted for by premium pension funds. The remaining SEK 62.7 billion was traditional mutual fund saving, which may be compared with a total of SEK 58.1 billion in 1999. There were substantial overall financial flows. Gross investment in mutual funds was SEK 291 billion, but SEK 191 billion was withdrawn during the year. The total decline in the value of mutual funds corresponded to about SEK 50 billion. Total savings in mutual funds amounted to SEK 898 billion at 31 December.

Notwithstanding stock market turbulence during the year, Länsförsäkringar continued to gain market shares. In the case of new sales, the market share was 7.0% (6.5), and Länsförsäkringar has a 3.5% (3.2) share of the total mutual fund market, making it the only major mutual fund company to increase its market shares as a result of customer deposits.

CHANGES IN THE MUTUAL FUND RANGE

During the year, Länsförsäkringar introduced five new funds. Two new global industry funds, the Industry Focus Fund and the Internet Fund, were launched in May. At the end of May, Mega North America was introduced – an additional fund for large customers. During the summer, the Pension 2000 funds were supplemented by Pension 2035 and Pension 2040.

On 22 September, the National Share Investment Account fund was merged with the Sweden Fund, and the Capital Fund was merged with the Security Fund. The National Share Account no longer offers any tax advantages and the Capital Fund only attracted a limited number of investors.

KEY PREMIUM PENSION SELECTION IN THE AUTUMN

The Swedish public's choice of asset manager for their holdings in the national premium pension scheme was the major event in the mutual fund market during the year. 2.5% of total employee pay was allocated to premium pension funds, with a maximum of 7.5

indexed base amounts, and employees personally selected their fund manager and the fund or funds in which their money was to be invested. This gigantic nationwide educational initiative in the mutual fund savings sphere was an extremely valuable exercise, and it is affecting the general public's view of mutual fund and share investment in a positive manner. Despite the stock exchange turbulence of the autumn, it appears that the public has a sensible approach to its long-term saving needs.

The high degree of participation in the selection process was a positive feature. Slightly less than 70% of the 4.4 million members of the general public who were entitled to participate made an active choice. In all, a total of about SEK 56 billion was allocated.

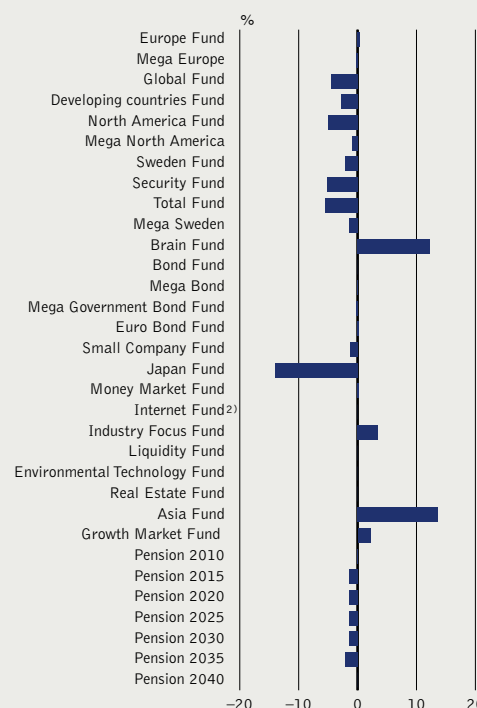
In Länsförsäkringar's case, the premium pension selection process was highly successful. In all, 6.9% of the capital was invested with Länsförsäkringar by those who made an active choice, and a total of almost 420,000 chose one or more of Länsförsäkringar's funds. This means that more than 14% of those who participated in the selection process opted for Länsförsäkringar in one way or another.

A total of SEK 2.7 billion was paid into the Länsförsäkringar premium pension funds. The major proportion, slightly less than 70%, was invested in the seven Pension 2000 generation funds, with designations based on the retirement year envisaged. Initially, 100% is invested in equities on a global basis. Ten years before retirement, the proportion of shares is reduced and progressively replaced by interest-bearing securities at a rate of five percentage points a year until the fund contains 50% shares and 50% interest-bearing securities.

11% of the capital went to the Europe Fund, with a small proportion in funds such as the Internet Fund and the Money Market Fund, with 1% each.

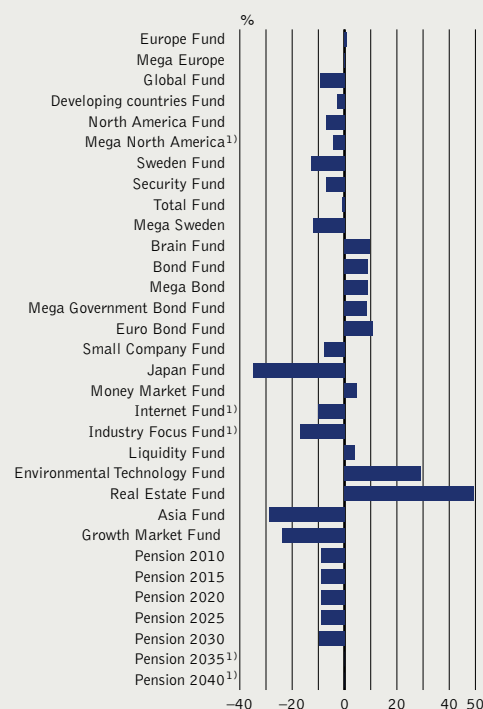
	Länsförsäkringar's premium pension funds, SEK M	Capital invested, %
Pension 2015	377.0	14
Pension 2010	349.2	13
Pension 2020	338.8	13
Pension 2025	307.4	11
Europe Fund	306.9	11
Pension 2030	255.5	9
Sweden Fund	168.4	6
Pension 2035	165.2	6
Total Fund	163.7	6
Security Fund	109.4	4
Pension 2040	70.4	3
North America Fund	53.0	2
Internet Fund	29.3	1
Money Market Fund	26.7	1
TOTAL	2,720.9	100

DEVELOPMENT OF FUNDS DURING 2000,
COMPARED WITH THE RELEVANT INDEX



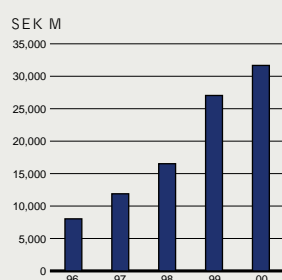
²⁾ No comparable index

DEVELOPMENT OF FUNDS DURING 2000



¹⁾ Started during 2000

FUND VOLUME MANAGED



Following its successful performance in the premium pension process, Länsförsäkringar advanced its positions in the mutual fund market, and the aim now is to build on these achievements to become one of the leading players in the long term, throughout the Swedish savings market.

MUTUAL FUNDS ON THE INTERNET

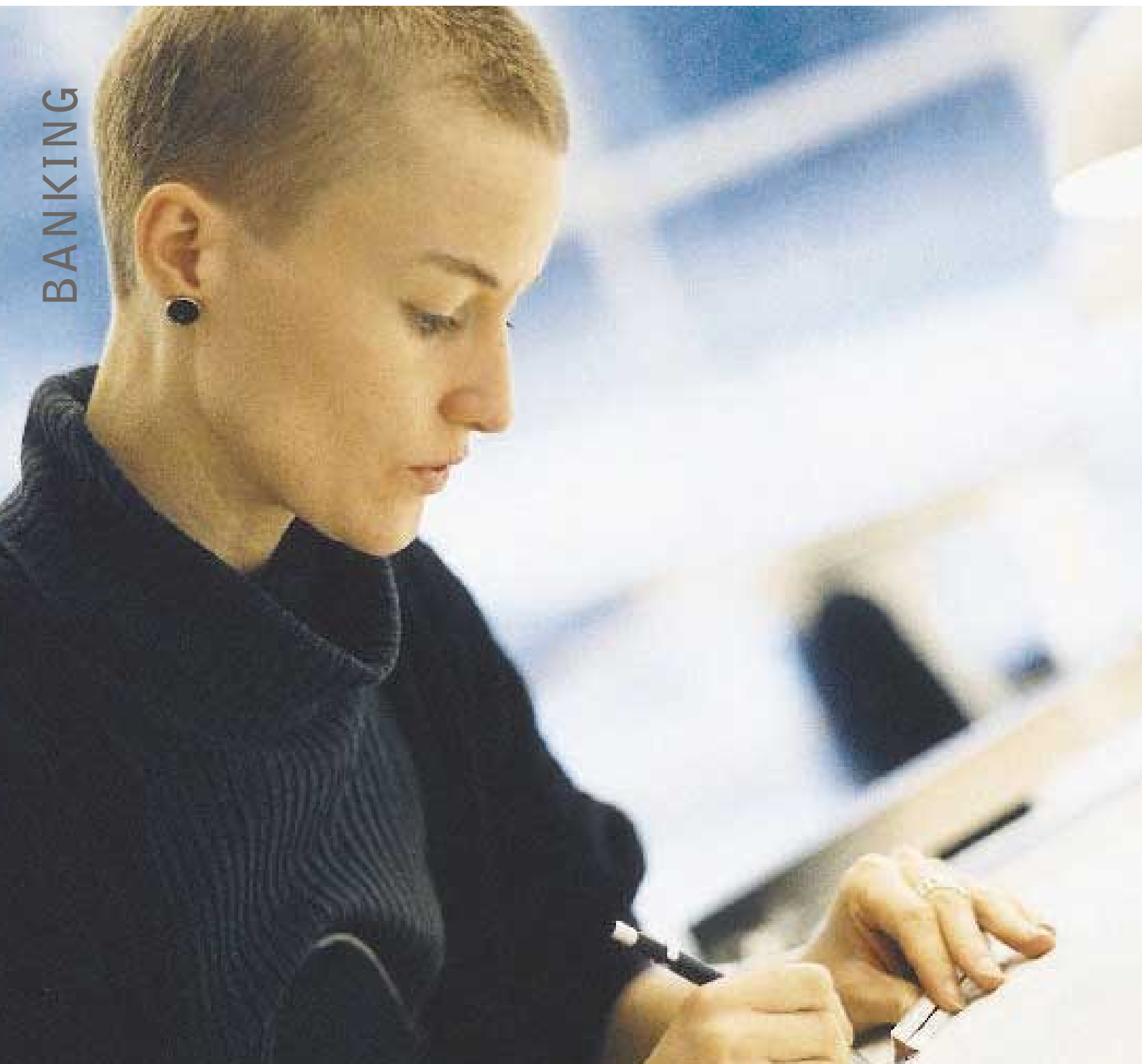
The mutual fund company's Internet services opened in December to give customers an opportunity to buy, sell and transfer units in mutual funds and monitor the development of their holdings. Comprehensive, updated financial information is provided by the Finansrummet function on the Länsförsäkringar website (www.lansforsakringar.se).

RESULTS

In contrast with the preceding year, the trend on the Stockholm Exchange and other exchanges was unfavourable during 2000, and this affected the mutual fund company's finances since revenues are directly related to the fund volume. The fund volume increased during the year, however, due to new saving. The mutual fund company's revenue was SEK 319 M (224), an increase of 42%. Expenses, including commissions, also increased by 42% to SEK 338 M (238), primarily due to commission payments. As a result, income was the same as in the preceding year.

Key ratios	2000	1999
Total number of funds	32	29
– of which equity funds	26	23
Asset under management, SEK M	31,670	27,039





MAJOR EVENTS IN 2000

A strategy was approved for development from niche-bank status to becoming a principal bank for private individuals and farmers.

Internet services were launched.

Lending via Wasa Kredit and loans transferred to SBAB on a commission basis both exceeded SEK 5 billion.

The new KreDirekt credit management system was implemented.

New offices providing financial advisory services were opened, and there are now 64 offices.

The increase in deposits from household customers at SEK 1,316 M was higher than for any other bank.

During recent years, the market for financial services has grown, and the nature of the market has changed. Banks will soon be competing with companies in quite different sectors – the motor and IT industries for example – and in particular with the retail sector. During 2000, several new players announced their intention of establishing operations in the Swedish banking market in the coming year. Developments in the IT sphere have also had a substantial impact, and this can be clearly noted in the market place.

New competitors and real achievements

There was considerable development of Länsförsäkringar's banking operations during the year, and two important projects were completed successfully. The Internet services were launched in December and an improved credit management system was implemented earlier in the autumn.

The Internet services, which are accessed by customers via their regional insurance company's website, supplement the regional companies' personal contacts with their customers. The Internet initiative has borne fruit, and Länsförsäkringar Bank's Internet services had more than 115,000 customers at the end of the year. As a result, the telephone bank was transformed into a joint service for banking, mutual fund and life insurance customers.

Improved administrative processes have been another important objective for Länsförsäkringar Bank. As a result, KreDirekt, a new credit management system, has been developed and implemented to rationalize credit approval routines and ensure rapid and efficient handling of all credit procedures. During the year, development of a new bank debit card commenced.

LOCAL CUSTOMER CONTACTS AND JOINT DEVELOPMENT

Banking operations are conducted entirely in accordance with the Länsförsäkringar concept, and all transactions and contacts with customers are conducted via the local company. This ensures full utilization of knowledge of the local market and the skills of the

staff of the regional companies. Länsförsäkringar Bank is responsible for development operations and support functions, however, thus utilizing an efficient and specialized organization to support local sales in the optimum manner. Länsförsäkringar Bank believes in the personal touch, and has opened 64 advisory service offices over the past five years.

In addition to the banking arm, the banking Group has three subsidiaries. Wasa Kredit offers various forms of financing, Läns-hypotek is a housing loan institute and WASA Garanti is responsible for phasing out various risk commitments. Wasa Kredit and Länshypotek are responsible for the greater proportion of the banking Group's lending operations.

The deposit and lending volumes in banking operations developed satisfactorily, although deposits should have been considerably higher in view of the advantageous interest rate on savings. Deposits made by the general public amounted to SEK 8.5 billion, an increase of 16%. The lending volume amounted to SEK 9.6 billion at year-end, an increase of 21%. There were 273,000 customers. Deposits by household customers with Länsförsäkringar Bank at SEK 1,316 M increased more than for any other Swedish bank. The market share at year-end was 2%.

The banking company made a loss of SEK 18.2 M due to substantial investments in product development and systems support. More customers will be required if the extensive infrastructure which is now being established is to be cost-efficient. The major challenge in 2001 is to convince Länsförsäkringar's insurance cus-



tomers that they should also become customers of Länsförsäkringar Bank. The entire banking Group reported a profit of SEK 66.8 M, based on satisfactory results by subsidiaries, largely due to nonrecurring items.

A NEW PRINCIPAL BANK ALTERNATIVE

Länsförsäkringar has a unique opportunity to conduct banking operations in a manner which distinguishes it from other players. Its local presence and the comprehensive product range distinguish it from the niche banks, and the price philosophy contrasts with the policies practised by the major commercial banks.

The Internet services are free of charge since Länsförsäkringar Bank saves money if customers make payments in this manner. Customers receive favourable rates of interest on savings deposits, and there is a strong faith in the crucial importance of the personal factor in all customer relationships. Customers want to be able to discuss major decisions regarding financing and long-term savings with an adviser. Personal contacts may take place at one of the regional companies' advisory service offices, or in other contexts.

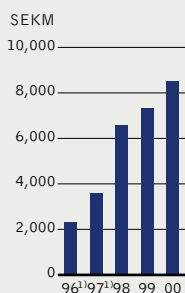
AN EVERYDAY FINANCIAL OFFER FOR THE FUTURE

Länsförsäkringar's banking option face the challenge of becoming the obvious main banking option for private individuals and farmers. During 1999, a strategically important decision was taken to make banking a "profitable core operation." This decision was further clarified in August and December 2000. The aim is that Länsförsäkringar's banking operation is to be the natural principal bank for private individuals and farmers.

The first stage in this process will be the launching of competitive everyday financial offers during 2001. The Internet services introduced in December are an important aspect of this endeavour, and a bank debit card which enables Länsförsäkringar Bank to offer private individuals and farmers an attractive package for paying bills and making day-to-day payments will be launched in the spring.

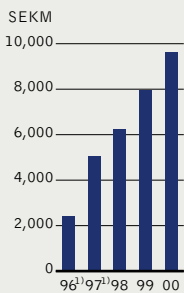
Länsförsäkringar has one of the best-known brands in Sweden in the non-life area, but few people are aware of the banking operations. It is essential to extend the brand by ensuring that all Länsförsäkringar's 2.7 million customers are aware of the LF Insurance Group's offers in the financial services field.

DEPOSITS BY THE GENERAL PUBLIC

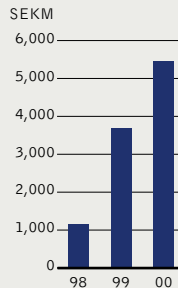


¹⁾ Pro forma

LENDING TO THE GENERAL PUBLIC



TRANSACTIONS ON A COMMISSION BASIS FOR SBAB





LÄNSHYPOTEK – NEW HOUSING LOAN INITIATIVE

During 2000, Länsförsäkringar Bank further strengthened its market position as an attractive partner for homeowners and owner-occupiers of apartments. The well-established cooperation with the SBAB housing loan institute for first mortgages on houses, leisure homes and tenant-ownership properties has continued to attract customers. Loans arranged in this manner increased by 46%.

Länsförsäkringar aims to develop new combinations of first mortgages and home contents insurance. As a result, the LF Insurance Group decided to offer first mortgages under its own auspices under the Länshypotek name (previously WASA Bolån, the name is being changed to Länsförsäkringar Hypotek). Länshypotek will be offering its own first mortgages on a limited scale to selected new customers in early 2001 on the same terms as SBAB mortgages. Four regional companies commenced pilot operations at the beginning of 2001.

Länshypotek reported a profit of SEK 13.4 M, which is satisfactory in view of the extensive costs of developing new systems support. The lending volume amounted to SEK 1.4 billion at year-end, and there were approximately 4,000 customers.

WASA KREDIT – CONTINUED SUCCESS IN GROWING COMPETITION

Wasa Kredit is a leasing company, and operations are primarily targeted at the leasing of new motor vehicles. As a subsidiary of Länsförsäkringar Bank, Wasa Kredit accounts for a significant proportion of the Bank's operations and is responsible for the major share

of its lending. During 2001, Wasa Kredit aims to extend its distribution to the regional companies, thus contributing to the growth of the entire LF Insurance Group in the financial services area.

So far, the regional companies have not offered Wasa Kredit products to any great extent. But, in the long run, Wasa Kredit may assist the regional companies by undertaking extensive product development. A pilot project commenced recently to develop credit offers via the regional companies.

Wasa Kredit made a profit of SEK 16.2 M, which is satisfactory in view of the decline in sales of new vehicles, the cost of development and the pressure on interest margins. The total lending volume amounted to SEK 5 billion at year-end, and there were 75,000 customers.

WASA GARANTI – SUBSTANTIAL NONRECURRING GAINS

WASA Garanti is responsible for run off risk commitments in the contracting insurance field, and it also handles claims which arose during the property crisis of the early 1990s.

During the year, substantial nonrecurring gains occurred as the result of the successful settlement of a dispute and a capital gain on the sale of shares. WASA Garanti made a profit of SEK 36.4 M.

BANKING GROUP

Key ratios	2000	1999
Income before allocations and tax, SEK M	67	13
Total assets, SEK M	12,386	10,577
Interest margin, %	2.7	2.7
Capital cover ratio, %	10.2	11.6
Number of customers	273,000	232,000

MAJOR EVENTS IN 2000

Länsförsäkringar was ranked as Sweden's second most successful fixed-income fund manager by the Sparöversikt business journal, and the third most successful equity fund manager.

Substantial stock market downturn for growth companies, leading to performance in equities.

Good year for fixed-income management.

GIPS certification of Asset Management's yield computation.

Continued sales success in the asset management market.

Establishment of branch office in New York.

Länsförsäkringar Kapitalförvaltning (LF Capital) is the LF Insurance Group's specialist company in the institutional asset management market. LF Capital has SEK 130 billion under management, making it one of the largest asset management companies in Sweden.



The best possible yield and service for customers

LF Capital is responsible for managing customers' capital to provide the maximum long-term yield at a specified level of risk. All customers have different attitudes to risk, and their investment perspectives vary.

As a result, asset management must be tailor-made to meet each customer's needs in an optimal manner. Länsförsäkringar's life insurance company is the largest single customer, followed by the Länsförsäkringar mutual fund company, although external assignments from municipalities, insurance societies and pension funds, etc. represent an increasing proportion of the asset volume.

LF Capital has 27 equities, fixed-income and currency managers and there are an additional 47 employees involved in administration, sales, risk control and risk analysis. The methods employed are based on a holistic approach in terms of the composition of portfolios, combined with considerable individual freedom in the selection of securities. Proximity to markets and companies in the three major time zones in Europe, the United States and Asia – where the major proportion of trading takes place – results in a better understanding of the market and the selection of securities.

Swedish and European equities, Swedish and foreign interest-bearing securities and currencies are managed from Stockholm. LF Capital opened its own branch in New York during the year, following management of American equities from New York for four years, in cooperation with Friends Ivory & Sime, a British asset manager. Asian equities have been managed by one of LF Capital's portfolio managers in Hong Kong since 1999, in cooperation with Friends Ivory & Sime.

VISION AND BUSINESS CONCEPT

LF Capital's vision is to be the foremost asset manager in Sweden. The business concept is to offer active asset management and financial advice to institutional customers and mutual funds.

The goal of being the foremost asset manager in Sweden may be interpreted in both qualitative and quantitative (volume) terms.

The aim is primarily qualitative. Customers must regard LF Capital as the best asset manager in terms of the company's performance, service and reliability. An active approach and an understanding of the customer's asset management objectives are

key elements in the company's way of delivering results to the customer. The company's background and its close contacts with life insurance operations give it unique experience of the management of pension funds.

A higher volume provides better prerequisites for handling the rapid pace of development which characterizes the financial markets, however. In the first instance, Länsförsäkringar Kapitalförvaltning tries to utilize opportunities for organic growth, relying on its reputation as a successful asset manager to attract new customers and increase the confidence placed in it by existing clients. This is the ultimate proof that the company has the market's confidence.

LONG-TERM ADDED VALUE AS A RESULT OF ACTIVE MANAGEMENT

LF Capital's objective is to create added value in the long term by means of active asset management. Overall, fundamental analysis is used to build a global perspective. This includes a joint macro-economic scenario and the trends and themes that will affect the markets during the investment period. The target for each management team is to invest in markets, industries and individual securities which will benefit from the scenario. In the equities management field, the aim is primarily to find companies which will achieve stable, satisfactory profit growth.

Asset management is subject to controlled risk-taking, with a consistent portfolio approach. Each specific risk is assessed in relation to all the other existing and potential alternative risks in the portfolio and the overall portfolio risk – which must not be greater than required to meet the yield target.

ASSET MANAGEMENT EARNINGS IN 2000

The past year was characterized by considerable volatility in the stock market, with a marked change of scene at the end of March. The upturn for growth shares which commenced in the autumn

of 1999 continued unabated, but then went into a protracted decline during the remainder of the year. The Stockholm Exchange, which has a considerable proportion of high-technology shares, closed down 10.8%.

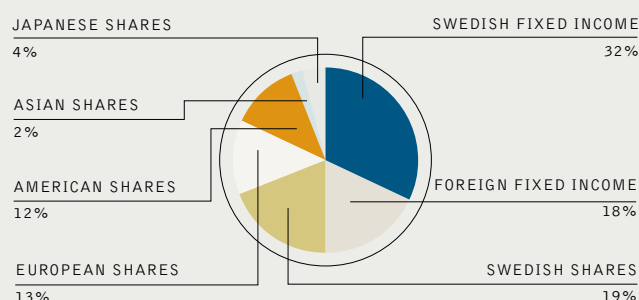
LF Capital's investments are based on a growth-oriented investment philosophy and, as a result, were negatively affected by the market trend during 2000. Equities management in most of the areas covered underperformed the relevant indexes. The decline of the Ericsson share towards the end of the year contributed significantly to the under-performance of the Swedish portfolios relative to the Stockholm Exchange as a whole. On the other hand, the main portfolios did not invest in Internet companies, which clearly had the worst performance during the year, with a decline of 90% in share prices in some cases.

Instead, the winners were shares in property companies, for example. The Länsförsäkringar Real Estate Fund was the Swedish mutual fund with the highest yield during 2000. The yield was 49.5%, which was 13.5% better than the index.

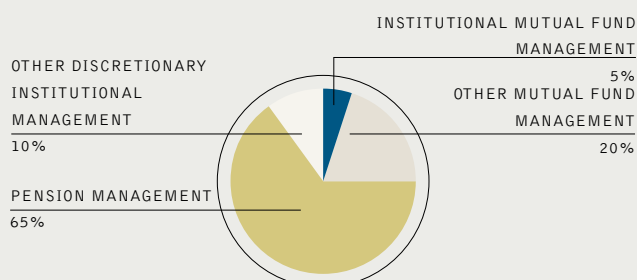
Foreign stock markets were also characterized by a high degree of volatility and a downturn for high-technology and other growth companies with a high valuation. The NASDAQ exchange in the US declined by more than 39%, for example, and downturns of as much as 50% for many of the largest listed companies in the world were not uncommon. LF Capital's growth strategy meant that several non-Swedish portfolios underperformed the relevant indexes.

The year 2000 was a record year for investments in interest-bearing securities in most stock markets. Following a year of rising long-term rates in 1999, the fixed-income trend in 2000 was characterized by a more pessimistic view of the business cycle. The initial increases in key interest rates, particularly by the Federal Reserve, were regarded as evidence of a reduced threat of inflation. In combination with a steady decline in economic growth, long-term bond rates fell during the year. This trend was particularly

MARKET BREAKDOWN, TOTAL CAPITAL MANAGED



ASSIGNMENT BREAKDOWN





marked in the United States in the light of the decline in stock market prices and concern about the collapse of the economy.

SUCCESSFUL MARKET INITIATIVE

Sales of discretionary management to institutional customers outside the LF Insurance Group started on a full scale in 1999. During 2000, this initiative continued to be successful and LF Capital participated in a number of procurement processes and received several new assignments in both the fixed-income and equities management fields.

A total of about SEK 3 billion is managed for external institutional customers such as pension funds and municipalities. The objective in such customer assignments is mainly to safeguard pension commitments.

LF Capital's fixed-income management was successful during the year. The Swedish short-term and long-term fixed-income portfolios outperformed the relevant indexes, with few exceptions. The Money Market Fund was the most successful short-term fixed-income fund in Sweden during 2000, and the long term fixed-income portfolios also led the field during the year. Second place in the annual ranking by the Sparöversikt business journal in early 2001 confirmed the success of LF Capital's fixed-income management.

The global fixed-income portfolios were also very successful. LF Capital was able to utilize the substantial reduction in the spread between US and European long-term rates by allocating placements between various fixed-income markets, thus creating considerable added value compared with the index.

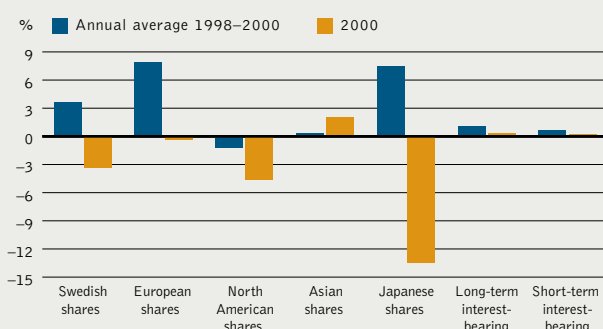
LF Capital places considerable emphasis on tactical allocations and currency management. During 2000 tactical asset allocation had a limited negative impact on management earnings, due to the major stock market downturns. Foreign currency management achieved a break-even result. In a longer time perspective, however, both these areas have made a positive contribution to asset management results.

The most important factor is successful asset management in the long term. In the Sparöversikt annual rankings of equity mutual fund managers, first place in 1999 was followed by third place in 2000, which is an indication of competitive long-term asset management.

Over a three-year period, all management areas bar one have outperformed the relative index, in many cases by a wide margin¹⁾. The European equities management operation was the most successful in its field, with an average yield 7.9% higher than the relevant index. On average, Swedish equities management outperformed the index by 3.7%, and Japanese and global equities were also markedly better than their indexes.

In fixed-income management, the index was outperformed by 1.1% a year on average for long-term bonds, and by 0.7% for short-term interest-bearing securities.

PORTFOLIO YIELDS COMPARED WITH THE INDEX



Key ratios	2000	1999
Operating revenue, SEK M	241	332
Income before appropriations and tax, SEK M	75	124
Assets managed, SEK M	129,986	129,442

¹⁾ Average yield 1998-2000. The yield is based on the "GIPS composite" index of all portfolios with a similar mandate. The Swedish management pertains to portfolios compared with the Findata yield index.

The financial market in Sweden

There are many categories of financial players on the Swedish market, for example banks, mortgage and corporate finance institutions, finance companies, insurance companies, brokerage firms, insurance and stock brokers, mutual fund management companies, and public sector lending institutions. Among other things, they have been established in response to the market's need for:

- deposits and lending
- securities trading
- life and non-life insurance
- consultation and brokerage operations.

Saving services and products constitute one of the key engines driving the financial market. Overall, an extremely wide and growing range of savings products is offered to households, the private sector and public authorities.

Since 1999, the strongest growth has been in mutual fund products (including IPS), traditional life insurance, and unit-linked insurance. This is largely explained by the stock-exchange boom during this period.

From the mid-1990s there has been a decline in bank deposits, new sales of retail bonds, and various forms of government-sponsored savings (such as those managed by the National Debt Office). This is largely due to declining interest rates and rising share prices. Bank deposits have become an instrument for short-term saving, virtually confined to an account used for transaction purposes.

Private individuals are becoming increasingly sophisticated in their savings behaviour as a result of their increased financial maturity and growing efforts by financial players to supply the market with readily accessible information about alternative options.

DOMINANT PLAYERS IN THE FINANCIAL MARKET

Banking groups – commercial banks, savings banks and banks owned by their members – are the dominant players in the financial market. Since the mid-1980s there has been extensive establishment of new banks in Sweden, primarily by niche banks, followed by mergers and takeovers.

A key element in development of the market in the past decade is the high degree of competition in the same market by banks and insurance companies. In parallel with this trend, most players involved in both life and non-life insurance business have chosen to clearly separate the non-life side of their business, in order to streamline their operations in the financial market. In this context, however, Länsförsäkringar has adopted a quite different strategy, based on a continued integrated, approach to both spheres of operations.

A number of relatively small banks were established in Sweden in the 1990s in the form of niche banks. Insurance companies were among the initiators of this trend, and most large insurance companies now have their own niche bank. The niche banks are challenging and competing increasingly successfully with the large banks in selected product areas. During 2000, Länsförsäkringar decided to abandon the niche-bank strategy in order to concentrate on becoming a mainstream bank for private individuals and farmers. Since 1991, Swedish banks have been entitled to own insurance companies, and all the major banks in Sweden now conduct life-insurance operations. The traditional life insurance companies still predominate in terms of capital saved (savings stock). In recent years, however, the established banks have gained a significant share of the Swedish savings market.

THE SAVINGS MARKET

Market shares by product area, 30 September 2000

Share, %	Bank deposits	Traditional life insurance	Unit-linked insurance	Mutual funds	Retail bonds	Total
SEB Trygg Liv	14.0	22.9	28.4	19.3	16.5	19.8
Skandia	2.6	35.9	19.4	1.7	0.2	15.0
Länsförsäkringar	1.9	14.0	9.1	1.8		6.5
Folksam		8.7	1.9	1.0		3.4
SPP Liv		11.3	1.9	0.2		4.0
Handelsbanken	17.6	2.8	8.9	10.4	29.8	9.3
Merita Nordbanken	21.2	2.0	4.4	22.1	8.0	12.6
FöreningsSparbanken	27.1		24.4	34.4	23.6	19.3
Central government					9.8	2.8
Other	15.5	2.5	1.6	9.1	12.1	7.3

Source: Sparbarometern, SEB Trygg Liv

MARKET SHARES, DEPOSITS AND LENDING (HOUSEHOLDS)

Bank	Deposits, %	Lending, %
FöreningsSparbanken	27.3	24.8
Nordbanken	21.0	12.0
Handelsbanken	16.1	16.8
SEB	13.9	10.1
Skandiabanken	2.7	4.3
Länsförsäkringar Bank	2.0	1.2
Postgirot Bank	1.5	0.1
Stadshypotek Bank	1.1	0.0
Borås spb	0.8	0.8
HSB Bank	0.5	0.6
Eskilstuna Rekarne	0.4	0.4
Ikanobanken	0.4	0.7
JP-Bank	0.4	1.4
Large savings banks (total 13)	7.2	12.7
Branches of foreign banks in Sweden	1.8	7.0
Other banks	2.9	7.5

Source: Swedish Central Bank

The blurring of boundaries between sectors described above results in complete “financial supermarkets,” based on either life insurance or banking. These players have been supplemented by a growing number of intermediaries dealing with customers, primarily involving the establishment of Internet companies specializing in information, advisory services and broking in the financial area.

PRIVATE SAVING

The media have been increasingly focusing on and monitoring the savings market for some time. This trend continued in 2000, peaking in the autumn in connection with the premium pension selection process. This enabled private individuals to become better at orienting themselves in the range of savings products available. In an international perspective, however, household savings continue to be at a low level in Sweden.

DEPOSITS FROM HOUSEHOLDS IN SWEDEN, SEK M

Bank	Total, 31 Dec. 2000	Change, 2000
FöreningsSparbanken	108,879	-6,243
Nordbanken	83,773	-5,409
Handelsbanken	64,026	-1,400
SEB	55,317	684
Skandiabanken	10,735	770
Länsförsäkringar Bank	7,810	1,319
Postgirot Bank	6,120	275
Stadshypotek Bank	4,364	-117
Borås spb	3,130	-195
HSB Bank	2,128	129
Ikanobanken	1,672	46
Eskilstuna Rekarne	1,532	-142
JP-Bank (Matteus)	1,400	751
Large savings banks (total 13)	28,501	-2,456
Branches of foreign banks in Sweden	7,164	-18
Other banks	11,548	15

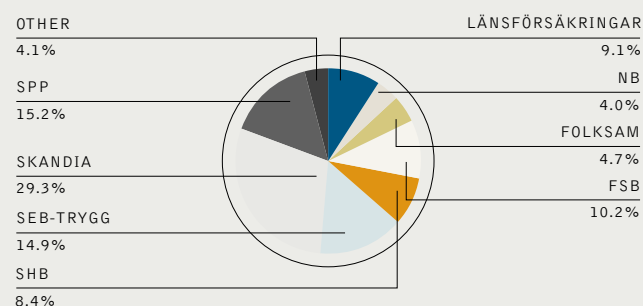
Source: Swedish Central Bank

LENDING TO HOUSEHOLDS IN SWEDEN, SEK M

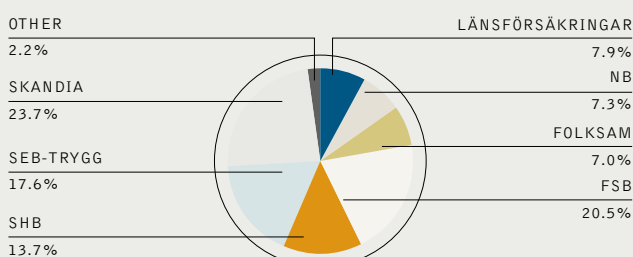
Bank	Total, 31 Dec. 2000	Change, 2000
FöreningsSparbanken	61,056	1,290
Handelsbanken	41,294	5,230
Nordbanken	29,486	1,327
SEB	24,956	1,724
Skandiabanken	10,522	6,573
JP-Bank	3,499	1,368
Länsförsäkringar Bank	3,068	951
Borås spb	1,852	147
Ikanobanken	1,696	225
HSB Bank	1,379	340
Eskilstuna Rekarne	907	96
Postgirot Bank	338	71
Stadshypotek Bank	50	22
Large savings banks (total 13)	30,314	1,999
Branches of foreign banks in Sweden	17,204	4,323
Other banks	18,398	6,347

Source: Swedish Central Bank

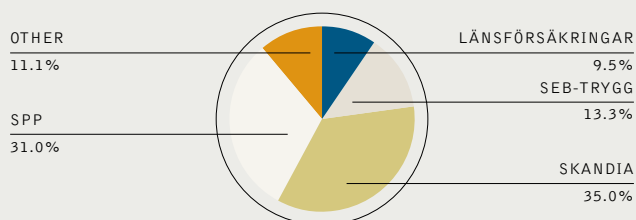
MARKET SHARE OF NEW SALES IN 2000, ALL SUB-MARKETS (LIFE)



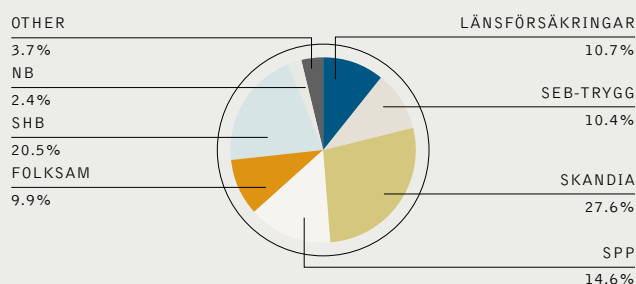
MARKET SHARE OF NEW SALES IN 2000, SAVINGS MARKET (LIFE)



MARKET SHARE OF NEW SALES IN 2000, OCCUPATIONAL PENSIONS



MARKET SHARE OF NEW SALES IN 2000, PRIVATE PENSIONS



NEW SAVING BY HOUSEHOLDS

SEK M	1998	1999				2000		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Insurance saving, individual	14.0	11.4	17.5	10.6	18.1	21.4	18.3	16.1
Shares	2.1	0.7	-0.5	8.6	-2.3	-3.7	0.0	0.0
Mutual funds	2.8	5.1	6.8	1.3	1.0	5.1	0.9	0.0
Bank deposits	-26.5	21.9	7.6	7.9	-33.9	16.3	-3.4	16.5
Bonds	6.5	-13.9	-4.0	-0.1	0.4	-18.3	-5.4	-6.2
Banknotes, coins and loans to the financial sector	4.4	-1.7	1.4	2.0	7.4	-2.3	-0.6	1.2
Total	3.4	23.4	28.7	30.2	-9.4	18.5	9.8	27.5

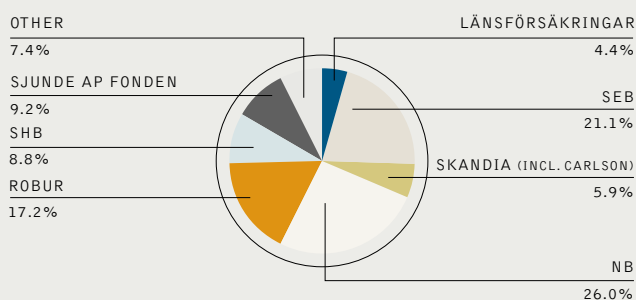
The financial position of households is strong in Sweden, and the position in September 2000 was the same as at year-end 1999. The net wealth of households rose considerably at the beginning of the year due to the upswing in the stock market, but fell back subsequently as a result of increasing stock-market turbulence towards the end of the year.

In terms of the proportion of individual saving in various forms, mutual funds and bank accounts are the two primary forms of saving in Sweden. 65% of the population claim they save in mutual funds. The corresponding figure for bank accounts is 63%. Bank accounts are favoured by young people – 75% of 16–24 age group have their

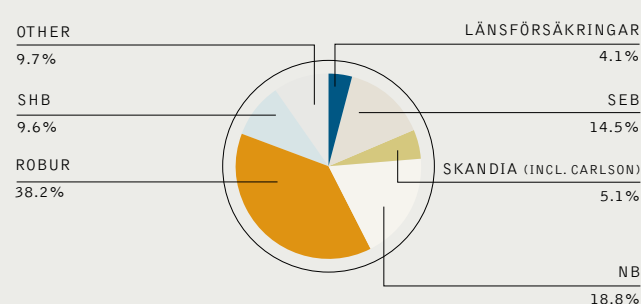
savings in a bank, compared with 61% for the 40–49 age group, for example. This is probably due to relatively short investment horizons on the part of young people, and personal liquidity requirements.

Amortization of loans may be regarded as an alternative form of saving. A majority of the Swedish population (58%) are currently amortizing a loan of some kind. Amortization is particularly common among people in the age range 25–39, 68% of whom are making loan repayments. A natural explanation is that many people are buying their homes during this period in their lives. In terms of new household savings, individual insurance policies are gaining ground – particularly endowment insurance.

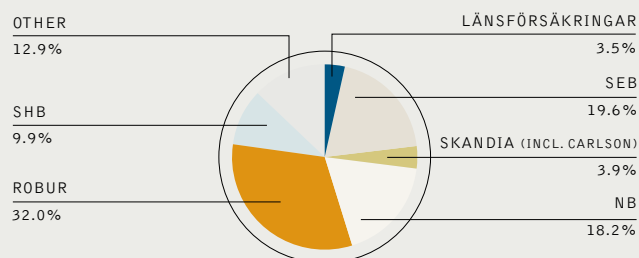
MIXED FUNDS (VALUE SEK 169 BILLION AT 31 DEC. 2000)



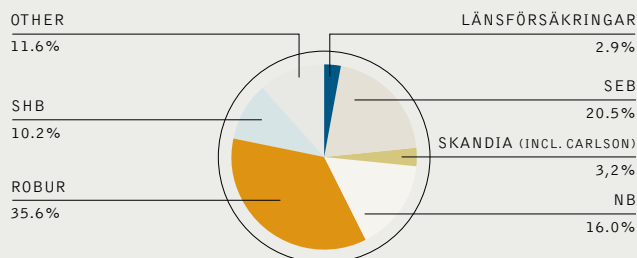
FIXED-INCOME FUNDS (VALUE SEK 123 BILLION AT 31 DEC. 2000)



TOTAL MUTUAL FUND MARKET (VALUE SEK 898 BILLION AT 31 DEC. 2000)



EQUITY FUNDS (VALUE SEK 595 BILLION AT 31 DEC. 2000)



The cessation of new saving in mutual funds is due to the stock market decline in the second half of the year. However, bonds showed the clearest decline in terms of new-saving volume.

A study of the trend in household financial portfolios over a 10-year period (nine years and nine months), clearly indicates that both individual insurance-based saving and equities/mutual funds have advanced strongly at the expense of bank deposits. Share-related saving – directly, via mutual funds or via saving in individual insurance policies – accounted for 62% of the total household portfolio in September 2000.

THE NEW INSURANCE BUSINESS ACT

Sweden's new Insurance Business Act, which entered into force on 1 January 2001, is designed to increase competition in the life insurance market, enabling customers to have better access to a broad and high-quality product range at low cost. The three most important, long-term and lasting effects of the new Act are:

- increased pace of product development
- higher customer turnover
- international players enter the Swedish market.

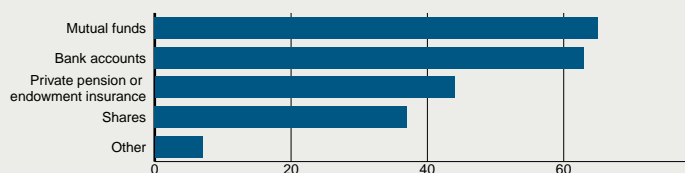
FINANCIAL SERVICES ON THE INTERNET

Financial services on the Internet have primarily been targeted at private customers and small companies. The impact is greatest in areas with high transaction frequencies, such as bank accounts and securities trading. But the impact of Internet financial services is also having a growing impact in areas with considerably lower transaction intensity – for example housing loans. This trend will be reinforced by the introduction of digital signatures, which will have a considerable effect on the way insurance companies handle contacts with customers.

During 2000 there was a dramatic increase in mutual fund saving via the Internet. According to a survey performed by Webbarometern, around 330,000 Swedes were investing in mutual funds via the Internet at the beginning of 2001. If this trend continues, mutual fund saving will overtake equity saving on the Internet by the summer of 2001.

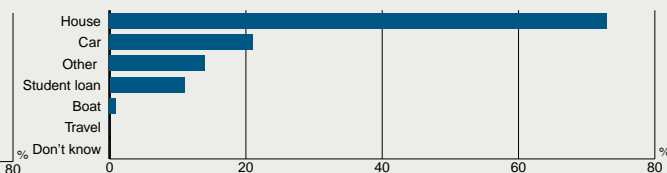
In its forecasts, the JP Morgan investment bank estimates that 50% of Swedish bank customers will be connected to the Internet by 2003. The proportion was less than 5% in early 1999, according to Finansinspektionen. But this trend is already having an impact

SAVINGS OF PRIVATE INDIVIDUALS BY TYPE OF SAVING



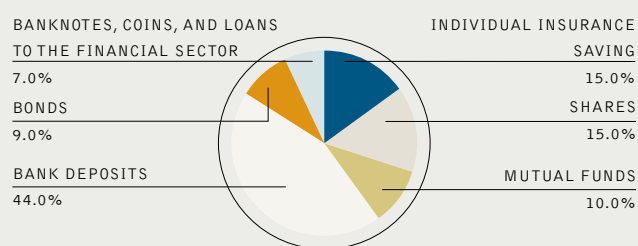
Source: LänsSpar™, Länsförsäkringar

AMORTIZATION OF LOANS



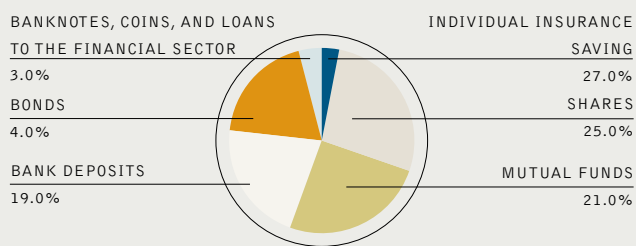
Source: LänsSpar™, Länsförsäkringar

HOUSEHOLD FINANCIAL PORTFOLIOS AT 31 DECEMBER 2000



Sources: Sparbarometern, Finansinspektionen

HOUSEHOLD FINANCIAL PORTFOLIOS AT 30 SEPTEMBER 2000



Sources: Sparbarometern, Finansinspektionen

HOUSEHOLDS FINANCIAL NET WORTH AND DEBT RATIO

SEK M	Sept. 1998	Sept. 1999	Sept. 2000
Financial assets	1,830	2,100	2,441
Financial liabilities	929	1,000	1,086
Net financial worth	901	1,100	1,355
Debt ratio	0.51	0.48	0.44

NUMBER OF BRANCH OFFICES 1990-1999

Year	Commercial banks *	Savings banks	Agricultural cooperative banks	Total
1990	1,366	1,228	657	3,251
1991	1,305	1,129	630	3,064
1992	1,882	1,028	–	2,910
1993	2,484	351	–	2,835
1994	2,338	352	–	2,690
1995	2,252	349	–	2,601
1996	2,223	307	–	2,530
1997	2,219	303	–	2,522
1998	1,875	322	–	2,197
1999	1,847	293	–	2,140

*Including foreign-owned banks and branches of foreign banks.

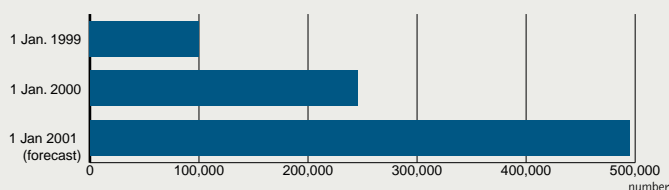
in the form of fewer bank branches, largely because the niche banks are acquiring market shares by using the Internet or the telephone for distribution purposes and customer contacts.

Mergers and acquisitions in the banking industry are also contributing to a reduction in the number of branches.

So far, there has only been limited customer demand for WAP services in the financial arena. The banks were early entrants in this field, and the first services were presented by FöreningsSparbanken in November 1999. But a survey performed by the Cyber Com company in January 2001 indicates that the proportion of WAP customers among the large banks' Internet customers is only a few tenths of one per cent.

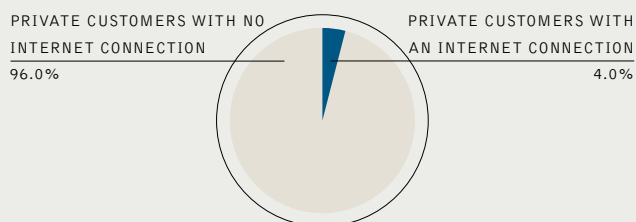
A Finansinspektionen report (2000:3) indicates that the range of Internet services is being rapidly extended and undergoing substantial change. According to the report, the current players are offering Internet services in the areas described in the diagrams.

NUMBER OF PRIVATE CUSTOMERS WITH INTERNET SHARE-TRADING CONTRACTS*



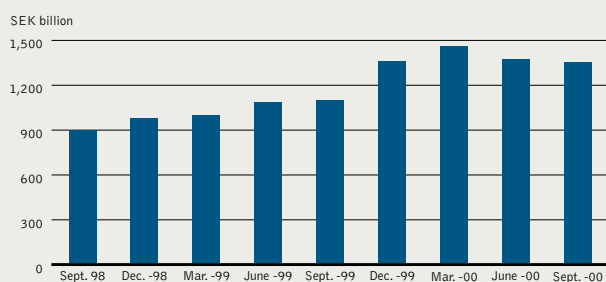
* Figures based on information submitted to Finansinspektionen by Svenska Handelsbanken, Sparbanken Finn, Aktiespararnas Investering, E. Öhman Fondkommission, Teletrade Solutions, FöreningsSparbanken, Avanza, Erik Penser Fondkommission, SEB, and SkandiaBanken.

PRIVATE CUSTOMERS OF BANKS WITH AN INTERNET SERVICE, 1999

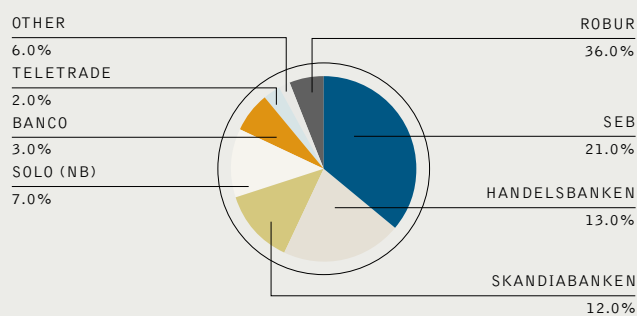


* Figures based on information submitted to Finansinspektionen by SEB, MeritaNordbanken (Group total), Svenska Handelsbanken, FöreningsSparbanken, SkandiaBanken and Sparbanken Finn.

HOUSEHOLD NET FINANCIAL WORTH



INTERNET MUTUAL FUNDS SHARE OF SALES



Market shares of mutual fund sales via the Internet (%). The survey covered a sample of 1,700 Internet users.

Source: Webbarometern

BANKS

In the banking sector, traditional customer contacts, at branches and by mail, continue to predominate (although some smaller banks already use the Internet as their main channel for customer contacts). In their Internet business, the banks supply the broadest possible range of services, including account and payment facilities, e-invoicing (e-giro), e-commerce, credit management, securities trading, information, and advisory services.

SECURITIES COMPANIES

The operations of securities houses on the Internet focus on trading in securities, plus ancillary services such as credits, payment services and information.

In their Internet range, securities companies offer services within the areas of securities trading, financial advice, currency information, and analysis. In this context it should be added that the Internet is the prime channel for communication with customers in the case of security houses that are not linked to a bank – 70-90% of their customer contacts are via the Internet.

INSURANCE COMPANIES

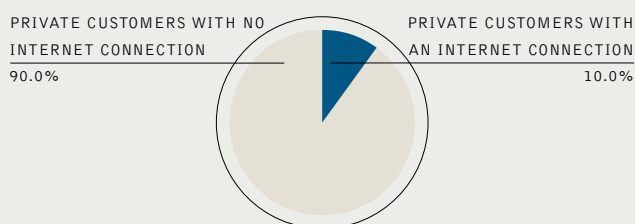
A recent Finansinspektionen report indicates that the telephone is the primary channel for contacts between insurance companies and their customers, although the services on the Internet are confined to information and sales. Several insurance companies offer opportunities to take out non-life policies via the Internet, but the range of life insurance services is far more limited.

INSURANCE BROKERS

In mid-September 1999, Finansinspektionen registered the first insurance broker intending to trade on the Internet. The original permit was for personal insurance, but has now been extended to non-life insurance. A number of permits have subsequently been issued to other brokers for Internet services.

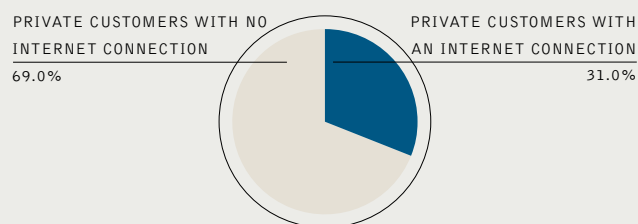
The range of services offered by insurance brokers on the Internet is limited to broking and advice. Finansinspektionen stipulates that an advisory service is an essential requirement for broking operations, irrespective of the distribution channel used.

PRIVATE CUSTOMERS OF BANKS WITH AN INTERNET SERVICE, 2000



* Figures based on information submitted to Finansinspektionen by SEB, MeritaNordbanken (Group total), Svenska Handelsbanken, FöreningsSparbanken, SkandiaBanken and Sparbanken Finn.

PRIVATE CUSTOMERS OF BANKS WITH AN INTERNET SERVICE, 2001 (FORECAST)



* Figures based on information submitted to Finansinspektionen by SEB, MeritaNordbanken (Group total), Svenska Handelsbanken, FöreningsSparbanken, SkandiaBanken and Sparbanken Finn.

During the year Länsförsäkringar has continued its long-term efforts to strengthen its position as a local financial supermarket, with a high degree of expertise and accessibility for its customers. Expertise in the financial area – linked to new ways of working in which technology and a customer focus go hand-in-hand – must be further developed in order to meet the demands of the future, with increasingly complex customer requirements. As a result, the past year was characterized by major investments in skills, and training activities more than doubled.

Wider range of expertise and skills rotation

Länsförsäkringar's unique concept of a strong customer focus and a local presence, has proved successful and, as a result, the LF Insurance Group is expanding and employing new personnel throughout Sweden. Länsförsäkringar is helping to keep Sweden alive by offering interesting jobs with opportunities for personal development, for example in parts of the country with a weak labour market. During the year, virtually all the regional insurance companies expanded, and the number of employees increased by an average of 7%.

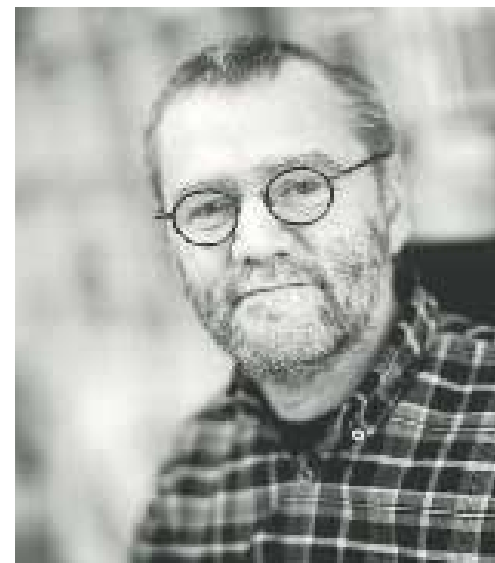
Personnel turnover in the LF Insurance Group averages 10%, with substantial local variations between major urban areas with an increasingly overheated labour market, and rural areas, where turnover is almost non-existent.

The LF Insurance Group's federative structure, with highly customer-oriented and independent organizations, means that

decision-making and responsibilities are located at the local level. This assumes that employees have a high degree of autonomy, and it offers opportunities for participation and influence – factors which are increasingly emphasized by young people.

If Länsförsäkringar is to achieve personal development for employees, this calls for leadership that supports the independence and development of employees and, at the same time, is able to implement changes while maintaining job satisfaction and a sense of security. This makes new and major demands on managers. During the previous year, the LF Group's management training was further developed, and the LF Academy, which was established in 1999, was considerably expanded. In addition to traditional training courses, there are now mentor and network programmes, and distance training, and an e-learning programme is being developed. Länsförsäkringar also offers opportunity for manag-





ement training in an international perspective as a result of its cooperation in EurAPCo.

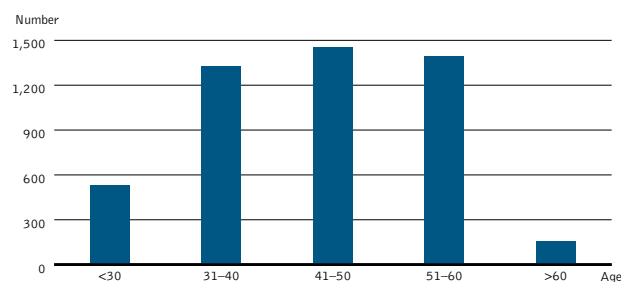
A “pay-dialogue” model was introduced during the year as one aspect of efforts to give managers and staff additional responsibilities. Pay levels are now established in a dialogue between staff members and their immediate superiors, rather than salary negotiations conducted by the personnel department and employee representatives. This is an important element in strengthening the joint responsibility of employees and managers for results. All employees also have a personal career development plan, and several companies perform a skills inventory, using IT tools.

The current age structure in the regional insurance companies will result in a large number of retirements within a few years (the average age in the LF Insurance Group is 44 for women and 45 for men), and this has led to the intensification of efforts to recruit new

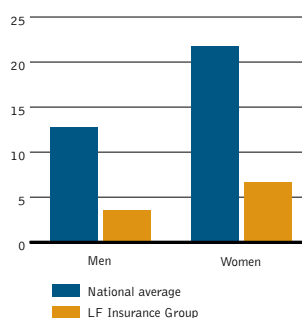
skilled personnel for the future. During the year, increased cooperation with universities and other higher education institutions was initiated, and a trainee programme will commence during 2001.

New technologies and the increased pace of working life are resulting in stress and ill-health in Swedish workplaces. Länsförsäkringar endeavours to offer its employees a sound work environment, with opportunities to achieve a satisfactory balance between the home and work, and has also established physical-welfare and health-care facilities in the workplace. The sickness-absenteeism ratio in the LF Insurance Group, i.e. the number of days of sickness over the year for which whole or partial compensation is received per employee, is currently 5.2 (6.6 for women and 3.6 for men), which may be compared with the national average of 17 days in 1999 (21.7 for women and 12.8 for men). Most of the LF companies conduct annual employee surveys to monitor trends in this area.

AGE DISTRIBUTION IN THE LF INSURANCE GROUP



DAYS OF SICK LEAVE



LÄNSFÖRSÄKRINGAR NORRBOTTEN



Managing Director:
Kjell Lindfors
Board Chairman:
Lars Karbin

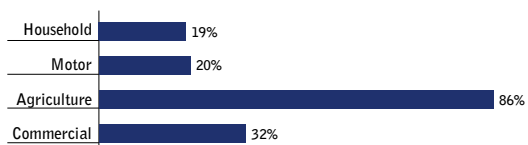


“During 2000 Länsförsäkringar Norrbotten intensified its operations in the savings area. This included the setting-up of a specialized savings organization. Sales of savings products have exceeded expectations for four years in a row.

Following a period of growth, non-life business is currently in a consolidation phase. During this phase, service and sales operations in the county are being reinforced.”

Kjell Lindfors

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS	2000	1999
Result before appropriations and tax, SEK M	0	5
Total assets, SEK M	371	365
Solvency margin, %	107	114
Number of employees	55	49
Non-life operations		
Premium income, SEK M	130	122
Underwriting result, SEK M	0	-13
Combined ratio for own account, %	105	120
Total yield, asset management, %	3	10
Number of customers	45,500	46,800
Life insurance		
Premium income, SEK M	147	113
Underwriting result, SEK M	-42	176
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	1,550	1,301
Number of customers	11,000	10,700
Banking		
Deposits, SEK M	72	64
Lending, SEK M	36	23
Number of customers	3,600	3,300
Mutual funds		
Market value, SEK M	39	28
Gross sales, SEK M	24	6
Number of customers	850	600

LÄNSFÖRSÄKRINGAR VÄSTERBOTTEN



Managing Director:
Rutger Arnesson
Board Chairman:
Anders Nilsson



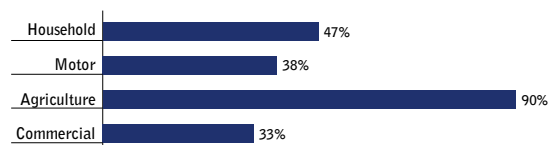
“The market trend continued to be favourable during the year. Our market share exceeds 60% for both home/household and leisure home insurance.

In terms of numbers, the increase was greatest for motor insurance where we now have a market share of 38%.

During the year, the foundations have been laid for aggressive development in the banking and life insurance areas. Considerable successes has already been achieved. The change in the company's earnings trend is entirely due to the downturn in the stock market. The company's relatively large property holdings have acted as a stabilizing factor.”

Rutger Arnesson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS	2000	1999
Result before appropriations and tax, SEK M	-28	196
Total assets, SEK M	1,424	1,439
Solvency margin, %	344	376
Number of employees	118	112
Non-life operations		
Premium income, SEK M	275	261
Underwriting result, SEK M	-2	-7
Bonuses and discounts, SEK M	1	9
Combined ratio for own account, %	105	106
Total yield, asset management, %	-1	24
Number of customers	84,800	82,700
Life insurance		
Premium income, SEK M	252	198
Underwriting result, SEK M	-91	311
Underwriting result, SEK M	16.9	11.5
Bonus interest rate, average during the year, %	0.6	17.5
Total yield, traditional insurance, %	2,640	2,207
Number of customers	19,900	18,900
Banking		
Deposits, SEK M	327	270
Lending, SEK M	54	31
Number of customers	7,400	5,700
Mutual funds		
Market value, SEK M	123	108
Gross sales, SEK M	44	84
Number of customers	2,200	1,450

JÄMTLANDS LÄNSFÖRSÄKRINGSBOLAG



Managing Director:
Sören Westin
Board Chairman:
Arne Normann

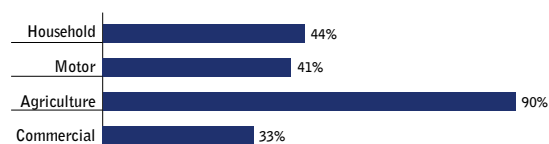


“2000 was a decent year. We were pleased to note increased sales in all product areas – household, motor, agriculture, companies, banking, and life insurance. We achieved the largest increase in banking, where volumes almost doubled compared with the preceding year.

Overall, we achieved a breakeven result, with a small surplus on insurance business. During 2001, we will be continuing efforts to attain an even stronger market position. We shall do this by extending opening hours, recruiting more personnel, and investing more in skills development.”

Sören Westin

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	1	73
Total assets, SEK M	687	687
Solvency margin, %	326	350
Number of employees	62	59
Non-life operations		
Premium income, SEK M	157	146
Underwriting result, SEK M	2	19
Bonuses and discounts, SEK M	–	16
Combined ratio for own account, %	107	98
Total yield, asset management, %	2	18
Number of customers	51,300	50,300
Life insurance		
Premium income, SEK M	84	79
Underwriting result, SEK M	–61	162
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	1,360	1,184
Number of customers	10,100	9,900
Banking		
Deposits, SEK M	134	95
Lending, SEK M	70	30
Number of customers	3,200	2,350
Mutual funds		
Market value, SEK M	32	26
Gross sales, SEK M	16	7
Number of customers	1,000	600

LÄNSFÖRSÄKRINGAR VÄSTERNORRLAND



Managing Director:
Anders Hörnfeldt
Board Chairman:
Anders Källström

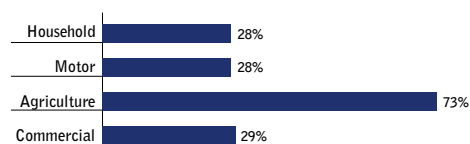


“The year was characterized by many substantial claims, due to several cases of flooding and a large number of fires. Over the year we had the largest rise in non-life premiums in the company’s history, and efforts to clarify out customers’ ownership role have been intensified.

Brand extension has been successful, particularly in connection with the national premium pension scheme, and sales volumes in life insurance increased by as much as 67%. Successful asset management under difficult circumstances enabled us to keep the overall loss down to SEK 4 M. There is an increasing emphasis on brand-extension, and the focus is now on the development of banking as a hub in our dealings with customers.”

Anders Hörnfeldt

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	–4	75
Total assets, SEK M	677	674
Solvency margin, %	263	280
Number of employees	83	78
Non-life operations		
Premium income, SEK M	205	193
Underwriting result, SEK M	–8	–2
Bonuses and discounts, SEK M	–	30
Combined ratio for own account, %	119	115
Total yield, asset management, %	6	24
Number of customers	59,800	57,700
Life insurance		
Premium income, SEK M	165	142
Underwriting result, SEK M	–99	302
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	2,518	2,195
Number of customers	16,400	15,800
Banking		
Deposits, SEK M	178	142
Lending, SEK M	37	27
Number of customers	4,600	3,650
Mutual funds		
Market value, SEK M	76	55
Gross sales, SEK M	40	24
Number of customers	29,100	23,900

LÄNSFÖRSÄKRINGAR GÄVLEBORG

Managing Director:
Janaxel Näsman
Board Chairman:
Kjell Stafström

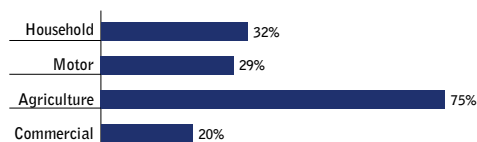


“Floods and thunderstorms once again contributed to poor results in consumer business. But compared with last year, the deficit on insurance business was reduced, due to low levels of commercial and motor claims. Total earnings, at SEK 72 M (158), are good in the light of the turbulence in the financial markets.

Unfortunately, the population of nine out of the county's ten municipalities is continuing to fall. Despite this we are still picking up market volume. We anticipate continued high volume growth, primarily in the savings market where we have built up an organization to meet tomorrow's demands for expertise and flexibility.”

Janaxel Näsman

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	72	158
Total assets, SEK M	953	823
Solvency margin, %	342	319
Number of employees	91	93
Non-life operations		
Premium income, SEK M	195	184
Underwriting result, SEK M	-10	-17
Combined ratio for own account, %	109	113
Total yield, asset management, %	12	29
Number of customers	66,600	65,200
Life insurance		
Premium income, SEK M	169	136
Underwriting result, SEK M	-106	258
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	2,238	1,898
Number of customers	20,800	20,500
Banking		
Deposits, SEK M	175	136
Lending, SEK M	47	33
Number of customers	4,700	3,700
Mutual funds		
Market value, SEK M	51	48
Gross sales, SEK M	19	17
Number of customers	1,500	1,000

DALARNAS FÖRSÄKRINGSBOLAG

Managing Director:
Anders Stigers
Board Chairman:
Bengt Gabrils



“The balance in our insurance business and our strong financial position enable us to offer customers unique benefits – for example competitive premiums, owner discounts, loyalty bonuses and, of course, local and personal service. During the year, this resulted in substantial growth in our non-life market shares, which were already high.

We are in the midst of major expansion on the savings market. Our aim is to create the same kind of security for our customers in this area too. We are achieving this by sticking to the fundamentals of our operations – being local, accessible and independent – and we are building on these strong points by reinforcing our expertise and using new technologies.”

Anders Stigers

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-190	1,015
Total assets, SEK M	3,577	3,929
Solvency margin, %	598	709
Number of employees	144	133
Non-life operations		
Premium income, SEK M	498	504
Underwriting result, SEK M	14	77
Bonuses and discounts, SEK M	58	233
Combined ratio for own account, %	107	107
Total yield, asset management, %	-3	57
Number of customers	130,700	125,300
Life insurance		
Premium income, SEK M	269	240
Underwriting result, SEK M	-118	429
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	3,350	2,886
Number of customers	24,300	23,400
Banking		
Deposits, SEK M	359	296
Lending, SEK M	119	71
Number of customers	9,000	6,900
Mutual funds		
Market value, SEK M	109	94
Gross sales, SEK M	46	38
Number of customers	3,700	1,800

LÄNSFÖRSÄKRINGAR VÄRMLAND



Managing Director:
Ulf Eriksson

Board Chairman:
Folke Andersson

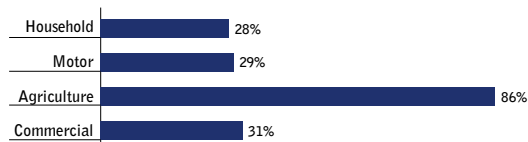


“The floods that inundated Arvika during the autumn will be remembered here for a long time. The terms of our policies and our local presence put pressure on our competitors. Länsförsäkringar’s positive image has been reinforced as a result.

Extension of our brand is evident, both within the company and in the market. Sales of financial services have continued to increase. We are opening a new bank branch in the spring to cater for additional customers. In Värmland, we are satisfied with the year’s earnings of SEK 20 M (23) and a combined ratio of 104 (107).”

Ulf Eriksson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	20	23
Total assets, SEK M	709	667
Solvency, margin, %	173	179
Number of employees	83	83
Non-life, operations		
Premium income, SEK M	218	198
Underwriting result, SEK M	11	-6
Combined ratio for own account, %	104	107
Total yield, asset management, %	3	7
Number of customers	67,000	66,200
Life insurance		
Premium income, SEK M	166	111
Underwriting result, SEK M	-45	227
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	2,014	1,706
Number of customers	15,500	15,500
Banking		
Deposits, SEK M	121	84
Lending, SEK M	48	15
Number of customers	3,600	2,550
Mutual funds		
Market value, SEK M	46	42
Gross sales, SEK M	19	19
Number of customers	1,100	800

LÄNSFÖRSÄKRINGAR UPPSALA



Managing Director:
Ann-Christin Norrström

Board Chairman:
Björn Sundell

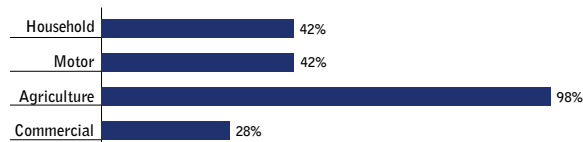


“As the new managing director, I am delighted at the fantastic increase in our sales – 10,000 new policies and more than SEK 17 M in premiums. This favourable trend applies to both the private and commercial market. The selection process in the premium pension scheme gave us more than 10% of the managed pension capital in the county.

Major declines in the value of our equities portfolio led to relatively poor earnings. Premiums also need to be raised in several business areas. We cannot rely on the financial net in the future. Instead, we have to increase the profitability of our non-life business. For several years in succession, we have been able to distribute bonuses to our customers/owners. This year we are distributing bonuses of almost SEK 28 M.”

Ann-Christin Norrström

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-71	230
Total assets, SEK M	1,368	1,394
Solvency margin, %	332	376
Number of employees	125	116
Non-life operations		
Premium income, SEK M	324	305
Underwriting result, SEK M	-31	29
Bonuses and discounts, SEK M	28	27
Combined ratio for own account, %	116	109
Total yield, asset management, %	2	30
Number of customers	84,900	80,400
Life insurance		
Premium income, SEK M	302	259
Underwriting result, SEK M	-138	435
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	3,876	3,366
Number of customers	26,100	25,400
Banking		
Deposits, SEK M	295	252
Lending, SEK M	49	34
Number of customers	7,000	5,500
Mutual funds		
Market value, SEK M	122	109
Gross sales, SEK M	44	36
Number of customers	3,600	2,500

LÄNSFÖRSÄKRINGAR BERGSLAGEN

Managing Director:

Jan Karlsson

Board Chairman:

Frans-Henrik Schartau



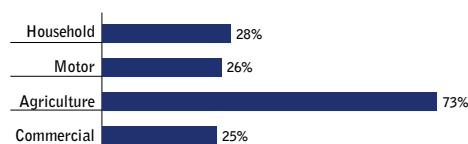
“The company has noted a positive volume trend in all business areas, primarily in motor insurance and savings. The costs of a number of major claims were reduced as a result of satisfactory reinsurance.

Financial income of SEK 80 M was achieved, despite turbulence in the financial markets. There was a positive yield of 4.8% on the Swedish equities portfolio, compared with a deficit of 12% for the general index.

Earnings amounted to SEK 49 M before the distribution of bonuses of SEK 36 M to owners, including SEK 19 M in the form of a refund from SPP. We look forward to continued expansion, primarily within life insurance, banking and mutual funds. We have also embarked on the ISO 14001 environmental certification process.”

Jan Karlsson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	13	233
Total assets, SEK M	1,682	1,634
Solvency margin, %	347	379
Number of employees	160	147
Non-life operations		
Premium income, SEK M	354	320
Underwriting result, SEK M	35	31
Bonuses and discounts, SEK M	36	33
Combined ratio for own account, %	113	109
Total yield, asset management, %	6	24
Number of customers	104,400	100,200
Life insurance		
Premium income, SEK M	390	343
Underwriting result, SEK M	-184	528
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	4,808	4,322
Number of customers	27,800	27,500
Banking		
Deposits, SEK M	284	228
Lending, SEK M	114	47
Number of customers	7,600	6,050
Mutual funds		
Market value, SEK M	107	80
Gross sales, SEK M	40	18
Number of customers	2,500	1,650

LÄNSFÖRSÄKRINGAR STOCKHOLM

Managing Director:

Carl Dahlberg

Board Chairman:

Bengt Ljungqvist

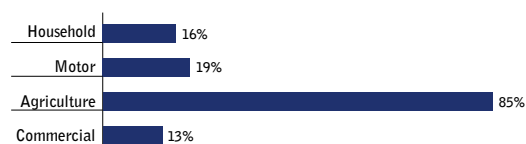


“2000 was a poor year from a financial perspective. Claim costs for non-life business rose substantially, and investment income was low due to the decline in stock market prices during the autumn. At the same time, we achieved an increase in our insurance portfolio in all market segments.

We exceeded our anticipated outcome in the premium pension selection process by a considerable margin. During the year, we opened a new office at Täby Centrum shopping complex to the north of Stockholm, and our office in Södertälje moved to new premises in a retail location. During 2001 we will make efforts to increase our number of full-service customers by offering them the LänsBonus package. This will also enable us to continue to extend our brand.”

Carl Dahlberg

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-161	255
Total assets, SEK M	2,180	2,298
Solvency margin, %	138	166
Number of employees	438	405
Non-life operations		
Premium income, SEK M	823	790
Underwriting result, SEK M	-145	-58
Combined ratio for own account, %	123	123
Total yield, asset management, %	2	26
Number of customers	223,800	217,800
Life insurance		
Premium income, SEK M	2,402	2,124
Underwriting result, SEK M	-1,354	3,158
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	31,839	28,178
Number of customers	108,500	108,200
Banking		
Deposits, SEK M	2,550	2,452
Lending, SEK M	613	354
Number of customers	50,500	45,000
Mutual funds		
Market value, SEK M	830	811
Gross sales, SEK M	241	187
Number of customers	11,700	8,950

LÄNSFÖRSÄKRINGAR SÖDERMANLAND



Managing Director:
Anna-Greta Lundh

Board Chairman:
Axel von Stockenström

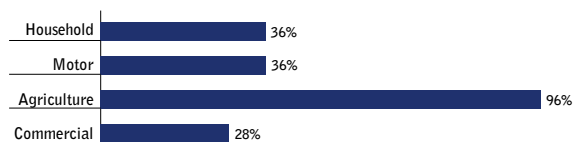


“2000 was a really bad year for us in terms of financial outcome. There were many claims and some large ones, a few due to a pyromaniac in the northern part of the county. Overall, claims costs rose by over 30%.

Sales of motor policies made a pleasant contrast – we increased our market share from 30% to 32%. We are also very pleased with the outcome of the premium pension scheme in which a high proportion of the county's inhabitants chose Länsförsäkringar, and we were entrusted with management of 7.4% of the capital. In 2001 we are continuing our efforts to gain a position in the county's banking market, and also to increase market shares in the occupational pension sector.”

Anna-Greta Lundh

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-24	151
Total assets, SEK M	920	940
Solvency margin, %	286	298
Number of employees	94	93
Non-life operations		
Premium income, SEK M	261	246
Underwriting result, SEK M	0	12
Bonuses and discounts, SEK M	-	24
Combined ratio for own account, %	116	107
Total yield, asset management, %	1	27
Number of customers	69,300	66,800
Life insurance		
Premium income, SEK M	144	138
Underwriting result, SEK M	-117	241
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	2,117	1,913
Number of customers	15,600	15,300
Banking		
Deposits, SEK M	193	147
Lending, SEK M	66	43
Number of customers	5,100	4,000
Mutual funds		
Market value, SEK M	68	58
Gross sales, SEK M	27	20
Number of customers	1,800	1,300

LÄNSFÖRSÄKRINGAR GÖTEBORG OCH BOHUSLÄN



Managing Director:
Ingemar Larsson

Board Chairman:
Svante Järbur

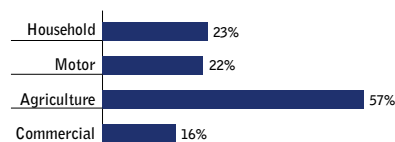


“The biggest event of the past year was the opening of our new service centre for banking and insurance in central Gothenburg. Other positive factors included the highly favourable sales results for life and non-life insurance in both the private and commercial markets.

The investments we made in skills development in the IT field have also been successful. But in terms of overall financial outcome, the year was the worst ever for the company, due to the decline in the stock market.”

Ingemar Larsson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-45	307
Total assets, SEK M	1,711	1,722
Solvency margin, %	253	285
Number of employees	216	192
Non-life operations		
Premium income, SEK M	485	463
Underwriting result, SEK M	-6	63
Bonuses and discounts, SEK M	-	25
Combined ratio for own account, %	107	95
Total yield, asset management, %	0	29
Number of customers	143,100	136,100
Life insurance		
Premium income, SEK M	868	700
Underwriting result, SEK M	-291	1,216
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	9,970	8,396
Number of customers	44,800	42,600
Banking		
Deposits, SEK M	499	403
Lending, SEK M	62	42
Number of customers	13,200	10,900
Mutual funds		
Market value, SEK M	226	212
Gross sales, SEK M	81	115
Number of customers	5,800	3,050

LÄNSFÖRSÄKRINGAR SKARABORG

Managing Director:
Carl Henrik Ohlsson
Board Chairman:
Yvon Larsson

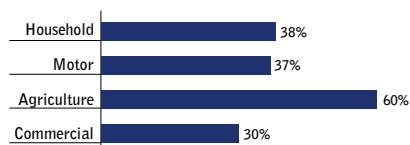


“Despite a tough year for claims, the company achieved a positive underwriting result of SEK 11 M. Market growth – especially in financial services, but also in the commercial, agricultural and private markets – and continued reductions in operating expenses contributed to earnings. Our asset-management operations developed relatively well, providing an income of SEK 27 M.

The major volume growth in financial services is due to our long-term strategic efforts. The company has been reorganized in accordance with the extension of our brand profile, with a clear customer focus. We have gone through all the processes, and obtained ISO 9001:2000 and ISO 14001 certification for quality and environmental management. We are the first insurance company in Sweden to have achieved this.”

Carl Henrik Ohlsson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	14	112
Total assets, SEK M	1,000	986
Solvency margin, %	283	285
Number of employees	91	88
Non-life operations		
Premium income, SEK M	274	264
Underwriting result, SEK M	11	18
Bonuses and discounts, SEK M	–	16
Combined ratio for own account, %	106	99
Total yield, asset management, %	3	17
Number of customers	74,300	74,500
Life insurance		
Premium income, SEK M	175	190
Underwriting result, SEK M	–100	397
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	3,060	2,594
Number of customers	18,500	18,000
Banking		
Deposits, SEK M	227	201
Lending, SEK M	84	40
Number of customers	6,000	5,100
Mutual funds		
Market value, SEK M	118	110
Gross sales, SEK M	35	40
Number of customers	22,200	19,400

ÖSTGÖTA BRANDSTODSBOLAG

Managing Director:
Jan-Gunnar Persson
Board Chairman:
Gunnar Gunnarsson

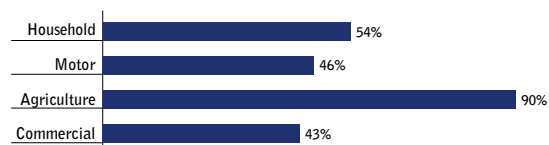


“Our non-life policy portfolio expanded in all sectors. For example, the number of motor policies rose by almost 8,000. Insurance business showed a surplus before bonuses and owner discounts, but the financial outcome was poor. Despite an overall loss, the company is distributing a bonus of 15% due to the strong growth of assets in recent years. After bonus distribution and tax, the loss amounted to SEK 90 M.

Slightly more than 25% of personnel are now involved in life insurance and banking. Our goal is to achieve volume growth of 30% per year. This target was not achieved for life insurance during the year, but we succeeded in the banking sector, where deposits rose to over SEK 500 M, and lending – including the transfer of loans to SBAB – approached SEK 400 M.”

Jan-Gunnar Persson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	–114	448
Total assets, SEK M	2,945	3,036
Solvency margin, %	491	563
Number of employees	208	179
Non-life operations		
Premium income, SEK M	509	471
Underwriting result, SEK M	7	52
Bonuses and discounts, SEK M	100	109
Combined ratio for own account, %	116	109
Total yield, asset management, %	2	28
Number of customers	143,500	138,300
Life insurance		
Premium income, SEK M	459	360
Underwriting result, SEK M	–97	433
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	3,997	3,318
Number of customers	32,400	30,100
Banking		
Deposits, SEK M	506	357
Lending, SEK M	163	90
Number of customers	10,300	7,200
Mutual funds		
Market value, SEK M	116	96
Gross sales, SEK M	52	25
Number of customers	3,400	2,700

LÄNSFÖRSÄKRINGAR ÄLVSBORG



Managing Director:
Jan Fager

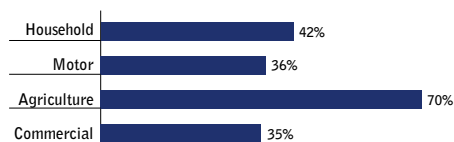
Board Chairman:
Fredrik Waern



“There was a surplus of SEK 1 M on insurance business. But the overall loss before tax, appropriations and bonuses was SEK 67 M, due to the poor performance of the stock exchange during the year. In terms of volume, banking increased by 49%, and life and pension products by 90%. There was a healthy increase in non-life business, particularly in motor insurance. Bonuses were distributed for the tenth year in a row. During 2001, the company will reach the distinguished age of 160. Although we are aware of the responsibilities this implies, we will continue to pursue the business concept that our forefathers established in 1841, in a spirit of humility and pride. A stable financial base combined with committed and skilled personnel provides a good platform on which to build.”

Jan Fager

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-85	384
Total assets, SEK M	2,184	2,252
Solvency margin, %	347	454
Number of employees	204	198
Non-life operations		
Premium income, SEK M	516	431
Underwriting result, SEK M	1	49
Bonuses and discounts, SEK M	28	92
Combined ratio for own account, %	103	104
Total yield, asset management, %	-2	30
Number of customers	132,000	128,700
Life insurance		
Premium income, SEK M	386	257
Underwriting result, SEK M	-77	534
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	4,445	3,712
Number of customers	27,700	26,100
Banking		
Deposits, SEK M	472	340
Lending, SEK M	152	84
Number of customers	11,600	8,500
Mutual funds		
Market value, SEK M	162	125
Gross sales, SEK M	78	51
Number of customers	55,800	39,600

LÄNSFÖRSÄKRINGAR GOTLAND



Managing Director:
Leif Ellström

Board Chairman:
Gösta af Petersens

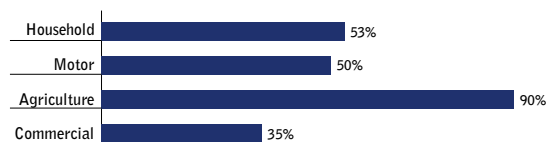


“Our development in the savings market – in banking, life insurance and mutual funds – was highly favourable during 2000. The number of bank and mutual fund customers increased by 43%, and the number of life and pension policies by 22%. In the premium pension scheme selection process, 14.3 of the total capital in Gotland was invested in Länsförsäkringar's mutual funds.

There was also an increase in non-life business, both in the number of customers and market shares. Claims costs were within budget and the underwriting result was positive. The decline in stock market prices led to a reduction in the value of the company's share portfolios. As a result, overall the company reported a pre-tax loss for the year.”

Leif Ellström

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-3	104
Total assets, SEK M	486	511
Solvency margin, %	535	583
Number of employees	28	26
Non-life operations		
Premium income, SEK M	79	76
Underwriting result, SEK M	3	15
Bonuses and discounts, SEK M	-	11
Combined ratio for own account, %	99	91
Total yield, asset management, %	-1	26
Number of customers	22,400	21,600
Life insurance		
Premium income, SEK M	28	23
Underwriting result, SEK M	-6	34
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	366	296
Number of customers	4,000	3,700
Banking		
Deposits, SEK M	90	65
Lending, SEK M	84	47
Number of customers	1,950	1,350
Mutual funds		
Market value, SEK M	14	10
Gross sales, SEK M	7	4
Number of customers	700	500

LÄNSFÖRSÄKRINGAR JÖNKÖPING



Managing Director:
Johan Svedberg
Board Chairman:
Evert Svensson



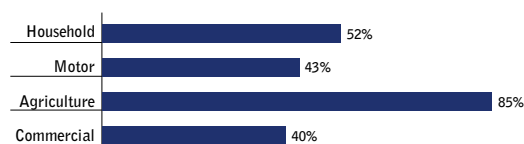
“From a market perspective, 2000 was a very good year. Strong market development in the non-life sector resulted in a positive underwriting result of SEK 38 M. The company achieved substantial growth in the savings market, life insurance and banking services.

During 2001, we are reinforcing our efforts in these areas.

The price trend on the stock market resulted in unrealized losses, which had a negative impact on asset management. However, our financial strength was such that we were not affected to any decisive extent. Our solvency margin is 246%, and the values of other important insurance-industry key ratios continue to be highly satisfactory.”

Johan Svedberg

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-78	178
Total assets, SEK M	1,257	1,323
Solvency margin, %	246	275
Number of employees	133	129
Non-life operations		
Premium income, SEK M	354	353
Underwriting result, SEK M	38	4
Bonuses and discounts, SEK M	-	36
Combined ratio for own account, %	102	99
Total yield, asset management, %	-5	23
Number of customers	105,200	101,500
Life insurance		
Premium income, SEK M	260	226
Underwriting result, SEK M	-210	464
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	3,996	3,391
Number of customers	22,900	22,000
Banking		
Deposits, SEK M	276	209
Lending, SEK M	72	44
Number of customers	6,500	5,100
Mutual funds		
Market value, SEK M	82	76
Gross sales, SEK M	27	18
Number of customers	2,100	1,550

LÄNSFÖRSÄKRINGAR HALLAND



Managing Director:
Mats Ericsson
Board Chairman:
Erling Johansson

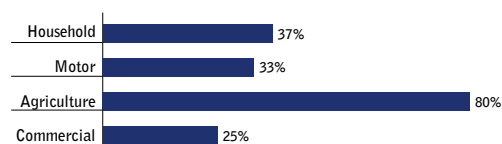


“2000 was another strong year for Länsförsäkringar Halland in the market place. In motor insurance, we had an increase of 4,6000 policies, in home/household 1,000, and in the commercial sector the figure was more than 230. Volume growth in life insurance was 59%, bank deposits rose by 45%, bank lending increased by 80%, and mutual fund saving by 50%.

Growth led to the creation of new jobs in Halland. Proximity to the customer was further reinforced during the year by the establishment of new branch offices in the county. In view of the turbulent year on the stock market, the operating income was satisfactory.”

Mats Ericsson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	3	271
Total assets, SEK M	1,279	1,298
Solvency margin, %	470	462
Number of employees	113	107
Non-life operations		
Premium income, SEK M	225	229
Underwriting result, SEK M	18	20
Combined ratio for own account, %	104	106
Total yield, asset management, %	2	30
Number of customers	74,000	71,300
Life insurance		
Premium income, SEK M	230	173
Underwriting result, SEK M	-133	418
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	3,768	3,183
Number of customers	19,200	18,300
Banking		
Deposits, SEK M	294	202
Lending, SEK M	139	77
Number of customers	6,700	4,600
Mutual funds		
Market value, SEK M	117	78
Gross sales, SEK M	62	30
Number of customers	35,800	18,200

LÄNSFÖRSÄKRING KRONOBERG



Managing Director:
Dick Söderlund

Board Chairman:
Per-Åke Holgersson

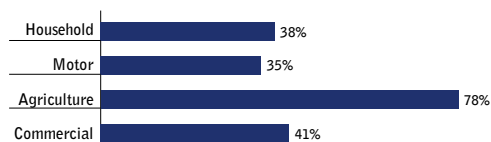


“The sales trend in life and non-life insurance was been the best since the 1980s, when we had several years of gains in market share. In non-life business, the most favourable developments have been in the commercial and car insurance segments.

Claims costs were somewhat higher than estimated, largely because losses due to burglaries increased by 40%. Our operating expenses currently lie above our long-term target levels, due to the rapid increase in the cost of IT development. We have also expanded our staff and our office floor space to cater for increased customer flows, while maintaining our service level.”

Dick Söderlund

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-17	89
Total assets, SEK M	577	571
Solvency margin, %	221	248
Number of employees	65	60
Non-life operations		
Premium income, SEK M	179	166
Underwriting result, SEK M	-13	5
Bonuses and discounts, SEK M	-	4
Combined ratio for own account, %	111	100
Total yield, asset management, %	2	22
Number of customers	48,400	47,000
Life insurance		
Premium income, SEK M	204	174
Underwriting result, SEK M	-114	363
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	3,018	2,607
Number of customers	13,700	13,300
Banking		
Deposits, SEK M	171	144
Lending, SEK M	30	18
Number of customers	3,550	3,000
Mutual funds		
Market value, SEK M	48	58
Gross sales, SEK M	16	27
Number of customers	2,400	2,050

LÄNSFÖRSÄKRINGAR KALMAR LÄN



Managing Director:
Lars B Danielsson

Board Chairman:
Jan Peter Pontén

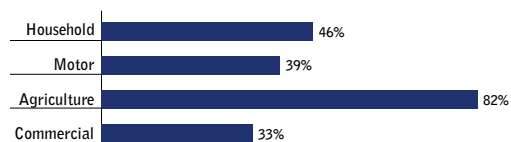


“2000 was a good year for us in many respects. There was strong development in several product areas. The strong growth of recent years, especially in private non-life policies, continued. In the savings area, we achieved substantial success, as we did with the premium pension scheme. We are pleased to report that our combined expense ratio is once again less than 100%.

Due to the poor trend on the stock exchange, investment income was considerably lower than in the preceding year. But the technical result was good, and we are distributing total bonuses of SEK 13 M. This means that our customers/owners have received a total of SEK 240 M in bonuses during the past eight years.”

Lars B Danielsson

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-42	229
Total assets, SEK M	1,345	1,448
Solvency margin, %	387	445
Number of employees	117	102
Non-life operations		
Premium income, SEK M	294	274
Underwriting result, SEK M	19	28
Bonuses and discounts, SEK M	13	77
Combined ratio for own account, %	98	102
Total yield, asset management, %	-2	28
Number of customers	78,500	75,600
Life insurance		
Premium income, SEK M	284	236
Underwriting result, SEK M	-22	363
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	2,925	2,474
Number of customers	16,500	15,900
Banking		
Deposits, SEK M	158	127
Lending, SEK M	43	26
Number of customers	3,900	3,100
Mutual funds		
Market value, SEK M	49	44
Gross sales, SEK M	19	14
Number of customers	1,400	1,200

BLEKINGE LÄNSFÖRSÄKRINGSBOLAG

Managing Director:

Jan Otterheim

Board Chairman:

Anders Åkesson



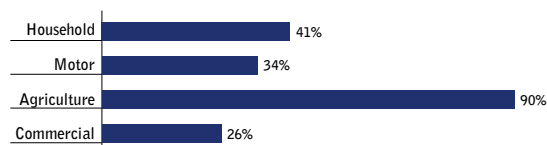
“There were contradictory trends at the beginning of the year. Volume in non-life rose by more than 10%, and expansion in the savings area continued. The company’s customers and owners received almost SEK 90 M in bonuses.

On the other hand, claims costs increased from a level that was already far too high. In combination with reduced asset management income, this meant a considerably weaker result than in 1999.

The company is well equipped to face the future, with the most satisfied customers in the industry, committed employees and financial strength. The development of the local financial supermarket is continuing, with banking operations as the financial hub, and with a focus on customer benefit.”

Jan Otterheim

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	7	133
Total assets, SEK M	602	609
Solvency margin, %	474	511
Number of employees	48	45
Non-life operations		
Premium income, SEK M	106	98
Underwriting result, SEK M	0	-1
Bonuses and discounts, SEK M	-	21
Combined ratio for own account, %	119	122
Total yield, asset management, %	5	30
Number of customers	43 700	41 700
Life insurance		
Premium income, SEK M	78	77
Underwriting result, SEK M	-42	182
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	1 459	1 236
Number of customers	8 100	7 600
Banking		
Deposits, SEK M	93	80
Lending, SEK M	23	14
Number of customers	2 300	1 900
Mutual funds		
Market value, SEK M	28	26
Gross sales, SEK M	13	7
Number of customers	900	650

LÄNSFÖRSÄKRINGAR GÖINGE

Managing Director:

Lars-Åke Hörlén

Board Chairman:

Lave Olsson

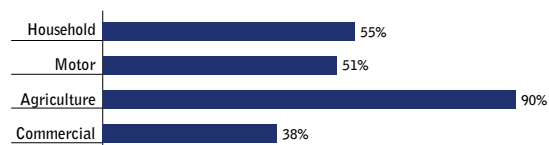


“Earnings fell drastically in comparison with 1999. In the non-life sector, we strengthened our positions in both the private and commercial markets, and in motor insurance. We now have a market share in excess of 50% for motor insurance, and the claims result for the year was satisfactory.

There was a marked increase in sales of personal insurance, but services within other savings segments did not fully meet expectations. In the premium pension selection process, local residents placed 9.7% of their capital with Länsförsäkringar. The yield on financial operations contrasted with the performance in recent years. In allocation terms, the trend was nonetheless satisfactory, due to property investments.”

Lars-Åke Hörlén

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

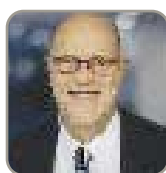
	2000	1999
Result before appropriations and tax, SEK M	3	71
Total assets, SEK M	461	473
Solvency margin, %	365	349
Number of employees	39	37
Non-life operations		
Premium income, SEK M	105	108
Underwriting result, SEK M	0	11
Bonuses and discounts, SEK M	-	13
Combined ratio for own account, %	115	104
Total yield, asset management, %	4	24
Number of customers	29 900	29 300
Life insurance		
Premium income, SEK M	63	51
Underwriting result, SEK M	-43	139
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	1 181	996
Number of customers	6 500	6 400
Banking		
Deposits, SEK M	80	70
Lending, SEK M	8	4
Number of customers	1 700	1 350
Mutual funds		
Market value, SEK M	26	23
Gross sales, SEK M	8	6
Number of customers	900	700

LÄNSFÖRSÄKRINGAR KRISTIANSTAD



Managing Director:
Conny Famm

Board Chairman:
Göran Trobro

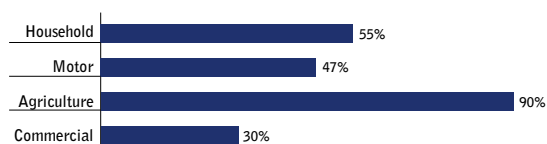


“Our company had a successful year in the market during 2000. The number of policies increased in all non-life areas. There was a considerable demand for our personal insurance, banking and mutual fund products, and the sales trend was favourable. The premium pension selection process in the autumn was also successful, and 19% of the population in our area chose one of our mutual funds.

The year was considerably less successful in terms of profitability, primarily due to developments in the financial markets and, in particular, the stock market. During 2001, we will significantly strengthen our local presence by setting up a new, separate banking office and installing a readily accessible automatic teller machine.”

Conny Famm

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	5	70
Total assets, SEK M	486	511
Solvency margin, %	362	363
Number of employees	42	40
Non-life operations		
Premium income, SEK M	112	113
Underwriting result, SEK M	8	12
Bonuses and discounts, SEK M	1	16
Combined ratio for own account, %	109	99
Total yield, asset management, %	2	25
Number of customers	33,400	32,100
Life insurance		
Premium income, SEK M	72	55
Underwriting result, SEK M	-54	122
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	1,116	912
Number of customers	6,600	6,500
Banking		
Deposits, SEK M	111	86
Lending, SEK M	25	11
Number of customers	2,200	1,500
Mutual funds		
Market value, SEK M	40	31
Gross sales, SEK M	17	8
Number of customers	900	600

LÄNSFÖRSÄKRINGAR SKÅNE



Managing Director:
Jan Fock

Board Chairman:
Gunnar Kinch

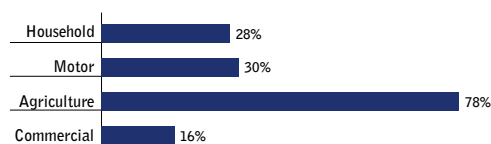


“The year’s sales were successful in both non-life and life insurance, and also in banking and mutual funds. On the non-life insurance side, there were 2,000 new policies. Due to the decline in stock market prices and increased claims costs, overall earnings for the year amounted to SEK 2 M. The final outcome, including joint business and finance, but before appropriations and tax, was a loss of SEK 33 M.

By mobilizing our resources, we managed to settle most of the approximately 12,000 storm-related claims from 1999 during the year. We acquired Canhus AB, Skåne’s leading property-estate agents in order to extend our brand to encompass savings, and to establish a new sales channel.”

Jan Fock

MARKET SHARE, NON-LIFE, PER PRODUCT AREA



KEY RATIOS

	2000	1999
Result before appropriations and tax, SEK M	-33	248
Total assets, SEK M	2,350	2,605
Solvency margin, %	239	252
Number of employees	317	294
Non-life operations		
Premium income, SEK M	634	618
Underwriting result, SEK M	-9	48
Bonuses and discounts, SEK M	-	51
Combined ratio for own account, %	113	103
Total yield, asset management, %	3	21
Number of customers	203,300	195,700
Life insurance		
Premium income, SEK M	732	606
Underwriting result, SEK M	-495	1,397
Bonus interest rate, average during the year, %	16.9	11.5
Total yield, traditional insurance, %	0.6	17.5
Total insurance capital, SEK M	12,841	11,161
Number of customers	62,800	60,500
Banking		
Deposits, SEK M	413	354.8
Lending, SEK M	176	101.2
Number of customers	14,600	12,800
Mutual funds		
Market value, SEK M	240	238
Gross sales, SEK M	60	41
Number of customers	5,500	4,400

The hub for development

Länsförsäkringar AB, which is a subsidiary of the 24 independent, mutual regional insurance companies, is a financial Group and the development hub within the LF Insurance Group. Its assignment is to contribute to the success of the regional companies, and Länsförsäkringar AB supplies them with services, development operations and financial products, as well as third-party motor insurance and reinsurance. Länsförsäkringar AB has been considerably restructured in recent years. Prior to the acquisition of Wasa in 1998, Länsförsäkringar AB's tasks were largely focused on the provision of services and development functions for the regional companies' non-life operations. It also underwrote certain types of non-life business directly (third-party motor and industrial insurance) and managed the LF Insurance Group's reinsurance programme.

To a large extent, Länsförsäkringar AB is a different company today. It still carries out its previous assignments but it has now become one of the major financial institutions in Sweden, managing assets of SEK 193 billion. The overall responsibilities have not changed, however, and are now stated in clearer terms: Länsförsäkringar AB is to contribute to the success of the regional companies by reinforcing their local presence and customer contacts. This involves building dynamic development operations for the entire LF Insurance Group and conducting profitable operations in the insurance, banking, mutual fund and asset management spheres. The number of employees has doubled since 1997 to enable the company to handle these tasks, and there are now approximately 1,700 employees.

The financial results for the year were positive – including the underwriting result of non-life business and operating income before appropriations and tax. The underwriting result improved and amounted to SEK 148 M (103) due, for example to increased

efficiency as a result of a reduction of about SEK 50 M in operating expenses. Income for the year includes a refund of SEK 101.6 M from the SPP (Swedish Staff Pension Society) consolidation surplus. Operating income amounted to SEK 402 M (1,658). Income in the preceding year included a gain of SEK 1,322 M on the divestment of the unit-linked life insurance company.

Länsförsäkringar AB is one of the largest development centres in Sweden because it manages all joint development operations for the LF Insurance Group. This makes demands on employees' skills and expertise, managers' leadership qualities and the company's strategies for recruitment and skills development. Extensive and increasing efforts are made to establish an inventory of current skills, relate them to future needs, and use this information to prepare training programmes for existing employees and recruitment measures, where required. Special management training and development programmes are implemented on a continuous basis.

Annual NMI surveys are conducted every year to assess employee job satisfaction and attitudes to management. The results have improved consistently since these surveys commenced in 1998. Employees feel more at home with Länsförsäkringar AB than in comparable companies, and are satisfied with the management structure. Efforts to meet the target of having the "most satisfied employees in Sweden" will be intensified in the coming year.

Länsförsäkringar AB faces considerable challenges in the future. As an increasingly important hub in the LF Insurance Group, Länsförsäkringar AB must reinforce the successful formula of a strong local presence and short decision paths, and ensure that centralization does not weaken these factors. As a result, Länsförsäkringar AB must increasingly focus on becoming a centre for expertise and development which enhances operations, and transfers business to the regional companies when the time is ripe. This



calls for a clear strategy, succinct ownership, strong finances and a high level of employee skills. Länsförsäkringar AB has these prerequisites.

COMMENTS ON RESULTS

Premium income

The Group's premium income for own account amounted to :

	2000	1999
Non-life insurance, SEK M	2,705	2,502
Unit-linked life insurance, SEK M	–	2,806

The unit-linked life insurance company was divested on 31 December 1999. Its earnings were included in consolidated income in 1999, but did not affect income in 2000.

Results

Consolidated income before tax amounted to SEK 402 M (1,658). Income in the preceding year included a gain of SEK 1,322 M on the divestment of the unit-linked insurance company to Länsförsäkringar Wasa Liv.

The underwriting result amounted to a total of SEK 148 M (7) and the remaining investment income amounted to SEK 301 (1,665).

Total investment income amounted to SEK 1,016 M (2,363), including unrealized net gains of SEK 257 M (deficit: 362), a foreign exchange loss of SEK 188 M (loss: 29), and gains of SEK 379 M (2,066) on the sale of assets. SEK 715 M (698) was transferred to insurance operations.

Income from banking operations was SEK 67 M (24), and there was a loss on mutual fund management of SEK 10 M (loss: 5).

Other revenues and expenses amounted to a deficit of SEK 102 M (deficit: 129), including goodwill amortization of SEK 81 M (84), restructuring costs of SEK 0 M (121) and other items amounting to a deficit of SEK 21 M (surplus: 4). The figures for 1999 include portfolio compensation of SEK 168 M from the regional companies and a deficit of SEK 96 M on underwriting results for unit-linked insurance.

Solvency

The net asset value increased by SEK 289 M during 2000 to SEK 6,272 M. The Länsförsäkringar AB Group's solvency ratio amounted to 232% (239) at year-end 2000.

Key ratios

The Länsförsäkringar AB Group, excluding life insurance operations. (Unit-linked insurance is included for 1999, however.)

SEK M	2000	1999
Premiums earned	2,624	3,017
Investment income in insurance operations	715	698
Insurance claims	–2,566	–2,793
Operating expenses	–729	–779
Other income/expenses	104	–40
Underwriting result for non-life	148	103
Gross investment income	1,016	2,363
Investment income transferred	–715	–698
Other income/expenses	–46	–111
Income before appropriations and tax	402	1,658

See pages 84-86 for income in subsidiaries conducting traditional life and unit-linked insurance, mutual fund management, asset management and banking.



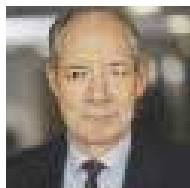
Board of Directors of Länsförsäkringar AB



Jan Sparr



Gunnar Kinch



Frans-Henrik Schartau



Jan Fager



John Helgesson



Klaus Bonde Larsen



Åke Modig



Arne Normann



Tommy Persson

Jan Sparr, born 1932

Board Chairman

Other board memberships: Chairman: Independent Media Group AB, NDC Netzler & Dahlgren Co AB, WASA Trust, Swedish Shareholders' Association Service Company; board member: Länsförsäkringar Stockholm, Spendrups Bryggeri AB, Aktiesparinvest.

Gunnar Kinch, born 1936

Chairman Länsförsäkringsbolagens Förening

Farm manager, Belteberga Lantbruks AB

Deputy Chairman of the Board

Other board memberships: Chairman: Länsförsäkringar Skåne; board member: Länsförsäkringar Miljö AB.

Frans-Henrik Schartau, born 1938

Deputy Chairman Länsförsäkringsbolagens Förening

Director, Stockholm Chamber of Commerce

Other board memberships: Chairman: Länsförsäkringar Bergslagen; board member: Skyllbergs Bruk, Stockholmsmässan, Länsförsäkringar Bank.

Jan Fager, born 1940

Managing Director, Länsförsäkringar Älvsborg

Other board memberships: NyföretagarCentrum Tvåstad, Stiftelsen Aktietorget Fyrbodan.

John Helgesson, born 1945

President, Stena Fastigheter AB

Other board memberships: Stena Fastigheter AB, Örgryte Bostads AB, Länsförsäkringar Skåne, Wasa Trust, Swedish Federation for Property Owners.

Klaus Bonde Larsen, born 1933

Administrative Director V.S. Larsen Holding A/S

Other board memberships: Topdanmark A/S, V.S. Larsen Holding A/S, Ejendoms-selskabet V.S. Larsen A/S, Protektas A/S, Stryn Rassmussen Holding A/S, Exponent A/S, Kobenhavns Håndværkerforening, Kunstindustrimuseet, Dansk Teknologisk Institut, Værelotteriet, Topdanmark Fonden og Teknisk Museum.

Åke Modig, born 1945

Vice President Arla Foods Amba

Other board memberships: Spendrups Bryggeri AB, Federation of Swedish Industries, Wasa Trust.

Arne Normann, born 1936

Judge, Jämtland County Administrative Court

Other board memberships: Chairman of Jämtlands Länsförsäkringsbolag.

Tommy Persson, born 1948

Managing Director and CEO, Länsförsäkringar AB

Other board memberships: Chairman: Swedish Insurance Federation and FAO; board member: Graphium AB, Lindex AB, Gjensidige NOR Spareforsikring A/S, EurAPCo Netherlands.

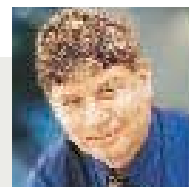
Group Management Länsförsäkringar AB



Tommy Persson
born 1948
Managing Director
and CEO
Employed since 1996



Lars Rosén
born 1945
Deputy Managing
Director,
Managing Director Läns-
försäkringar Wasa Liv
Employed since 1984



Göran Fredriksson
born 1953
Deputy Managing
Director, Managing
Director Länsförsäkringar
Utveckling AB
Employed since 1983



Karin Starrin



Johan Svedberg



Caroline Trapp



Lars Brolin



Carl Johan Gezelius



Anders Alheden



Sven-Erik Martinell



Ingrid Gutemyr

Karin Starrin, born 1947

Governor of the County of Halland

Other board memberships: Chairman: Södra Götaland County Forestry Board, Halland Akademi; board member Royal Opera, Samhall, Gothia.

Johan Svedberg, born 1948

Managing Director, Länsförsäkringar Jönköping

Other board memberships: Jönköping County Chamber of Commerce, Förvaltningsbolaget A6, Jönköping, KABE, Tenhult, Styrelseakademin Jönköping, Taberg Media Group AB, Jönköping.

Caroline Trapp, born 1949

Farmer

Other board memberships: Deputy Chairman, Federation of Swedish Farmers, Nordiska Muséets Nämnd, Swedish Association of Masters in Forestry.

Lars Brolin, born 1944

Board Secretary

Head of Legal Affairs, Länsförsäkringar AB

Other board memberships: board member of Swedish department of AIDA.

Carl Johan Gezelius, born 1948

Union of Insurance Employees (FTF) branch at Länsförsäkringar Wasa

Other board memberships: FTF, FPK, and Länsförsäkringar AB subsidiaries.

Anders Alheden, born 1949

Senior Underwriter

Swedish Confederation of Professional Associations at Länsförsäkringar Wasa.

Sven-Erik Martinell, born 1943

Regional insurance companies' staff association

District manager

Other board memberships: Länsförsäkringar Bank, Länsförsäkringar Norrbotten.

Ingrid Gutemyr, born 1942

Union of Insurance Employees branch at Länsförsäkringar Wasa

Other board memberships: Länsförsäkringar Bank.

BOARD OF DIRECTORS OF LÄNSFÖRSÄKRINGAR AB

Representatives of all the companies in the LF Insurance Group are convened once a year to a General Meeting to elect the Board of the jointly owned company, Länsförsäkringar AB which, in its turn, appoints the boards of subsidiary companies.

In accordance with the Articles of Association, the Board shall consist of not more than 12 members, and not less than eight.



Bo Ennerberg

born 1948

Deputy Managing

Director,

Chief Financial Officer

Employed since 1984



Ann Sommer

born 1959

Manager, Non-life

division

Employed since 1988

Humlegården

The Humlegården real-estate company has a strong focus on the Stockholm market. Its portfolio consists of commercial properties, principally offices, incorporating a few residential apartments. A breakdown of the company's holdings, based on the value of the properties, is shown in the diagram below.

The rental and property market in Stockholm was very strong during the year, although there were signs of a slow-down towards the end of the year. Peak rents of just over SEK 6,000 per square metre were noted during the year in the central district, although relatively few leases were signed. In contrast with the late 1980s, high rental levels have spread to other central areas and the northern suburbs. The company's property on Kungsholmen commanded a rent of SEK 3,000 per square metre during the year, and rents are around SEK 2,500 per square metre on the northern fringes of the central area. The property market has also been strong. Peak prices for properties at Norrmalmstorg in the inner centre were in excess of SEK 75,000 per square metre.

The company focuses on managing properties under its own auspices. In addition, there is a portfolio of development properties. During the year, the refurbishment of one property (Birger Jarlsgatan 25) was completed with a substantial capital gain. During 2001, the China theatre at Berzelli Park will be completed, equipped with a new dome to house a number of offices. Work on transforming the Sveavägen 163 building will continue into 2002. In February 2001, a contract was signed for the acquisition of a 20,000 square metre property on Kungsholmen for SEK 223 M, close to the company's property on Kungsholmsstrand.

The company's owner reports the total yield from the com-

pany's business operations as an earnings participation in the income statement. The total yield comprises direct yield and appreciation in value. During 2000, the direct yield on the participation capital was approximately 4.5%, and the increase in value was 19%. The increase in value was achieved by renegotiating leases in a number of properties and as a result of completion of the Birger Jarlsgatan 25 property. The total yield in recent few years is presented in the diagram below.

Integration of the operations of Humlegården and Länsfastigheter (LF Real Estate) has proceeded smoothly. There are slightly more than 20 employees – about half are from the former Humlegården and half from Länsfastigheter personnel, with the exception of a few new employees. During the year a new computer system was installed for rental records and other accounting functions.

The company's financial position is satisfactory. In August, it received a Standard & Poor's "A" rating. This credit rating also reflects the ownership structure, and is similar to that of the LF Insurance Group as a whole.

Key ratios, SEK 000s	2000	1999
Sales	325,688	171,004
Income for the year	47,186	248,273*
Market value, real estate	4,925,000	4,504,000
Participation capital	1,920,374	1,273,690

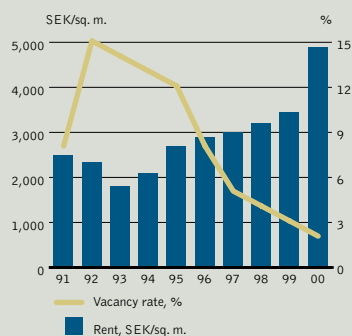
* Income for 1999 includes a capital gain on the sale of "The Galleria" property in London.

PROJECT PROPERTIES

Berzelli Park (Chinateatern), 4,265 sq. m., book value SEK 139 M

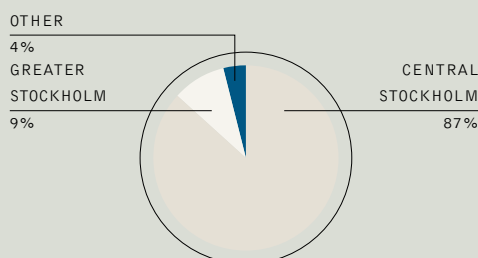
Sveavägen 163, 31,179 sq. m., book value SEK 210 M

RENTAL TREND IN STOCKHOLM, OFFICES IN PRIME LOCATIONS

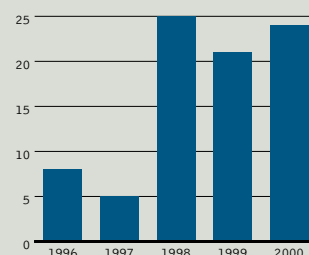


Source: CB Richard Ellis

LOCATION OF THE PROPERTY PORTFOLIO IN TERMS OF MARKET VALUE



PERCENTAGE CHANGES IN PARTICIPATION VALUE (%) 1996–2000





Länsförsäkringar and the environment

Länsförsäkringar Miljö AB, which is an environment-oriented company within the Länsförsäkringar AB Group, was formed in December 1997. So far, it has devoted its energies to analysing business opportunities, designing data systems and insurance solutions, and reinsurance. The fundamental development has been completed, and the business concept established. Now the company is ready to present its customers with concrete offers.

Recycling insurance entails that Länsförsäkringar's environmental company takes responsibility for ensuring that the financial resources and the recycling capacity required are available for products when they have reached the end of their life. The environmental company guarantees that the demands society may impose for efficient re-use of materials are met. As an insurance company, Länsförsäkringar assumes the risk that recycling may be more expensive than anticipated due to factors that are not known today. The market for recycling insurance is governed by a number of interacting factors:

- Legislation concerning producer responsibility for recycling – which, for example, currently applies to cars manufactured and sold from 1998 onwards. An Act concerning the recycling of electronic products will enter into force on 1 July 2001.
- An increasing number of companies are obtaining environmental certification. This makes greater demands on their suppliers.
- Companies and consumers require an insurance guarantee which enables them to be sure that their products will be recycled in the most efficient manner when they are finally scrapped.

Many forces in society are now promoting the requirement that products are accompanied by a recycling guarantee that ensures minimal resource utilization and the least possible environmental harm. The Swedish government has appointed a commission whose tasks include showing how consumers, producers and the community are to obtain guarantees of compliance with producer liability. An insurance policy is a sure way of establishing a long-term, sustainable environmental guarantee.

The large and responsible producers want to have individual liability for the recycling of their products. Länsförsäkringar Miljö is working with companies such as Electrolux. EU directives, which usually provide a basis for shaping local legislation, are expected to insist on individual liability on the part of producers and, in this case, insurance provides a satisfactory technical solution for comprehensive guarantees. So far, Länsförsäkringar Miljö AB is the only company in the industry to have a permit and fully developed systems for supplying recycling insurance.

During 2000, a number of Länsförsäkringar companies embarked on the process of obtaining environmental certification, and during 2001 it is almost certain that all other members of the LF Insurance Group will take this decision. It is important that environmental certification is completed by the autumn of 2002 so as to meet growing customer demand.

Länsförsäkringar Mäklarservice

Länsförsäkringar Mäklarservice was started on 1 October 2000 to coordinate and optimize sales in the insurance broking market, and is jointly owned by the 24 regional insurance companies and Länsförsäkringar AB. Activities also include the streamlining of processes, routines and IT structures.

This operation will be conducted from four broking counters – in Sundsvall, Stockholm, Gothenburg and Malmö. All counters will offer insurance solutions in life insurance, savings and non-

life insurance. The vision is to establish Sweden's best broker service. During the forthcoming business year, work is being intensified on:

- the harmonization of guidelines for risk-selection rules in non-life business
- constructing an IT platform
- reviewing all the main processes
- coordinating life-insurance commissions to brokers.

International cooperation

Customers, both corporate and private, are increasingly moving across national borders. The European market is also becoming increasingly important for small companies in Sweden, many of which now have subsidiaries abroad. It is no longer unusual for individual Swedes to work outside Sweden for a few years, or to own a house in a foreign country. This raises issues about how insurance needs should be met. As a group of insurance companies owned by its customers, it is natural to provide support regarding any new issue which they may face.

Since the acquisition of Wasa in 1998, Länsförsäkringar has been a member of the Eureka European insurance alliance. During 2000, this cooperation was further reinforced by the formation of Eureka N.V., in which Länsförsäkringar acquired a 2% holding. The establishment of Eureka N.V. is the outcome of the integration of the insurance operations of Achmea (Holland) and BCP (Portugal) into operations conducted by Eureka B.V. With managed capital of SEK 600 billion, the new company became one of the fifteen largest insurance players in Europe. Eureka's aim has always been to utilize cooperation and the exchange of experience to give its partners improved opportunities for product develop-

ment and service. This cooperation is continuing in the European Alliance Partners Company (EurAPCo). Länsförsäkringar, Friends Provident (Great Britain), MAAF (France), Parion (Germany), Swiss Mobiliar (Switzerland) and Topdanmark (Denmark) own, together with the new Eureka N.V., equal shares in EurAPCo. As a demonstration of strength through cooperation, EurAPCo has a share capital of more than SEK 1.7 billion. All partner companies are represented on the Board of Directors. The partnership helps members to reinforce their local presence, but also provides a better international perspective.

Since Sweden joined the EU, the insurance industry, like others, has been influenced by the goal of creating a common Single Market. The new regulatory system is not being developed within any single EU country, but is designed for application in the EU as a whole. In the long term, this entails the harmonization of insurance business within the Single Market, which means in practice that it is becoming easier to utilize other companies' experience. Länsförsäkringar is also involved in informal Nordic cooperation with Gjensidige in Norway, Tapiola in Finland, and Alm. Brand in Denmark.



THE LF INSURANCE GROUP

	Norrbotten	Västerbotten	Jämtland	Västernorrland	Gävleborg	Dalarna	Värmland	Uppsala	Bergslagen	Stockholm	Södermanland	Göteborg and Bohuslän	Skaraborg
NON-LIFE INSURANCE, SEK M (Incl. Bank and Mutual funds)													
INCOME (for own account) 2000													
Premiums earned	115	254	137	161	181	421	190	259	318	771	208	409	216
Investment income in underwriting business	6	9	12	23	7	24	9	11	58	34	23	13	23
Claims payments	-96	-202	-114	-146	-144	-353	-148	-236	-287	-751	-192	-329	-175
Operating expenses	-25	-64	-33	-46	-54	-97	-49	-65	-73	-200	-48	-110	-53
Other income/expenses		1				19			19		9	11	
Technical results of non-life underwriting prior to bonuses and discounts	0	-2	2	-8	-10	14	2	-31	35	-145	0	-6	11
Bonuses and discounts		-1				-58	9	-27	-36				
Technical results of non-life underwriting	0	-3	2	-8	-10	-44	11	-58	-1	-145	0	-6	11
Total investment income	8	-11	12	32	96	-116	17	9	80	36	2	-6	27
Investment income transferred to underwriting business	-6	-9	-12	-23	-7	-24	-9	-11	-58	-34	-23	-13	-23
Results Mutual funds													
Results banking													
Other revenue/expenses	-2	-4	-1	-5	-7	-6	1	-11	-8	-18	-3	-20	-1
Operating income	0	-28	1	-4	72	-190	20	-71	13	-161	-24	-45	14
BALANCE SHEET, 31 DECEMBER 2000													
ASSETS													
Investment assets													
Shares and participations	132	541	333	344	645	2,533	193	827	940	1,066	553	973	627
Bonds and other interest-bearing securities	62	91	78	120	113	539	138	249	318	746	161	242	132
Other investment assets	92	647	144	82	120	134	256	114	243	3	81	227	68
Total investment assets	286	1,279	554	546	878	3,206	587	1,190	1,501	1,816	795	1,442	827
Other assets	85	145	133	131	75	371	122	178	181	364	125	269	173
Total assets	371	1,424	687	677	953	3,577	709	1,368	1,682	2,180	920	1,711	1,000
SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES													
Shareholders' equity	40	416	239	188	430	1,593	270	393	598	437	245	402	271
Untaxed reserves	60	354	149	192		671		385	384	504	275	492	272
Other liabilities	271	654	300	297	523	1,313	439	591	700	1,239	400	817	457
Total shareholders' equity reserves and liabilities	371	1,424	687	677	953	3,577	709	1,368	1,682	2,180	920	1,711	1,000
Of which the value of shares in Länsförsäkringar AB	91	190	132	166	193	351	118	254	278	490	195	320	238
Of which deferred tax	29	132	66	40	156	423	78	123	196	162	63	142	88
Net asset value	128	901	467	445	641	2,686	348	898	1,181	1,103	605	1,036	631
Solvency margin, %	107	344	326	263	342	598	173	332	347	138	286	253	283
Ownership participation in Länsförsäkringar AB	1.7	3.8	2.5	3.1	3.6	6.6	2.2	4.8	5.2	9.2	3.7	6.0	4.5

The LF Insurance Group is not a corporate group in either the legal or practical sense since it is a partnership between 24 independent regional companies which jointly own Länsförsäkringar AB.

Östgöta	Älvsborg	Gotland	Jönköping	Halland	Kronoberg	Kalmar	Blekinge	Göinge	Kristianstad	Skåne	Länsförsäkringar AB Group	Total LF Insurance Group
421	438	64	334	199	165	241	96	82	92	570	2,624	8,965
58	16	2	42	26	6	9	18	13	9	63	715	1,228
-381	-360	-47	-280	-156	-141	-190	-87	-69	-81	-534	-2,566	-8,065
-108	-93	-16	-62	-51	-43	-45	-27	-26	-19	-108	-729	-2,242
18			4		1	4			6		104	196
7	1	3	38	18	-13	19	0	0	7	-9	148	82
-100	-17					-13	1		1	2		-240
-93	-16	3	38	18	-13	6	1	0	8	-7	148	-158
58	-38	-4	-60	29	7	-29	26	17	9	63	1,016	841
-58	-16	-2	-42	-26	-6	-9	-18	-13	-9	-63	-715	-1,228
											-10	-10
											67	67
-21	-15	0	-14	-18	-7	-10	-2	-2	-3	-26	-102	-306
-114	-85	-3	-78	3	-17	-42	7	3	5	-33	402	-794
1,709	1,516	254	724	854	284	717	391	200	234	1,203	4,789	17,269
598	367	54	167	142	87	193	161	114	143	388	10,220	15,423
437	111	77	158	192	114	325	10	86	26	295	1,952	5,993
2,743	1,994	385	1,049	1,188	485	1,235	562	400	403	1,886	16,961	38,686
201	190	101	208	91	92	110	40	61	84	464	20,393	20,652
2,945	2,184	486	1,257	1,279	577	1,345	602	461	486	2,350	37,354	59,338
1,232	685	312	436	531	143	537	266	154	151	620	5,292	10,568
596	694		369	281	188	337	134	123	152	620		7,232
1,117	805	174	452	467	246	471	203	184	183	1,110	32,062	41,539
2,945	2,184	486	1,257	1,279	577	1,345	602	461	486	2,350	37,354	59,338
353	348	46	284	184	123	180	74	91	98	516		5,312
353	153	30	31	170	34	97	72	35	34	88	780	3,575
2,160	1,532	352	827	982	377	970	471	311	337	1,376	6,272	21,525
491	347	535	246	470	221	387	474	365	362	239	232	232
6.6	6.5	0.9	5.3	3.5	2.3	3.4	1.4	1.7	1.8	9.7		100.0

Transactions between Länsförsäkringar AB and the regional insurance companies have been eliminated in order to achieve more accurate overall values for the overall Group. Reinsurance transactions, ceded or assumed have been eliminated. This also applies to the value of Länsförsäkringar AB shares and debentures and to the Länsförsäkringar AB Group's liabilities to, and receivables from, the regional insurance companies.

INCOME STATEMENT AND BALANCE SHEETS

Länsförsäkringar Wasa Liv Försäkrings AB (publ)

SEK M	2000	1999
INCOME STATEMENT		
Premium income, gross	6,011	4,914
Premium income, net	5,919	4,827
Investment income, net	60	14,968
Other technical revenues	13	10
Claims payments	-2,591	-1,974
Change in other technical reserves	-6,434	-4,731
Operating expenses	-891	-713
Underwriting technical result	-3,925	12,387
Non-technical result	-3	-99
Result before appropriations and tax	-3,928	12,288
Tax	-825	-862
INCOME FOR THE YEAR	-4,753	11,426
BALANCE SHEET, 31 December		
ASSETS		
Investment assets		
Buildings and land	5,306	4,735
Investments in group and associated companies	7,743	6,629
Other financial investment assets		
– shares and participations	46,933	46,900
– bonds and other interest-bearing securities	37,383	44,035
– other financial assets	2,374	228
Deposits with companies which have ceded reinsurance	1	1
Reinsurers' proportion of technical reserves	351	288
Other assets	4,635	2,131
Prepaid expenses and accrued revenue	2,348	2,698
TOTAL ASSETS	107,074	107,645
SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES		
Shareholders' equity	8	8
Bonus funds	42,892	49,382
Technical reserves (before ceded reinsurance)	60,214	53,238
Other provisions and liabilities	3,491	4,437
Accrued expenses and prepaid revenues	469	580
TOTAL SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES	107,074	107,645

Länsförsäkringar Wasa Fondliv Försäkrings AB (publ)

SEK M	2000	1999
INCOME STATEMENT		
Premium income, gross	3,448	2,812
Premium income, net	3,442	2,806
Investment income, net	170	188
Increase in value of investment assets for which the life-insurance policyholder bears the risk	–	4,141
Other technical revenues	113	70
Claims payments	-464	-254
Change in other technical reserves	-1,141	-6,655
Operating expenses	-422	-309
Decrease in value of investment assets for which the life-insurance policyholder bears the investment risk	-1,656	–
Tax expense charges transferred to non-technical account	-142	-83
Underwriting technical result	-100	-96
Non-technical result	-38	-22
Tax expense charges transferred from technical account	142	83
Result before appropriations and tax	4	-35
Appropriations	1	0
Tax	-149	-87
INCOME FOR THE YEAR	-144	-122
BALANCE SHEET, 31 December		
ASSETS		
Investment assets	242	183
Investment assets for which the life-insurance policyholder bears the risk	16,888	15,749
Other assets	198	219
Prepaid expenses and accrued revenue	960	803
TOTAL ASSETS	18,288	16,954
SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES		
Shareholders' equity and untaxed reserves	594	474
Reserves for life-insurance for which life-insurance policyholder bears the risk	16,890	15,749
Other provisions and liabilities	802	705
Accrued expenses and prepaid revenues	2	26
TOTAL SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES	18,288	16,954

Länsförsäkringar Bank AB (publ)

SEK M	2000	1999
CONSOLIDATED INCOME STATEMENT		
Interest revenue	709	602
Interest expense	-364	-290
Net interest	345	312
Commission revenue	68	60
Commission expense	-14	-10
Net income from financial transactions	28	-49
Other operating revenue	24	18
TOTAL OPERATING REVENUE	451	332
General administration expenses	-424	-325
Depreciation	-10	-7
Total costs before credit losses	-434	-332
Income before credit losses	17	0
Credit losses, net	-1	-11
Income from banking operations	16	-11
Income from insurance operations	51	24
Tax on income for the year	-11	0
INCOME FOR THE YEAR	55	13

CONSOLIDATED BALANCE SHEET, 31 December

Cash and balances with central banks	40	18
Chargeable debentures	415	445
Lending to credit institutions	462	364
Lending to the public	9,620	7,963
Shares and participations	1	1
Bonds and other interest-bearing securities	1,400	1,437
Assets in insurance operations	35	80
Intangible assets	85	19
Tangible assets	14	11
Other assets	198	132
Prepaid expenses and accrued income	115	107
TOTAL ASSETS	12,386	10,577
Liabilities to credit institutions	1,165	628
Lending to and deposits from the public	9,206	8,149
Securities issued	471	469
Liabilities in insurance operations	47	41
Other liabilities	275	165
Accrued expenses and prepaid revenue	218	190
Deferred tax	18	13
Subordinated debt	80	80
Shareholders' equity	904	842
TOTAL LIABILITIES, APPROPRIATIONS AND SHAREHOLDERS' EQUITY	12,386	10,577

Länsförsäkringar Wasa Kapitalförvaltning AB (publ)

SEK M	2000	1999
INCOME STATEMENT		
Management charges	240	332
Interest income	1	0
Interest expense	0	0
Total operating revenue	241	332
Administration expenses	-166	-208
Depreciation	0	0
Total operating expenses	-166	-208
Operating income	75	124
Tax on income for the year	-24	-35
INCOME FOR THE YEAR	51	89

BALANCE SHEET, 31 December

ASSETS		
Cash and bank balances	93	34
Other assets	11	161
Prepaid expenses and accrued revenue	16	2
TOTAL ASSETS	120	197
LIABILITIES, APPROPRIATIONS AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	9	14
Liabilities to Group companies	55	154
Tax liabilities	2	0
Other liabilities	2	2
Accrued expenses and prepaid revenue	26	26
Total current liabilities	94	196
SHAREHOLDERS' EQUITY		
Restricted shareholders' equity		
Share capital, 1,400 shares at SEK 1,000 par value	1	1
Legal reserves	0	0
Total restricted shareholders' equity	2	2
Unrestricted shareholders' equity		
Loss carried forward	-26	-89
Income for the year	51	89
Total unrestricted shareholders' equity	25	0
Total shareholders' equity	27	2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	120	197

Länsförsäkringar Wasa

Fondförvaltning AB (publ)

SEK M **2000** **1999**

INCOME STATEMENT

Revenue	319	222
Operating expenses	-338	-238
Operating income	-19	-16
Income from financial investments	0	2
Income after financial items	-19	-14
Tax on income for the year	-	4
Income for the year	-19	-10

BALANCE SHEET, 31 December

ASSETS

Fixed assets	25	31
Current receivables	41	48
Cash and Bank	1	1
TOTAL ASSETS	67	80

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	8	9
Current liabilities	59	71
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	67	80

Glossary

Allocated interest (Non-life)

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

Alternative Investments

The kinds of assets that are not currently to be regarded as traditional. At present, alternative investments consist of private-equity and hedge funds.

Asset allocation

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

Business for own account

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

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. The risk-weighted amount is defined as the sum of assets in the balance sheet and off-balance sheet undertakings valued according to legal requirements concerning capital cover and major exposures of credit institutions and securities companies. Pursuant to the Swedish Act, capital adequacy must be at least 8 percent.

Capital assured, Life

Value of the policy as presented to the customer.

Claims cost (insurance payments)

The cost for claims which occurred in the fiscal year, irrespective of whether or not they have been notified to the company. This cost also includes reserve run-offs and allocations to the claims-settlement reserve.

Claims ratio, gross

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

Claims ratio, net

The cost of claims for own account in relation to premiums earned for own account, expressed as a percentage.

Claims reserve

Liability item in the balance sheet consisting of the estimated value of claims not yet settled for losses already incurred.

Combined ratio, net

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

Credit losses

Anticipated credit losses are the difference between the amount of credit granted and the amount expected to be recovered, taking into account the borrower's ability

to pay and the value of collateral. Actual losses are ascertained, for example, in bankruptcy proceedings or a settlement.

Direct insurance

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

Direct yield

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

Discretionary management

The manager conducts transactions on a customer's behalf, to the extent and with the restrictions stipulated in contracts and authorizations.

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 losses.

Interest-bearing (securities)

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

Investment assets

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

Investment income

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

Management cost ratio

The company's total operating expenses for insurance business in relation to the average market value of the company's assets.

Net asset value

The sum of equity capital, deferred tax liability in untaxed reserves and surplus values (under values) in total assets, plus bonus funds in life insurance companies.

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 minority interests, appropriations and taxes.

Premium income

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

Premium income, net

Gross premium income less premiums paid to reinsurance companies.

Premium reserve (Life)

Liability item in the balance sheet corresponding to the earned undertakings that the company has to policyholders.

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 "assumed" (indirect insurance) by the second company.

Solvency level (Life)

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

Solvency margin (Non-life)

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

Surplus value

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

Tactical allocation

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

Technical reserves

Reserves for unearned premiums, life premiums, and unsettled claims.

Technical reserves for own account

Technical reserves less reinsurers' shares in these reserves.

Total yield

The sum of direct yield, realized gains and losses, and unrealized changes in the value of assets in relation to average value of investment assets and bank balances.

Underwriting result (Non-life)

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

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