

Länsförsäkringsgruppen

OPERATIONS IN 2001







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Major events in 2001

Developments in the global stock market have had a negative impact on Länsförsäkringar's earnings. Länsförsäkringar increased its market shares in non-life insurance, banking and mutual fund business, and has the most satisfied customers in the banking, non-life and life insurance sectors. During the year, the brand image was successfully reinforced and, overall, Länsförsäkringar became the fifth strongest brand in Sweden. The insurance company Svenska Brand and the Allianz' Swedish portfolio were acquired during 2001.

Non-life insurance

- Reinforced market leadership – the market share rose to 28.4%.
- The underwriting result amounted to a loss of SEK 439 M (profit 82). Including the change in the value of investment assets, the operating loss amounted to SEK 3,224 M (loss: 794).

Life and unit-linked insurance

- Income for the year amounted to a loss of SEK 12.8 billion, of which changes in the value of investment assets accounted for a loss of SEK 7.8 billion. The accumulated profit in the past five years amounted to SEK 31 billion.
- Strategic decision for a focus on large companies in order to target the occupational pensions market.

Banking operations

- Principal bank strategy approved for full banking services for private individuals and farmers.
- Investment in more branch offices – current total of 75 branches in Sweden.

Mutual fund management

- Increased market share.

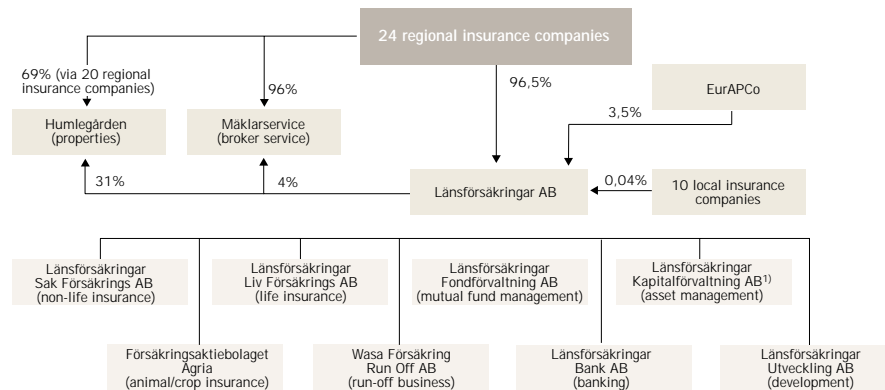
Events after 1 January 2002

In March 2002, Länsförsäkringar signed an agreement with ABN AMRO, one of the world's largest asset managers, for cooperation involving Länsförsäkringar's asset management operations. Under this agreement, ABN AMRO will conduct the day-to-day management of the greater part of Länsförsäkringar's assets held on behalf of approximately 600,000 life insurance customers and approximately 200,000 mutual fund customers.



Local roots

Länsförsäkringar's structure, with 24 independent, customer-owned regional insurance companies, is based on a strong belief in a local presence. In order to achieve further scale economies and strengthen the local concept, the 24 regional companies work together in a jointly owned company, Länsförsäkringar AB.



¹⁾ Agreement concluded with ABN AMRO in March 2002 concerning management of Länsförsäkringar's investment assets.

Definitions

Länsförsäkringsbolag (regional insurance companies)

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

Länsförsäkringar

A partnership between the 24 regional companies and Länsförsäkringar AB.

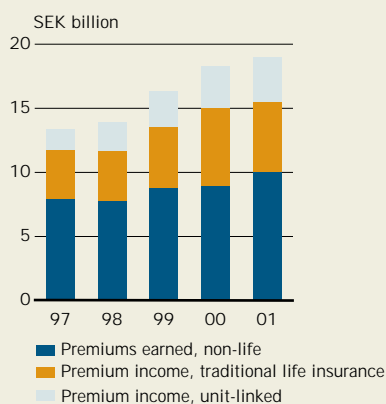
Länsförsäkringar AB

The Parent Company of a financial Group mainly owned by the 24 regional insurance companies (96.5%) and EurAPCo (3.5%).

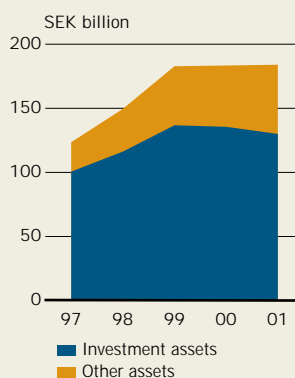
The Group provides services to the regional companies in the following areas: non-life insurance and – via subsidiaries – life insurance, banking, mutual funds, asset management and animal insurance. The Group is also responsible for Länsförsäkringar's development operations.

See page 92 for definitions of other companies and operations.

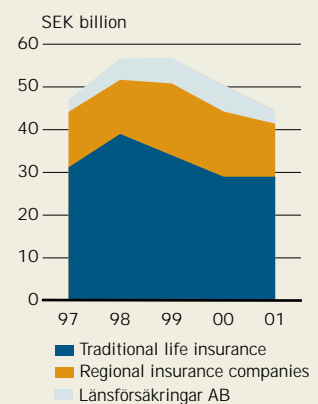
Revenues



Assets



Net asset value



2001 in brief



Svenska Brand acquired by Länsförsäkringar

In mid-April, the Swedish Competition Authority approved Länsförsäkringar's purchase of Svenska Brand, a listed insurance company. Svenska Brand's total premium volume was about SEK 300 M, with core operations in commercial and property insurance. As a result of this acquisition, Länsförsäkringar achieved a broader base for growth in major urban areas, and premium volume in Stockholm increased by 15%. In addition, Länsförsäkringar also became a market leader in medical insurance.

During the year, Svenska Brand's insurance business was integrated with Länsförsäkringar's. Non-life business (commercial, property and homes) has been transferred to Länsförsäkringar regional companies in line with the customer's home address. Svenska Brand's other insurance business was transferred to Länsförsäkringar Sak Försäkrings AB.

Acquisition of Allianz Swedish portfolio

During the summer, Länsförsäkringar acquired the Allianz insurance portfolio in Sweden from ALKA försäkring, a Danish company. This insurance portfolio – with a premium volume of SEK 134 M – has nationwide coverage in Sweden, although there is a special emphasis on Stockholm, Göteborg and Jönköping.

On the way to a broader Länsförsäkringar

The process of extending the Länsförsäkringar brand was one of the main features of the year. The aim is that customers and the general public should associate Länsförsäkringar just as much with financial services as they do with non-life insurance. During the year, a joint branding strategy was adopted, under which Länsförsäkringar is to market financial services and a full spectrum of insurance policies under a single trademark in the form of the 24 regional insurance companies and the overall Länsförsäkringar name. During 2001, there was a strong increase in awareness of the Länsförsäkringar brand, particularly in the savings area.





First in the world with insurance covering producer responsibility for motor vehicles

In April, Länsförsäkringar signed the first-ever insurance contract for producer responsibility for motor vehicles with Olle Olsson Bolagen, the sole agent for Mazda and Suzuki in Sweden. Insurance facilitates environmentally compatible product development since products that can be recycled have lower insurance premiums, and it also guarantees the availability of financial resources for disposal of the product when it is worn out.

Wasa name phased out

The Wasa brand name, which has been retained since Länsförsäkringar and Wasa merged, was phased out during the year. Länsförsäkringar will now use the Länsförsäkringar name exclusively. The name of the Parent Company for the joint operations was changed to Länsförsäkringar AB in 2000, and subsidiaries dropped the Wasa label during 2001 to become Länsförsäkringar Liv, Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fonder.

Länsförsäkringar as a principal bank

During the spring, Länsförsäkringar started to market its everyday financial range – the collective label for products and services which permit private individuals and farmers to use Länsförsäkringar bank branches for their day-to-day financial business. This signified a shift from niche banking operations to becoming a principal banking alternative. Länsförsäkringar Bank was described as a “Challenger by the year” by the Privata Affärer magazine, and had the most satisfied customers of all the nationwide banks, according to the Swedish Quality Index.



Many people worried about crime

More than half the female population avoid going out alone after dark because they are afraid of being the victim of a crime or physical attack, according to the LänsUndersökningen survey which was presented for the first time in August. This survey, which was conducted by Länsförsäkringar, is the most extensive study conducted so far in Sweden of preventive measures and the perceived level of anxiety.

Swedes concentrate on safer forms of saving

The uncertain economic situation has meant that the Swedish general public has reweighted its savings portfolio in favour of safer alternatives. Fixed-income funds and mixed funds are becoming increasingly popular, according to the Länsförsäkringar LänsSpar survey presented in May. The proportion of savers who envisaged increasing their investment in shares declined by one third, compared with the LänsSpar survey in December 2000. The LänsSpar report in November 2001 confirmed this trend. The number of respondents who said they would reduce their investment in equities exceeded the number who intended to increase their holdings. At the same time, more people planned to increase savings in deposit accounts and insurance policies. The survey took place after the terrorist attacks in the United States.



New Chairman for the joint company

The Länsförsäkringar AB Annual General Meeting in Växjö in May elected Hans Jonsson as the new Chairman of the Board, after Jan Sparr. Hans Jonsson, who is 52, was Chairman of the Federation of Swedish Farmers (LRF) from 1995 to 2001. During the year, Hans Jonsson was also elected as the new Chairman of Länsförsäkringar Skaraborg.

Group procurement

More and more companies are joining forces to negotiate cheaper and better pension solutions for their employees. Alfa Laval, Axfood, Peab, Posten, Sydkraft and Tetra Pak are examples of leading Swedish companies that have concluded joint agreements with a number of suppliers in the insurance market. Länsförsäkringar is one of the main suppliers in the UIG (group procurement) concept, in which the aim is to rationalize operations for both suppliers and customers, for example by reducing administration costs.

Länsförsäkringar offer one of the best housing loans in the market

During the year, Länsförsäkringar launched first mortgage loans under its own auspices. Länsförsäkringar Hypotek is gradually phasing out the partnership with SBAB in this field. Rates of interest on housing loans are among the lowest in the market, and first mortgages are now 75% of the total loan value, rather than 70%. In addition, home contents insurance policyholders who also have mortgages in Länsförsäkringar receive a discount on their insurance premiums.



New head of life insurance division

Hans Benndorf succeeded Lars Rosén as head of Länsförsäkringar AB's life insurance division. Hans Benndorf, who has a Ph.D. in economics and an personal interest in yacht racing, was previously in charge of Postbanken.

Quick decisions after the riots

Prior to the EU Summit Meeting in Göteborg in June, the Länsförsäkringar Göteborg och Bohuslän regional company had already decided to meet possible claims, even if they were due to a quasi-riot situation, notwithstanding a force-majeure clause in the insurance terms which permits exemptions in such cases. The company's decision to pay compensation enabled it to provide rapid information to policyholders who suffered property damage, including restaurant proprietors and retailers. The position of several other insurance companies was unclear after the incident. Ultimately, all the insurance companies decided to pay compensation.

2001 – a year of awards

The Swedish Quality Index, compiled by the Stockholm School of Economics, once again shows that Länsförsäkringar has more satisfied customers than other companies in the banking and insurance sector, confirming last year's quality rankings for non-life and life insurance operations. In the case of banking, however, the survey covered the smaller banks for the first time, and Länsförsäkringar achieved the highest score for a bank with nationwide coverage. Länsförsäkringar has had the most satisfied customers in the private market for 10 consecutive years, and has headed the ratings for commercial non-life insurance since 1994.

Länsförsäkringar received several other confirmations of its quality during the year. In addition to the title of "Challenger of the Year" awarded to Länsförsäkringar's bank by Privata Affärer, the Veckans Affärer annual brand survey nominated Länsförsäkringar as the second strongest trademark in the insurance and financial services sector. The International Business Survey's image survey put Länsförsäkringar in fifth place among Swedish consumers – no other insurance company or bank was listed in the top 20. Senior executives in Swedish companies rated Länsförsäkringar seventh in an image survey conducted by Image International Survey. And, in terms of its attractiveness as an employer, Länsförsäkringar moved from 29th place in 2000 to 11th place in 2001. The company's overall brand communications received commendations on a number of occasions. Agria received a Web Service Award for the best website, and the "Fängelset" cinema commercial was awarded a "gold" in the prestigious Eurobest European advertising competition in the financial advertising film category. Länsförsäkringar also received the Epica Awards prize for this film at a ceremony in London. In the New Year, Christer Baldhagen, Länsförsäkringar AB's Director of Corporate Communications, was nominated "Marketer of the Year" for 2001 by the Info magazine.

Strategy for growth

Länsförsäkringar continued to be successful in the market place during 2001. Growth in non-life insurance and banking resulted in increased market shares and a strong flow of new customers. The banking initiatives are continuing, and were specifically highlighted by abandonment of the niche strategy. Instead, we now have a full range of products for private individuals and farmers. In terms of earnings, 2001 was a very weak year due to developments in the financial markets.

Länsförsäkringar will continue to grow at the local level, offering a broad range of products. Growth will take place in the areas covered by the various regional insurance companies, acting as local non-life and life insurance companies and as local banks. Länsförsäkringar is the only market participant in Sweden that can offer banking and insurance services to private persons, and non-life and life insurance to businessmen. All our products and services are covered by the Länsförsäkringar name or by the name of our regional insurance company. During the year, we have clarified our offering to customers by concentrating on a single brand for our entire product range. Länsförsäkringar's strategic focus also encompasses strategies for growth in the non-life insurance market, the "banking and insurance" concept, and growth in the life insurance market, particularly in the occupational pension sector and the way assets are managed.

Länsförsäkringar has two unique strengths in the market place. The first is the regional insurance concept, proclaiming that we are a federation of local companies working in partnership with our customers, who are also our owners. The other unique asset is our customers, of course. We have 1.8 million non-life insurance policyholders who represent the majority of our 2.6 million private customers. And our non-life customers

have been the most satisfied in Sweden for the past 10 years. They are even more pleased with our services if they have been customers for several years and if they have frequent contacts with our regional companies. The most satisfied customers are people who have suffered an insurance claim. This is due to Länsförsäkringar's local presence and our ability to take rapid decisions and action, and to offer personal service.

Non-life customers provide a basis for our brand extension and our growth ambitions in the financial sector. Länsförsäkringar will grow in all its product areas, in particular because existing customers opt for additional products.

Non-life insurance is not a mature market Länsförsäkringar is continuing to win market shares in virtually all sub-sectors, in a market which some people mistakenly characterize as "mature." Länsförsäkringar acquired almost 200,000 new non-life customers during the year, and 22 out of 24 of our local companies are market leaders in their own region. At the national level, Länsförsäkringar has almost 30% of the market, which is about 10 percentage points higher than our closest competitor.

Nonetheless, we still have growth ambitions in the non-life area, especially in new markets opening up in the health and social security sector, and in the environmental

area. We also intend to grow in the Stockholm area, where our market share is about 10 percentage points below the national level.

The purchase of Svenska Brand, a listed insurance company, was specifically designed to increase our market share in Stockholm and our expertise in the health care field – Länsförsäkringar is now a market leader in medical insurance, which has considerable growth potential, we believe. During the year, Länsförsäkringar signed the world's first producer responsibility insurance policy with the Swedish distributor for Mazda and Suzuki, and we are preparing for new legislation requiring producers to assume responsibility for recycling, especially the recycling of household and electrical products.

Banking and insurance

Our banking operations will continue to develop, offering an increasing number of products and services. There are considerable growth ambitions, and we consider that we should have a market share of 5% by year-end 2003. Banking operations play a crucial part in our brand extension process, in which the strategy is to sell our financial services mainly to existing non-life customers.

Banking products often function as an entry point for a wider financial relationship. In other words, our strategy of extending our range in order to become our private

customers' principal bank is very much a matter of continued sales of life insurance and mutual fund products, and is not merely a question of banking services.

Our aim in extending the Länsförsäkringar brand is that we should be regarded as the leading company in financial services, as we are already in the non-life field. However, brand extension is based on an offer which covers both banking and insurance, not on a product perspective, and the starting point will increasingly be a strictly customer-oriented perspective. We must offer our customers comprehensive solutions for various stages in their lives. Homeowners are a strategic target group for Länsförsäkringar, and we will be offering them concepts which include insurance, loans and life cover.

ABN AMRO will make us local throughout the world

We have prepared ourselves for the increasing pace of global investment by entering into a partnership with ABN AMRO which will enable us to continue to offer our life insurance and mutual fund customers a high and secure yield. By the end of the current year, we estimate that approximately 60% of our investments will be in international securities, and this proportion is increasing. Local and global expertise is essential for sound investments involving a

choice between industries, regions and specific companies. We cannot establish this expertise ourselves at a reasonable cost, and therefore we have entered into a partnership with a leading global player with local know-how. This is in the best interest of our customers. Cooperation with ABN AMRO also denotes the first step towards offering our customers mutual funds from other suppliers – which will increase our range substantially.

Corporate initiatives lead to private customers

Despite increased sales, market shares declined in the life and pension insurance area, due to failure to focus on large companies in the past. We are now seeing a tendency for companies to become customer meeting points, which also gives us an opportunity to establish contact with employees as private individuals. Länsförsäkringar has a strong position with small companies with nine employees or less, where we have a market share of almost 15%. But the growth potential is in large companies. As a result, in 2001 it was decided to target companies with more than 50 employees, with the aim of expanding in the occupational pensions market, and also to establish the prerequisites for growth in the private market by reaching employees.

Substantial profits and losses

After five years of strong earnings, and the accumulation of SEK 31 billion in the life insurance business and SEK 13 billion in non-life, losses were incurred during 2001 due to developments in the financial markets. The insurance business is intrinsically long term. Customers save in pension insurance for decades and pay premiums for non-life insurance year after year, without needing to use their policies. This gives the 24 regional insurance companies an opportunity to build up a capital base and to continue to offer competitive premiums during years with a reduced yield on assets. It also makes it possible to maintain a high level of personal service while simultaneously intensifying the focus on financial services such as banking, life insurance and mutual funds.

Länsförsäkringar's business concept has resulted in the most satisfied banking and insurance customers in Sweden. We also have one of the strongest national brands in all categories, and during the year we actively reinforced our image and public awareness of Länsförsäkringar. Länsförsäkringar is also one of the companies with the most satisfied employees and is ranked as one of the most attractive employers in Sweden. With this structural capital underpinning us, the Länsförsäkringar Insurance Alliance is in a very strong position.

Stockholm, 19 March 2002



Gunnar Kinch

Chairman Länsförsäkringsbolagens förening



Tommy Persson

Managing Director Länsförsäkringsbolagens förening



The underlying concepts

Länsförsäkringar is a federation in a state of change. In Sweden, many market participants are opting for a clear dividing line between non-life insurance and financial services. Länsförsäkringar is doing the opposite. Länsförsäkringar's 24 regional insurance companies are offering customers a broad range of financial services and insurance under a single brand name.

During 2001, Länsförsäkring Kronoberg was the first company to celebrate its 200th birthday – and is now being followed by one Länsförsäkringar company after another. The fundamental concepts which have been developed and adapted to current needs over two centuries are still valid today. In point of fact, the strength of an organization and a business model based on local, independent and customer-owned regional insurance companies working in a voluntary partnership has been confirmed by the passage of time.

Voluntary partnership

Partnership in today's Länsförsäkringar has developed progressively – from an initial focus on an exchange of experience and reinsurance to joint 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. It is generally agreed within Länsförsäkringar that a local presence and independence are the decisive factors for 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 local company concerned. Ultimately, the customers are in control because they appoint the Governing Council and the Board. Independence also means, among other things, 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 Länsförsäkringar regional companies are mutual entities – which means that they are owned by their non-life customers. As a result the entire profits of the regional company concerned are distributed to policyholders in the form of bonuses and credits. In 1999, which was a record year, the Länsförsäkringar regional companies distributed bonuses totalling SEK 860 M. The Länsförsäkringar life insurance company is owned by the non-life operations and is also conducted 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. This company was formed in 1936 to meet the regional companies' need for reinsurance. Responsibility for the internal reinsurance system is still an important function, although 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 insur-

ance, mutual fund, banking, non-life, run-off and development operations, and also animal and crop insurance via Agria. Länsförsäkringar AB is also responsible for joint development operations and has 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

Cooperation within Länsförsäkringar 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. At the same time, there are considerable economies of scale in the insurance and financial services sector, and therefore the jointly owned Länsförsäkringar AB holds permits for several branches of insurance 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 Länsförsäkringar companies 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. This principle means that all regional insurance companies undertake to find joint solutions, even in situations where there is a difference of opinion.

A broader Länsförsäkringar

Länsförsäkringar has a total of almost 2.8 million customers and is the strongest brand in the Swedish insurance market. No other

insurance brand is so closely associated with non-life insurance. The brand is being broadened to make Länsförsäkringar as strong in the savings and loan area as it is in non-life insurance. The qualities of simplicity, proximity and local decision-making, on which success in the non-life sphere has been based, are being transferred to the financial services field.



Tumbling stock market
indexes and declining
demand made the year
one of the
most bewildering
ever experienced.



The downturn intensified during 2001. Demand declined in most markets and stock market indexes fell. Central banks cut key rates in order to counter a serious and protracted recession. In addition, there were the terrorist attacks of September 11 in the United States. This was first and foremost a human tragedy, of course, but the politically sensitive situation that occurred also increased the general uncertainty.

By late 2001, there were several signs of an upturn in the business cycle in the near future, initially in the US economy.

The first years of the 21st century were a considerable disappointment after the boom of the 1990s. On average, high growth was experienced in 2000, but there were already warnings of a deterioration. The growth rate dropped from the average of more than 3.5% achieved in 1992-2000 to a mere 1% during 2001. Although there are signs that the US economy is now on the mend, this is not expected to be reflected in production figures until the second half of the year. This means, in its turn, that growth will probably continue to be low in 2002, followed by a much stronger 2003.

US companies have been struggling with lower profit margins and weaker demand, and therefore they have reduced their inventories and their capacity utilization to historically low levels. As a result, when demand increases once more, companies will eventually need to make new investments, and will be willing to do so, particularly if interest rates continue to be favourable. The US Federal Reserve Bank (the FED) has cut

interest rates heavily. The American key rate – FED funds – was reduced from 6.5% to 1.75% during 2001, clearly pointing to the prospect of a recovery. Consumers, like companies, have also become more optimistic, despite growing unemployment. However, a tighter labour market, which may have an impact on propensity to consume, will still be a risk factor during the year.

Overall, continued signals indicating that the cyclical trough will soon be over may be expected. Stronger economic indicators, expectations concerning future interest rate increases and higher share prices will probably exert an upward pressure on long-term interest rates during the year.

Europe follows

In Europe, the business cycle passed its peak in mid-2000, to be followed by a downturn. The European Central Bank (ECB), like the FED, has also cut interest rates, and there are growing expectations that the economy will improve, in line with developments in the US.

In Sweden, times were also harder in 2001. There were several bankruptcies, ma-

jor companies gave notice to thousands of employees, national industrial production dropped and consumer expectations and investment plans were considerably more cautious. However, low interest rates in combination with a continued expansive fiscal policy indicate that the downturn will be relatively brief. The anticipated improvement in global demand also indicates that Sweden is approaching the lowest point in the current business cycle.

Stock markets

Stock market indexes continued to decline during 2001, and this was accentuated in connection with the terrorist attacks in the US on September 11. In a situation of stagnant demand, pressure on profit margins and optimistic profit expectations, adjustments of share prices continued throughout the year, particularly in the case of the highly valued high-technology sector. Defensive sectors were the winners in 2000, and this trend continued in 2001. Shares in cyclical industries developed well during the year, based on hopes that the cycle was approaching its lowest point.



Reductions in short-term interest rates, combined with high risk premiums, have encouraged investors to return to the equities market, which is potentially more attractive. Expectations of higher demand, in combination with a more stable political climate, contributed to stock market recovery in late 2001. Overall, however, share prices fell during the year.

Profit estimates were substantially downgraded during 2001, and many companies are still struggling with poor earnings and low profitability. The Enron bankruptcy and the inadequate accounting principles revealed in this context further increased gen-

eral uncertainty about the valuation of companies. This may continue to have a negative impact on share prices during the year.

On balance, the positive factors appear to dominate, and there will probably be favourable stock market developments during 2002.

Upturn due to lower short-term interest rates

The FED reduced the key rate by 0.5 percentage points at the beginning of 2001, followed by several further reductions during the year. In all, the FED reduced the interest rate by five points during 2001. These

reductions have made the market feel confident that an upturn is to be expected.

Long-term interest rates and share prices started to climb in the spring, in parallel with the reductions in short-term rates. The market was a little over-optimistic, however, and long-term rates declined during the summer. When the political climate started to stabilize after the terrorist attacks in the US and it was clear that the series of reductions in short-term rates was coming to a close, long-term rates rose once more towards the end of the year. On the whole, Swedish interest rates have followed international trends, although a substantially

higher rate of inflation during the spring of 2001 resulted in a greater difference between Swedish and international long-term rates. This differential decreased slightly at the end of the year as a result of some decline in the rate of inflation and inflation expectations.

Strong dollar

The dollar has continued to be strong during 2001. The euro also gained strength during the latter part of 2000 and early 2001 but subsequently declined in relation to the dollar, possibly due to the low growth rate in the EMU area.

Development of the Japanese yen was considerably weaker than for the euro, and its value declined by slightly less than 15% against the dollar during 2001, and slightly more than 8% against the euro.

The value of the Swedish kronor also declined against both the dollar and the euro. The fundamental economic prerequisites in Sweden deteriorated during the year, but no more than in the US or the EMU, which makes it difficult to explain the weak exchange rate for the krona. The krona has continued to be affected by trade flows and lost about 6% in TCW terms (Sweden's major trading partners). The krona recovered somewhat towards the end of the year, and this trend is expected to continue as the business cycle and share prices improve. In addition, the market will continue to focus on expectations of Swedish membership of the EMU in the near future.

Slight downturn in the property market

The real estate market has been characterized by large number of properties put on the market by private persons, or by institutions wishing to reduce their portfolios. In the market for commercial premises, there has obviously been hesitation on the part of many investors due to uncertainty about the key factors during the next few years, for

example rental levels and vacancy rates.

Due to the stock market decline, most institutional investors are now overweighted in properties and, as a result, are not interested in buying. A large number of property transactions were nonetheless conducted during the year at satisfactory prices. Both foreign property funds and private persons have shown increased interest in investing in Swedish properties.

A peak was noted in the rental market in late 2000. Rents in central Stockholm have subsequently declined by 10%. Rents in Stockholm are still at a historically high level, however – the current (March 2002) rent for office floor space in prime locations is SEK 4,500-5,000 per square metre.

Alternative Investments

There was considerable caution in the Private Equity market during the year. It was very difficult for Private Equity managers to divest portfolio companies in listed markets, and individual buyers were unwilling to acquire companies. In combination with a widespread and high level of risk aversion and a difficult credit market, these factors resulted in very limited investment in new companies. Instead, the focus was more on managing existing investments. The Venture Capital segment suffered particularly severely, with major writedowns as a result.

The prerequisites for the Absolute Return portfolio changed during the year due to the dramatic increase in global demand for hedge funds. As a result, the managers that Länsförsäkringar prefers to invest with had limited capacity and, in its turn, this meant that there was an even greater need for discipline in the analysis and selection process.



New approach to asset management

Responsibility for Länsförsäkringar's financial management process is shared by the various regional insurance companies and Länsförsäkringar AB. Länsförsäkringar AB has a joint specialist Financial Management function which also manages Alternative Investments and properties.

Länsförsäkringar AB's Financial Management unit calculates the desired long-term allocation of assets, based on the prerequisites and restrictions for Länsförsäkringar AB's life and non-life operations, respectively. This long-term allocation is rarely modified unless there are dramatic changes in the market prerequisites or legal constraints.

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 for decisions regarding the allocation of assets in an insurance company. It is also important to understand the potential covariation of these risks over time. The Financial Management unit applies Asset Liability Management (ALM) model on a continuous basis, involving the identification of the risks, and finding the optimal allocation of resources which maximizes the long-term risk-adjusted yield – taking into account the legal and other constraints on the choice of investment assets.

In the case of the life insurance company, the ALM process has resulted in a consolidation policy and an investment policy. Decisions regarding the strategic allocation of resources are crucial since studies indicate that, in the long term, a high proportion of

the return on a portfolio may be ascribed to strategic allocations between various types of assets. The strategic allocation determined provides a basis for the asset management assignments delegated by Financial Management and indicate the risk mandate for the various managers. The various management organizations are subsequently responsible for tactical allocation, which involves short-term underweighting or overweighting of asset categories within the above frameworks, and determining allocations between various sub-markets, industries and specific securities.

Asset management partnership with ABN AMRO

During 2002, Länsförsäkringar and ABN AMRO will be cooperating in the day-to-day administration of the greater part of Länsförsäkringar's assets managed on behalf of customers, totalling about SEK 115 billion. The aim of Länsförsäkringar's agreement with ABN AMRO is a high and secure yield.

The partnership means that ABN AMRO will manage the day-to-day administration of the savings of approximately 600,000 life insurance customers and approximately 200,000 mutual fund customers.

Länsförsäkringar exercises ownership responsibilities, determines the investment

focus, and retains voting rights for all shares. Länsförsäkringar will also continue to be responsible for the return on customers' assets, and Länsförsäkringar's Board will continue to determine the strategic investment focus, including the allocation between equities and bonds. ABN AMRO's management assignment is bound by clear yield requirements and risk levels. Länsförsäkringar can cancel the 10-year management contract if the yield requirements are not met.

The need for international analysis and management capacity has increased dramatically in this field. It is essential today to be in a position to evaluate all the investment options offered in the global financial markets.

Cooperation with ABN AMRO also means that Länsförsäkringar's customers will have access to a greater number of international funds, both for direct mutual fund savings and for unit-linked savings. A growing number of customers are selecting pension insurance in which they personally control the savings orientation. In the next few years, Länsförsäkringar will increase its range by offering mutual funds marketed by additional external players.

The partnership with ABN AMRO will give customers access to management services which comply with high international standards. On the other hand, management



costs will be lower than in the past. Management fees will be more flexible and will be linked to the manager's performance. The 24 regional companies will continue to be responsible for customer contacts, and will not be affected by management cooperation with ABN AMRO.

ABN AMRO is paying Länsförsäkringar AB SEK 1.3 billion for the right to manage day-to-day administration under the agreement. The partnership is expected to com-

mence in June 2002, provided that the customary official permits are received. During 2001, it was decided that Länsförsäkringar AB's Financial Management unit should delegate three external equity management mandates, representing a total of about SEK 4 billion. This decision was implemented on 1 July 2001.

Asset allocation in the long term

In the case of traditional management activ-

ities of Länsförsäkringar's life insurance company, the long-term asset mix is 44% equities, 43% interest-bearing securities, 7% properties and 6% 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 of the long-term asset mix is normally 25%, and the remaining assets are primarily invested in interest-bearing securities.

Swedish savings – changes in a turbulent year.



The turbulence experienced in the financial markets during 2001 had an impact on the way various forms of savings are perceived. Many people stopped saving in equities and mutual equity funds and turned instead to more secure investments in bank accounts, fixed-income funds and bonds. According to Länsförsäkringar's LänsSpar survey, however, mutual funds were still the most popular form of saving in Sweden. Despite a reduction in the bonus interest rate for traditional insurance during 2001, this form of saving held its own in competition with bank accounts, for example. The long-term nature of pension saving means that occasional years with a lower rate of interest do not have a major impact on saver's attitudes.

Insurance saving slowed down during the third quarter of 2001, but the trend continues to be positive. Consumers had a more cautious attitude to new savings in mutual funds, specific equities and bonds, but saving in bank accounts increased. Occupational pensions accounted for virtually half the growth in the insurance sector. At the same time as consumers became more cautious about the way their savings were invested, consumption slowed down and, as a result, overall new savings increased. The main reasons were the downturn in the economy, the decline in stock market prices and the uneasy international situation.

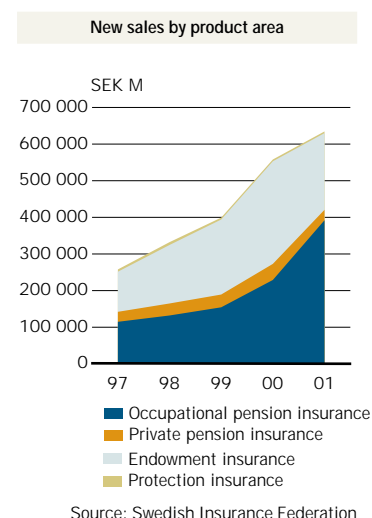
Although there was a marginal decline in the number of people saving in mutual funds during the year, this form of saving was nonetheless the most popular in Sweden – two-thirds of the population save in mutual funds. The reduction in consumer confidence in shares meant that equity funds lost

more ground than other mutual funds, although there was also less saving in mixed funds. In the case of fixed-income funds, however, the reverse applied, and savings increased steadily after August 2001.

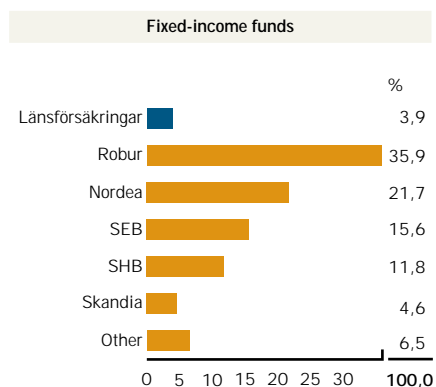
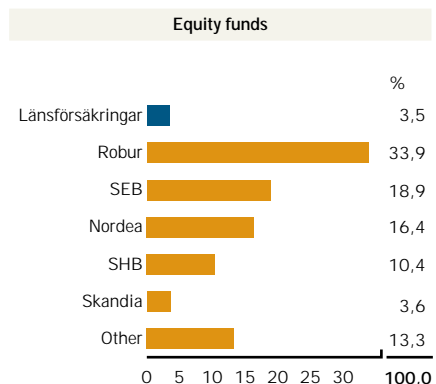
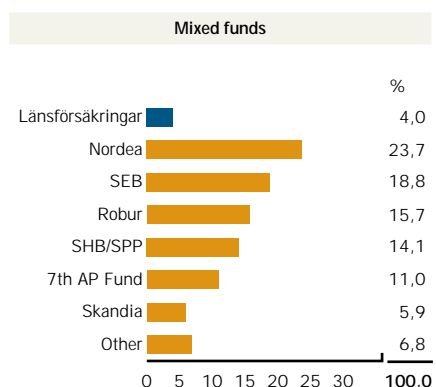
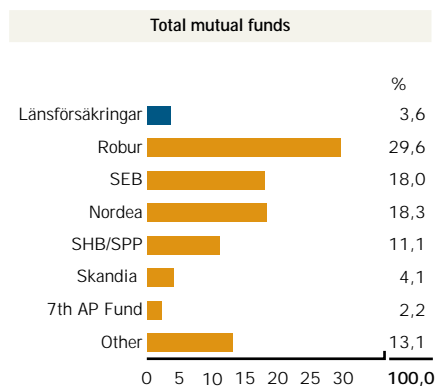
Bank accounts and private pension and endowment insurance policies became increasingly popular forms of saving. A full 65% of the population had savings in bank accounts, and half the population placed their savings in private pension insurance during 2001.

Savings by private persons

During the past decade, consumers have placed an increasing emphasis on savings in equities, and had 18% of their direct savings in specific shares at 31 December 2001. At times, total share-related investments – in specific shares, in mutual funds or in unit-linked insurance – have clearly exceeded 50% of total savings. As a result of the decline in share prices during 2001, this pro-



Assets managed – market shares



Source: Swedish Mutual Funds Association

portion dropped from 60% to 56% in the course of a year. The type of saving that has increased most since 1990 has primarily been mutual funds, at the expense of bank deposits and bonds.

Forms for mutual fund saving

	Percentage of population
Ordinary mutual fund saving	70
Unit-linked insurance, capital	21
Unit-linked insurance, pension	42
IPS (Individual Pension Saving)	33
Collective agreement occupational pension	43
Premium pension	77

Source: Swedish Mutual Funds Association

Historically, Sweden has had a low savings-income ratio in an international perspective, largely because the major proportion of the individual's needs in terms of security in old age, medical services, education and community care services were financed by the state, via taxes. The savings ratio has also fluctuated widely, in line with cyclical swings. The savings ratio has increased somewhat since 2000, and this trend is expected to continue for at least the next two years. The ratio of debt to assets has gradually increased in the past two years, primarily due to the decline in share prices and increased consumer borrowing.

Household financial assets and debt ratio

	1998	1999	2000	2001
Financial assets (SEK billion)	1,956	2,364	2,272	2,244
Financial liabilities (SEK billion)	945	1,026	1,123	1,236
Net financial assets (SEK billion)	1,011	1,338	1,150	1,008
Debt ratio	0.49	0.43	0.49	0.55

Source: Financial Supervisory Authority's Savings Barometer

New industry structure

As in many other industries, there has been a blurring of boundary lines in the financial sector in recent years which has fundamentally affected the structure of the industry. Banks and life insurance companies are now active in virtually identical markets. Private individuals largely associate saving with banks, and not with insurance companies, but most market participants now have both life insurance and banking operations. In parallel with this merging of banking and insurance, life insurance and non-life operations are moving along separate paths. Today, Länsförsäkringar is the only remaining supplier of both life and non-life insurance for both private persons and companies.

Banks are still the dominant feature of the Swedish financial market, however. The four major banks have a joint market share of more than 60% for both savings and lending. Insurance companies have been



particularly successful in the traditional life insurance sub-market, where three of the four largest players are insurance companies.

Banking market

In the banking sector, Länsförsäkringar has achieved considerable success, with strong customer flows. During 2001, the number of customers increased by more than 75,000, and deposits rose 25%, resulting in a market share of 2.5%. In other words, growth is satisfactory, in the current competitive situation.

During 2001, several companies announced that they intended to launch banking operations. At the end of September, for example, Folksam and Ikano announced that they planned to start a joint bank. Folksam was looking for a partner which did not have a stock exchange listing, and Ikano's basic concept complied with Folksam's.

KF, Telia and Skandia also announced during 2001 that they intended to launch a joint bank – the Coop Bank. Business operations commenced in the first quarter of 2002. This bank will be largely Internet-based, but will also invest in the “bank-in-store” concept.

During 2001, the ICA retail chain also launched a bank which will gradually introduce new services.

In the financial sector, Nordiska and Matteus merged during 2001 and estab-

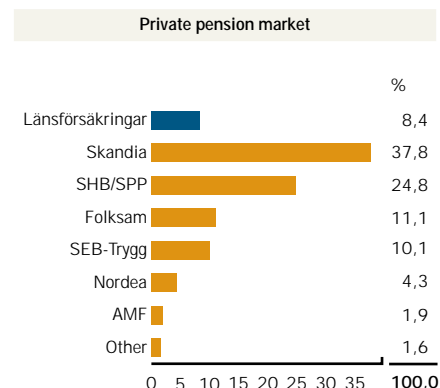
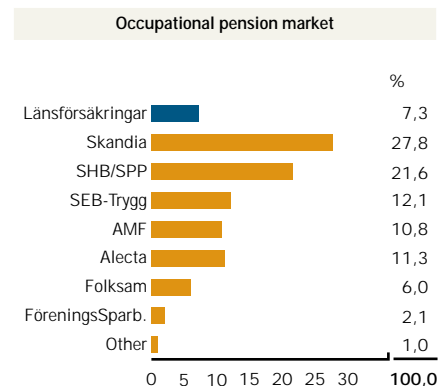
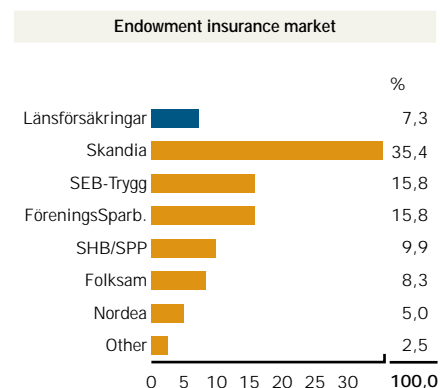
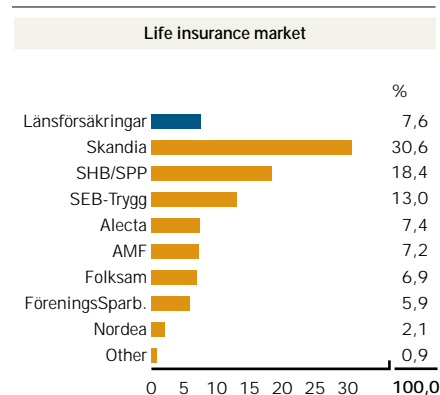
lished Bankaktiebolaget JP Nordiska, a niche bank with a special emphasis on share trading, corporate finance and asset management, targeting both private persons and institutions.

Länsförsäkringar in the savings market

The major players in the Swedish savings market are SEB and FöreningsSparbanken, with market shares of 16.5% and 16.0%, respectively. Länsförsäkringar is the seventh largest company in this field, with a market share of 5.7%. Between them, the seven largest players have 85% of the total savings market. The total assets managed amount to SEK 2,950 billion. During the year, the total number of Länsförsäkringar bank customers increased by 29% to 350,000. Deposits increased by 45% to SEK 12.4 billion, and lending rose by 29% to SEK 12.5 billion. The 24 regional insurance companies have a joint total of 75 bank branches throughout the country, and a full-coverage Internet and telephone banking service.

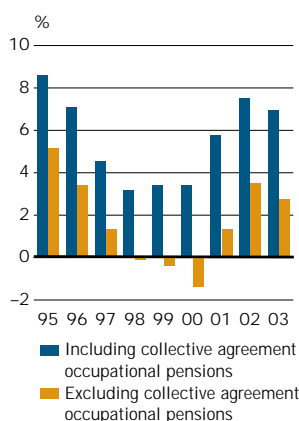
In the life insurance market, Länsförsäkringar lost market shares during 2001, compared with 2000. Länsförsäkringar's share of the total life insurance market was 7.6%, compared with 9.1% in the same period in the preceding year. The loss of market share was primarily due to the occupational pension sub-market, which increased by 45%. Länsförsäkringar's

New sales – market shares

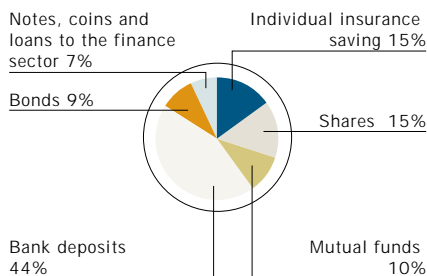


Source: Swedish Insurance Federation

Swedish savings-income ratio

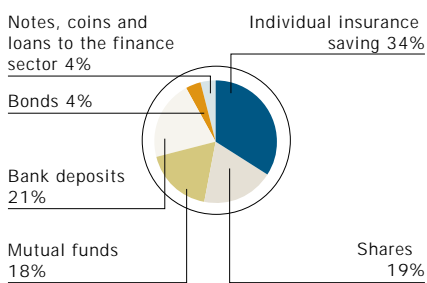


Household financial portfolios, 1990



Source:
Financial Supervisory Authority's Savings Barometer

Household financial portfolios, 2001



Source:
Financial Supervisory Authority's Savings Barometer

share of occupational pensions increased by 17%.

In the savings market, Länsförsäkringar's market share was 7.3% (7.9). The total life insurance market accounts for sales of SEK 158 billion, with a 5% growth rate.

During 2001, total saving in mutual funds amounted to SEK 57 billion (99), of which SEK 12 billion (36) was accounted for by the Premium Pension Authority scheme. There was some reweighting from equity funds to fixed-income funds during the year. Länsförsäkringar's share of the Swedish mutual fund market increased by 0.2 percentage points during 2001, and amounted to 3.7%. The market share for new savings was unchanged at 7%.

Distribution

As a result of the blurring of borderlines in the financial sector, there are several full-range "financial supermarkets" in the Swedish market, with origins either in life insurance or banking. A full-range sup-

plier operating both in a mass market and via personal selling requires a well-developed market-channel strategy, with several different forms of customer contact. Technological and other trends in society permit the development of new market places – such as distribution via the Internet, the "bank-in-store" concept or financial advice in the workplace – in parallel with traditional channels, and are accelerating this process.

New channels

Banks and insurance companies are both introducing new distribution forms and sales channels. At the same time, new intermediaries are establishing themselves in the market. A number of trends can be noted:

- *Premium Pension Authority (PPM)*

The new premium pension scheme may be regarded as a new distribution form. A small proportion of savings previously controlled by the state has now been

The savings market – market shares by product area, %

Participant	Bank deposits	Traditional life insurance	Unit-linked insurance	Mutual funds (free)	Premium Pension	Retail-bonds	Total
SEB Trygg Liv	13.0	18.8	25.5	15.7	2.8	13.7	16.5
Skandia	3.6	28.8	21.2	1.4	3.2		13.7
Länsförsäkringar	2.4	10.1	8.7	1.7	4.6		5.7
Folksam		7.5	3.6	1.4	5.9		3.8
SHB/SPP	17.2	10.9	11.9	10.0	12.1	36.3	12.1
Nordea	20.4	1.7	5.1	22.3	3.3	5.2	11.2
FöreningsSparbanken	26.0		22.1	31.3	13.5	18.7	16.0
AMF		21.6	1.1	0.1	8.1		8.7
Other	17.2	1.4	0.8	16.1	16.2	20.0	9.0
Central government					30.3	6.1	3.3

Source: SEB Savings Barometer

Everyone should have three types of savings, starting with bank savings with a mutual funds is a satisfactory solution for somewhat more long-term saving over improve their pension, and this primarily involves pension insurance."

Deposits by households

Bank	Total, 31 Dec. 2000	Total, 30 Nov. 2001	Market share, %
FöreningsSparbanken	108,879	113,114	25.5
Nordea	83,773	90,240	20.4
Handelsbanken	64,026	73,002	16.5
SEB	55,317	60,242	13.6
SkandiaBanken	10,735	16,441	3.7
Länsförsäkringar	7,810	11,193	2.5
Postgirot Bank	6,120	6,524	1.5
Stadshypotek Bank	4,364	4,605	1.0
HSB Bank	2,128	2,515	0.6
Ikanobanken	1,672	2,121	0.5
Eskilstuna Rekarne Sparbank	1,532	1,641	0.4
FöreningsSparbanken Sjuhärad	3,130	3,449	0.8
Bankaktiebolag JP Nordiska (Matteus JP Bank during 2001)	1,400	1,770	0.4
Large savings banks	28,501	31,348	7.1
Branches of foreign banks	7,164	8,751	2.0
Other banks	11,548	16,330	3.6
Total	398,099	443,286	

Lending to households

Bank	Total, 31 Dec. 2000	Total, 30 Nov. 2001	Market share, %
FöreningsSparbanken	61,056	60,161	23.4
Nordea	29,486	29,913	11.6
Handelsbanken	41,294	43,285	16.8
SEB	24,956	20,781	8.1
SkandiaBanken	10,522	11,547	4.5
Länsförsäkringar	3,068	4,259	1.7
Postgirot Bank,	338	335	0.1
Stadshypotek Bank	50	72	0.0
HSB Bank	1,379	2,481	1.0
Ikanobanken	1,696	1,881	0.7
Eskilstuna Rekarne Sparbank	907	961	0.4
FöreningsSparbanken, Sjuhärad,	1,852	1,947	0.8
Bankaktiebolag JP Nordiska (Matteus JP Bank during 2001)	3,499	3,295	1.3
Large savings banks	30,314	31,028	12.1
Branches of foreign banks	17,204	22,579	8.8
Other banks	18,398	22,566	8.8
Total	246,019	257,091	



current account and a deposit account. Endowment insurance or saving in a period of 5-10 years. The third type of saving is for people who want to

Pernilla Ljungkvist, Customer Manager, Life and Pensions, Länsförsäkringar Skaraborg.

opened up for mutual fund suppliers. The Authority coordinates savings and transfers them to the company chosen by the customer, thus acting as a new intermediary in the Swedish market. The premium pension reform also opened up the Swedish market to foreign mutual fund suppliers. In all, there were about 80 suppliers to choose from in the premium pension selection process. Roughly half of them were based in other countries. Länsförsäkringar was selected by 413,000 premium pension savers, corresponding to 14%, and 6.9% of the assets were invested in Länsförsäkringar's funds. The "young people's" premium pension selection process took place in the spring of 2001, involving 490,000 savers, of whom 75,000 made an active choice. Länsförsäkringar's share of this savings capital was 5.9%.

- *Large companies as a market place*
The Swedish savings market is growing

rapidly, particularly the occupational pensions segment. This market expanded by 45% during 2001, and the sales value was more than SEK 100 billion. The main reasons are deregulation of the market, new collective agreements and opportunities for employees to transfer part of their salary to their pension entitlement, for example. Since employees have greater opportunities to decide who manages their pensions, there is also a greater need for financial advisory services in the workplace. There are 800,000 companies in Sweden, and 6,000 have 50 or more employees. This means that 65% of all employees in Sweden work for organizations in the latter category and that a supplier of occupational pensions to this type of company has access to two-thirds of the Swedish labour force, and thus has a natural channel for advisory services and sales.

- *Growing importance of brokers*
According to a survey which questioned companies with more than 200 employees about their procurement procedure for individual occupational pensions, more than half the respondents said that they preferred to work through a broker. Approximately one third dealt directly with an insurance company. Since the major proportion of the occupational market is, and will continue to be, in large companies, brokers will become increasingly important intermediaries.

Greater individual responsibility for pensions and the increasingly complex structure of the financial services market also mean that private persons use brokers to a greater extent to get an overview of their financial situation and advice concerning key financial decisions. A need for objective guidance is perceived, and brokers can meet this need.

Number of Internet customers, October 2001

Participant	Internet customers Oct. 2001	Percentage	Internet customers Oct. 2000	Percentage	Total customers Oct. 2001	Total customers Oct. 2000
Föreningssparbanken	1,047,000	30	621,000	30	1,430,000	761,000
Nordea	960,000	27	500,000	24	2,500,000	1,600,000
SEB	650,000	18	438,000	21	1,000,000	620,000
Handelsbanken/Statshypotek	431,000	12	317,000	15	500,000	317,000
Länsförsäkringar	170,000	5	0	0	170,000	0
Skandiabanken	150,000	4	110,000	5	300,000	110,000
Sparbanken Finn	53,000	2	50,500	2	53,000	40,500
Provinsbankerna	50,000	1	32,000	2	50,000	32,000
Ikanobanken	20,000	1	10,000	0	20,000	10,000
Total	3,531,000	100	2,078,500	100	6,023,000	3,490,500

Source: Svensk Fondstatistik AB

“Bank-in-store” solutions - and in other locations

“Bank-in-store” channels will become a natural feature of the financial services sector as a result of the establishment of new operations. The traditional banks and insurance companies are also gradually launching operations in retail stores or at other contact points.

Hedge funds – a new trend

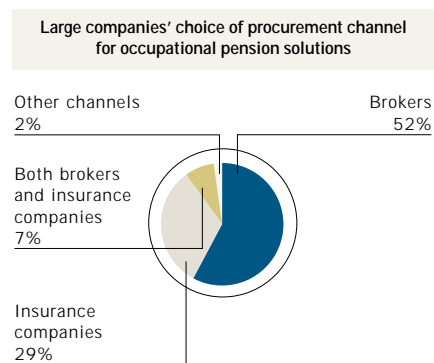
Hedge funds were a new trend for banks and mutual fund companies during 2001. Players launching a hedge fund during the year included SEB and Handelsbanken. A hedge fund normally invests in traditional markets (the listed equity and fixed-income markets and the foreign exchange market). The fund manager employs financial instruments which contribute to the generation of absolute, positive yields. An absolute yield means that the yield is not related to the overall ups and downs of the market, and the re-

turn is more or less independent of market movements. As a result, the manager is not dependent on traditional equity and bond indexes. Increased value is mainly achieved as a result of the manner in which the manager invests, not where.

The combination of a highly satisfactory risk-adjusted return and low tracking with other assets makes hedge funds a very attractive investment option in an institutional portfolio.

Fund-in-fund

During 2001, a number of market participants launched Fund-in-fund programmes. Länsförsäkringar introduced three Fund-in-funds with different risk levels in early 2002. Fund-in-fund is several funds within a single mutual fund. The customer selects a risk level, and the fund manager reviews the composition of the fund at regular intervals, based on the state of the market, and then adjusts the investment.



Source: Länsförsäkringar market survey



Transfer rights

A new Insurance Business Act entered into force on 1 January 2000. There are transitional rules for the new Act and, commencing in 2002, insurance companies must implement all the mandatory changes stipulated. The new Act is designed to create more rational business rules for insurance companies and to establish a body of regulations compatible with EC Law in this area.

Länsförsäkringar welcomes the new Act since it promotes competition in the life insurance market and also increases transparency for customers. The new Act involves a number of changes. Perhaps the most important change from the customer's viewpoint is that insurance companies can offer transfer rights for pension saving.

Länsförsäkringar's view of transfer rights

Länsförsäkringar considers that the introduction of transfer rights is a natural step, since it increases competition and customers regard it as an obvious requirement.

Länsförsäkringar will introduce transfer rights in early 2003 for new pension insurance saving. A model for transfer rights for existing savings is also being developed, although this is more complex. More information will be provided during the spring.

As from 1 July 2002, Länsförsäkringar will be able to accept customers who transfer to Länsförsäkringar from other companies.

Transfer rights are particularly complicated for policies under traditional management since customers are entitled to a guaranteed yield. The negative financial impact on customers who fail to utilize their transfer option – probably the majority – is one of the points which Länsförsäkringar has studied. Other problems which need to be solved include ensuring, if possible, that the yield for pension

savers is not less than the yield they would have received without transfer rights and that the guaranteed yield is not endangered in any way.

Alternative solutions

Transfer rights involve several different options. Should transfer rights only apply to new customers, or should they also cover existing customers? How should insurance companies handle savings for customers who transfer to another company? The most important and the most complex question, however, is the rules for customers with savings covered by traditional management. There are issues of principle and fair play in this context which need to be clarified in order to ensure that the inter-

ests of all customers are taken into account, and that one group is not penalized at the expense of others.

If transfer rights are introduced for customers covered by traditional management, they will probably receive a lower yield than in the past, since insurance companies will have to have a greater degree of liquidity. If insurance companies are to pay up customers' accruals at short notice, this will result in higher liquidity requirements, and a less efficient correlation between savings and payment periods.

Increased information requirements

As consumers become increasingly dependent on private savings, there is a parallel increase in the requirements for fi-



nancial advisory services. A full 85% of the population had savings in mutual funds during 2001, including the premium pension scheme. In view of this, Finansinspektionen (the Swedish Financial Supervisory Authority) has presented requirements for higher standards of information to customers (shareholders) and other stakeholders. Individual listed companies and mutual fund and asset managers must provide current and relevant information on which the investor's decisions may be based. The requirements also include a clear distinction between the sales and advisory roles in the mutual funds and securities context. Finansinspektionen has also considered the conflict of interest between the corporate finance operations of financial

institutions and stockbroking activities. During 2001, the Swedish Securities Dealers Association supported an agreement under which certification in terms of expertise and personal suitability is required for all employees in the mutual funds sector who deal with customers or are authorized to take decisions which affect the balance sheet of the institution concerned. At the moment, the Securities Dealers Association certification requirements only involve securities trading, but are expected to be extended to mutual fund companies.

Impact of the euro

The euro was introduced on 1 January 1999 in 12 of 15 EU member states. Sweden was one of the three countries that de-

cided to postpone a switch to the euro. The introduction of the euro affects the entire Swedish financial system. Competition will probably become more intense in the private sector, with more cross-border investment, corporate acquisitions and strategic alliances. Furthermore, in the case of banks and insurance companies, preparations in the form of systems modifications are required for euro transactions.

Interest in euro-based savings is expected to increase as the euro becomes increasingly important in world markets. This interest would be further spurred if Sweden embarked on a process which was designed to lead to transition to the euro.



The most satisfied customers in Sweden – *yet again.*



Länsförsäkringar's organizational structure enables it to give unique service in the banking and insurance sphere. Sales, claims adjustments and other customer services are taken care of by the local regional insurance company.

Jointly, Länsförsäkringar's 24 regional insurance companies have a total of more than 90 offices all over Sweden. Banking operations are conducted at 75 of these offices. Almost 2.8 million customers are insured with or have their savings in these regional companies, which are unique in the Swedish market because they offer virtually all types of finance and insurance products for private individuals, businessmen and farmers. Länsförsäkringar's range includes non-life insurance, life and pension insurance, mutual fund products and banking services. Agria Djurförsäkring supplements the range by offering animal and crop insurance.

Distribution strategy and sales channels

The distribution strategy is based on the regional companies' contacts with customers. Proximity to customers is the major competitive strength, although the broad product range, covering both insurance products and financial services also provides added value. More complex products make greater demands on suppliers. As a result, Länsförsäkringar's sales personnel are becoming increasingly specialized, either in

non-life or life insurance, or in banking services.

In addition to sales via the regional companies' sales staff and claims adjusters, products are also distributed by agents and franchise holders who work with the regional companies. Franchise holders own independent companies which are entitled to sell Länsförsäkringar's products exclusively. Independent brokers, focusing primarily on occupational pensions and commercial insurance, also assist the regional company's sales force. The part played by insurance brokers is becoming increasingly crucial, both in Sweden and in other countries. Länsförsäkringar has recognized the importance of this sales channel by establishing Länsförsäkringar Mäklarservice as a special unit to serve brokers, with counters in Stockholm, Gothenburg, Malmö and Sundsvall.

The Internet is another channel which is becoming increasingly important, both for sales and for customer service. Länsförsäkringar considers that the Internet supplements personal and local contacts and offers improved access. As a result, despite the emergence of additional distribution

channels, the importance of Länsförsäkringar's sales force has not diminished. This is due to a deliberate strategy of having a local presence, close to the customer.

Focus on large companies

It is becoming increasingly clear that companies with more than 50 employees want to have direct contacts with insurance companies offering occupational pension schemes. There is a growing interest in and awareness of insurance products as a fringe benefit among employees in the Swedish market, and it is not uncommon for large companies to appoint "benefit managers" who are responsible for the procurement of insurance products, both for the company and for employees. Private individuals are also likely to purchase their pension insurance via their employer, for example by offsetting pay against benefits. During 2001, Länsförsäkringar decided to establish an organization that can meet this need effectively.

A joint Pension Service for Large Companies unit has been formed by the life insurance division of Länsförsäkringar AB. This unit will be responsible for business support, concept and product development,

and market development support. The regional insurance companies will continue to be responsible for customer relations and marketing.

The Internet as a complement

Länsförsäkringar is offering an increasing number of services via the Internet on regional company websites. Customers can, for example, change the allocation of their mutual fund or insurance savings and review their savings and loan situation from home, on a personal computer. Companies with Friplan insurance can notify changes directly, on the Internet. Non-life customers can go to their regional company website to get information, find out how much insurance cover costs, take out a policy or notify a claim. Improved access on the Internet is not achieved at the expense of personal contact. The aim is to ensure that the services which customers normally receive from their local regional company or by telephone are also available by electronic means.

Satisfied Länsförsäkringar customers

According to the Swedish Quality Index for 2001 – conducted by the Swedish Institute for Quality (SIQ), Garantidata AB and the Stock-

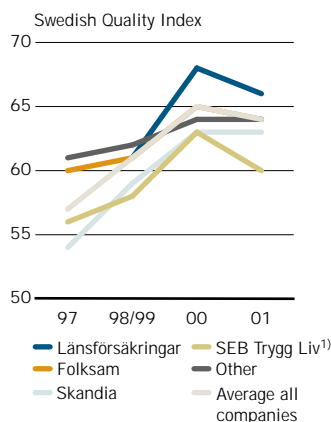
holm School of Economics – Länsförsäkringar once again had Sweden's most satisfied customers, confirming the quality ranking in 2000 for both non-life and life insurance operations. In the case of banking, this is the first time that the survey was broken down by bank category. Länsförsäkringar's bank had the highest rating among banks with nationwide coverage.

Once again, being close to customers proved to be a successful recipe in terms of customer satisfaction. The 24 regional insurance companies know their customers and act accordingly. Länsförsäkringar has had the most satisfied customers in the private market for 10 years in a row and, in the commercial sector (non-life), Länsförsäkringar has headed the list since 1994, when the Alliance participated in the survey for the first time.

Länsförsäkringar's customer structure – the private market

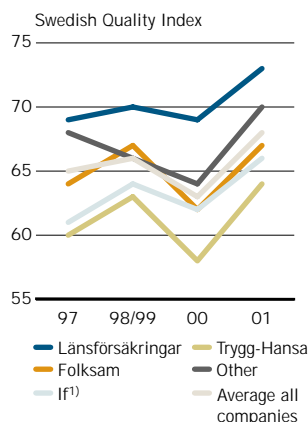
Länsförsäkringar's customer structure – serving 2.8 million inhabitants – is a relatively faithful reflection of the customer structure for the entire country. As a result, Länsförsäkringar's customer database provides a more or less accurate picture of the Swedish insurance market.

Life and pension insurance – private market



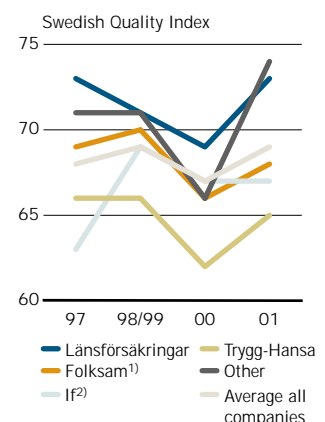
¹⁾ Previously Trygg-Hansa

Non-life insurance – private market



¹⁾ Previously Skandia

Non-life insurance – commercial market

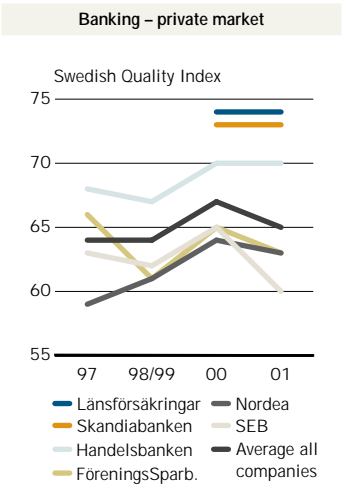
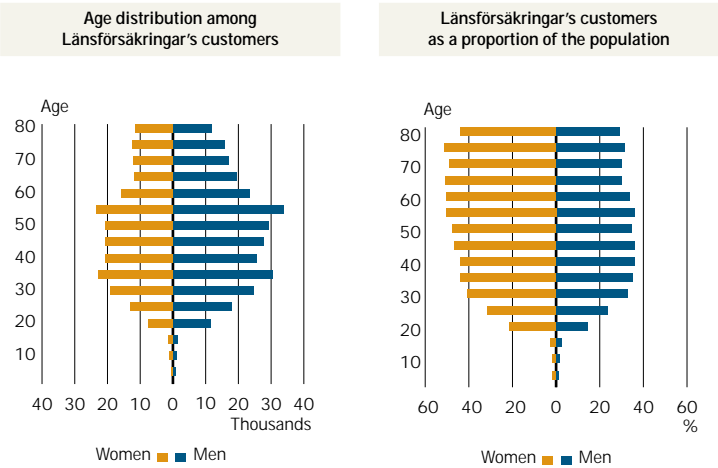


¹⁾ Now part of Trygg

²⁾ Previously Skandia

Länsförsäkringar has very few customers under the age of 15, since few children pay for their own animal, sport, accident or bicycle insurance. The customer stock rises in the 15-37 age group, then falls back, and increases once more to reach a peak at the age of 55.

These two peaks in Länsförsäkringar's customer structure reflect the demographic structure in the country as a whole. If Länsförsäkringar's customers are regarded as a proportion of the total population at the ages concerned, the picture becomes more stable. Länsförsäkringar's customers represent an increasing proportion of the population from the age of 15 to about 30 – up to about 40% of the male population and 30% of the female in the relevant age groups. This phase may be described as the “establishment period” in people's lives from an insurance viewpoint. There is an increase in home/contents and motor insurance policies, and savings patterns are established. After the age of 30, Länsförsäkringar's customer stock is relatively static, as a proportion of the total population. Most customers have established a long-term relationship with their local regional company, and they maintain this relationship, even if the prod-



ucts change. This means that the proportion of the total population in the relevant age group increases, even if there is a decline in absolute terms with increasing age.

Länsförsäkringar's customers tend to be men, rather than women. The higher proportion of male customers is probably due to the listing of motor and home/contents insurance in terms of the registered owner, who is often a man.

Länsförsäkringar's customer structure bears the imprint of its tradition of being close to its customers. The majority of customers live in rural districts or small urban centres where Länsförsäkringar has a considerably firmer foothold than in the major cities.

The educational profile of Länsförsäkringar's customers is almost identical with that of the rest of the population. A high proportion of customers – 29% – have a basic school education, 34% have completed senior secondary school and about 27% have a university education. No information is available for the remaining 9%. Most customers are private sector employees, with a predominance of skilled workers and middle management personnel.

Self-employed persons are clearly over-represented among Länsförsäkringar's customers, compared with the population as a whole. Almost 11% of Länsförsäkringar's customers live on a farm or a rural farm property, which is almost double the national average. Otherwise, homeowners are the largest category (48%), closely followed by apartment dwellers (32%). The income structure among customers resembles that of the population as a whole, although customers with an income of more than SEK 21,000 per month are slightly over-represented.

Länsförsäkringar's customer structure – commercial and agricultural market

Länsförsäkringar has highly satisfactory market coverage in all sectors of the economy, throughout the country. Transactions are predominantly conducted with small and medium-sized companies, although there is a new focus on large companies, particularly in the life insurance sphere. Overall, market coverage in terms of the number of companies is 45%, which means that Länsförsäkringar does business with almost half the total number of companies in Sweden.

Länsförsäkringar has been particularly successful in more traditional industries, with strongholds in the following sectors:

- Agriculture, hunting and forestry (73%)
- Construction (53%)
- Manufacturing (47%).

The strong representation of these sectors among Länsförsäkringar's customers is partly traditional and partly due to an attractive product range. Sectors in which Länsförsäkringar is less prominent include:

- Financial operations (23%)
- Education (29%).

Länsförsäkringar's market penetration is clearly higher in small towns and rural districts than in major urban areas (Stockholm, Gothenburg and Malmö). Market coverage in the provinces ranges from 45% to about 70%, compared with 30% in the major urban areas. In the commercial insurance sector, small and medium-sized companies account for the major proportion of transactions. There is also a high market coverage among large companies, however, probably because they employ more than one company to meet their insurance and savings requirements.





Länsförsäkringar

standing on
solid ground
in a changing
market.



The structural change process continued in the Swedish non-life insurance market during 2001. Companies in the Nordic region are coordinating and streamlining their operations, and international companies and smaller players are withdrawing from Swedish and Nordic non-life insurance markets. Länsförsäkringar strengthened its position in the Swedish market during the year, and its local contacts and closeness to customers continue to be a winning concept.

Dramatic external events had a considerable impact on the non-life insurance market during the past year. The events of September 11 affected the reinsurance market, resulting in higher premiums and reduced insurance commitments. Stock markets around the world continued to fall, resulting in a stronger focus on profitability requirements in insurance business. In combination with rising claims costs, this led to higher premium levels throughout the industry. Total premium income attributable to Swedish non-life insurance increased by 7.9% during 2001.

Due to its financial strength, Länsförsäkringar is less dependent on the reinsurance market than other companies and, true to its mutual principles, it has also resisted premium increases. The company was forced to raise premiums during the year, however, primarily due to a sharp increase in claims costs in the motor insurance sector.

In the domestic market, it has become increasingly clear that customers are choosing their own mode of communication with their insurance company based on their personal requirements, and there is a growing need for access outside traditional office

Major events

- **Länsförsäkringar increased** its total non-life market share from 26.8% to 28.4%
- **Länsförsäkringar acquired** Svenska Brand
- **Acquisition of the Allianz** insurance portfolio in Sweden.
- **Lita to be phased out as a separate company** and policies transferred to Länsförsäkringar regional insurance companies.

hours. Länsförsäkringar meets its non-life insurance customers both in local contacts, close to the customer, and as a result of the continuous development of customer relations via the Internet. The most important contacts – when customers have a claim – are always at the local level.

Price transparency in non-life insurance is also increasing as a result of growing use of the Internet. In cooperation with the Swedish Consumers Insurance Bureau and the other major Swedish insurance compa-

nies, Länsförsäkringar established a new Internet website during the year that allows customers to compare premiums and take out immediate insurance cover for passenger cars.

One indication that customers appreciate their contacts with Länsförsäkringar, and the value offered by the company's products, is the increase in Länsförsäkringar's total non-life market share from 26.8% to 28.4% during the year. According to the Swedish Quality Index for 2001, Länsförsäkringar continued to have Sweden's most satisfied customers. In the case of non-life insurance, Länsförsäkringar consolidated the preceding year's quality rating. Customer satisfaction was also confirmed by Länsförsäkringar's own Satisfied Customer survey (NKIL).

Changes in society and legislation may create new opportunities for Länsförsäkringar's non-life insurance operations. There is a long-term shift in public financing and the general public's attitudes in the "welfare sector". As a result, private insurance to supplement public undertakings may result in a new market, as in many other parts of Europe. Health insurance offers interesting development potential. The liability of manufacturers and importers for the processing of



worn out products in a responsible manner is being clarified by EU legislation. During 2001, the Swedish government appointed an official committee to make proposals concerning the practical implementation of the Product Liability Act. The committee proposed an insurance solution that substantially improves marketing opportunities for Länsförsäkringar. A product liability agreement was signed with Olle Olsson Bolagen in 2001.

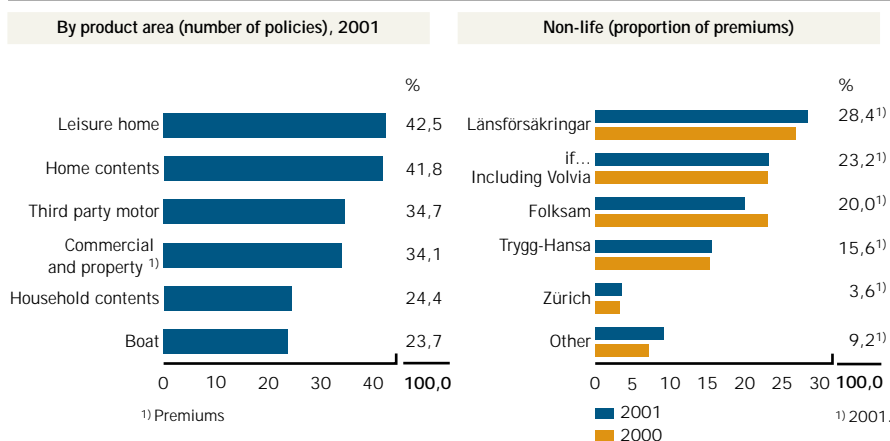
Structural changes in non-life insurance market

The structural change processes which started a few years ago continued in 2001 and early 2002. Most companies which were previously active in both life and non-life insurance are now increasingly focusing on the savings market in the form of banking services and pension insurance. Foreign companies and smaller market players are withdrawing from the Swedish and Nordic non-life market.

As a result, a limited number of companies which are active in the Swedish non-life insurance have emerged:

- if..., which operates on a Nordic basis and includes the non-life insurance operations of Skandia (Sweden), Sampo (Finland), Storebrand (Norway) and Kongl. Brand (Denmark). During 2001, if... acquired Volvia's insurance operations.
- Trygg-Hansa, which is owned via Codan (Denmark) by Royal Sun Alliance, has recaptured some of its former position in

Market shares



Sweden by taking over part of the Folksam and Zürich insurance portfolios and the entire portfolio of Cox Försäkringar of the UK.

- Folksam, which has become a more streamlined company for private persons after the sale of its Commercial portfolio to Trygg-Hansa, and
- Länsförsäkringar, which is going against the tide by offering its local customers both life and non-life insurance, as well as banking and asset management services.

Länsförsäkringar was also involved in structural transactions during 2001. In mid-April, it acquired Svenska Brand, a publicly listed insurance company with a total premium volume of SEK 300 M, primarily commercial and property insurance in major urban areas. This acquisition increased the premium volume in Stockholm by 15%, and Länsförsäkringar also became the market leader in health insurance.

In the late summer, Länsförsäkringar acquired the Swedish insurance portfolio of Allianz, a multinational group, when Allianz withdrew from the Nordic non-life insurance market and sold its business to ALKA, a Danish insurance company. The policies have a total premium volume of SEK 134 M, with most business concentrated in Stockholm. Göteborg and Jönköping.

Both these portfolios were transferred to Länsförsäkringar's regional insurance

companies, based on the geographical location of customers. There were also internal structural changes. A decision was reached in 2001 to discontinue Lita as a brand name and transfer the Lita portfolio to the regional insurance companies. As a result, Lita, which marketed its services via post offices and the Internet, will cease to be a brand, and customer contacts are transferred to the regional insurance companies, in accordance with the customers' location, thus giving them better service. This decision was based on the regional insurance concept and the local business approach, which involves giving customers the best possible service as a result of the regional companies' proximity.

Households

Länsförsäkringar increased its market shares for all types household insurance during the year. Most of the increase was attributable to local customer contacts and competitive premiums, and a growing percentage of group household insurance customers who are retaining Länsförsäkringar for their home insurance. Group home insurance offered by trade unions provides Folksam with a market share of 42% in household insurance (49.9% for separate home insurance).

Housing construction is expected to increase during the next few years, despite a slowdown in the economy. By international standards, the level of new construction is

still low. One-room apartments with kitchenettes, or even smaller units, have been the most common type of unit in newly built apartment properties in recent years. The increase in smaller apartments is due to increased production of special types of housing, such as accommodation for students and the elderly. New construction of private houses reflects the opposite trend, with a growing percentage of houses with five rooms or more.

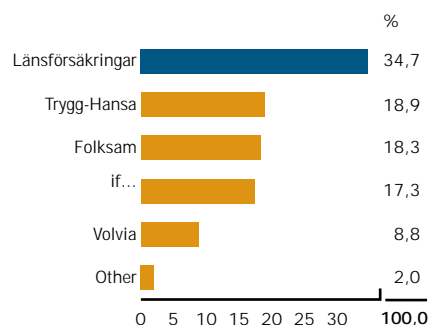
Household insurance	2001	2000
Gross premiums earned, SEK M	2,114	2,085
Household contents, number of policies	650,200	630,700
House and home/contents, number of policies	661,400	643,000
Leisure home, number of policies	243,100	240,000
Market share, contents and home, number of policies, %	30.7	29.9

As in 2000, Västernorrland County suffered extensive flooding. Indoor water damage also increased, both in terms of costs and the number of claims. Länsförsäkringar is therefore continuing its efforts to develop damage-prevention measures and guidelines that will encourage construction that avoids such risks. Premium levels in the industry have been raised to meet the increased cost of claims.

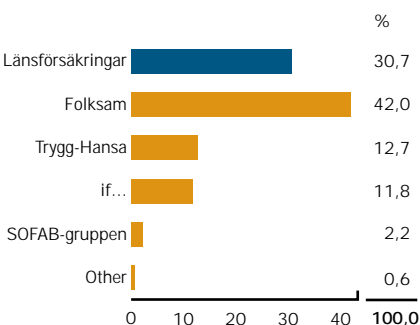
Motor

Market growth in the motor insurance sector continues to be weak. In all, 246,000, new passenger cars were registered in Swe-

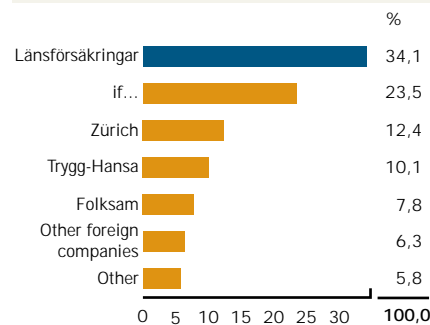
Third-party motor insurance (number of policies), 2001



Household insurance (number of policies), 2001



Commercial and property insurance (proportion of premiums), 2001



During the year, we raised motor insurance premiums and we now feel that we have established an equilibrium in this type of business. We have set the right price, in cooperation with Länsförsäkringar AB. And best of all, our customers clearly think so too. We have sold exceptionally well this year.

Göran Torehall, Manager of the Private business area, Länsförsäkringar Kalmar län.

den, which was 45,000, or 15% fewer registrations than in the preceding year. At the same time, the number of scrapped vehicles was largely unchanged, and the total market increase was about 22,000 cars. As a result, the average age of Sweden's motor vehicles continues to be high compared with other western countries.

New sales of business-related vehicles such as tractors, trucks and construction equipment also declined, compared with 2000.

The competitive structure of the Commercial Motor insurance sector changed during the year following Trygg-Hansa's acquisition of Folksam's Commercial Motor operations and now comprises if... and Trygg-Hansa.

Despite the weak market growth, Länsförsäkringar's sales of motor insurance remained strong. The portfolio and market shares both increased in 2001, and competitive conditions were highly favourable. The company's market share for third-party insurance rose to 34.7%, expressed in the number of policies, an increase of 1.8 percentage points.

Third-party liability and motor insurance	2001	2000
Gross premiums earned, SEK M	3,988	3,397
Passenger cars, number of policies	1,361,200	1,267,800
Motorcycles, number of policies	47,700	42,000
Market share, number of policies total, %	34.7	32.9

There were relatively substantial premium increases during the year to meet growing personal injury claims. The new legislation covering intangible loss was a contributory factor. Total third-party premiums rose by 13.6% on an industry basis, and comprehensive premiums increased by 9.4%.

During the year, Länsförsäkringar continued to adjust insurance premiums in line with actual risks. All segments are being analysed from a profitability perspective. The necessary increases were introduced without negative market reactions. Overall, Länsförsäkringar has a very strong position in the motor insurance market.

Boat insurance

The Swedish boat insurance market has been stable for the past 15 years, and about 265,000 pleasure craft continue to be separately insured. Länsförsäkringar is the largest company in the boat insurance sector and, despite a slowdown in new sales, its market share increased by 1.2 percentage points during 2001 to 23.7% of the total Swedish market.

Boat insurance	2001	2000
Gross premiums earned, SEK M	63	58
Pleasure boats, number of policies	61,700	57,900
Market share, number of policies, %	23.7	22.5

Länsförsäkringar has also reviewed its risk-selection rules for the boat market and adjusted its premium offers in line

with current market conditions. A new supplementary "Boat More" policy, was presented during the year, in combination with new insurance terms. Länsförsäkringar has also developed a new claims-prevention programme. Within five years, the market share for boat insurance should be on the same level as other Länsförsäkringar non-life business in the private market.

Agriculture

Länsförsäkringar continued to expand in the agricultural market. Agricultural insurance is included as part of the commercial market in statistics for the insurance industry. Länsförsäkringar's estimated share of the total market is about 80-85%.

As from 2001, Länsförsäkringar has been able to offer farmers comprehensive cover in a single policy. The combination of Agria Animal Insurance and Länsförsäkringar's agricultural insurance is now extremely well-positioned to meet future challenges in the agricultural market.

Agriculture	2001	2000
Gross premiums earned, SEK M	851	830
Agricultural insurance, number of policies	184,900	183,700
Tractor insurance, number of policies	243,400	239,500

Commercial insurance

Länsförsäkringar continues to be the dominant player in the commercial insurance market in Sweden. Länsförsäkringar's pre-

mium income exceeded SEK 2 billion in 2001, an increase of SEK 164 M, and the market share rose 1.6 percentage points to 34.1%. The increase was attributable to higher premiums, and a greater number of policies issued. The small and medium-sized company sector accounted for most of the increase.

Commercial	2001	2000
Gross premiums earned, SEK M	2,144	1,980
Market share, commercial and property, premiums paid, %	34.1	32.5

Länsförsäkringar implemented measures in 2001 to generate increased sales and higher profitability. The prerequisites have now been established for improved handling of transactions over regional boundaries and for international business in combination with the local regional insurance concept.

The events that occurred in the United States on September 11 had a considerable impact on the commercial market, leading to higher reinsurance premiums and more stringent conditions. This has reinforced the need for a general increase in premiums throughout the industry, and sharpened the focus on profitability, after years of volume competition.

Health & Welfare

Länsförsäkringar is continuing to increase its market shares in the health and welfare area. Growth in 2001 was slightly more than 25%. In addition, the acquisition of Svenska Brand doubled Länsförsäkringar's market volume in the medical care insurance sector.

During 2001, Länsförsäkringar introduced completely new products for individual medical care insurance which received a highly favourable reception in the market.

Long-term development is continuing in the health and welfare field. As a separate business area, Health & Welfare has clear links with Länsförsäkringar's life and

non-life insurance operations.

Medical and accident insurance	2001	2000
Gross premiums earned, SEK M	303	292
Market share, medical and accident, premiums paid, %	11.4	8.5

Reinsurance

In a sector already characterized by growing competition, the reinsurance market experienced its largest single insurance claim ever on September 11, 2001. It is estimated that the cost of the terrorist attack on the World Trade Center will be approximately USD 70 billion and will affect virtually all sectors of the industry, including property, fire consequential loss, marine, accident, travel and aviation insurance, in addition to motor vehicle insurance and life policies. The extent of the damage will create financial problems for several companies in the reinsurance market when direct insurers require payment for the substantial losses incurred.

Many reinsurance companies will also refuse to undertake new business. Reinsurance premiums will rise as the reinsurance market shrinks, and conditions will become more restrictive. Länsförsäkringar expects reinsurance prices to increase by at least 50%, and this will affect both private and commercial insurance. Higher premiums in the private field are an indirect effect of the terrorist attacks, not a direct effect.

Länsförsäkringar's joint reinsurance programme

Länsförsäkringar's joint reinsurance operations are a key element in cooperation within the federation. Reliance on external reinsurance is reduced by sharing the risk of major claims between the various regional insurance companies and the non-life company, Länsförsäkringar Sak. As a result, the major proportion of risk sharing is managed within Länsförsäkringar.

The premium paid for the external reinsur-

ance programme to supplement the internal offsetting of risk, amounted to about SEK 120 M in 2001. Based on the assumption of an increase of 50%, the cost of reinsurance will be less than 3% of the direct premium.

External reinsurance is activated to cover major claims. A fire during the year at a sawmill in Årjäng is estimated to cost SEK 95 M, and a fire in an apartment building in Karlstad is expected to cost SEK 75 M. The proportion retained by Länsförsäkringar for own account is SEK 40 M in both cases.

External reinsurance limits Länsförsäkringar's net exposure to a specific claim to less than 1% of net asset value.

Assumed reinsurance, active business

Länsförsäkringar has offered reinsurance to the external market since 1993. It is estimated that claims of approximately SEK 2.7 M will be incurred on reinsurance assumed from the external market following the terrorist attack in the US. Higher reinsurance prices and more restrictive terms indicate a positive trend for reinsurance business assumed.

Run-Off

Prior to 1993, both Länsförsäkringar and Wasa (included in Länsförsäkringar since 1998) conducted extensive reinsurance and international direct insurance operations. The run-off of this business is now handled by the division Wasa Försäkring Run-Off of Länsförsäkringar AB.

There are provisions of SEK 1.3 billion (1.4) for payment of future claims, and the Division's assignment is to commute its commitments in the most cost-effective manner. During 2001, the run-off process resulted in a reduction in reserves from SEK 1,399 M to SEK 1,312 M. Exchange rate trends during the year had a considerable impact on total provisions, which increased since they consist primarily of USD and GBP.

Claims adjustment

Claims adjustment is one of the areas in which Länsförsäkringar's local presence has tangible advantages for customers. A local presence gives Länsförsäkringar considerable knowledge of local market conditions. In combination with the expertise Länsförsäkringar offers at the local level in all areas of insurance, its local presence results in rapid customer service in the form of correct and timely claims adjustment, as well as assistance above and beyond what customers can traditionally expect. If private and commercial customers are outside Sweden, the same service is offered through a network of well-established contacts in all parts of the world.

Länsförsäkringar's approach to claims adjustment is characterized by a sense of ethics and service that has made the Alliance one of Sweden's most widely acclaimed suppliers of insurance services. In 2000, Länsförsäkringar's own Satisfied Customer survey (NKIL) indicated that non-life customers who had made a claim were more satisfied with Länsförsäkringar's service, availability, skills and customer orientation than customers who had not incurred a loss. As a result, claims adjustment is a very important part of Länsförsäkringar's customer contacts.

The portfolio is analysed continuously, and priorities are assigned to the most risk-filled items. Risk levels were reduced further during the year.

Environment

Länsförsäkringar is increasing its focus on the market for producer liability insurance. There is also growing interest in other Nordic countries, and Länsförsäkringar now also offers cover in Norway, in cooperation with Gjensidige NOR.

In 2001, the Swedish Government appointed a committee to review the practical application of producer liability. The report presented at the beginning of December proposed an insurance solution. The EU is also preparing directives for producer liability for electronic products. There are several indications that the market potential in this area is highly favourable.

Cooperation agreements have been signed with a number of customers as part of joint efforts to develop insurance solutions to meet customers' specific require-

ments. During 2001, Länsförsäkringar also signed the world's first producer liability insurance policy for passenger cars with the Swedish agent for Mazda and Suzuki. This is a breakthrough in the market for producer liability insurance.

Results

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

Key ratios	2001	2000
Premiums earned for own account, SEK M	10,029	8,965
Underwriting result before bonuses, SEK M	-439	82
Operating income before bonuses, SEK M	-3,224	-794
Operating expense ratio, %	25	25
Combined ratio, %	115	115
Underwriting result as a % of premium earnings for own account	-4	1
Net asset value, SEK M	18,712	21,525
Solvency margin, %	175	232
Number of consumer policies	3,519,000	3,354,000

Premium earnings for own account increased by 12% during the year as a result of an increase in the number of policies and higher premiums introduced throughout the industry to meet increased claims costs.

The underwriting result from non-life insurance operations amounted to a loss of SEK 439 M (profit: 82), or a decline of 4% (increase: 1) in premium earnings for own account. The decline was due mainly to the lower cost of capital applied to insurance operations. The claims ratio for own account was unchanged at 90%, and the operating expense ratio was 25%.

Länsförsäkringar's uniquely strong consolidation in non-life insurance of 175% (232), enables the company to maintain an investment orientation in its asset management operations which permits a relatively substantial exposure to equities. As a result, there may be large fluctuations in earnings, and operating income in 2001 amounted to a loss of SEK 3,224 (loss: 794). This is directly attributed to the negative trend in global stock markets during the year.



Animal and crop insurance

Agria Djurförsäkring, Länsförsäkringar's specialist company for animal and crop insurance, reported premium growth of 11% in 2001, due to an increase in the number of animals insured and higher premiums to meet increased veterinary expenses.

The trend in animal insurance during recent years continued in 2001. A combination of higher ambitions among animal owners and veterinary surgeons and higher prices for veterinary services contributed to a further increase in the cost of claims. Claims payments for own account amounted to SEK 418 M (385). Agria's premium income amounted to SEK 605 M (545), the highest ever reported by the company. This was attributable to an increase in the portfolio and higher premiums to compensate for the increased cost of claims.

Länsförsäkringar insured more cats than horses in 2001 – 102,000 horses and 114,000 cats were covered by Agria Djurförsäkring. Cats have become a treasured domestic pet and, like dogs and horses, deserve security and care. Cat insurance has increased by 160% in the past 10 years.

It is estimated that 80% of farm animals in Sweden are insured with Agria

Djurförsäkring. The corresponding figures for young pigs, porkers and chickens is more than 90%. Insuring farm animals on this scale is unusual in Europe, although the figures also tend to be high in other Nordic countries. In Finland, about 30% of all cattle are insured, compared with about 80% in Norway.

An extensive rationalization and development process was conducted during 2001, with a focus on customer interests. Two certification processes (ISO 14001 and ISO 9001/2001) were implemented to ensure environmental compliance and to maintain the quality of Agria's operations.

The Swedish Institute for Quality (SIQ) model was used to identify areas for improvement, and skills development was initiated in accordance with the Investors in People concept.

Agria's website – www.agria.se – received the Web Service Award in 2001, a prize awarded annually to the company with the highest level of customer satisfaction on the Net. The jury stated that

both knowledgeable and less-informed visitors are obviously satisfied with the information provided.

A comprehensive strategic process has resulted in adoption of a new business concept for Agria: to offer security for animals and human beings as a result of specialized know-how and commitment. This has led to the development of two completely new and unique products – the first animal-related insurance policies for people. Agria Trygghet (Agria Security) covers boarding expenses for dogs and cats if their owners are unable to care for their animals due to sickness, and Agria Incident covers personal injury caused by horses insured by Agria. Agria Incident was developed in cooperation with LRF Försäkring.

Key ratios	2001	2000
Gross premium income, SEK M	605	545
Market share, %	65	65
Number of customers	342,000	335,000



Major initiative
during the year in
occupational pensions –
the sub-market with the
fastest growth.



The Swedish life insurance market is continuing to grow. New sales were SEK 158 billion in 2001, an increase of 5% from 2000. The market for occupational pension plans showed the strongest growth in 2001, with an increase of 45%, and has now become the most important sub-market. In 2001, Länsförsäkringar initiated a new focus on large companies, since they are becoming an increasingly important market place for financial services offered to employees.

Länsförsäkringar's regional insurance companies can now serve and operate as local life insurance companies to an even greater extent. New policies are always issued by the regional companies, and efforts have been made to ensure that administrative tasks connected with new policies also take place at the local level. The strengths of Länsförsäkringar's life insurance operations are the same as for all other insurance operations – a local presence and personal contacts with customer. Most products are distributed via personal selling by the regional companies' own sales personnel, franchise holders and brokers. Internet sales activities were developed during 2001 and now complement personal customer contacts.

Efforts to match the Länsförsäkringar brand with savings and financial services were stepped up in connection with the premium pension selection process in 2000, which proved to be a success for Länsförsäkringar. Länsförsäkringar also achieved success in subsequent pension selections, which clearly shows the brand is

Major events

- **Premiums for the PFA-98 selection process** were received during the year. As a result, sales of occupational pension plans increased by 662% during 2001. Länsförsäkringar received 9.9% of the premiums in the Swedish Employers' Confederation/Trade Union Confederation (SAF/LO) selection process and 6.5% of PFA-98.
- **On August 1, Hans Benndorf** succeeded Lars Rosén as head of the Life Division in Länsförsäkringar AB. He was previously President of Postbanken.
- **Länsförsäkringar decided in 2001** to implement a new strategy focusing on stronger growth in the occupational pension market.
- **An increasing number of companies** are joining forces to negotiate cheaper and better pension solutions for their employees. During 2001, Länsförsäkringar participated successfully in some of these negotiations, for example in the case of Alfa Laval, Axfood, Peab, Sweden Post, Sydkraft and Tetra Pak.
- **Länsförsäkringar took over** employees from the Arrowhead IT consulting company, with the aim of further increasing development resources in life insurance operations.

becoming stronger in the savings market. Länsförsäkringar was selected by 9.9% of those who made an active choice in the SAF-LO selection process in 2001, and by 6.5% in the PFA process in 1998.

Focus on large corporations

Länsförsäkringar is particularly successful today in its dealings with small companies. A decision was made in 2001 for a new strategic focus to achieve more growth in the occupational pension market. The new focus is also important for the company's success in the private market. In the future, large corporations will serve as market places for their employees' procurement of insurance policies and financial services – in other words sales to private persons.

Sales

In terms of sales value, Länsförsäkringar's sales increased by 6%, compared with 2000.

- Sales via the Group's own sales force and franchise holders declined by 19% and 11%, respectively, in 2001.
- Sales via brokers increased by 1%.



Total sales of products sold via personal sales channels declined by 13%.

Sales of occupational pension plans, however, increased by 39%. REFLEX pension sales declined 31%, and sales of REFLEX Savings Insurance were down 37%. Sales of products for the wider market declined by 60% during 2001.

In the case of collective occupational pensions, there was a sharp increase in sales, mainly as a result of PFA-98 premiums received during the year.

Average premiums for collective occupational pensions paid on a current basis increased during 2001 for almost all products. The average premium in 2001 for Friplan was SEK 24,090 (21,498).

The number of Friplan policies increased by 24% during 2001, compared with the preceding year. The total number of policies, based on annual premiums, increased by 51%, mainly as a result of the large increase in collective pension schemes. Single premium payments to REFLEX in-

creased by 15%. Overall, the number of policies with single premium payments declined.

Current premium payments increased by 21%, while single premium payments declined by 49%. The increase in current premium payments was attributable to 37,674 new collective insurance policies (PFA-98) received in April 2001.

Net premium income from life and unit-linked insurance declined to SEK 8,857 M (9,361).

Group business

Group transactions increased during 2001, and an additional 40,000 persons were insured. In cooperation with the Länsförsäkringar Mäklarservice (broker service unit), group insurance agreements were signed with new customers, including Spendrups, Svenska Nokia and Norske Veritas. The policies include life, accident, medical and child insurance. Approximately 2,500 employees of these companies are insured under these agreements.

Market shares

Länsförsäkringar expanded in the occupational pension market during 2001 but, despite a growth rate of 17%, Länsförsäkringar failed to keep pace with the occupational pension market, which expanded by 45% during the year. The market share, in turn, declined from 9.1% to 7.3%. As a result, Länsförsäkringar's share of the total life insurance market declined to 7.6% (9.1). Länsförsäkringar's goal is to achieve a new and more prominent position in the increasingly important occupational pension market.

Länsförsäkringar's share of new sales in the private pension insurance market in 2001 was 8.4%. Länsförsäkringar's market share declined in an expanding market, partly due to a preference for Individual Pension Saving (IPS), rather than private pension insurance.

For the first time since the launch of REFLEX Save, Länsförsäkringar lost market shares in the declining endowment insurance market. Länsförsäkringar's market share in 2001 was 7.3% (7.9).

More customers

In the occupational pension market, the number of policies issued by Läns-

försäkringar increased from 62,321 in 2000 to 66,093 in 2001. In the market for protective insurance (life protection, individual insurance paid at death, key personnel insurance), the number of customers increased from 14,803 to 14,859. The number of customers in the endowment insurance market rose from 6,450 to 7,091.

Management forms

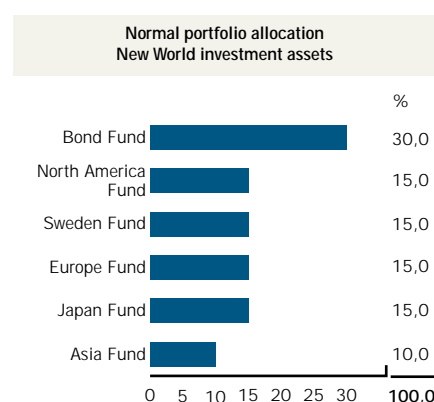
Länsförsäkringar offers three forms of management for pension insurance: traditional management, unit-linked management and New World management.

Traditional management provides a guaranteed annual yield of 3% on the capital saved, and the insurance company is responsible for management. Investments are made in listed shares, bonds, properties and Alternative Investments. When the yield on managed capital exceeds the guaranteed amount, the surplus is distributed to policyholders in the form of a bonus.

In unit-linked management, customers themselves choose their investment orientation and risk level. They are free to choose between mutual funds and fixed-income funds. This type of management provides opportunities for high yield at a higher risk – if the value of the fund declines.

NewWorld is a mixed portfolio comprising 70% equities and 30% bonds.

The portfolio consists exclusively of holdings in Länsförsäkringar's mutual funds. There is no active reallocation between the sub-portfolios. New World combines the high yield opportunities of unit-linked insurance with a basic guarantee, ensuring that the customer always has guaranteed savings premiums (less customary management charges), even if there is a decline in the financial markets.



Ten largest shareholdings in the Länsförsäkringar Liv life insurance division at 31 December 2001

Company	Holding, SEK M	% of total shares
Ericsson LM, B	2,563	6.9
AstraZeneca	1,183	3.2
Nordea	870	2.3
Hennes & Mauritz	743	2.0
Nokia	725	1.9

Company	Holding, SEK M	% of total shares
Eureko B.V.	710	1.9
Skandia	628	1.7
Telia	614	1.6
Svenska Handelsbanken	558	1.5
SEB	520	1.4
TOTAL	9,114	24.4

Solvency policy

Policyholders are entitled to all investment income, and the income is distributed to policyholders as bonus interest. Saving a certain percentage of investment income in the form of net assets, provides opportunities for higher investment income in the future and, in turn, higher bonus payments.

There must always be a certain proportion of net assets, partly to ensure that negative market movements do not have a direct impact on the insurance capital and partly to ensure that Länsförsäkringar Liv's

obligations to life insurance policyholders can be met when investment income is negative.

The bonus interest rate should reflect the long-term nature of policyholders' savings. As a result, decisions concerning bonus interest rates should be far-sighted and sustainable. Net assets are affected by the bonus interest rate, the current yield, day-to-day changes in the value of assets, premium payments, insurance claims and operating expenses.

The solvency level in Länsförsäkringar Liv

is allowed to vary between 105% and 125%. The appropriate solvency level within this interval is determined on each specific occasion with due regard to the risk in the financial markets, based on Länsförsäkringar Liv's assessment, and the extent of risks in the balance sheet. If the solvency level is outside the range, the bonus interest rate is adjusted so that projected solvency is restored to an acceptable level within two years.



Being involved in Länsförsäkringar's focus on large companies is one of the most exciting and challenging undertakings in the insurance industry, and I look forward to participating in this task. With our strong brand and strong local roots, we have every chance of succeeding in this market."



Sten-Olof Fohlin, Manager, Pension Service Large Companies, Life Division, Länsförsäkringar AB.

Solvency and bonus rates

The average bonus rate in traditional management during 2001 was 4.8%. As of October 2001, the bonus rate was 3%. The principle of a balanced yield results in a higher return than comparable forms of saving, even when economic conditions are poor.

Most life insurance companies reduced their bonus rates several times during 2001. Many companies reduced their rates, most recently in October 2001, from 4% to 3% before tax and charges, due to negative trends in the financial markets. The reduction in October was also due to growing uncertainties after the terrorist attacks in the US on September 11, which had negative effects on the solvency level in life insurance companies.

In a 10-year perspective, Länsförsäkringar's customers have received an average bonus interest rate of nearly 10%, which is extremely good compared with other forms of savings. Traditional savings with balanced returns have certain advantages over other forms of management. Traditional management offers the customer an added advantage as a result of Länsförsäkringar's continuous review of the allocation of assets that is expected to generate the highest yield in the long term. Another advantage of traditional management is that the portfolio contains both liquid and non-liquid assets. The long-term nature of the savings also provides opportunities for investment in liquid assets such as property and Alternative Investments – for example unlisted equities and mutual funds. These investment opportunities provide greater diversification – a greater spread of risks in the portfolio. The long-term, risk-adjusted

return on the traditional life insurance portfolio is also high. Another advantage of the traditional management form is that it guarantees the policyholder a certain yield every year.

Yield

The total yield on investment assets during 2001 amounted to a deficit of SEK 4.2%. The year was characterized by declining stock market trends, which were the single most important cause for negative yield on the total portfolio.

Yield on listed equity portfolios (in local currencies)

Market	Yield, %	Difference compared with index
Sweden	-16.01	-1.16
North America	-14.38	-1.85
Europe	-20.15	-3.87
Japan	-19.51	-0.52
Asia	-3.16	-5.67

Swedish equity management operations had a negative yield of 16%, which was worse than relevant index. The main reason for the difference compared with the index is the general focus in management operations on growth shares. The total return on the foreign equities portfolio amounted to a negative yield of 15.1%. The lower growth rate, compared with the index, was due to overweighting in individual companies and the growth sector, particularly in the telecom industry. The European portfolio showed the largest loss against the relevant index. Both the Swedish and foreign equity portfolios recovered some of their losses during the fourth quarter, however, but total results for the year were nonetheless negative.



The yield on interest-bearing securities in 2001 was 5.1%, which was slightly lower than index (0.88 percentage points). The difference compared with the index was due to underweighting in American bonds and overweighting in Swedish and European bonds throughout most of the year. This had a negative impact on the fixed-income portfolio's yield, since American bonds performed much better than the corresponding European bonds during the year. The portfolio had a longer fixed term than the index in the fourth quarter, which had a negative impact when interest rates rose. At year-end 2001, the fixed-income portfolio consisted of 46% foreign bonds, 51% Swedish nominal-interest bonds and 3% real interest bonds.

The yield on the property portfolio amounted to 4.4% in 2001. The values of some properties declined during the year. The largest reductions occurred in centrally located office properties in Stockholm, where most of Länsförsäkringar Liv's properties are situated.

Alternative Investments generated a yield of 2.7% in local currencies (6.2% in SEK) during the year. Private Equity accounted for two-thirds of the portfolio, and the remainder consisted of Absolute Return funds (absolute yield strategies). The return on the Private Equity portfolio was a negative yield of 3.7% (local currencies), which was largely in line with expectations. Since this portfolio is still in the development stage, fees represent a relatively high proportion of the total yield. The Absolute Return portfolio generated a yield of 23.1% (local currencies), compared with a negative yield of 10.6% in local currencies for MSCI World and 10.6% for Lehman Global Aggregate (global bond index).

New World had a negative yield of 5.7% in 2001. There was a negative stock market trend in 2001, which contributed to negative yields in the equity portfolios. The MSCI World index was down 13.9% in 2001. The return on Swedish equities amounted to a negative yield of 11.9% and North American equities showed a negative

yield of 10.4% during the year. The equity portfolios have been overweighted in the telecom industry, which was a major cause of the negative yield, compared with the index. Declining interest rates in Sweden resulted in a yield of 3.3% on interest-bearing securities.

As from 1 July 2001, part of Länsförsäkringar Liv's foreign shareholdings have been transferred to an external mandate. The change was implemented to expose the company's own asset management operations to greater competition and increase the diversification of the entire foreign equities portfolio. It also provides a good opportunity for Länsförsäkringar to learn more about other management organizations and increase its skills as an institution that places demands on asset management as part of efforts to improve the long-term yield for its customers.

A total of SEK 4 billion has been transferred to two American asset management firms – T Rowe Price Associates, Inc. (Baltimore) and Aeltus Investment Manage-

Capital income in 2001 for the life insurance company, including property companies and New World

Weighted capital base

Amounts in SEK M

Investments	Market value Jan. 2001	%	Net investment	Change in value	%	Market value 31 Dec. 2001	%	Direct yield	%	Total yield	%
Interest-bearing, Swedish ¹⁾	26,202	26	-3,545	-430	-1.8	22,227	24	1,384	5.7	954	3.9
Interest-bearing, foreign	19,228	19	1,817	146	0.8	21,191	22	1,084	5.7	1,230	6.5
Total interest-bearing	45,430	45	-1,728	-284	-0.6	43,418	46	2,468	5.7	2,184	5.1
Swedish equities	15,957	16	1,924	-3,218	-19.1	14,663	15	314	1.9	-2,904	-17.2
Foreign equities	27,428	27	-298	-4,438	-16.3	22,692	24	331	1.2	-4,107	-15.1
Total equities	43,385	43	1,626	-7,656	-17.4	37,355	39	645	1.5	-7,011	-15.9
Alternative Investments	3,695	4	1,321	160	3.8	5,176	6	105	2.4	265	6.2
Properties	8,166	8	528	-17	-0.2	8,677	9	384	4.6	367	4.4
Financing of investments	-104	0	1	0	0.0	-103	0	-5	-4.9	-5	-4.9
SUBTOTAL	100,572	100	1,748	-7,797	-7.8	94,523	100	3,597	3.6	-4,200	-4.2
Other	2,982		1,049	0		4,031		-185		-185	
TOTAL	103,554		2,797	-7,797	-7.6	98,554		3,412	3.3	-4,385	-4.3

¹⁾ In the opening balance, direct loans amounting to SEK 30 M in the preceding year are reported under the Swedish interest-bearing heading.

ment (Hartford) – and one European management company, CDC IXIS Asset Management (Paris).

Comments on results in 2001

Traditional life insurance is conducted by Länsförsäkringar Liv, and unit-linked life insurance by its subsidiary, Länsförsäkringar Fondliv. Länsförsäkringar Liv operates in accordance with mutual principles, which means that surpluses that accrue in operations are distributed to policyholders in the form of bonuses. Total net premium income for Länsförsäkringar Liv and Länsförsäkringar Fondliv declined by 5% to SEK 8,857 M (9,361).

Traditional life insurance

Net premium income amounted to SEK 5,404 M (5,919). The decline of 9% was mainly due to fewer single payment policies.

The financial result for the year amounted to a loss of SEK 12,567 M (loss: 4,753). The decline was due to lower investment income on investment assets. Net investment income amounted to a loss of SEK 4,457 M (profit: 60). One reason for the low yield was the general trend in world stock markets, which resulted in a negative total yield on the equity portfolios.

The decline in earnings was also due to an increase of about SEK 5 billion in life insurance provisions. The change in life insurance provisions amounted to a decline of SEK 8,954 M (decline: 6,434). The increase in provisions was due to the previous option of offsetting the maximum interest rate for computations of technical reserves over 10 years on transitional grounds. The new Insurance Business Act eliminated this possibility as from 1 January 2002.

Operating expenses increased by 12% to SEK 999 M (891), due to continued IT-investments. The company's policy is to

capitalize IT costs in the Group, rather than at the company level.

SEK M	2001	2000
Net premium income	5,404	5,919
Net investment income	-4,457	60
Loss for the year	-12,567	-4,753
Management cost ratio, %	1.0	0.9
Investment assets	94,032	99,740
Collective solvency level, %	98	108
Number of policies	807,960	774,794

Unit-linked life insurance

Net premium income amounted to SEK 3,453 M (3,442) and was virtually unchanged compared with the preceding year.

The financial result for the year amounted to a loss of SEK 160 M (loss: 144). The company will continue to report losses while substantial growth in volumes 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 250 M to finance volume growth.

Operating expenses amounted to SEK 417 M (422).

Investment assets for which policyholders bear the risk declined in value during the year as a result of negative trends for stock markets around the world. This had a direct impact on technical provisions and an indirect effect on earnings, due to reduced revenues in the form of charges based on the value of the fund.

SEK M	2001	2000
Net premium income	3,453	3,442
Loss for the year	-160	-144
Management cost ratio, %	2.4	2.6
Total assets	18,531	18,288
Number of policies	335,077	272,720



BANK

Länsförsäkringar now has 75 banking branches
throughout Sweden where customers receive
help with all aspects of their everyday finances.



Competition in the banking sector has intensified. There is still a high degree of concentration, but several new banking alternatives have emerged during the year. The competitive terms offered by smaller banks represent a serious challenge to the major commercial banks. The combination of personal and digital customer contacts has proved to be one of the key factors for success.

Länsförsäkringar's banking operations have expanded in accordance with the principal bank strategy adopted in 2000. During the year, Länsförsäkringar's bank has developed from a niche bank into a principal bank, offering a complete banking alternative for target groups comprising private individuals and farmers. The banking operations have won the confidence of customers and, in addition, contacts are increasingly frequent, establishing potential for developing customer relationships and introducing Länsförsäkringar's other financial services.

Comprehensive everyday financial services with Länsförsäkringar

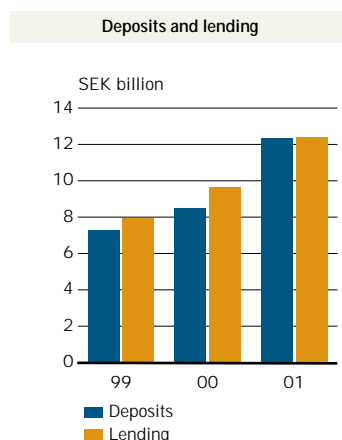
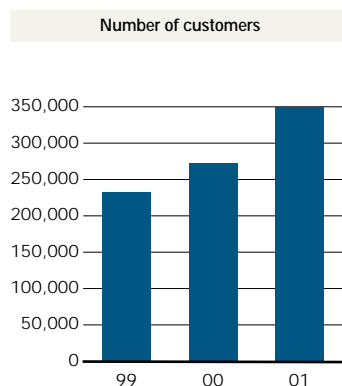
An important step in the strategic transformation process from a niche bank to a principal bank is the strong focus on an attractive, everyday financial offer, with services and products for all aspects of the customer's private finances. Customers can use their wage or salary account to pay their bills via the Internet or the bank giro or postal giro system. Länsförsäkringar Bank offers both Visa and MasterCard bank and credit cards, and customers receive attractive interest rates from the first krona they deposit in their savings accounts.

Major events

- **A new solution for all aspects** of a customer's everyday finances was introduced during the year. Länsförsäkringar offers a complete principal bank alternative for private individuals and farmers.
- **Named "Challenger of the Year"** by Privata Affärer and "Best Farmer's Bank" by the Lantmannen magazine. Sweden's most satisfied customers among nationwide banks, according to "Swedish Quality Index."
- **The number of customers increased** by more 29% to 350,000. The number of customers linked to the bank via the Internet was more than 177,000, an increase of more than 50%.
- **Deposits by the general public** increased by 45% to SEK 12.4 billion, and lending to the general public rose by 29% to SEK 12.5 billion.
- **Successful pilot operations** for first mortgages under own auspices were implemented in more than half the regional insurance companies.
- **New branch offices were opened**, increasing the total number of branches to 75.

One of the priority areas is increased lending to the general public. During 2001, a decision was made to offer loans secured by first mortgages under Länsförsäkringar's auspices, and this was implemented by more than half the regional insurance companies. As a result of Länsförsäkringar's cooperation with SBAB, the loans granted increased by slightly more than SEK 45% to SEK 7,973 M. Cooperation with Landshypotek (loans to agricultural and forest property owners) continued to develop favourably. The number of farming customers increased to more than 3,300 during the year. Deposits amounted to SEK 571 M, an increase of 128%, while lending rose by 65% to SEK 893 M. In the spring of 2002, the Bank will offer housing loans under its own auspices via Länsförsäkringar Hypotek at all regional insurance companies. Länsförsäkringar Hypotek will gradually replace the alliance with SBAB. Development of attractive combination products in the housing sector is a priority area in 2002.

Later in 2002, the Bank's range or services will be expanded by share trading operations via the Internet. This service will be simple and user-friendly, but also tools and services for the sophisticated share trader. Customers will be able to trade in Swedish



Banking Group

Key ratios	2001	2000
Income before allocations and tax, SEK M	1	67
Total assets, SEK M	15,523	12,386
Interest margin, %	2.9	2.7
Capital cover ratio, %	9.12	10.21
Number of customers	350,000	272,000

shares. Internet trading operations will embody the same competitive price philosophy as other banking services.

Several awards during the year

Länsförsäkringar was nominated "Challenger of the Year" in the Swedish banking market by the Privata Affärer magazine, and the Lantmannen magazine named Länsförsäkringar the "Best Farmer's Bank." In addition, according to the Swedish Quality Index, Länsförsäkringar also has Sweden's most satisfied banking and insurance customers. Länsförsäkringar's banking operations also received the highest ratings for a nationwide bank.

Strong Internet growth

Banking via the Internet is an alternative to personal contacts with customers at the regional insurance companies. There was further development of Internet banking during 2001 and, in December, the bank's Internet services had more than 177,000 customers – and a survey showed that 98% of its customers gave the Internet service a good or very good rating. The number of payments via the Internet has increased steadily and accounted for 53% of the total number of payments at year-end 2001. Development of Internet share trading operations also started during the year and is scheduled to be in operation by the end of 2002.

There is a growing need to improve the efficiency of administrative routines as Länsförsäkringar's banking operations expand. The goal is to increase the efficiency of customer contacts by further development of business support for all the banking processes – savings, loans and payments. During 2001, for example, the KreDirekt lending process and loan management system was developed. Customer databases and CRM-tools will also be refined during the next few years.

Strong customer flow and substantial increase in deposits

There was strong growth in 2001. The num-

ber of customers increased by 78,000 to 350,000 at year-end, an increase of 29%.

The market share for household deposits amounted to 2.5%, an increase of 25% (November 2001).

Profitability as a result of increased volumes

The banking group's operating income amounted to SEK 1 M. Länsförsäkringar Bank has developed from a niche bank into a principal bank, and the extensive infrastructure that has been established calls for more customers and higher volumes if operations are to be profitable.

Nationwide bank with local roots

Personal contacts with customers are one of the cornerstones of Länsförsäkringar's banking operations. In the past six years, 75 branches with financial advice capability have been opened throughout the country. Banking operations are conducted in accordance with the regional insurance concept, under which all business and contacts with customers are conducted at the local level, thus utilizing experience of the local market to the full, and the skills and expertise of regional company employees. Development operations and support functions are conducted on a joint basis in order to capitalize on the advantages of an effective and specialized organization that provides optimal support for sales at the local level.

Concrete customer values

Länsförsäkringar is one of Sweden's best-known brands in non-life insurance but, so far, relatively few people are aware of its banking operations. Based on the findings of a brand survey in October 2001, 17% of the Swedish population and 30% of Länsförsäkringar's customers were aware of Länsförsäkringar's banking operations. Efforts to extend the brand will continue in 2002 to ensure that the majority of Länsförsäkringar's 2.8 million customers become familiar with the services offered by the Bank. Brand extension will be partly

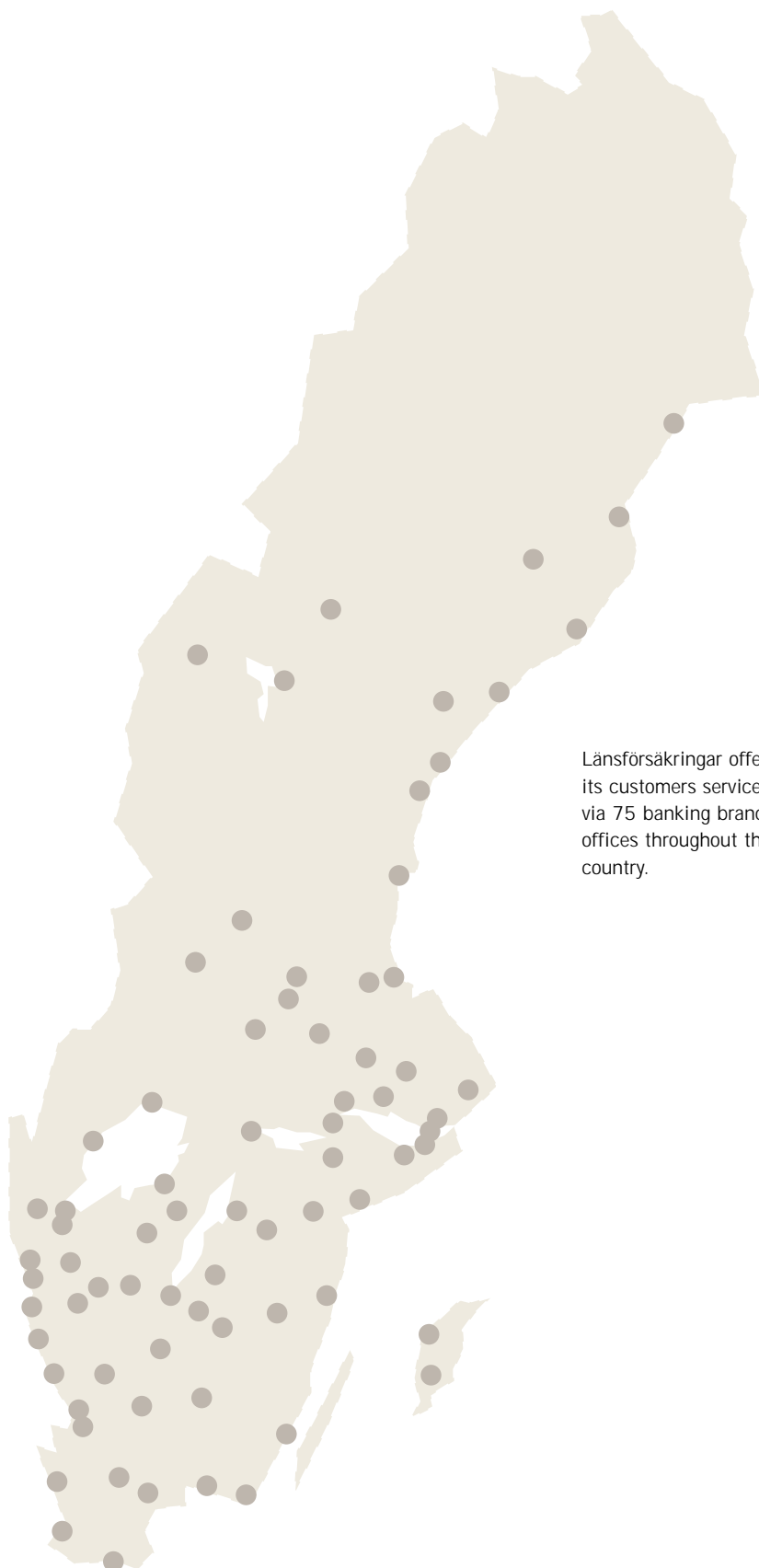
achieved by means of integrated offers and information about banking, mutual fund, life and non-life products and by utilizing synergy and coordination opportunities. One of the major challenges in 2002 will be demonstrating the advantages for Länsförsäkringar's insurance customers of also becoming customers in Länsförsäkringar's bank. This can be achieved by providing concrete and clear evidence of the customer benefit of a broader range of banking and insurance products.

Länsförsäkringar has a unique opportunity to conduct banking operations in a manner that distinguishes Länsförsäkringar from other market participants. Its local presence and comprehensive product range distinguish it from niche banks, and its price philosophy is in clear contrast with the policies applied by the major commercial banks. Customer contacts with the Bank take place at branch offices, via the Internet, by telephone and at ATM outlets in all parts of the country. Surveys indicate that customers prefer personal contacts for advisory services concerning their private finances and when they apply for loans. As a result, Länsförsäkringar is steadily increasing the number of banking branch offices.

In addition to the banking company, the banking group has three subsidiaries. Wasa Kredit AB offers various forms of leasing and financing, while Länsförsäkringar Hypotek is a housing loan institution, and WASA Garanti Försäkrings Aktiebolag is responsible for run-off of various risk commitments. Wasa Kredit and Länsförsäkringar Hypotek account for most of the banking group's lending operations.

Länsförsäkringar Hypotek

Cooperation with SBAB for first mortgages on houses, leisure homes and tenant-ownership properties contributed to an increase of more than 45% in loans granted during 2001. In 2001, Länsförsäkringar decided to offer first mortgage loans under its own auspices – in Länsförsäkringar Hypotek. Pilot



Länsförsäkringar offers its customers service via 75 banking branch offices throughout the country.

// The launching of our everyday financial offer has worked well. Our success can probably be attributed to our constant focus on Banking and Insurance. We have five bank employees in Kristianstad, but we have 47 people marketing banking services as part of our overall operations. //

P-O Dahl, Bank Manager, Länsförsäkringar Kristianstad

operations were conducted successfully during the year at five regional insurance companies, and more than half the regional companies have subsequently implemented housing loans under proprietary auspices.

Länsförsäkringar Hypotek's operating income amounted to SEK 19 M, which was satisfactory in view of the considerable cost of developing new systems support. The lending volume at year-end amounted to SEK 2,337 M, with approximately 10,000 customers (December 2001).

Wasa Kredit

Wasa Kredit is a financing company with operations concentrated on the markets for vehicles, computers and heavy equipment. As a subsidiary of Länsförsäkringar Bank, Wasa Kredit accounts for a significant proportion of the Bank's operations by assuming responsibility for a major share of its lending.

In the past, the regional insurance companies did not offer Wasa Kredit's products

to any significant extent. In 2001, however, a pilot project was initiated as part of efforts to develop credit offers via the regional companies. This project will be evaluated and developed during 2002. The objective for 2002 is extension of Wasa Kredit's distribution to the regional companies, which will contribute to Länsförsäkringar's growth in the financial services area.

Wasa Kredit's operating income amounted to SEK 50 M. The total lending volume at year-end amounted to SEK 5.6 billion, with 86,000 customers.

WASA Garanti

WASA Garanti is responsible for risk commitment run-off activities in the contracting insurance field, and it also handles claims that arose during the property crisis of the early-1990s. The stock of leasing guarantees managed by the company declined faster than anticipated during the year. Income before allocations and tax amounted to SEK 22 M.





MUTUAL FUNDS

Few bright spots in an eventful year.



The year was characterized by uncertainty and by considerable market fluctuations. Three of Länsförsäkringar's 33 mutual funds performed better than the relevant index in 2001. The bright spots included Länsförsäkringar's Real Estate Fund, which beat the index by 11%. The Japan Fund also outperformed its index during the year, and all Länsförsäkringar's fixed-income funds developed positively.

Trends on the world's stock markets were weak during 2001. The decline started in March 2000 and continued until September 2001. From its peak to its lowest level, Stockholmsbörsen (the Stockholm Exchange) declined 56% and the New York Stock Exchange (Dow Jones) fell by 30%. The stock market decline in Sweden is the third largest in its history, and the most serious since the 1930s. During 2001, Stockholmsbörsen was down 16.7%.

Most of Länsförsäkringar's mutual equity funds showed negative development during the year, partly due to weak trends for technology-related shares during 2001. Länsförsäkringar's Internet Fund experienced the sharpest decline. Länsförsäkringar's Small Company Fund and Environmental Technology Fund also reflected weak development during the year. Länsförsäkringar's fixed-income funds were among the bright spots and developed favourably – especially the Euro Bond Fund, which rose by 9.6% during 2001.

Major events

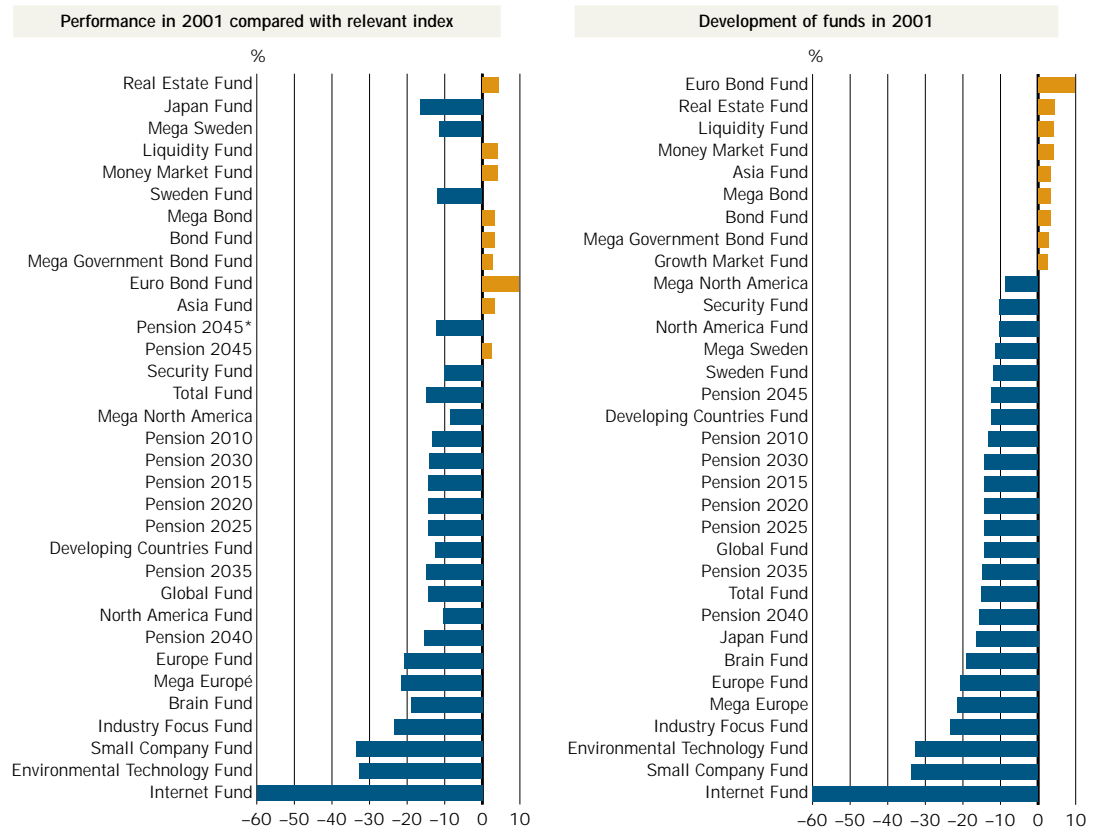
- **Assets under management** in Länsförsäkringar funds were unchanged at SEK 31.7 billion, despite a considerable inflow.
- **The market share in net new savings** was unchanged at 7.0% (7.0). The total market share rose to 3.7% (3.5).
- **Another generation fund** was started in 2001 – Länsförsäkringar Pension 2045 – aimed at the youngest participants in the premium pension selection process.
- **Weak stock market trends** during the year due to general economic decline. Considerable market fluctuations contributed to weak trends for most Länsförsäkringar mutual funds.

Large flows into fixed-income funds during 2001

Not unexpectedly, the weak stock market performance during 2001 and 2000 affected savings in mutual funds. A high proportion of the capital has been invested in fixed-income funds. SEK 28 billion of total net savings of SEK 57 billion in 2001 was invested in short-term fixed-income funds and SEK 7 billion in long-term fixed-income funds. Net savings of SEK 15 billion were placed in equity funds, and net savings in mixed funds amounted to nearly SEK 5 billion. Interest in equity funds recovered in late 2001, however. Many experts started to project an economic turnaround in 2002, with an increase in share prices as a result.

Market shares

Länsförsäkringar's market share of the total mutual fund market is 3.7% (3.5%). In terms of new sales, the market share is 7.0% (7.0). As a result, Länsförsäkringar is the sixth largest company in the Swedish mutual fund market.



Changes in the mutual fund range

May, the Pension 2000 fund was supplemented by the Länsförsäkringar Pension 2045 generation fund, aimed at the youngest participants in the premium pension selection process.

In July, the Total Fund started to capitalize on opportunities offered by current fund specifications that allow private persons to invest more in equities. The fund's investment focus is now 70% foreign and 30% Swedish equities, with an option to invest a maximum of 15% in interest-bearing securities if stock market conditions are considered to be uncertain. The management fee for the Money Market Fund, which invests in short-term interest-bearing securities, was reduced to 0.3% in the autumn.

Länsförsäkringar Fund-in-fund was launched on January 7, 2002. The three securities funds buy and sell units in other funds in Länsförsäkringar's fund range, based on Länsförsäkringar's confidence in the market. Fund-in-fund has three different risk levels: cautious, normal and aggressive. The management approach is equally active for all three funds.

Although 2001 was a poor year for asset management operations, Länsförsäkringar's mission is to create long-term value added for its customers.

Local fund management

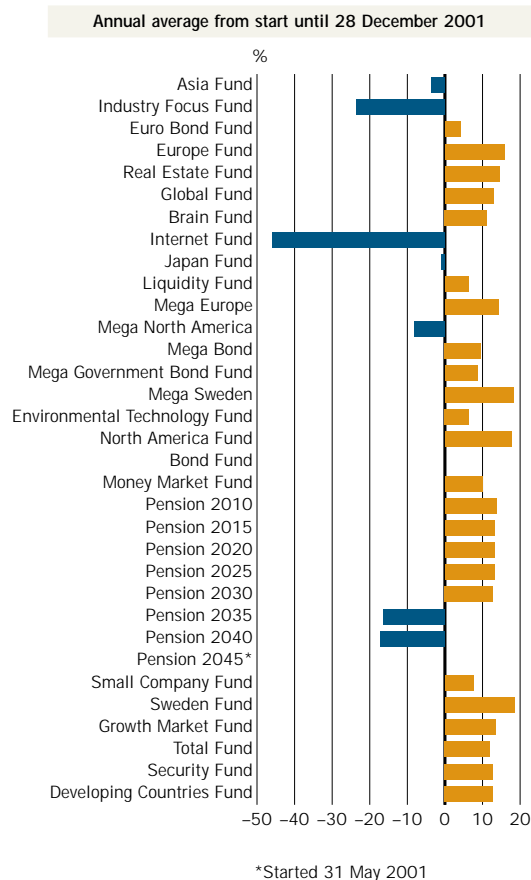
The process of transferring some aspects of mutual fund administration to the 24 regional insurance companies commenced during

2001. The transfer complies with the principles applied in banking operations, and is one of the goals in the administrative vision for life insurance operations.

During 2001, assignments were transferred to two regional companies acting as pilot companies. The functions transferred to the local level primarily involve the registration of new customers and maintenance of routines for regular savings autogiro/banker's order payments.

Comments on the results

Revenues during 2001 amounted to SEK 314 M (319). This is in line with the trend for the total volume of SEK 31,752 M (31,670) under management. The total volume increased marginally during the year

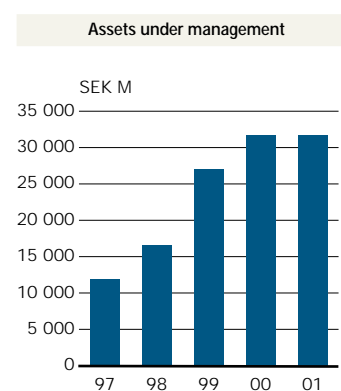


but was lower than anticipated. The corresponding management expenses and commissions were also lower, since they are volume-related.

Operating expenses for the year amounted to SEK 68 M, a decline of SEK 20 M compared with the preceding year. Slightly more than half this reduction may be attributed to improved operating efficiency, while the remainder was due lower costs during the year.

Despite negative stock market trends, which had a negative impact on the total volume of mutual funds, and the resultant decline in revenues, overall results for the year may be described as positive.

Key ratios	31 Dec. 2001	31 Dec. 2000
Total number of funds	33	32
– of which equity funds	27	26
Assets under management, SEK M	31,752	31,670
Profit/loss for the year, SEK M	32	-14
Number of customers	285,310	277,000



Länsförsäkringar – an attractive employer

Well-developed skills development programmes for staff and management and excellent career opportunities in a number of fields throughout the country have made the Länsförsäkringar one of the most attractive employers in the country – with the additional incentive of extensive brand exposure.

Länsförsäkringar coordinates and develops personnel issues via a human resources group comprising regional insurance company and Länsförsäkringar AB human resources managers. The Länsförsäkringar human resources management team has given priority to a few key areas for a joint development focus, in order to give managers and staff the right kind of support. One of the development areas is change-process and business environment know-how to help managers to understand and manage change processes. Another area is the development of operational human resources, with a focus on providing the right IT support for personnel processes. In this case, the aim is to achieve more efficient administrative routines and allow time for employee development. Identifying employee skills also clarifies the need for new types of expertise and skills rotation in the future. One development area that has already proved successful is the ambition of being an attractive employer.

In 2001, Image Survey International ranked Länsförsäkringar as the 11th most popular employer in Sweden. This represents a major advance from 29th place last year. No other insurance company comes close to this, and the only bank with a higher

ranking is Handelsbanken, in seventh place.

Several factors have contributed to the growing interest in the Länsförsäkringar as an employer. One factor is the brand communication process on television and in the press – this has attracted considerable attention in the past year. Another factor is externally targeted initiatives to enhance the appeal of Länsförsäkringar among young graduates, in the form of cooperation with universities and colleges in "labour market days" and other activities at various locations throughout the country, and the launching of a trainee programme. Efforts have been made to demonstrate the development opportunities offered by Länsförsäkringar more clearly to this target group, and the various professional roles within the organization. At present, 13 trainees are participating in the one-year programme. During the trainee year, the focus is on acquiring broad experience of Länsförsäkringar and the various areas of operations in the regional insurance companies and in joint activities. The aim to equip trainees by the end of the year to handle duties as a regular employee.

New development opportunities

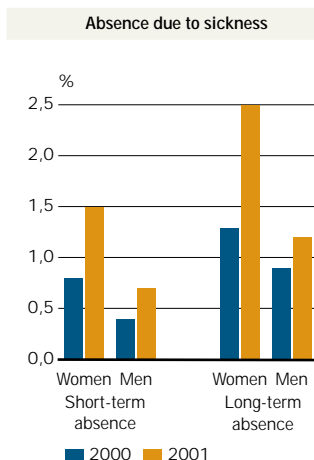
As the insurance and banking markets develop, the regional insurance companies' need for services supplied by Läns-

försäkringar AB are changing. The Parent Company's role as a specialist and development company is becoming more clearly delineated. Consequently, certain tasks are being transferred from Länsförsäkringar AB to the regional insurance companies. The regional companies are growing, and new tasks give employees new opportunities for development. Although low personnel turnover in the regional companies ensures that their employees have extensive expertise in their fields, development on a continuous basis is also required.

Skills development for staff and managers

Länsförsäkringar employs a joint model for sales training, including the new "Business School," personal development programme for experienced sales personnel who have sold life or non-life insurance for at least five years.

Distance education and e-learning programmes have been developed, and the full range of courses now consists of ten programmes, four of which have been developed in-house – Housing Insurance, Länsförsäkringar History and Federation, Managerial Responsibilities and the Pay Dialogue. Development of e-learning in the Bank and Savings School framework is under way. Implementation of this new training method has commenced, and will con-



tinue during 2002. Considerable effort has been devoted to technical quality assurance of these training programmes.

Management

Good management is one of the key factors for success. There is a high level of participation in the “LF Academy” management and leadership training programmes. The younger generation increasingly wants to have active coaching by managers, so courses must be continuously renewed. The LF Academy provides support to managers by offering development programmes, for example Strategic Leadership and the Mentor Programme. The Scope for Leadership programme is conducted in partnership with other companies in the business community with the aim of bringing together senior managers from various companies to achieve inspiration, energy and new perspectives on their managerial role as the result of an exchange of experience, ideas and views.

Skills inventory and personal career development interviews between managers and staff are additional well-developed methods applied by Länsförsäkringar.

Age structure

The average age of Länsförsäkringar employees is 44 for women, and 45 for men.

The average age tends to be high due to low personnel turnover. Consequently, there is a need to recruit younger personnel – particularly, young graduates.

There has been an increase in absence due to sickness, but the level is low in comparison with the national average.

Employee surveys

- *The Soul of the Länsförsäkringar Regional Companies* – a study in corporate values.
- *Satisfied Employee Index (NMI)* – based on 10 regional companies. Other Länsförsäkringar companies conduct their own surveys.

Structural transactions

The employees of Svenska Brand and Allianz were offered employment in Länsförsäkringar. When the portfolios were transferred, these employees were able to take their business with them to the relevant regional insurance company or Länsförsäkringar AB.

The Länsförsäkringar Liv (life insurance division) took over all the employees of the Arrowhead IT consulting operation in Östersund in northern Sweden, and they are now employed by the IT section of Länsförsäkringar Liv, but continue to be based in Östersund.

Employee statistics

No. of full-year employees	5,164
No. of new permanent employees, 1 Jan. – 31 Dec. 2001	794
Estimated future recruitment requirements for regional companies in 2002	200
No. of employees who resigned, 1 Jan. – 31 Dec. 2001	335

Gender distribution	Women	Men
Total on 1 January 2001	2,633	2,225
Total on 31 December 2001	2,946	2,470
Increase	313	245
Line managers	141	321

Women and men in managing director posts and positions of trust ¹⁾	Women	Men
Managing directors	2	22
Management teams	38	155
Board members	59	193
Members of governing councils	226	1,024

¹⁾ Refers to regional insurance companies at 1 June 2000.

Clear IT strategy ensures better service

Länsförsäkringar can be found wherever its customers are. A full range of savings, loan and insurance products is provided by 24 regional companies, making the Alliance unique in the Swedish market. Building on the advantages of a local presence, Länsförsäkringar offers customers a variety of different ways of communicating with their local Länsförsäkringar company – personal contacts, and other channels such as the telephone, e-mail and the Internet. Utilizing IT in a manner which strengthens the local concept makes considerable demands on the underlying systems support and technology. To meet this challenge, Länsförsäkringar has had a clear IT strategy in place for several years, well-developed partnerships and a high level of IT expertise.

Länsförsäkringar's IT strategy is based on the fundamental principles of a local presence and a broad product range embodied in the business concept. The strategy employs a component-based approach in which it must be possible to use the components developed in all the regional companies and in all channels. Development takes place at a single point in time, but the components can be used several times in different contexts. This eliminates duplication of work and improves security by ensuring that the components are thoroughly tried and tested. The current transition to a new, uniform and modern system for handling motor insurance is the first project to comply fully with the IT strategy's component-based approach.

Security is built into the systems architecture, ensuring that the information is protected from hostile intrusion via the Internet – by hackers, for example. Länsförsäkringar customers can feel confident

that the information in the systems is only accessible to authorized persons. User-friendliness is being developed by the introduction of intuitive and straightforward Web-based interfaces, enabling customers to personally take out insurance policies, conduct banking transactions or find the information they want. Infrastructure development focuses on these three technically important areas.

Governed by customer needs

Länsförsäkringar is also making a substantial investment in new systems and procedures to simplify matters for the customer. The aim is to persuade customers to select Länsförsäkringar for their entire insurance and savings requirements, partly because they find the offer attractive, and partly because they feel that communicating with their regional insurance company is straightforward.

Länsförsäkringar is conducting two key projects to achieve this objective – an opera-

tions-oriented project and a system-development project to develop new systems support. In 2001, all the regional insurance companies have been involved in the overall project, which is designed to increase the degree of professionalism when helping the customer to select products from Länsförsäkringar's wide range. This involves a new approach. The previous approach was product-oriented, but the focus is now on customer needs and requirements. In order to implement this far-reaching transition, each regional insurance company has its own local project, involving both management and staff in the Private, Commercial and Agriculture business areas. The local projects are coordinated by business consultants from Länsförsäkringar AB, which contributes procedures and guidelines to ensure uniformity in the development of a customer-oriented sales process. During the one-and-a-half years of its operation, 100 employees have been involved in the project, which will be completed by May 2002.



The new approach will enable the regional insurance companies to respond to customer questions quickly and efficiently, and the processing time will be reduced for individual transactions.

As a result of information concerning the customer's commitments, insurance staff will also be able to propose relevant insurance cover or savings solutions.

Major operational changes make new demands on systems support

A key aspect of this change process is the new systems support for insurance staff. A standard package for a common customer register for all regional companies has been purchased. Both customers and Länsförsäkringar staff and sales personnel will be able to use the system in dialogues on the Internet. This means that customers can always feel secure in their communications with their local regional company since the customer and the company can both see the same information. Since the customer sys-

tem will be the hub for interaction with the customer, this will ensure that customer information stored in Länsförsäkringar's product system is presented in a consistent manner.

The system includes a wide range of functions, which will provide extensive opportunities to further develop sales support for insurance and sales personnel, when the regional insurance company concerned needs them. The system will be able to cope with future requirements for presenting relevant offers to customers in a more efficient manner by means of targeted campaigns. The Länsförsäkringar customer database also complies with legal requirements of the Personal Data Act ("PUL"). The new system will be implemented by all regional companies during the first half of 2002.

The euro

Länsförsäkringar has launched a project to analyse the operative and system-related consequences of a transition from Swedish

kronor to the euro. A rough analysis of the systems required for a currency switch was carried out in connection with the Y2K date conversion.

Efficient model for projects

Länsförsäkringar has developed an effective project model which will ensure that it can handle projects of this magnitude in 24 regional companies. Generally applicable guidelines, procedures and tools are being developed in a "parent project". Implementation projects will then be launched – one for each regional company. The parent project will continue intact throughout the project period to provide support, to coordinate the sub-projects and maintain synchronization, and to ensure that decisions are taken on questions that affect the entire Alliance.

Humlegården concentrated its property holdings

There was a further increase in the Humlegården property company's focus on central Stockholm in 2001. Four properties outside the central area were sold, as was the Amsterdam block in the Gärdet district (currently occupied by Länsförsäkringar AB) and the portfolio in Brussels which was acquired as part of the purchase of Humlegården. The total purchase price amounted to SEK 895 M and the capital gain on sales was SEK 60 M. The portfolio still contains a few properties outside the central area, representing 3% of the portfolio value.

In 2001, the total return on participation in Humlegården was 14%, corresponding to SEK 268 M. Of this amount, SEK 110 M represented operating profit and SEK 158 M appreciation in the value of Humlegården's properties.

During the year, one property was acquired for SEK 227 M – the Isbrytaren block in the Kungsholmen district in Stockholm. The Company's portfolio now comprises slightly more than 20 properties, with a total floor space of about 190,000 square metres. In addition, the Company has a management assignment for Länsförsäkringar AB's properties in the Gärdet district, with a floor space of about 60,000 square metres.

The rental market reached a peak in late 2000. Since then, rents in central locations have declined by slightly more than 10%. However, rents in Stockholm are still at a record level, with a rent of SEK 4,500–5,000 per square metre in March 2002 for office floor space in a prime location.

A considerable number of properties have been offered for sale by private individuals and, above all, by institutions which want to reduce their holdings for various

reasons. This did not lead to panic sales, however, and relatively few transactions took place. After its divestments in 2001, Humlegården has an acquisition capacity of approximately SEK 1 billion, and is looking for properties that supplement its current portfolio and development properties which will provide a potential capital gain. In the current market situation, it has become more difficult to find such properties, however.

The largest single cost item for Humlegården is interest expense. During the year, the company was actively engaged in market financing and the listing of commercial paper. The company now has a volume of SEK 1.5 billion in commercial paper listed on the stock exchange (Stockholmsbörsen). The certificates have a rating of "K 1," and the company's overall rating is "A" (according to Standard & Poor's). The average interest expense in 2001 was 4.7%.

The Chinateatern project will be completed during early 2002 and will subsequently be occupied by the tenant, Danske Securities. The Swedish Financial Supervisory Authority and the Competition Authority will occupy the Sveavägen 163

property during the year. This project will continue into 2003.

Market rents have declined since the peak year, 2000, but are still higher than rents for existing leases. As a result revenues are rising as leases are renegotiated.

Consequently, an increase in operating profit is expected for 2002, in addition to capital gains. Property values are also expected to increase in 2002, though to a lesser extent than in 2001. Total yield is expected to be in line with the long-term target of approximately 10%.

Humlegården is jointly owned by 20 regional Länsförsäkringar companies and Länsförsäkringar AB.

Key ratios

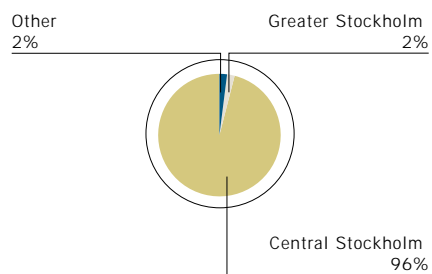
Sales, SEK M	354
Income for the year, SEK M	135
Market value, properties, SEK M	4,771
Participation capital, SEK M	2,188

Project properties

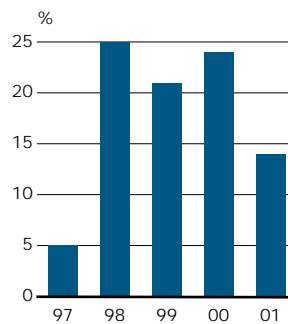
Berzellii Park (Chinateatern), 4,265 sq. m., book value SEK 208 M
Sveavägen 163, 31,179 sq. m., book value SEK 326 M



Location of the property portfolio
in terms of market value



Percentage changes in the value
of the participation in Humlegården



Interior view of the Chinateatern project
property at Berzelii Park in central
Stockholm.

Service doesn't stop at the border

Länsförsäkringar targets customers in the Swedish market. This also includes the provision of services of a high standard for customers with international links. Swedish customers – both private persons and companies – are increasingly active abroad. Study, work and leisure take place in other countries to an increasing extent. Even small companies have operations outside Sweden. As a result, networks are required – to give advice, issue insurance cover and provide claims service in other countries.

As major players in an increasingly concentrated national market, the Länsförsäkringar companies need to be aware of and influenced by innovations in other markets. This can be achieved by comparing notes with other companies, international training programs and opportunities for management and staff development by working with partners in other countries.

Since the acquisition of Wasa in 1998, Länsförsäkringar has been a member of the Eureko European insurance alliance. The most important and most extensive cooperation takes place in the EurAPCo company (European Alliance Partners Company), which was formed in the autumn of 2000 and is jointly owned by its partners in equal proportions. The partner companies are also engaged in cross-ownership through EurAPCo and, as a result, EurAPCo, whose head office is in Zurich, owns about 3.5% of Länsförsäkringar AB. Eureko B.V. – which is an amalgamation of Achmea, the previous Dutch partner, S&P in Portugal and the commercial subsidiaries and associated companies participating in Eureko cooperation – is currently one of seven partners. The other companies are Friends Provident,

Länsförsäkringar, MAAF, Gothaer, Swiss Mobiliar and Topdanmark.

The value of international contacts will become increasingly apparent in the future. The Single European Market will influence legislation and ensure increased alignment in the economic field. The involvement of the public-sector may gradually be replaced by joint or private insurance systems, giving Länsförsäkringar an opportunity to benefit from both the positive and the negative experience of other countries, via open and constructive cooperation in EurAPCo. International cooperation also improves opportunities to influence decision-makers at the European level. The resources Länsförsäkringar has established as a result of representation in Brussels have proved highly beneficial for the company's partners, and have been strengthened by cooperation with other players.

International contacts provide opportunities for human resources development as a result of exchanges and working in other countries for pre-determined periods. This is encouraged by the Eureko alliance. The Eureko framework also offers several international training programmes.

Länsförsäkringar also participates in Nordic cooperation via the Nordic Alliance, based on close exchanges and benchmarking. This cooperation, which commenced in the early 1990s, includes banking issues. The aim is to activate and highlight cooperation carried out under the recently adopted name of Nordic Alliance. Although the operations of the member companies – Alm, Brand, Gjensidige NOR, Länsförsäkringar and Tapiola – are not entirely mutual, the mutual or customer-ownership philosophy is a central theme in all four companies.

Major events in 2001

- The EurAPCo partnership was established on a firmer basis as a result of a greater focus on a structured development process, with clear goals and follow-up routines
- A new unit was set up within the Eureko alliance to handle "Employee Benefits" (life insurance schemes for employees paid by companies), in partnership with AIG. This will probably prove to be a valuable tool in Länsförsäkringar's focus on the provision of life insurance for large companies.

Breakthrough for key sales channel

Länsförsäkringar Mäklarservice, which provides services for insurance brokers, commenced operations on 1 January 2001. This company is jointly owned by the 24 regional insurance companies and Länsförsäkringar AB. The establishment of Länsförsäkringar Mäklarservice ensures an additional focus on an important sales channel, with the aim of offering brokers a clear, uniform treatment and improved service. The establishment of this company signals an active emphasis on this rapidly growing market.

Länsförsäkringar has had regional brokerage desks in Stockholm, Gothenburg and Malmö since the early 1990s that have also served neighbouring regional insurance companies. The brokerage desks offering services for both life and non-life insurance are still in operation in these locations, but are now supplemented by an entirely new brokerage desk for life insurance products in Sundsvall. In addition, the regional insurance companies in Jönköping, Örebro and Gävle have staff who provide special services for brokers. Mäklarservice offices are always located in the immediate vicinity of the local regional insurance company. During the year, the acquisition of Svenska Brand and the focus on medical insurance also resulted in the formation of a “Group Health Brokerage Desk”, with three employees.

Marketing operations have been successful during the year, despite the substantial effort devoted to establishing the new company, including recruitment, training and the establishment of new networks. Länsförsäkringar's development of this combined resource was well received by the brokerage market. Sales of life insurance via brokers increased by 11% during the year, and year-end sales amounted to SEK 3,459 M. The volume of non-life insurance premiums sold via brokers totalled SEK 717 M at year-end.





Managing Director:
Kjell Lindfors

Board Chairman:
Lars Karbin

During 2001 Länsförsäkringar Norrbotten further intensified its operations in the savings area. For the fifth consecutive year, sales of savings products exceeded expectations.

During the past two years, the non-life business has been in a consolidation phase, and 2001 can be considered the end of that phase. The sales organization was further reinforced during the year, and favourable market growth is expected in 2002.

Kjell Lindfors



Key ratios	2001	2000
Result before appropriations and tax, SEK M	2	0
Total assets, SEK M	389	371
Solvency margin, %	150	107
Number of employees	62	55
Banking		
Deposits, SEK M	93	72
Lending, SEK M	72	36
Lending on commission basis, SEK M	153	74
Number of customers	4,200	3,600
Mutual funds		
Market value, SEK M	35	39
Gross sales, SEK M	6	24
Number of customers	900	800
Life insurance		
Premium income, SEK M	154	166
Underwriting result, SEK M	-186	-42
Total insurance capital, SEK M	1,638	1,550
Number of customers	12,600	11,000
Non-life operations		
Premium income, SEK M	143	130
Underwriting result, SEK M	12	0
Combined ratio for own account, %	92	105
Total yield on asset management, %	0	3
Number of customers	45,200	45,500



Managing Director:
Rutger Arnesson

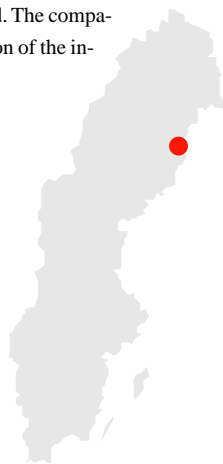
Board Chairman:
Anders Nilsson

Non-life insurance operations continued to develop favourably, both in terms of market share and results. For the first time in several years, there was a surplus on non-life underwriting business. During the year, efforts to meet market expectations in the banking area were intensified. Market growth in banking continues to be strong.

In response to the substantial volume growth in non-life insurance and banking, and the personnel reinforcement this involved, considerable effort was devoted to improving

the company's infrastructure. Obviously, net income for the year was strongly affected by the negative stock market trend. The company's strategic allocations have permitted stabilization of the income trend in the asset management area.

Rutger Arnesson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-72	-28
Total assets, SEK M	1,362	1,424
Number of employees	286	344
Number of customers	126	118
Banking		
Deposits, SEK M	456	327
Lending, SEK M	285	54
Lending on commission basis, SEK M	236	273
Number of customers	9,400	7,400
Mutual funds		
Market value, SEK M	105	125
Gross sales, SEK M	13	44
Number of customers	2,400	2,200
Life insurance		
Premium income, SEK M	278	284
Underwriting result, SEK M	-245	-91
Total insurance capital, SEK M	2,768	2,640
Number of customers	23,500	19,900
Non-life operations		
Premium income, SEK M	310	275
Underwriting result, SEK M	16	-2
Bonuses and discounts, SEK M	12	1
Combined ratio for own account, %	98	105
Total yield on asset management, %	-5	-1
Number of customers	87,300	84,800



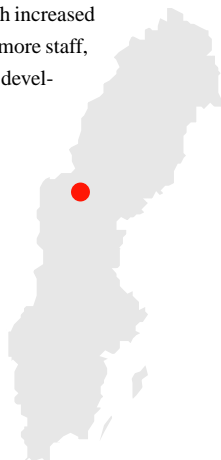
Managing Director:
Sören Westin

Board Chairman:
Arne Normann

The market trend continued to be favourable in all product areas. We achieved the largest sales increases in banking and in motor business. The non-life underwriting result was not satisfactory. A large number of fire and storm claims had a considerable negative impact on the outcome for non-life insurance, and efforts to achieve a better relationship between premiums and claims started too late. Despite a dismal year for the stock market, we achieved a positive total yield from financial management operations.

We are continuing to apply our established strategy, involving for example strengthening of our market positions through increased availability, new local offices, brand extension and more staff, while simultaneously focusing intensively on skills development.

Sören Westin



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-23	1
Total assets, SEK M	716	687
Solvency margin, %	280	326
Number of employees	75	62
Banking		
Deposits, SEK M	215	134
Lending, SEK M	139	70
Lending on commission basis, SEK M	271	158
Number of customers	4,800	3,200
Mutual funds		
Market value, SEK M	26	32
Gross sales, SEK M	4	16
Number of customers	1,100	1,000
Life insurance		
Premium income, SEK M	107	95
Underwriting result, SEK M	-132	-61
Total insurance capital, SEK M	1,368	1,360
Number of customers	12,000	10,100
Non-life operations		
Premium income, SEK M	177	157
Underwriting result, SEK M	-20	2
Combined ratio for own account, %	117	107
Total yield on asset management, %	2	2
Number of customers	52,600	51,300



Managing Director:
Anders Hörnfeldt

Board Chairman:
Anders Källström

During 2001, Länsförsäkringar Västernorrland continued to increase its market shares for all types of non-life insurance. Local floods and more fire claims pulled back results, however. In combination with a weak financial market, this resulted in an operating loss of SEK 32 M (loss: 4).

The company continues to focus on financial services. In 2001, the volume of life insurance premiums was virtually constant, and we were pleased to note a sharp increase in banking volumes.

Preparations to launch the Västernorrland Fund are now in the final stage, and the fund is expected to be launched in the first half of 2002.

Anders Hörnfeldt



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-32	-4
Total assets, SEK M	712	678
Solvency margin, %	214	263
Number of employees	92	83
Banking		
Deposits, SEK M	261	178
Lending, SEK M	72	37
Lending on commission basis, SEK M	109	69
Number of customers	5,800	4,600
Mutual funds		
Market value, SEK M	64	76
Gross sales, SEK M	9	40
Number of customers	29,200	29,100
Life insurance		
Premium income, SEK M	204	186
Underwriting result, SEK M	-216	-99
Total insurance capital, SEK M	2,574	2,517
Number of customers	19,200	16,400
Non-life operations		
Premium income, SEK M	235	205
Underwriting result, SEK M	-8	-9
Combined ratio for own account, %	115	119
Total yield on asset management, %	2	6
Number of customers	61,700	59,800



Managing Director:
Birger Lövgren

Board Chairman:
Kjell Stafström

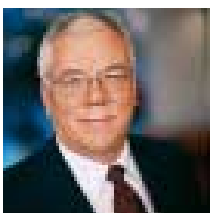
While the growth rate in life and pension insurance decreased somewhat during the year, there was expansion in all product areas in insurance and banking. The net operating result was negative, and major steps were taken to achieve breakeven in 2002 and a positive figure in 2003. The reported loss of SEK 272 M on financial operations is primarily due to the general decline in share prices, particularly in the IT sector.

During 2002, the company will establish a new profile in the county, with initiatives involving six offices, new insurance products, banking services and personal financial advice. A similar drive is being carried out in the commercial market, where there has been a strong response to our advisory concept and our product portfolio.

Birger Lövgren



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-303	72
Total assets, SEK M	737	953
Solvency margin, %	203	342
Number of employees	94	91
Banking		
Deposits, SEK M	253	175
Lending, SEK M	174	47
Lending on commission basis, SEK M	98	115
Number of customers	6,000	4,700
Mutual funds		
Market value, SEK M	45	51
Gross sales, SEK M	9	19
Number of customers	1,600	1,500
Life insurance		
Premium income, SEK M	191	190
Underwriting result, SEK M	-215	-106
Total insurance capital, SEK M	2,323	2,239
Number of customers	23,200	20,800
Non-life operations		
Premium income, SEK M	200	195
Underwriting result, SEK M	-15	-10
Combined ratio for own account, %	112	109
Total yield on asset management, %	-36	12
Number of customers	68,600	66,600



Managing Director:
Anders Stigers

Board Chairman:
Bengt Gabriels

During the year, we had strong growth in non-life insurance, with 12% growth in premiums. Volume growth in motor insurance was 8%, in terms of the number of insured vehicles. These increases further strengthened our market position.

The savings market – banking and mutual funds – experienced favourable growth, particularly in deposits and lending. Lending to house purchasers via Länsförsäkringar Hypotek rose substantially during the year.

In the life insurance business, savings insurance declined as a result of the downturn in the stock market, while occupational pension volumes are continuing to develop satisfactorily.

In the asset management sector, the market value of our holdings decreased as a result of the high degree of uncertainty in the financial world. The operating result for the year was depressed by the unfavourable stock market trend.

Anders Stigers



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-467	-190
Total assets, SEK M	3,102	3,576
Solvency margin, %	481	598
Number of employees	154	144
Banking		
Deposits, SEK M	512	359
Lending, SEK M	432	119
Lending on commission basis, SEK M	317	333
Number of customers	11,700	9,000
Mutual funds		
Market value, SEK M	96	110
Gross sales, SEK M	18	46
Number of customers	4,100	3,700
Life insurance		
Premium income, SEK M	315	303
Underwriting result, SEK M	-291	-118
Total insurance capital, SEK M	3,465	3,350
Number of customers	29,800	24,300
Non-life operations		
Premium income, SEK M	560	498
Underwriting result, SEK M	-40	14
Bonuses and discounts, SEK M	65	58
Combined ratio for own account, %	115	107
Total yield on asset management, %	-11	-3
Number of customers	135,200	130,700



Managing Director:
Ulf Eriksson

Board Chairman:
Folke Andersson

‘One minute wine, vinegar the next’ – would be one way of describing the 2001 fiscal year. The favourable market trends in banking and non-life insurance are among the bright spots.

The apartment building fire in Carlsbad that left 150 people homeless is what we will remember most in the non-life sector. This was the largest claim ever incurred by the company. Operating income was SEK 4 M (20) and the combined ratio was 107% (104).

My staff and I are now looking forward to the introduction of ‘Customer 2001,’ our new sales and customer-support system. This will be very exciting, and we have high expectations.

Ulf Eriksson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	4	20
Total assets, SEK M	848	708
Solvency margin, %	163	173
Number of employees	86	83
Banking		
Deposits, SEK M	183	121
Lending, SEK M	131	48
Lending on commission basis, SEK M	101	48
Number of customers	4,700	3,600
Mutual funds		
Market value, SEK M	42	46
Gross sales, SEK M	6	19
Number of customers	1,200	1,100
Life insurance		
Premium income, SEK M	155	188
Underwriting result, SEK M	-146	-45
Total insurance capital, SEK M	2,055	2,014
Number of customers	18,000	15,400
Non-life operations		
Premium income, SEK M	237	218
Underwriting result, SEK M	-3	11
Combined ratio for own account, %	107	104
Total yield from asset management, %	3	3
Number of customers	70,000	67,000



Managing Director:
Ann-Christin Norrström

Board Chairman:
Björn Sundell

Länsförsäkringar Uppsala's successful market trend continued in 2001. Both banking and non-life insurance attracted a considerable numbers of customers. We sold 11,000 new non-life policies, corresponding to a volume increase of 6%. The premium income from direct insurance operations rose by 12% to SEK 288 M.

Business volume for banking surged. At year-end, the net of deposits and lending amounted to SEK 1,300 M, including lending on behalf of SBAB – corresponding to an in-

crease of almost 70%. Sales of occupational pension schemes continued to develop well, although the trend for investment-related insurance was weaker. The operating result declined during the year, as a result of the negative stock market trend.

Ann-Christin Norrström



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-92	-71
Total assets, SEK M	1,270	1,368
Solvency margin, %	266	332
Number of employees	136	125
Banking		
Deposits, SEK M	484	295
Lending, SEK M	136	49
Lending on commission basis, SEK M	555	356
Number of customers	9,400	7,000
Mutual funds		
Market value, SEK M	105	123
Gross sales, SEK M	19	44
Number of customers	4,000	3,600
Life insurance		
Premium income, SEK M	364	342
Underwriting result, SEK M	-361	-138
Total insurance capital, SEK M	4,071	3,876
Number of customers	31,400	26,100
Non-life operations		
Premium income, SEK M	367	324
Underwriting result, SEK M	-25	-31
Bonuses and discounts, SEK M	2	27
Combined ratio for own account, %	113	116
Total yield on asset management, %	-3	2
Number of customers	89,600	84,900



Managing Director:
Jan Karlsson

Board Chairman:
Frans-Henrik Schartau

The company successful market performance continued in 2001. The number of car insurance policies rose by 10.2%, and other non-life insurance increased by 2.5%. In combination with premium increases, premiums earned increased by 14.6% as a result. Volumes in the banking business rose by 74%.

The largest increases occurred in savings accounts and housing mortgages. Life insurance sales were at the same level as in 2000 – largely due to a weak stock market, which also had an adverse effect on the company's financial results, with a net financial expense of SEK 63 M. High claims expenses and an unduly low premium level were other factors that contributed to the deficit of SEK 60 M on insurance business.

Our focus on banking operations is continuing, and, we inaugurated new bank premises in Örebro during the year. A new branch will open in Sala in the spring of 2002. The company's staff increased by 10% during 2001.

Jan Karlsson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-155	13
Total assets, SEK M	1,544	1,682
Solvency margin, %	269	347
Number of employees	188	160
Banking		
Deposits, SEK M	468	284
Lending, SEK M	242	114
Lending on commission basis, SEK M	440	262
Number of customers	10,500	7,600
Mutual funds		
Market value, SEK M	91	107
Gross sales, SEK M	18	40
Number of customers	2,800	2,500
Life insurance		
Premium income, SEK M	440	437
Underwriting result, SEK M	-541	-184
Total insurance capital, SEK M	5,057	4,808
Number of customers	33,600	27,800
Non-life operations		
Premium income, SEK M	407	354
Underwriting result, SEK M	-60	35
Bonuses and discounts, SEK M	-	36
Combined ratio for own account, %	121	113
Total yield on asset management, %	-4	6
Number of customers	108,900	104,400



Managing Director:
Carl Dahlberg

Board Chairman:
Bengt Ljungqvist

The key events in 2001 included the acquisition of Svenska Brand and Allianz. From our viewpoint, this meant providing the best possible service for 13,600 new customers – which is a challenge.

Non-life sales and banking operations continued to be satisfactory in 2001. Life insurance sales were weak, on the other hand. There was a deficit on insurance operations, despite higher premiums which, in combination with the stock market trend, resulted in an appreciable loss. The focus will be on profitability in 2002, and we will continue to focus on 'total customers.' We are also planning to obtain environmental certification during the coming year.

Carl Dahlberg



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-154	-161
Total assets, SEK M	2,327	2,180
Solvency margin, %	92	138
Number of employees	475	439
Banking		
Deposits, SEK M	3,194	2,550
Lending, SEK M	979	613
Lending on commission basis, SEK M	1,308	875
Number of customers	57,100	50,500
Mutual funds		
Market value, SEK M	729	843
Gross sales, SEK M	113	241
Number of customers	12,200	11,700
Life insurance		
Premium income, SEK M	2,266	2,680
Underwriting result, SEK M	-3,464	-1,354
Total insurance capital, SEK M	32,597	31,839
Number of customers	130,500	108,500
Non-life operations		
Premium income, SEK M	1,094	823
Underwriting result, SEK M	-99	-145
Combined ratio for own account, %	115	123
Total yield from asset management, %	2	2
Number of customers	226,300	223,800



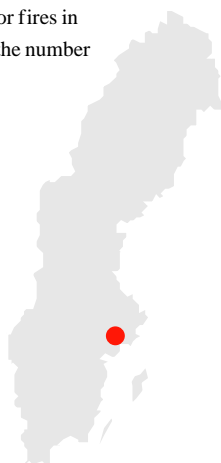
Managing Director:
Anna-Greta Lundh

Board Chairman:
Axel von Stockenström

Local residents are finally discovering our banking operations. The Internet bank, launched at the end of 2000, has been highly significant in marketing this company as a principal bank. Our focus on Länsförsäkringar Hypotek resulted in an excellent response from customers – over SEK 180 M in new lending in slightly less than a year. Efforts to give customers a comprehensive alternative for financial security are continuing, with a new branch office and new bank employees in Katrineholm during the spring of 2002.

We have had several years of rising claims, often caused by isolated major incidents. There were neither storms nor major fires in 2001, but there was an extremely sharp increase in the number of claims, nonetheless.

Anna-Greta Lundh



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-42	-24
Total assets, SEK M	889	922
Solvency margin, %	228	286
Number of employees	103	94
Banking		
Deposits, SEK M	292	193
Lending, SEK M	294	66
Lending on commission basis, SEK M	193	220
Number of customers	6,800	5,100
Mutual funds		
Market value, SEK M	56	69
Gross sales, SEK M	7	27
Number of customers	1,900	1,800
Life insurance		
Premium income, SEK M	200	161
Underwriting result, SEK M	-231	-117
Total insurance capital, SEK M	2 247	2 116
Number of customers	19,000	15,600
Non-life operations		
Premium income, SEK M	305	261
Underwriting result, SEK M	-13	0
Combined ratio for own account, %	114	116
Total yield on asset management, %	-1	1
Number of customers	71,500	69,300



Managing Director:
Ingemar Larsson

Board Chairman:
Bengt Wolfram

The company's sales success continued during the year, and we gained market shares in all key segments. Our banking operations had a breakthrough and the new service outlet in central Gothenburg was closed. The recently launched Large Companies unit also started to do business.

Profitability in insurance operations improved, although we have not yet achieved our target. Asset management produced a poor result. The decline in world stock markets had a considerable impact on our share portfolio. During 2002, we will continue on course in our "Satisfied Customers – Leading Companies" three-year business plan. This involves:

• More and better business in both banking and insurance
• Profitable insurance operations
• Satisfied customers
• Satisfied employees.

- More and better business in both banking and insurance
- Profitable insurance operations
- Satisfied customers
- Satisfied employees.

Ingemar Larsson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-84	-45
Total assets, SEK M	1,711	1,712
Solvency margin, %	194	253
Number of employees	230	216
Banking		
Deposits, SEK M	935	499
Lending, SEK M	181	62
Lending on commission basis, SEK M	438	288
Number of customers	16,100	13,200
Mutual funds		
Market value, SEK M	248	229
Gross sales, SEK M	83	81
Number of customers	6,700	5,800
Life insurance		
Premium income, SEK M	918	981
Underwriting result, SEK M	-1,388	-291
Total insurance capital, SEK M	10,714	9,970
Number of customers	53,700	44,800
Non-life operations		
Premium income, SEK M	594	485
Underwriting result, SEK M	0	-6
Combined ratio for own account, %	103	107
Total yield on asset management, %	-3	0
Number of customers	151,300	143,100



Managing Director:
Carl Henrik Ohlsson

Board Chairman:
Hans Jonsson

The company achieved satisfactory market growth in non-life insurance and premium income increased by 11%. The underwriting result was negative due to a low cost of capital and high claims costs, while the operating expense ratio continued to decline. Asset management was characterized by cautious strategies during this turbulent year. Volume growth in life insurance and banking operations was close to 50%, in line with our long-term strategic initiative.

During the year, we were the first financial institution in Sweden to obtain certification in accordance with the new quality assurance and environmental management standards. The company is now proceeding to increase its local presence via geographic sales teams with customer account managers attached to our local offices, which are also becoming bank branch offices. The Internet is our fifth local office.

Carl Henrik Ohlsson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-74	14
Total assets, SEK M	976	1,000
Solvency margin, %	221	283
Number of employees	102	92
Banking		
Deposits, SEK M	317	227
Lending, SEK M	126	84
Lending on commission basis, SEK M	168	101
Number of customers	7,400	6,000
Mutual funds		
Market value, SEK M	122	118
Gross sales, SEK M	27	35
Number of customers	22,400	22,200
Life insurance		
Premium income, SEK M	203	198
Underwriting result, SEK M	-298	-100
Total insurance capital, SEK M	3,167	3,060
Number of customers	22,200	18,500
Non-life operations		
Premium income, SEK M	252	223
Underwriting result, SEK M	-34	11
Combined ratio for own account, %	117	106
Total yield on asset management, %	-3	3
Number of customers	74,900	74,300



Managing Director:
Jan-Gunnar Persson

Board Chairman:
Gunnar Gunnarsson

There was growth in the entire non-life insurance portfolio. Premium income on direct insurance increased by 16% to almost SEK 500 M. Financial results were negative during the year, due to the substantial decline in share prices, and there was a loss after tax of SEK 150 M.

There was a breakthrough for banking operations during 2001. The number of customers rose by 150%, and total deposits and lending amounted to SEK 1,600 M at year-end, including lending on behalf of SBAB. The life insurance market changed radically. Sales of single premium endowment insurance fell by more than half. We were not sufficiently prepared to take our share of the growth in the retirement pension area, although we modified our organization during the year to improve our impact in this market.

Jan-Gunnar Persson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-139	-114
Total assets, SEK M	2,784	2,945
Solvency margin, %	398	491
Number of employees	246	224
Banking		
Deposits, SEK M	945	506
Lending, SEK M	244	163
Lending on commission basis, SEK M	413	231
Number of customers	25,700	10,300
Mutual funds		
Market value, SEK M	103	120
Gross sales, SEK M	22	53
Number of customers	4,100	3,500
Life insurance		
Premium income, SEK M	523	513
Underwriting result, SEK M	-411	-97
Total insurance capital, SEK M	4,344	3,997
Number of customers	39,900	32,400
Non-life operations		
Premium income, SEK M	596	509
Underwriting result, SEK M	-30	4
Bonuses and discounts, SEK M	43	97
Combined ratio for own account, %	110	116
Total yield from asset management, %	-1	2
Number of customers	149,600	143,500



Managing Director:
Jan Fager

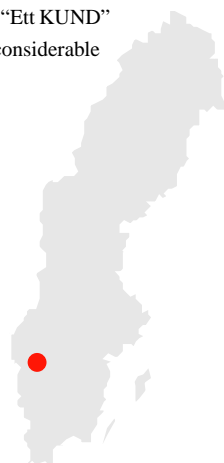
Board Chairman:
Fredrik Waern

Many activities were conducted during this anniversary year. We were among the test companies participating in the development and implementation of the new "Ett KUND" customer management system, for which we have considerable expectations.

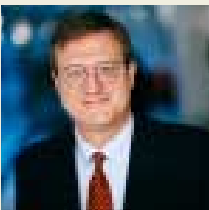
Jan Fager

The company's 160th year was both turbulent and challenging. Market growth continued in all segments, particularly in financial services. Banking business volume increased by nearly 50% and the market share in savings and life insurance is about 19%. Costs for water damage and burglary claims increased, and we had a record claim when the Årjäng sawmill burnt down. Loss prevention measures are now very high on our list of priorities.

Many activities were conducted during



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-143	-85
Total assets, SEK M	2,130	2,184
Solvency margin, %	276	347
Number of employees	209	204
Banking		
Deposits, SEK M	648	472
Lending, SEK M	343	152
Lending on commission basis, SEK M	715	447
Number of customers	15,600	11,600
Mutual funds		
Market value, SEK M	150	164
Gross sales, SEK M	27	78
Number of customers	47,700	55,800
Life insurance		
Premium income, SEK M	374	436
Underwriting result, SEK M	-452	-77
Total insurance capital, SEK M	4,655	4,445
Number of customers	35,400	27,700
Non-life operations		
Premium income, SEK M	591	516
Underwriting result, SEK M	-7	1
Bonuses and discounts, SEK	-	28
Combined ratio for own account, %	105	103
Total yield on asset management, %	-5	-2
Number of customers	135,100	132,000



Managing Director:
Leif Ellström

Managing Director:
Gösta af Petersens

Länsförsäkringar Gotland's 2001 fiscal year was characterized by continuing strong growth. In the non-life field, the number of insurance assignments increased in all product areas by a total of 6%. The largest increase was in private car insurance, which grew by 10%.

In the savings market, the largest growth was in our banking operations, with a 57% increase in business volume and a 47% increase in the number of new customers. This increase is much higher than budgeted, and the bank's operating result was positive. The net result of operations declined during the year, primarily as a result of the negative stock market trend.

Leif Ellström



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-17	-3
Total assets, SEK M	466	486
Solvency margin, %	489	572
Number of employees	31	28
Banking		
Deposits, SEK M	145	90
Lending, SEK M	143	84
Lending on commission basis, SEK M	180	117
Number of customers	2,900	2,000
Mutual funds		
Market value, SEK M	13	14
Gross sales, SEK M	3	7
Number of customers	800	700
Life insurance		
Premium income, SEK M	38	32
Underwriting result, SEK M	-25	-6
Total insurance capital, SEK M	385	366
Number of customers	5,100	4,000
Non-life operations		
Premium income, SEK M	89	79
Underwriting result, SEK M	-1	3
Combined ratio for own account, %	107	99
Total yield from asset management, %	-2	-1
Number of customers	23,500	22,400



Managing Director:
Johan Svedberg

Board Chairman:
Evert Svensson

Länsförsäkringar Jönköping had an excellent sales year for non-life insurance, and there was a further improvement in our healthy market shares. Banking operations are growing rapidly. The two new branch offices and the launching of the company's "Life" training programme were both successful.

Naturally, the year's net income was adversely affected by the trend in the capital markets, although we can report a positive result on our insurance business.

Johan Svedberg



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-102	-78
Total assets, SEK M	1,363	1,278
Solvency margin, %	222	252
Number of employees	142	133
Banking		
Deposits, SEK M	436	276
Lending, SEK M	115	72
Lending on commission basis, SEK M	288	182
Number of customers	8,600	6,500
Mutual funds		
Market value, SEK M	69	80
Gross sales, SEK M	9	27
Number of customers	2,200	2,100
Life insurance		
Premium income, SEK M	308	293
Underwriting result, SEK M	-424	-210
Total insurance capital, SEK M	4,137	3,997
Number of customers	28,000	22,900
Non-life operations		
Premium income, SEK M	405	354
Underwriting result, SEK M	9	38
Combined ratio for own account, %	105	102
Total yield from asset management, %	-6	-5
Number of customers	108,700	105,200



Managing Director:
Mats Ericsson

Board Chairman:
Erling Johansson

The strong flow of new customers to the company continued in 2001. We strengthened the local profile by opening new central offices in all municipalities and, in addition, smaller agent offices. We also strengthened our organizational structure, invested in sales capacity and reorganized the banking and life operations as separate business areas.

During the year, we conducted a lifestyle project for employees, and became certified good corporate citizens of Halland for our contributions to a better and healthier society.

Mats Ericsson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-102	3
Total assets, SEK M	1,214	1,279
Solvency margin, %	372	470
Number of employees	120	113
Banking		
Deposits, SEK M	501	294
Lending, SEK M	309	139
Lending on commission basis, SEK M	434	205
Number of customers	10,500	6,700
Mutual funds		
Market value, SEK M	107	117
Gross sales, SEK M	21	62
Number of customers	36,100	35,800
Life insurance		
Premium income, SEK M	280	256
Underwriting result, SEK M	-410	-133
Total insurance capital, SEK M	3,914	3,768
Number of customers	23,800	19,200
Non-life operations		
Premium income, SEK M	261	225
Underwriting result, SEK M	-6	18
Combined ratio for own account, %	109	105
Total yield from asset management, %	-6	2
Number of customers	77,800	74,000



Managing Director:
Dick Söderlund

Board Chairman:
Per-Åke Holgersson

The company's celebrated its 200th anniversary with several customer arrangements, in particular our family day at Kronobergshed, which attracted 15,000 visitors.

The non-life market was turbulent and included major premium increases. Nonetheless, we succeeded in increasing our market shares, particularly in commercial insurance and motor insurance. Claims in 2001 set a new record, with a sharp increase in the incidence of

serious fire damage. In motor insurance, there was a clear improvement in the claims trend.

Our largest growth area was life insurance and banking, where the number of customers increased by 20%. During the last quarter, we noted an improvement in earnings for all areas of operation. Cash flow also improved after 1 July.

Dick Söderlund



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-41	-17
Total assets, SEK M	551	577
Solvency margin, %	196	221
Number of employees	69	65
Banking		
Deposits, SEK M	234	171
Lending, SEK M	53	30
Lending on commission basis, SEK M	171	105
Number of customers	4,500	3,500
Mutual funds		
Market value, SEK M	43	48
Gross sales, SEK M	6	16
Number of customers	2,500	2,400
Life insurance		
Premium income, SEK M	198	229
Underwriting result, SEK M	-295	-114
Total insurance capital, SEK M	3,073	3,018
Number of customers	16,200	13,700
Non-life operations		
Premium income, SEK M	184	179
Underwriting result, SEK M	-15	-13
Combined ratio for own account, %	109	111
Total yield from asset management, %	-2	2
Number of customers	50,800	48,400



Managing Director:
Lars B Danielsson

Board Chairman:
Jan Peter Pontén

Market growth in non-life insurance was one of the major reasons for satisfaction during 2001, and we achieved record levels for the third consecutive year. Due to the stock market's weak performance, however, the result for the year was a loss. During the year, we absorbed the largest claim in our history, when a church building was completely destroyed in a fire, resulting in a claim of SEK 37 M.

Growth in the Savings business area (mutual funds, life insurance and banking)

was lower than expected, due to international financial turbulence. Intensive brand extension efforts are continuing, however, and we expect to see favourable developments in the savings sector in the next few years.

Lars B Danielsson



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-82	-42
Total assets, SEK M	1,260	1,345
Solvency margin, %	323	387
Number of employees	123	117
Banking		
Deposits, SEK M	226	158
Lending, SEK M	65	43
Lending on commission basis, SEK M	168	102
Number of customers	5,100	3,900
Mutual funds		
Market value, SEK M	46	52
Gross sales, SEK M	8	19
Number of customers	1,600	1,400
Life insurance		
Premium income, SEK M	283	321
Underwriting result, SEK M	-310	-22
Total insurance capital, SEK M	3,069	2,925
Number of customers	19,800	16,500
Non-life operations		
Premium income, SEK M	333	294
Underwriting result, SEK M	0	19
Bonuses and discounts, SEK M	18	13
Combined ratio for own account, %	103	98
Total yield from asset management, %	-3	-2
Number of customers	82,600	78,500



Managing Director:
Jan Otterheim

Board Chairman:
Anders Åkesson

In financial terms, 2001 was a dismal year. This was primarily due to the major global downturn and the subsequent stock-market collapse. The terrorist attacks of September 11 paved the way for substantial increases in reinsurance premiums. In addition, the depressing claims trend of the past few years has continued, resulting in increased costs.

Despite this trend, there were several bright spots. The company's growth in life insurance and banking continued uninterrupted. There was strong growth in the entire non-life area, resulting in increased market shares and, despite the year's poor net result, a strong financial position, placing us in a good position to meet the future. Our next projects include opening a new office in Karlskrona, environmental certification of the company, and developing our customer-management processes.

Jan Otterheim



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-59	7
Total assets, SEK M	556	602
Solvency margin, %	362	474
Number of employees	56	48
Banking		
Deposits, SEK M	161	93
Lending, SEK M	65	23
Lending on commission basis, SEK M	150	59
Number of customers	3,600	2,300
Mutual funds		
Market value, SEK M	24	29
Gross sales, SEK M	5	13
Number of customers	1,100	900
Life insurance		
Premium income, SEK M	105	88
Underwriting result, SEK M	-131	-42
Total insurance capital, SEK M	1,503	1,459
Number of customers	10,000	8,100
Non-life operations		
Premium income, SEK M	124	106
Underwriting result, SEK M	-7	0
Combined ratio for own account, %	111	119
Total yield from asset management, %	-7	5
Number of customers	45,400	43,700



Managing Director:
Lars-Åke Hörlén

Board Chairman:
Lave Olsson

In terms of net earnings, 2001 was a slight improvement over 2000. The net result was positive, and the allocation of the company's investments yielded a satisfactory result. Property investments were the most successful, relatively speaking. Sales were strong in both the non-life and savings areas. All indications suggest that local residents are satisfied with us and with the efforts of our employees for their owners, our policyholders.

In 2001, the number of fire-related claims and the cost of these claims rose markedly, and the company plans to conduct a loss-prevention programme. On the other hand, to our satisfaction, we can state that burglary claims decreased in both number and cost. Total gross claims cost rose by 25% in comparison with 2000, however.

Lars-Åke Hörlén



Key ratios	2001	2000
Result before appropriations and tax, SEK M	5	3
Total assets, SEK M	487	461
Solvency margin, %	340	365
Number of employees	44	39
Banking		
Deposits, SEK M	115	80
Lending, SEK M	16	8
Lending on commission basis, SEK M	80	48
Number of customers	2,200	1,700
Mutual funds		
Market value, SEK M	24	26
Gross sales, SEK M	4	8
Number of customers	1,000	900
Life insurance		
Premium income, SEK M	72	71
Underwriting result, SEK M	-87	-43
Total insurance capital, SEK M	1,183	1,181
Number of customers	7,900	6,500
Non-life operations		
Premium income, SEK M	117	105
Underwriting result, SEK M	1	0
Combined ratio for own account, %	111	115
Total yield from asset management, %	4	4
Number of customers	30,500	29,900



Managing Director:
Conny Famm

Board Chairman:
Göran Trobro

Sales in 2001 were successful. The non-life volume increased by 14%, and expansion continued in the savings area. There was especially heavy demand for banking services – deposits increased by 48% and the number of bank customers by 47%.

In terms of net results, 2001 was considerably less successful than the preceding year. This was mainly due to an extremely poor stock-market year, which had a serious impact on the company's share portfolio. In 2002, we will focus strongly on personal contacts with the customer, and take the opportunity to clearly present the range that our local "financial supermarket" can offer.

Conny Famm



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-19	5
Total assets, SEK M	459	486
Solvency margin, %	351	362
Number of employees	47	42
Banking		
Deposits, SEK M	165	111
Lending, SEK M	47	25
Lending on commission basis, SEK M	154	86
Number of customers	3,200	2,200
Mutual funds		
Market value, SEK M	37	41
Gross sales, SEK M	6	17
Number of customers	1,000	900
Life insurance		
Premium income, SEK M	96	82
Underwriting result, SEK M	-114	-54
Total insurance capital, SEK M	1,159	1,116
Number of customers	8,400	6,600
Non-life operations		
Premium income, SEK M	115	112
Underwriting result, SEK M	-2	8
Combined ratio for own account, %	111	109
Total yield from asset management, %	-5	2
Number of customers	34,900	33,400



Managing Director:
Jan Fock

Board Chairman:
Gunnar Kinch

The company's market-leadership was further strengthened in 2001 as a result of successful sales performance in both the commercial and private markets. Banking and mutual funds had the strongest performance, however. In personal insurance, the sales budget for current premiums was exceeded, although the market for single premium insurance slowed down dramatically. Overall, the company made a loss for the year, due to higher claims costs and the impact of the stock-market trend on investment income.

The solvency margin continues to be reassuringly high.

During 2001, the Länshem subsidiary commenced its operations. Länshem, which has 13 outlets for home buyers, is already the largest estate agency chain in Skåne. In 2002, the company will focus on the market for occupational pensions and on increased customer care and improved accessibility.

Jan Fock



Key ratios	2001	2000
Result before appropriations and tax, SEK M	-142	-33
Total assets, SEK M	2,246	2,350
Solvency margin, %	189	239
Number of employees	369	317
Banking		
Deposits, SEK M	589	413
Lending, SEK M	650	176
Lending on commission basis, SEK M	600	510
Number of customers	17,700	14,600
Mutual funds		
Market value, SEK M	230	240
Gross sales, SEK M	62	60
Number of customers	5,900	5,500
Life insurance		
Premium income, SEK M	785	824
Underwriting result, SEK M	-1,413	-495
Total insurance capital, SEK M	13,278	12,841
Number of customers	73,800	62,800
Non-life operations		
Premium income, SEK M	742	634
Underwriting result, SEK M	-66	-9
Combined ratio for own account, %	115	113
Total yield from asset management, %	0	3
Number of customers	213,800	203,300

Coordination in an effective development centre

The 24 regional insurance companies cooperate in Länsförsäkringar AB, which is jointly owned, and its subsidiaries. Basically, this involves managing and coordinating Länsförsäkringar's joint strategic and development process and providing services for the regional companies.

The original impetus for coordination was the need for a joint reinsurance solution for the Länsförsäkringar regional insurance companies. Subsequently, this has developed into extensive operations to take advantage of economies of scale in the banking and insurance field. Reinsurance is still an important part of this assignment. A considerable proportion of the reinsurance premium can be retained with the Group by sharing the risks of major claims between the regional companies. But this assignment has been extended, and today Länsförsäkringar AB is one of the largest development centres in Sweden, with operations in life, accident, third-party motor, industrial and animal insurance and reinsurance, and in banking, mutual fund and asset management activities. It is also the starting point for the coordination of Länsförsäkringar's extensive IT development operations and development activities for new procedures which the new systems are designed to support. In addition to responsibility for services and development, Länsförsäkringar AB also conducts business on its own account – third-party motor insurance is covered by a joint permit, for example. However, Länsförsäkringar's business model is based on the concept that all commercial responsibility should be as local as possible, when the time is considered ripe.

During 2001, a review of the possibilities of transferring third-party motor insurance business to the regional companies was initiated.

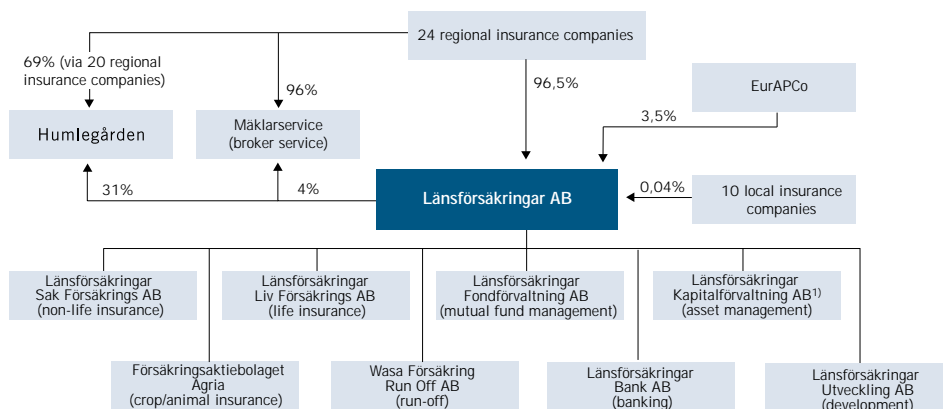
Forms of ownership

The regional insurance companies and 10 local companies own 96.5% of Länsförsäkringar AB. The remaining 3.5% is owned by EurAPCo, Länsförsäkringar's European alliance partner. The regional companies include their shareholding in their net asset value and they apply the same commercial requirements for a yield on these shares as they do for listed shares and other investment

assets. During 2001, the value of the shares increased by 7%, and there has been a 76% increase since 1997, including surplus values in 2001. The regional insurance companies' ownership of Länsförsäkringar AB, and their mutual obligations as owners, are handled within the framework of the ownership consortium, governed by a consortium agreement. The regional insurance companies hold shares in Länsförsäkringar AB, the joint Parent Company. This is one of the cornerstones of the Länsförsäkringar Alliance.

Svenska Brand and Allianz

On 26 February 2001, Länsförsäkringar





made a public offer to the shareholders of Svenska Brand, a listed company, and the offer was accepted. The operations acquired consisted of non-life insurance business and a small life insurance operation. During the year, the acquisition of Allianz' Swedish insurance portfolio was also announced, and the transaction was formally concluded in February 2002. The intention is that the insurance portfolio for direct Swedish insurance should be transferred to the regional companies. As a result, these operations have not been consolidated into the Länsförsäkringar AB Group in 2001.

Results

Consolidated income for the Länsförsäkringar AB Group amounted to a loss of SEK 395 M (profit: 402). The loss was primarily due to developments in the financial markets. The underwriting result for non-life insurance amounted to a loss of SEK 23 M (profit: 148). There was a loss of SEK 8 M (profit: 110) in third-party motor insurance – the largest sector. Total investment income amounted to SEK 347 M (936) during 2001. SEK 757 M (715) was transferred to the insurance operations.

Income from banking operations amounted to SEK 1 M (67). The decline in income was due partly to lump-sum revenues during 2000 and increased costs, for example for systems operation and sys-

tems administration. Income from mutual fund operations improved to a profit of SEK 54 M (loss: 10), partly due to reduced operating, management and commission costs. The life insurance company, Länsförsäkringar Liv, is not consolidated since this company operates in accordance with mutual principles.

Solvency

The net asset value of the Länsförsäkringar AB Group declined by SEK 33 M during 2001 to SEK 6,239 M. The solvency ratio amounted to 191% (232) at year-end 2001.

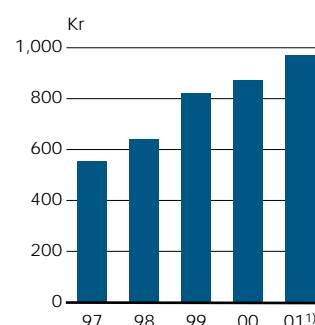
Key ratios

(The Länsförsäkringar AB Group, excluding life insurance operations.)

SEK M	2001	2000
Premiums earned for own account	3,039	2,624
Investment income transferred to insurance operations	757	715
Insurance claims for own account	-3,032	-2,566
Operating expenses	-816	-729
Other income/expenses	29	104
Underwriting result for non-life	-23	148
Gross investment income	347	936
Income before appropriations and tax	-395	402

See page 88 for income in subsidiaries conducting traditional life and united-linked insurance, banking and mutual fund operations.

Länsförsäkringar AB
– net worth of shares



¹⁾ Including surplus values in the asset management company (SEK 878 after deduction of surplus values).

Board of Directors of Länsförsäkringar AB



Hans Jonsson



Gunnar Kinch



Jan Fager



John Helgesson



Anna-Greta Lundh



Åke Modig



Anders Nilsson



Tommy Persson



Frans-Henrik Schartau

Hans Jonsson, born 1949
Director Board Chairman
Other board memberships: Chairman Länsförsäkringar Skaraborg

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

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

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

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

Åke Modig, born 1945
Vice President, Arla Foods Amba
Other board memberships: Spendrups Bryggeri AB

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

Tommy Persson, born 1948
Managing Director and CEO, Länsförsäkringar AB
Other board memberships: Chairman Swedish Insurance Federation and FAO; board member Lindex AB, Gjensidige NOR Spareforsikring A/S, EurAPCo

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

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

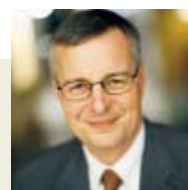
Group Management Länsförsäkringar AB



Tommy Persson
Born 1948
Managing Director and CEO.
Employed since 1996



Christer Baldhagen
Born 1957
Director of Corporate Communications.
Employed since 1994



Hans Benndorf
Born 1954
Deputy Managing Director, Managing Director
Länsförsäkringar Liv.
Employed since 2001



Karin Starrin



Anders Stigers



Maths O Sundqvist



Lars Brolin



Carl Johan Gezelius



Tomas Jönsson



Karl-Axel Karlsson



Sven-Erik Martinell

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

Maths O Sundqvist, born 1950
President, AB Skrandan
Other board memberships: Hexagon, Wihlborgs, Fischer Partner Fondkommission, Wasa Trust, Jämtlamell

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

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

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

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

Sven-Erik Martinell, born 1943
Regional insurance companies' staff association
District manager
Other board memberships: Länsförsäkringar Bank, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Utveckling AB

Board of Directors of Länsförsäkringar AB

Representatives of all Länsförsäkringar regional companies 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 less than nine members and not more than 12, three of whom are to be elected by Wasa Trust.



Sten Dunér
Born 1951
Group Controller.
Employed since 1982



Gunnel Edenius
Born 1945
Managing Director,
Länsförsäkringar
Utveckling.
Employed since 2000



Bo Ennerberg
Born 1948
Deputy Managing
Director,
Chief Financial Officer.
Employed since 1984



Sören Ericson
Born 1944
Managing Director,
Länsförsäkringar Bank.
Employed since 1990



Ann Sommer
Born 1959
Deputy Managing
Director,
Managing Director,
Länsförsäkringar Sak.
Employed since 1988

NON-LIFE INSURANCE, SEK M
(Incl. Bank and Mutual Funds)
INCOME (for own account) 2001

	Norrbotten	Västerbotten	Jämtland	Västernorrland	Gävleborg	Dalarna	Värmland	Uppsala	Bergslagen	Stockholm	Södermanland	Göteborg och Bohuslän	Skaraborg
Premiums earned	80	280	154	184	180	432	213	291	354	934	232	461	243
Investment income in underwriting business	5	10	7	20	7	26	10	12	15	36	19	15	8
Claims payments	-63	-201	-139	-164	-155	-393	-183	-259	-351	-800	-205	-359	-223
Operating expenses	-10	-73	-42	-48	-47	-105	-45	-70	-78	-251	-58	-117	-62
Other income/expenses										-19			
Technical results of non-life underwriting prior to bonuses and discounts	12	16	-20	-8	-15	-40	-5	-25	-60	-99	-13	0	-34
Bonuses and discounts		-12				-65	2	-2			3		
Technical results of non-life underwriting	12	4	-20	-8	-15	-105	-3	-27	-60	-99	-10	0	-34
Total investment income	1	-61	7	7	-272	-326	18	-33	-65	34	-7	-41	-27
Investment income transferred to underwriting business	-5	-10	-7	-20	-7	-26	-10	-12	-15	-36	-19	-15	-8
Results mutual funds													
Results banking													
Other revenue/expenses	-6	-5	-3	-11	-9	-10	-1	-20	-15	-51	-6	-29	-5
Operating income	2	-72	-23	-32	-303	-467	4	-92	-155	-154	-42	-84	-74

BALANCE SHEET, 31 DECEMBER 2001
ASSETS
Investment assets

Shares and participations	143	455	326	329	363	2,077	193	731	801	1,074	534	658	579
Bonds and other interest-bearing securities	59	100	82	109	139	545	160	262	328	778	160	301	145
Other investment assets	89	642	150	86	113	119	256	83	209	3	68	183	65
Total investment assets	291	1,197	558	524	615	2,741	609	1,076	1,338	1,855	762	1,142	789
Other assets	98	165	158	188	122	361	239	194	206	472	128	569	187
Total assets	389	1,362	716	712	737	3,102	848	1,270	1,544	2,327	889	1,711	976

SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES

Shareholders' equity	46	363	226	154	229	1,266	273	327	515	389	209	294	235
Untaxed reserves	60	354	143	195		655		387	344	405	269	556	246
Other liabilities	283	645	347	363	508	1,181	575	556	685	1,533	412	861	495
Total shareholders' equity, reserves and liabilities	389	1,362	716	712	737	3,102	848	1,270	1,544	2,327	889	1,711	976
Of which the value of shares in Länsförsäkringar AB	101	191	147	185	216	389	131	282	309	543	216	355	264
Of which deferred tax	18	113	62	39	106	297	80	95	164	156	65	103	75
Net asset value	124	830	447	417	382	2,219	353	805	1,027	950	571	953	557
Solvency margin, %	150	286	280	214	203	481	163	266	269	92	228	194	221
Ownership participation in Länsförsäkringar AB	1,7	3,4	2,4	3,0	3,5	6,4	2,1	4,6	5,1	8,9	3,5	5,8	4,3
Number of employees	62	126	75	92	94	154	86	136	188	475	103	230	102

The Länsförsäkringar Insurance Alliance 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.

Ostgöta	Älvsborg	Götaland	Jönköping	Halland	Kronoberg	Kalmar	Blekinge	Gothenburg	Kristianstad	Skåne	Länsförsäkringar AB Group*	Total Länsförsäkringar
481	481	71	363	230	167	262	108	89	87	613	3,039	10,029
19	17	3	26	9	6	9	5	11	7	25	757	1,084
-412	-384	-58	-311	-192	-143	-219	-93	-75	-76	-563	-3,032	-9,053
-118	-121	-18	-70	-53	-39	-52	-27	-24	-20	-141	-816	-2,505
		2	1		-6						29	6
-30	-7	-1	9	-6	-15	0	-7	1	-2	-66	-23	-439
-43	3					-18		1		7		-124
-73	-4	-1	9	-6	-15	-18	-7	2	-2	-59	-23	-563
-25	-106	-14	-67	-68	-14	-42	-40	15	-5	-1	379	-1,250
-19	-17	-3	-26	-9	-6	-9	-5	-11	-7	-25	-757	-1,084
											54	54
											1	1
-22	-16		-18	-19	-6	-12	-7	-1	-5	-57	-49	-383
-139	-143	-17	-102	-102	-41	-81	-59	5	-19	-142	-395	-3,224
1,602	1,174	249	646	751	260	597	327	203	228	1,214	4,884	14,588
469	388	59	155	149	89	203	169	115	120	371	9,492	14,620
442	140	73	260	184	93	283	14	92	43	291	2,271	6,252
2,513	1,702	381	1,061	1,084	442	1,083	510	410	391	1,876	16,647	35,461
271	428	85	302	129	109	177	46	77	68	370	24,288	29,320
2,784	2,130	466	1,363	1,213	551	1,260	556	487	459	2,246	40,936	64,780
1,083	562	303	660	454	132	497	219	156	151	965	5,531	9,429
663	723			287	162	327	139	129	132			6,176
1,038	845	163	703	472	257	436	197	202	176	1,281	35,405	49,175
2,784	2,130	466	1,363	1,213	551	1,260	556	487	459	2,246	40,936	64,780
391	349	51	285	204	136	201	82	101	109	572		5,810
288	103	54	179	140	30	65	54	32	33	104	381	2,836
2,013	1,389	357	827	881	336	890	412	317	317	1,236	6,239	18,712
398	276	489	222	372	196	323	362	340	351	189	191	176
6,4	6,3	0,8	5,2	3,3	2,2	3,3	1,3	1,7	1,8	9,4		
246	209	31	142	120	69	123	56	44	47	369	1,294	4,673

Transactions between the Länsförsäkringar AB Group and the regional insurance companies have been eliminated in order to achieve accurate total values for Länsförsäkringar. The value of and changes in the value of Länsförsäkringar AB shares and debentures and the Länsförsäkringar AB Group's liabilities to, and receivables from, the regional insurance companies have been eliminated.

*The Länsförsäkringar Liv Försäkrings AB Group is not consolidated since this company is conducted in accordance with mutual principles.

Länsförsäkringar Liv Försäkrings AB (publ)

SEK M	2001	2000
Income statement		
Premium income, gross	5,510	6,011
Premium income, net	5,404	5,919
Investment income, net	-4,457	60
Other technical revenues	-	13
Claims payments	-2,687	-2,591
Change in other technical reserves	-8,954	-6,434
Operating expenses	-999	-891
Underwriting technical result	-11,694	-3,925
Non-technical result	-	-3
Result before appropriations and tax	-11,694	-3,928
Tax	-873	-825
INCOME FOR THE YEAR	-12,567	-4,753

Balance sheet, 31 December

ASSETS

Investment assets

Buildings and land	4,840	5,306
Investments in group and associated companies	8,728	7,743

Other financial investment assets

- shares and participations	42,251	46,933
- bonds and other interest-bearing securities	37,256	37,383
- other financial assets	956	2,374
Deposits with companies which have ceded insurance	1	1

Reinsurers' proportion of technical reserves	354	351
Other assets	3,427	4,635
Prepaid expenses and accrued revenue	2,525	2,348
TOTAL ASSETS	100,338	107,074

SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES

Shareholders' equity	8	8
Bonus funds	28,378	42,892
Technical reserves (before ceded insurance)	69,629	60,214
Other provisions and liabilities	1,927	3,491
Accrued expenses and prepaid revenues	396	469
TOTAL SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES	100,338	107,074

Länsförsäkringar Fondliv Försäkrings AB (publ)

SEK M	2001	2000
Income statement		
Premium income, gross	3,459	3,448
Premium income, net	3,453	3,442
Investment income, net	273	170
Other technical revenues	107	113
Claims payments	-490	-464
Change in other technical reserves	-192	-1 141
Operating expenses	-417	-422
Decrease in value of investment assets for which the life-insurance policyholder bears the risk	-2,659	-1,656
Tax expense charges transferred to non-technical account	-168	-142
Underwriting technical result	94	-100
Non-technical result	-65	-38
Tax expense charges transferred from technical account	168	142
Result before appropriations and tax	9	4
Appropriations	1	1
Tax	-169	-149
INCOME FOR THE YEAR	-160	-144

Balance sheet, 31 December

ASSETS

Investment assets	144	242
Investment assets for which the life-insurance policyholder bears the risk	17,081	16,888
Other assets	162	198
Prepaid expenses and accrued revenue	1,144	960
TOTAL ASSETS	18,531	18,288

SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES

Shareholders' equity and untaxed reserves	684	594
Reserves for life insurance for which life-insurance policyholders bear the risk	17,082	16,890
Other provisions and liabilities	765	802
Accrued expenses and prepaid revenues	-	2
TOTAL SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES	18,531	18,288

Länsförsäkringar Bank AB (publ)

SEK M	2001	2000
Consolidated income statement		
Interest revenue	848	709
Interest expense	-424	-364
Net interest	424	345
Commission revenue	71	68
Commission expense	-23	-14
Net income from financial transactions	6	28
Other operating revenue	58	24
TOTAL OPERATING REVENUE	536	451
General administration expenses	-543	-424
Depreciation	-38	-10
Total costs before credit losses	-581	-434
Income before credit losses	-45	17
Credit losses, net	25	-1
Income from banking operations	-20	16
Income from insurance operations	22	51
Tax on income for the year	-	-11
INCOME FOR THE YEAR	1	55

Consolidated balance sheet, 31 December

Cash and balances with central banks	25	40
Eligible treasury bills	-	415
Lending to credit institutions	1,153	462
Lending to the public	12,453	9,620
Shares and participations	1	1
Bonds and other interest-bearing securities	1,415	1,400
Assets in insurance operations	36	35
Intangible assets	91	85
Tangible assets	13	14
Other assets	243	198
Prepaid expenses and accrued income	94	115
TOTAL ASSETS	15,523	12,386
Liabilities to credit institutions	217	1 165
Lending to and deposits from the public	13,293	9,207
Securities issued	417	471
Liabilities in insurance operations	15	47
Other liabilities	228	275
Accrued expenses and prepaid revenue	250	218
Deferred tax	18	26
Subordinated debt	80	80
Shareholders' equity	1,006	896
TOTAL LIABILITIES, APPROPRIATIONS AND SHAREHOLDERS' EQUITY	15,523	12,386

Länsförsäkringar Fondförvaltning AB (publ))

SEK M	2001	2000
Income statement		
Revenue	314	319
Operating expenses	-270	-338
Operating income	44	-19
Income from financial investments	1	0
Income after financial items	45	-19
Tax on income for the year	-13	5
Income for the year	32	-14

Balance sheet, 31 December

ASSETS		
Fixed assets	18	25
Current receivables	75	46
Cash and Bank	0	1
TOTAL ASSETS	93	72
Shareholders' equity and liabilities		
Shareholders' equity	27	14
Current liabilities	66	58
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	93	72

Glossary

Absolute Return fund

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

Alternative investments

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

Asset allocation

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

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

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

Combined ratio

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

Computed interest (Non-life)

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

Credit losses

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

Direct insurance

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

Direct yield

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

Discretionary management

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

For own account

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

Hedge fund

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

Interest margin, Bank

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

Investment assets

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

Investment income

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

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 appropriations and taxes.

Premium income

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

Premiums earned

The proportion of premium income attributable to the fiscal year.

Private Equity fund

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

Reinsurance

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

RInterest-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."

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 on own account, expressed as a percentage.

Surplus value

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

Tactical allocation

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

Total yield

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

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.

Addresses

Länsförsäkringar regional insurance companies

Blekinge Länsförsäkringsbolag

PO Box 24
SE-374 21 Karlshamn
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Dalarnas Försäkringsbolag

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E-mail: info@gavleborg.lansforsakringar.se

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E-mail: info@jonkoping.lansforsakringar.se

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Definitions

Länsförsäkringar regional insurance companies

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

Länsförsäkringar

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 (96.5%), and also by EurAPCo (3.5%). 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 Alliance's development operations.

Länsförsäkringar Sak

Conducts non-life insurance operations for the Länsförsäkringar AB Group.

Länsförsäkringar Liv

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

Länsförsäkringar Fonder

(Länsförsäkringar's mutual funds company)
Conducts mutual fund management operations.

Länsförsäkringar Kapitalförvaltning (Asset management)

Conducts asset management operations both for Länsförsäkringar companies and external institutional customers. An agreement was concluded with

ABN AMRO in March 2002 concerning the management of Länsförsäkringar's investment assets.

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

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 experience at the international level. The various partner companies operate completely independently and have total control in their national markets. EurAPCo holds 3.5% of the shares in Länsförsäkringar AB.

Ordering annual reports

Additional copies of this annual report can be ordered from

Communications & Market Development, Länsförsäkringar AB
Tel: +46-8-588 415 38, Fax: +46-8-588 433 65
Or www.lansforsakringar.se

The annual reports of the regional Länsförsäkringar insurance companies, Länsförsäkringar Liv and Länsförsäkringar Bank may be ordered from the addresses listed on page 91.

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