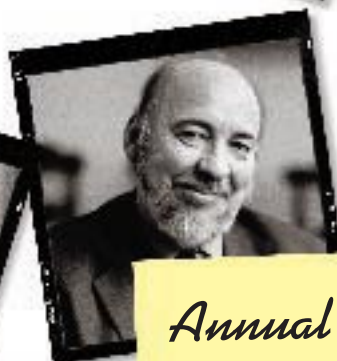
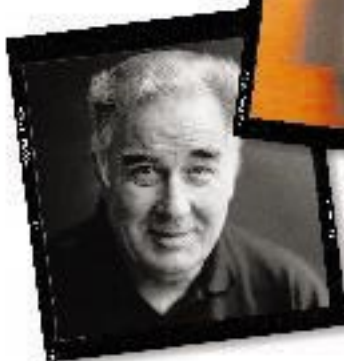


SPP



*Annual Report
1999*



SPP

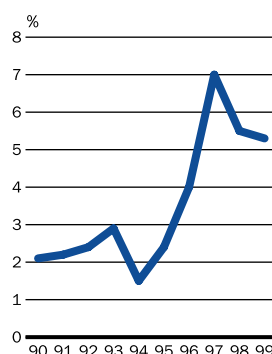
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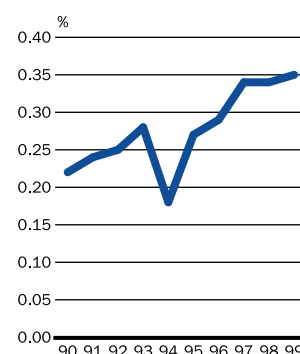
The SPP Group

- The SPP brand represents security and reliability within long-term savings. The companies in the Group offer savings in insurance and mutual funds and the Group is one of the leading players in the Swedish market for pension insurance and investment management.
- The Group manages assets with a value in excess of SEK 443 bn on behalf of some 43,000 client companies and 1.9 million individual insurance contracts. In 1999, SPP paid out more than SEK 12.6 bn in pensions and other benefits.
- SPP is assigned by the Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK) to administer most of the ITP Plan – collective-agreement based occupational pensions for private sector salaried employees. SPP Liv is one of the two leading companies within the occupational pension market that is open to competition. SPP Investment Management is one of the largest investment managers in the Nordic region.

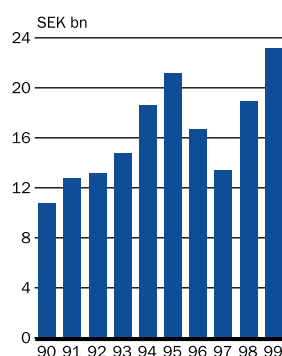
EXPENSE RATIO
SPP Group



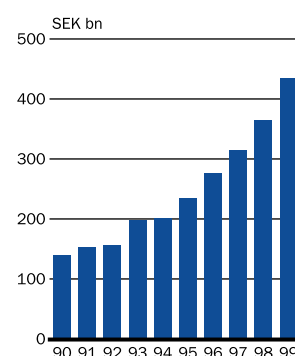
MANAGEMENT EXPENSE RATIO
SPP Group



PREMIUMS WRITTEN
SPP Group



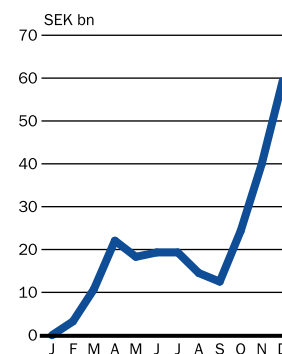
MARKET-VALUED ASSETS
SPP Group



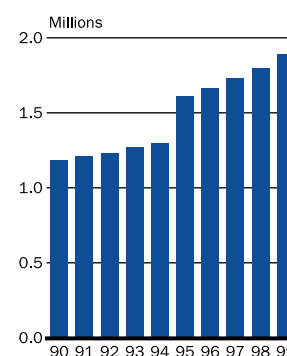
Key events in 1999

- Premiums written in the SPP Group amounted to SEK 23.2 bn (18.9) in 1999. Invoiced premiums amounted to SEK 18.5 bn (15.3).
- Profit for the year amounted to SEK 59.3 bn (35.6). The substantial improvement in earnings was mainly due to a particularly good value trend for the equity portfolios.
- The market value of the Group's investments rose by SEK 73.9 bn or 20.5 per cent and amounted to SEK 435.1 bn (361.2) on 31 December. The total return on the Parent Company's investments was 20.0 per cent (15.6) and the return for SPP Liv was 19.1 per cent (15.2).
- The expense ratio amounted to 5.3 per cent (5.5) and the management expense ratio was 0.35 per cent (0.34).
- The Group's share of the value of new business in the market for life and pension insurance exposed to competition was unchanged and amounted to 13 per cent (13) at year-end. In the sub-market for occupational pension subject to competition market share was 31 per cent (29).
- The Parent Company's surplus, the collective reserve, amounted to SEK 66.5 bn (27.4) on 31 December following allocation of SEK 65.8 bn as client company funds for pension purposes.
- SPP allocated SEK 12 bn from its surplus funds to the collective agreement parties the Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK) to be used for increases to pension supplements and for other measures within the framework of the collective agreement.
- In January 2000, the Board of SPP decided to revise the rules for handling the company's surplus funds. This decision was based on the Swedish Competition Authority's decision issued in December 1999 not to grant negative clearance for the collective reserve policy adopted by the Board in December 1998.
- Payment of client company funds from the surplus will start after a negative clearance ruling has been obtained and the new rules have been finally adopted.

**EARNINGS TREND
DURING THE YEAR**
SPP Group



**NUMBER OF
INSURANCE CONTRACTS**
SPP Group



Increased market shares and skilled investment management

Nineteen-ninety nine was a year of both successes and setbacks for the SPP Group. Among the successes I rate the fact that in the face of intensifying competition we have been able to defend and in many cases actually increase our market shares. In the occupational pension market open to competition we increased our share of the value of new business by two per cent to 31 per cent. SPP Fonder AB doubled its market share, although admittedly still at a modest level.

In the privately paid pension insurance segment we have raised our market share over the last four years from two to 17 per cent and we are now the second-largest company. The generation fund concept, which we were the first to launch, has made a substantial contribution to this success. Sales of generation funds doubled during the year and our share of unit-linked private pension insurance rose from two to 16 per cent.

The profit the Group can now report is close to SEK 60 bn, which is SEK 25 bn higher than in 1998. The particularly strong stock market trend towards the end of the year is the main reason for this result. The market value of investments is now more than SEK 430 bn. Our investment management has achieved a very good return on the investment portfolios, an average of nearly 20 per cent, and outperformed their benchmarks.

Key events

Two events during the year, on the other hand, had a negative impact on SPP. The most important, in the longer term, was that the contracting parties the Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK) failed to reach consensus on a new pension agreement for salaried employees in the private sector – a successor to the ITP Plan. The draft agreement which was finally rejected included greater freedom of choice for both the employer and the insured individuals and a larger defined-contribution insurance component.

For the SPP Group clarification of our future responsibility and assignment as regards pensions for salaried employees would have been highly valuable. It would have provided the basis for our continued organisational development. We would also have been happy to welcome more competition and have focused on this for a considerable time in our planning.

SPP's surplus

The other important event was that the model for distribution of SPP's surplus, which we adopted in December 1998, could not be approved by the Competition Authority after a very protracted process. The main reason cited was that far too large a capital amount would be locked in with SPP.

We decided not to appeal against the Competition Authority's decision and to draft a new model instead. This is currently being examined by the Competition Authority. In all probability this will be approved from a competition law aspect.

The question of SPP's surplus funds has been under review for the past four years. The pros and cons have been analysed and examined by company staff, by our board and by the contracting parties SAF and PTK, since they ultimately own the ITP agreement within the framework of which most of this surplus has arisen.

It is most unfortunate that our client companies are having to wait so long for the final decisions on how these funds may be used. I am convinced, however, that this matter is now very close to a conclusion.

How did the surplus arise?

I am frequently asked how it was possible to build up such a large surplus in SPP's ITP administration. Has our investment management been exceptionally skilled? Have the premiums been too high? What is the explanation? Let me try to explain:

The ITP Plan is what is known as a defined-benefit insurance which means that the level of pensions to be paid is decided in advance. The surplus that successful investment management provides is therefore not automatically returned to the insured, as is the case with defined contribution pension plans. Pensions in payment may only be adjusted upwards by an amount corresponding to the highest change in the consumer price index.

Can premiums be reduced to prevent too much money entering the system? In principle this possibility is limited. The Swedish Financial Supervisory Authority, which must follow EU rules in this area, sets a specific maximum interest rate which SPP and others may not exceed when we calculate the future return we may obtain on our capital. If we were free to calculate a higher rate, we could reduce the premiums we charge. This is because a high interest rate requires a lower initial capital in order to reach a required future pension capital

than if we assume that interest will be low during the savings period. This highest interest rate stipulated by the Financial Supervisory Authority today is 2.6 per cent after expenses and yield tax – compared with the 20 per cent total return that our skilled investment managers have achieved in the ITP portfolio. Naturally, this leads to a large surplus.

Four strong trends

The environment in which SPP operates today is mainly characterised by four strong global trends:

- Internationalisation
- Deregulation and liberalisation
- Individualisation and
- Technology development

International pension solutions

Internationalisation has come rather late to the world of insurance. In the engineering industry, to take one example, successful Swedish companies advanced their positions in the global market at the end of nineteenth century, between the two world wars and in particular in the 1950s and '60s. It was bold market entries and investments in production equipment that later bore fruit for several decades. Other sectors followed this lead and in SPP's sphere investment management developed into an increasingly cross-border activity.

But it was not until at a fairly late stage that life and pension insurance became international in any sense. Over the past decade, foreign endowment insurance has caught the eye from time to time and now the need of companies with worldwide operations for international pension solutions is rising fast.

A rather slow internationalisation can also be predicted in the occupational pension market. Occupational pensions – what is known as “the second pillar” in EU jargon – can be seen as the most important complement to social insur-



ance systems and as far as these are concerned integration in Europe is taking place very slowly. The different tax systems are making cross-border products difficult to market. Added to this we have the influence of the trade unions which in many cases has led to demands for national insurance providers and pension models.

But the internationalisation trend is strong and SPP must also adapt to current demands. Back in 1985 we set up, together with other Nordic insurance companies, Nordben

Life and Pension Insurance Co Limited on Guernsey and in 1999 we followed up this venture with the formation of an insurance company in Ireland, Euroben, in partnership with the Norwegian insurance company Storebrand. The target groups are Swedes stationed abroad, senior executives who require foreign insurance and international companies seeking flexible, company-specific and group-wide solutions.

Preparations for EMU

Deregulation and liberalisation are the pre-conditions for internationalisation. The common European currency was introduced on 1 January 1999 and although Sweden still is not a member of Euroland, the influence of the euro on Swedish insurance operations is already highly noticeable. Even though the date of a possible full Swedish membership of EMU is uncertain, we are working on the basis that within the near future we must have a completely euro-adapted system in SPP.

Individual decides

The ITP Plan, which was created in 1960, is a typical product of post-war enthusiasm for collective solutions. For 30 years this plan offered a homogenous, comprehensive, easily administered and cost-effective pension solution for Swe-

den's private sector salaried employees. The group of people that could remain outside the plan was very limited. The first opportunities for individual choice came in 1990 with the introduction of the defined-contribution supplementary pension ITPK and Alternative ITP for high earners. Although reform of the ITP Plan has subsequently failed to progress, there is no doubt that the main future growth will occur in the market segment where the employer pays and the employee chooses the individual pension product.

Explosive technology development

The fourth strong new trend is explosive technology development. In just ten years the computer has been transformed from a relatively sophisticated working tool at the office to an item in daily use, nearly as accepted in the home as telephones and televisions. In just a few years at the end of the 1990s, use of the Internet has changed knowledge retrieval, purchasing behaviour and even values. As a distribution channel and a platform for the development of products and services the Internet has become the insurance companies' most important competitive tool.

Two assignments

Freedom of choice and individualisation can only flourish in competition. SPP welcomes full competition in the occupational pensions segment as regards choice of insurance provider and insurance product. SPP has now been conducting its insurance business in two forms for five years. One is the company's administration of most of the ITP Plan on behalf of SAF and PTK. The other is various subsidiaries within the SPP Group which develop and sell – in response to market demand – insurance and investment management, including property management, separately from the ITP Plan. SPP also offers the market housing for the elderly and rehabilitation under free market conditions.

Operating two such different lines of business is not without its problems. Organisation, business culture and behaviour are highly influenced by whether or not the business is exposed to competition. Furthermore, the Group must be extremely careful to ensure that the business open to competition is not subsidised by the protected business. The organisational structure, transfer prices between Group companies and the distribution of costs in joint projects are minutely examined so that distortions due to the competitive situation are avoided.

This also requires us to take into account the difference between the parts of our operations that are exposed to competition and those that are not. On the other hand, SPP cannot lose sight of the fact that, regardless of the nature of our prod-

ucts and services, our ultimate purpose is to meet the demands of our policyholders, insured and other customers. Since 1996, the SPP Group has had a clear customer-responsive business strategy and we are building further on this. The goal for operations is made easier by the fact that in its mutual insurance operations SPP has customers who are owners in the company.

Focus on the premium pension choice

In my comments here one year ago, I remarked that SPP is in the market for long-term savings in insurance and funds. Pensions are a form of long-term saving and the premium pension component of the new pension system is a good example of long-term savings without an insurance component. In autumn 2000, 4.3 million people in Sweden will decide where nearly SEK 50 bn should be invested in order to provide the best possible future pension capital.

It goes without saying that a pension company such as SPP must be present in this market. The premium pension choice is one example of the new, individual-driven market. It is of utmost importance for SPP to serve this new market with appropriate products and through efficient distribution channels. A few years ago, if faced with a changeover to the individual-driven market, SPP would probably have been forced to use an extensive network of offices like those of the banks. Today, we hope that new electronic media, primarily the Internet, will form the contact between us and the individual policyholder.

Several external management assignments

In the new fund-focused pension market SPP's investment management is a trump card. SPP Investment Management now not only manages investments of more than SEK 430 bn in the Parent Company SPP's and SPP Liv's investment portfolios, we also have a number of discretionary asset management assignments from municipalities, companies and organisations and a fund management that is adapted for both unit-linked insurance and pure savings, including funds for the premium pension choice.

Stockholm, March 2000



Bo Eklöf
President and CEO

Security and reliability through competence and experience



The SPP brand is represented within the long-term savings and pension insurance segments. Products and services within areas other than long-term savings and pension insurance are marketed under independent brands.

In 1999, SPP could be seen, among other places, in television advertising. The man who gets stuck in the revolving doors illustrates that in a world of multiple choice there is a secure and reliable company that endeavours to make choice simple for the customer. As a rising number of people are taking an interest in their private economy and security while the choices are increasing, the significance of the SPP brand is growing. The Group is investing in strengthening its brand in the long term and ultimately in increasing customer loyalty and improving competitiveness.

More companies with similar products

Product offerings in the savings market are being made by a growing number of players: banks, insurance companies, other investment managers and brokers. They are to a great extent targeting the same customers with often highly similar products and they are also working hard to develop new and existing channels to communicate with customers.

SPP is one of the major players in the market for long-term savings where today there are many companies with varying backgrounds, competencies, product ranges and values. The SPP name and corporate logotype are mature and familiar. According to regular surveys conducted by Sifo Research & Consulting, the results of long-term efforts to strengthen the

brand among SPP's own customers have been very good. SPP is one of the first companies people think of in terms of long-term savings in pension insurance and mutual funds. Brand loyalty among the Group's own customers has increased sharply since 1995.

A brand contains something more than just a service or a product. It also contains a promise or an emotion such as security, reliability and simplicity. Different products that change over time can use the brand. It is both simpler and more cost effective to place products with a brand rather than the other way round.

Strengthens value added that satisfies requirements

Whether dealing with many people who are interested in the choices they can make or the large group that does not make its own private economic choices, SPP needs an efficient way to communicate with client companies, insured and others. Here the brand is a considerable help. It identifies the seller's goods or services and separates them from those of the competition. A well established brand can strengthen the physical product or service in such a way that customers perceive precisely the relevant and unique value added that best satisfy their requirements.

The company obtains lasting competitive advantages from its brand when

- 1) customers perceive the brand as valuable to them and unique in comparison with other companies' offers and
- 2) the brand is at the same time difficult for competitors to imitate.

For all the people and companies that want savings products that represent security and reliability, there is only one brand – SPP.



A growing surplus

Bonus

In a life insurance company, premiums and investment return are the revenues that must cover both operating expenses and a guaranteed return. The insurance company guarantees a certain low return and secures its commitments by investing a large portion of the capital under management in assets with a relatively low risk.

When the actual investment return is higher than the amount required for the guaranteed return, this excess return is used to provide bonuses for policyholders and the insured. Some of the surplus is also used for the collective reserve.

Bonuses are assigned for immediate or later payment, premium reductions or an increase in insurance benefits.

Collective reserve

The collective reserve is a buffer for the company's insurance commitments against fluctuations in the company's insurance risks and investment return. The collective reserve is the difference between the value of the insurance company's investments and the value of insurance commitments. It is part of the insurance company's risk capital.

Solvency margin at SPP

Successful investment management combined with low inflation have created a growing surplus at SPP. In December 1998, the Board of the SPP Group therefore decided on a new collective reserve policy. This stipulated the level of the collective reserve and how surplus funds could be used.

According to the Board's decision, the collective solvency margin in the Parent Company is allowed to vary between 110 and 120 per cent of insurance commitments. If the solvency margin falls below 105 per cent or exceeds 125 per cent, SPP must take action to increase or decrease the solvency margin respectively. At the end of 1999, the solvency margin in the Parent Company was 124 per cent.

SPP Liv applies a corresponding reserve policy to collective-agreement related occupational pensions. For other traditional life insurance, SPP Liv aims to have a solvency margin of 105-115 per cent. At year-end 1999, the solvency margin was 126 per cent for collective-agreement related occupational pensions and 116 per cent for other traditional life insurance.

As a result of the Board's decision in 1998, the collective reserve in the Parent Company was reduced at year-end 1998 from SEK 105 bn to SEK 27 bn. The difference, approximately SEK 78 bn, constituted surplus funds in accordance with the Board's decision.

Use of surplus funds

SEK 12 bn of surplus funds were put aside for measures within the framework of the ITP Plan according to a special collective agreement between SAF and PTK. The remainder was allocated as client company funds for pension purposes.

The approximately 250,000 people who retired in 1991 or earlier received an increased pension supplement as compensation for the 1992 pension supplements not being increased by the full rise in the consumer price index. Some 600,000 insured also benefited when the paid-up value of original ITPK on 30 June 1990 was raised by eight per cent. SEK 200 m was placed in a guarantee reserve from which the return will be used for future guarantee costs. In addition, some of the reserved funds were used to repay funds that SPP was previously able to use to index pensions in payment. The remainder of the reserved funds are available for measures agreed between SAF and PTK. Such an agreement must be approved by SPP's Board.

According to the Board's decision, the companies should be able to use client company funds for the following pension purposes within SPP:

- Regular premium payments for benefits under the ITP Plan
 - Single premiums for early retirement pensions
 - Single premiums for final payment of retirement pensions
 - Single premiums for redemption of commitments according to the FPG/PRI system
 - Cash payment to the company in an amount that corresponds to the company's payment for early retirement pensions and final payment of retirement pension, although in a maximum amount of ten per cent per year.
- Client company funds were only to be used for settlement of premiums to life insurance companies in the SPP Group, with the exception of ITPK Individual Pension which could be offset against premiums in a freely chosen insurance company.

The Board of SPP Liv later decided to make use of surplus funds in SPP Liv, approximately SEK 11 bn, in a manner corresponding to the decision in the Parent Company.

Competition Authority's first decision

Both Board decisions were made provided they did not contravene competition law. For this reason, on 12 February 1999 both SPP and SPP Liv applied to the Swedish Competition Authority for negative clearance.

On 6 December 1999, the Competition Authority announced that it would not issue a negative clearance ruling.

New rules and a new application

SPP decided not to appeal against the Competition Authority's decision. Instead, the company revised its rules and submitted a new application for negative clearance to the Competition Authority on 21 February 2000. The new rules cannot be finally adopted and applied until a negative clearance ruling has been received.

Main points of new rules

Some of the main points in the new set of rules the Competition Authority is now examining relate to extended application areas, an increased cash payment proportion and the possibility to choose insurance company. In brief, the proposed new rules have the following implications:

When the new rules come into force, the companies can initially withdraw a cash payment from the funds allocated in a maximum of the following amounts

- Five percent of the company's client company funds
- SEK 100,000 (or the entire allocated amount if it is less than SEK 100,000)
- A cash payment corresponding to the company's premiums for early retirement pension (in a freely chosen insurance company) and redemption according to the FPG/PRI system from 1 July 1998 until these rules for client company funds come into force.

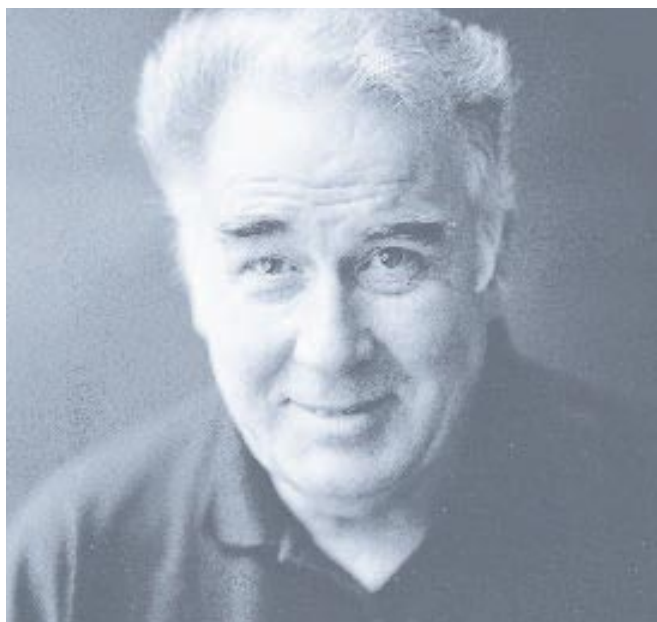
Companies can use client company funds that subsequently remain for life and sickness insurance premiums for employees and former employees who are insured under the

ITP Plan. This insurance may be effected in an elective insurance company. The ITP Plan's rules on which ITP commitments must be secured through insurance with SPP or in the FPG/PRI system will continue to apply.

Current cash payments may be made in an amount that corresponds to the companies' use of client company funds for life and sickness insurance premiums over and above what is required according to the ITP Plan, although in a maximum of 15 per cent per year of the client company funds allocated to the company.

No income tax for 1999

According to assessments from the Swedish Financial Accounting Standards Council's Urgent Issues Task Force, the amounts notified by SPP to its client companies in October 1999 should not be stated in the balance sheet and profit and loss account until they can be calculated in a reliable manner. The Urgent Issues Task Force is of the opinion that this will not be possible until the new terms and rules have been determined. This means, according to the National Tax Board, that no income tax on funds allocated to client companies will be assessed for 1999.



“ Perhaps my job makes me slightly more interested in risk and return, so I made a fairly careful comparison between different funds before deciding. My choice was SPP Generation 60s.

Sirius, where I work, is a reinsurance company within ABB Financial Services with two hundred employees around the world. We have pension savings through the company and in January this year I chose Generation 60s because it has a strategy that suits me, more risk at the start and more security as retirement approaches.

I was born in the 1960s but that was not the decisive factor. Above all I want security and when I chose a fund I looked at the return both in absolute terms and compared with others.

”

Petra Bäckman
RISK CONTROLLER, SIRIUS INTL INSURANCE CORP

The individual takes responsibility for his or her own security

Security and reliability are the core values in the SPP brand. Today the brand encompasses a number of products and services within savings and life insurance all of which reflect the core values of the brand.

A large portion of savings have a long-term perspective and it is mainly here that the SPP of today operates – in long-term savings in insurance and funds.

The main activities are organised in three different companies. The parent company SPP administers the ITP Plan on behalf of the Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK). SPP Liv operates in the private pension market and SPP Investment Management's market is management of pension assets and funds for SPP and other clients.

The savings market today

The Swedish savings market measured in financial terms amounted to approximately SEK 2,000 bn at the end of December 1999, according to estimates made by SPP. This volume includes traditional insurance, unit-linked insurance, IPS, savings in mutual funds, bank deposits, protected ITP in SPP, AMF Pension, AMF Sickness Insurance, foundations, book reserve systems, pension societies and insurance associations. Not included, however, are amortisation of mortgages and direct investments in shares.

The financial assets of ITP savings amounted to SEK 335 bn in 1999. At present both the total market and several of these segments are growing.

The SPP Group is present in a number of major market segments – traditional life insurance, unit-linked insurance and savings funds. The largest players in the total savings markets, however, are banks.

Funds have been included in SPP's product range since 1996 – first as unit-linked insurance and since 1997 as regular fund savings without an insurance component. The Group's share of the mutual fund market remains modest. This is because these operations are relatively new and SPP does not compete in one of the most expansive segments of the Swedish savings market in recent years, fund-linked endowment insurance for private individuals.

The savings market tomorrow

The positive trend for the savings market looks set to continue over the next few years. Growth in the Swedish economy is strong and households' disposable income is rising. Five to ten years from now development will be affected, among other things, by a shrinking welfare state, a falling proportion of people in employment and by the individual being forced to take greater responsibility for his or her security.

This scenario also includes the fact that the pension agreements of the future will be deregulated and that defined-contribution security solutions will probably capture more market share than defined-benefit systems.

An increase of funded pensions can be expected instead of the unfunded occupational pensions that previously applied to municipal and county council employees and which still apply to civil servants.

The state premium pensions may bring the market up to around SEK 15 bn each year. In the first year, the additional amount may be as much as SEK 50 bn since funds have been allocated to the new pensions since 1995.

The number of suppliers and distribution channels in the savings market is increasing. Competition will intensify and the importance of IT, customer databases and strong brands will rise. SPP must compete to win every krona of revenue. This will require greater flexibility, a better ability to create customised solutions, more effective communication and distribution and a strengthening of the brand.

INSURANCE

The borders between various financial security solutions, forms of saving or investment management services have become blurred. Many people are choosing long-term savings with an insurance component. Approximately half of the total capital on the savings market is in the form of traditional or unit-linked insurance, as much as total bank deposits and pure fund savings combined.

The life insurance market

The Swedish life insurance market includes occupational pension insurance, private pension insurance, endowment insurance and private sickness insurance.

The total premium volume in 1998 amounted to SEK 82 bn (70), which represented an increase of 16 per cent compared with 1997. Skandia alone holds a strong position in all sub-markets. The SPP Group's share of the life insurance market, measured in premium volume, amounted to 19 per cent (16).

The value of new business – which is calculated as the sum of single premium for the year plus 10 times current premiums – increased by 26 per cent to SEK 113 bn (89), excluding the SAF/LO collective pension scheme and protected solutions. The increase was not spread evenly between all sub-markets, however, and 62 per cent (61) of new business value was fund-related.

One form of insurance that has increased steadily since the mid-1990s is endowment insurance which accounts for more than half of new business. The new business value for endowment insurance increased most in 1999 (+31 per cent), while the sub-markets for occupational pensions (+24 per cent) and private pension insurance (+14 per cent) increased to a lesser extent.

In 1999, the SPP Group had 13 per cent (13) of the market for life insurance subject to competition, expressed in new business value.

The occupational pension market

There are both collectively agreed and voluntary occupational pensions. Collective agreements cover some 1.8 million employees in the private sector and about 1.3 million in the public sector.

Some occupational pensions are defined contribution, which means that the amount of premiums paid – and the return from their management – decide the size of the pension. Other occupational pensions, including most of the ITP pension, are defined benefit. This means that the pension size is decided in advance and linked to salary instead of to premium.

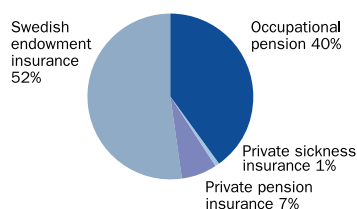
Collectively agreed occupational pensions

The collective agreement between SAF and the Swedish Trade Union Confederation (LO) covers approximately 1,100,000 insured in active employment and the agreement between SAF and PTK covers some 600,000 employees. There are 800,000 employees in the municipal and county council sector, approximately 200,000 civil servants and a further 250,000 in other collective agreement areas. The total premium volume amounts to approximately SEK 47 bn.

In autumn 1998, the over one million insured with a SAF-LO pension agreement were able to choose a manager for their pension. 60 per cent made an active choice and the most common was AMF Pension. 61 per cent chose unit-linked insurance and the remainder chose traditional insurance.

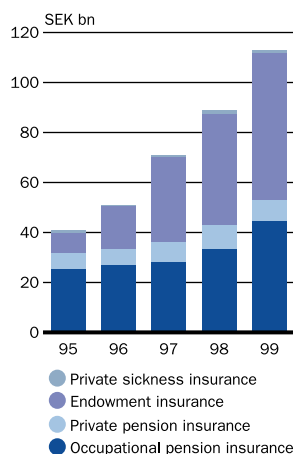
SWEDISH LIFE INSURANCE MARKET

New business value, 1999



Source: Swedish Insurance Federation

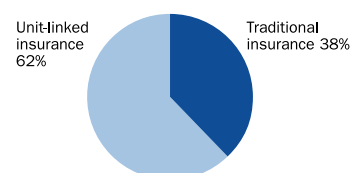
SWEDISH LIFE INSURANCE MARKET
Inflation-adjusted new business value



Source: Swedish Insurance Federation

SWEDISH LIFE INSURANCE MARKET

New business value, 1999



Source: Swedish Insurance Federation

In conjunction with this choice and in the subsequent six months, SPP obtained some 10,000 new insured with SAF-LO collective pension.

In June 1999, 15,000 employees in municipal companies were able for the first time to choose a manager for the retirement pension that complements their pension agreement. Nearly every second person made an active choice and most of them chose Folksam. SPP Liv had a market share of approximately 20 per cent before this choice was made and obtained roughly the same share of those who made an active choice.

SPP and the ITP Plan

The ITP Plan is based on a collective agreement between the employers and the salaried employees' unions. SPP has administered the ITP Plan since its creation in 1960. The supplementary retirement pensions, ITPK and ITP for employees with salaries in excess of ten base amounts, became open to competition in 1990. Since then everyone covered by the agreement has been able to choose a manager for their ITPK premium which amounts to 2 per cent of salary up to 30 base amounts. Employees with salaries above 10 base amounts may also, provided the employer agrees, take out alternative solutions with insurance providers other than SPP. SAF and PTK can cancel their present agreement with SPP and open up to competition those parts of the ITP assignments for which SPP still is the sole provider

ITP operations, which are described in more detail on pages 30–39, include approximately 27,000 client companies and 600,000 employees. The SPP ITP Division within the Parent Company works with the protected parts of the assignment from SAF and PTK, while SPP Liv works with the other segments.

SAF and PTK, which have been negotiating a new pension plan broke off these negotiations in spring 1999 and are at present conducting no discussions on a replacement for the ITP Plan. In its planning, however, SPP assumes that new negotiations will take place. Meanwhile, SPP is working to derive the greatest possible benefit from its resources and to strengthen its position in the pension and savings markets.

Changes in the social insurance system and a growing number of privatisations of public sector operations are providing new opportunities. On the other hand, society is becoming more and more individualised and the way pension matters are seen is less homogenous. A future EU directive on occupational pensions may also affect requirements.

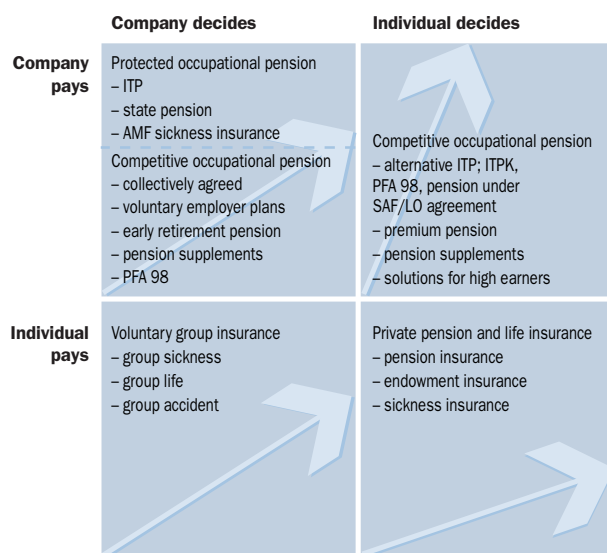
The ITP assignment is one of many where an insurance provider is given a large or small special position. The entire Swedish life insurance market, as shown in the diagram below, can be described from two levels, who makes the decisions and who pays.

The open occupational pension market

In the past year, the value of new business amounted to SEK 44 bn (36). The positive development of the occupational pension market is expected to continue.

The starting-point for SPP has been the companies and contacts at the companies, while the banks and many insurance companies have contacts with individuals in the private market. From their different directions, SPP and the banks are now approaching individuals and their greater choice as regards employer-paid pensions, in other words occupational pensions, and national pensions, as illustrated in the diagram on page 12.

The SPP Group's share of the new business value in the competitive occupational pension market was 31 per cent (29) in 1999. Both current premiums



Excluding PRI provisions and other savings in IPS, banks and securities.

HOW MARKET SHARES ARE CALCULATED

The Swedish Insurance Federation reports market shares in Swedish life insurance open to competition. Shares are measured by weighing together

single premiums and regular premiums, i.e. monthly or annual premiums. The new business value equals single premiums plus ten times annual regular premiums.

and single premiums rose but the upswing was considerably stronger for the latter. Single premiums are very significant for premium income in the individual year but have less impact when calculating the value of new business and SPP is therefore the largest company in the market viewed solely in terms of premium income during the year.

The number of employees with salaries above ten base amounts has risen sharply in recent years. Salaried employees in this group, subject to permission from their employer, can choose among a number of suppliers of occupational pension solutions. In 1999, approximately one-quarter had a solution in SPP Liv and more than every second person in SPP.

Private pension insurance

There are three ways to save towards a pension privately and with tax deductions: through traditional insurance, unit-linked insurance or individual pension savings (IPS). The new business value of private pension insurance amounted to SEK 8.3 bn (7.3) in 1999. A growing portion is going to unit-linked insurance and since funds dominate heavily within IPS, it is entirely clear that the new additions to private pension savings will mainly go to funds.

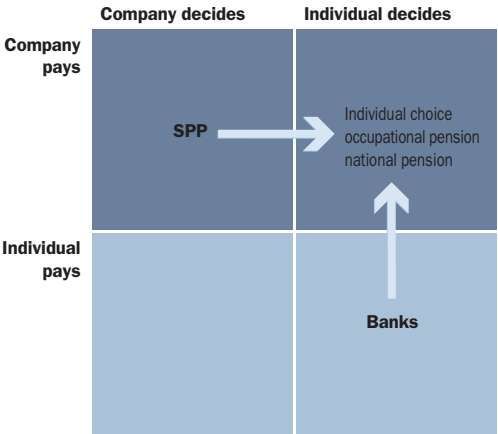
As far as private pension insurance is concerned, the insurance companies are the ones setting the tone. SPP Liv continues to strengthen its positions in this market segment. The company's share of new business value amounted to 17 per cent (11).

Endowment insurance

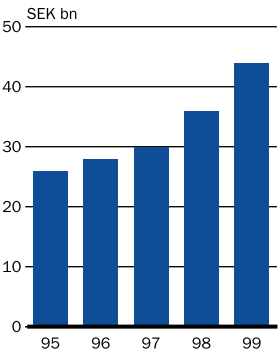
Endowment insurance has increased most in the life insurance market. These policies are used, among other things, to protect survivors in the event of death, as tax-favoured fund savings and to reduce tax on inheritance and gifts. The new business value amounted to SEK 59 bn (45) in 1999. The market share for SPP Liv, which offers employer-paid endowment insurance, is small. This market is very much dominated by fund-linked savings.

Customer service

The Internet and the Group's customer centres are providing improved opportunities for growth and customer service. In 1999, it became possible to buy unit-linked insurance and save in SPP's mutual funds via the Internet. SPP also estimates that there is a growing need for advisory services.

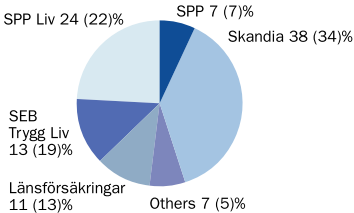


COMPETITIVE OCCUPATIONAL PENSION MARKET
Inflation-adjusted new business value



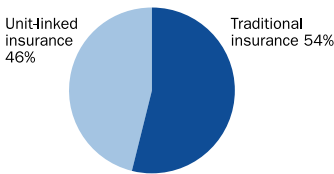
Source: Swedish Insurance Federation

COMPETITIVE OCCUPATIONAL INSURANCE MARKET *
New business value, 1999



*excluding pension under SAF/LO agreement
Source: Swedish Insurance Federation

COMPETITIVE OCCUPATIONAL PENSION MARKET
New business value, 1999



Source: Swedish Insurance Federation

INVESTMENT MANAGEMENT

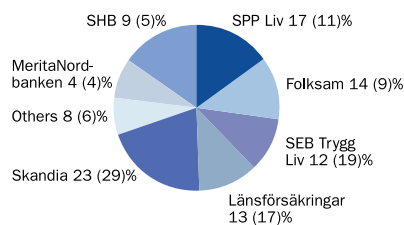
At year-end 1999, SPP had assets under management with a market value of SEK 443 bn (366), which makes SPP the largest bank-independent investment manager in the Nordic region. The main investment management assignment is managing the portfolios for the parent company SPP and for SPP Liv, but this is complemented by a growing number of discretionary assignments, individual fund savings and future management of premium pension funds.

Discretionary management

Discretionary management is assignments for companies, municipalities, county councils, institutions or individuals. The assignments are based on a framework agreement and the manager looks after the interests of the client independently within the terms of the agreement but without having a formal assignment for every transaction. From 1 January 2000 the municipalities must make provisions for their pension liabilities and can no longer only set them up as a liability.

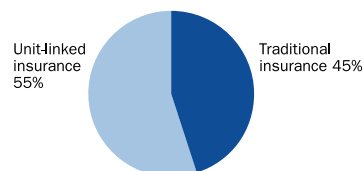


PRIVATE PENSION INSURANCE
New business value, 1999



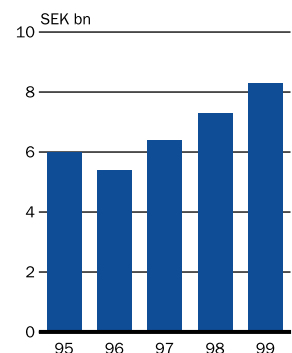
Source: Swedish Insurance Federation

PRIVATE PENSION INSURANCE
New business value, 1999



Source: Swedish Insurance Federation

PRIVATE PENSION INSURANCE
Inflation-adjusted new business value



Source: Swedish Insurance Federation

Some companies are now choosing to terminate their PRI liability or form pension foundations which also means that the market for discretionary management is growing. At the end of 1999, the total pension liabilities within the PRI system amounted to approximately SEK 81 bn. Procurement often goes through consultants and the managers' margins are under pressure.

In 1999, SPP Investment Management received six new external management assignments. Discretionary management still accounts for a relatively small portion of assets under management, approximately SEK 4.9 bn (3.6). External surveys, the number of enquiries and the nature of demand all show that SPP is on the way to becoming an established investment management in the discretionary market.

Competence and decision process factors for success

The high degree of competence within investment management is based on a structured investment process. Regardless of the size of the assignment, each customer has access to the competence, experience and care that permeates investment management at SPP.

Europe is SPP Investment Management's home market. Assets under management are invested in equities, fixed-income securities and real estate. Each asset class has one or more specialised managers. They are supported by analysts at the offices in Stockholm, London and New York who monitor and assess developments in different regions, companies and sectors. These three offices are of equal class.

The main factors for success are competence in strategy and analysis combined with work models with well-defined decision-making processes and effective controls. Also the ability to design an investment portfolio that reflects the pension commitment is highly significant for the work of creating satisfied customers both inside and outside SPP.

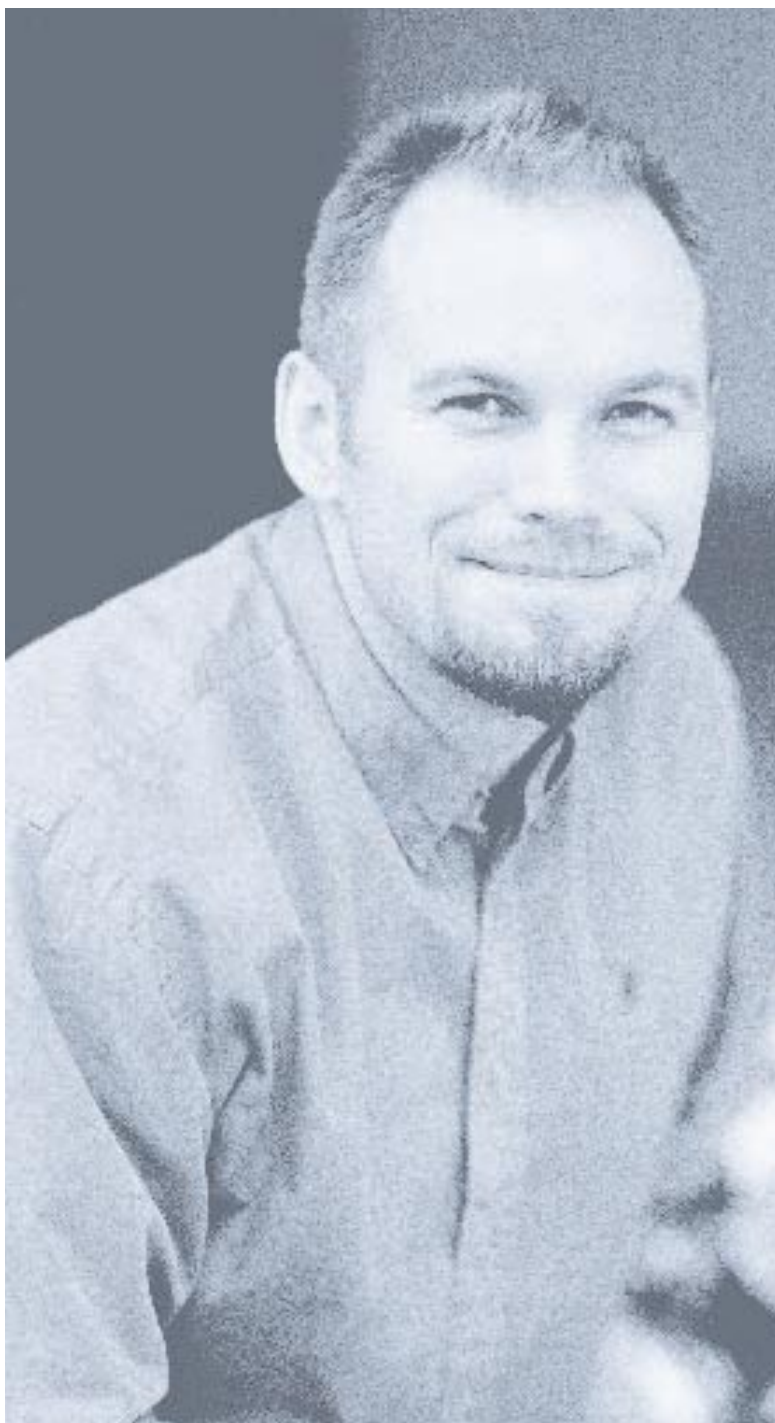
Balanced risk

The discretionary customers have individual portfolios where investments are controlled by each customer's circumstances and willingness to take risks. The risk mandate determines the distribution between asset classes in the portfolio and the securities chosen within each asset class. SPP Investment Management can offer its customers both active management and index management.

Active management means that SPP's goal is to give the customer a higher return compared with a benchmark by actively overweighting or underweighting shares, fixed-income securities or currencies compared with the chosen index. In the inter-

ests of security, SPP Investment Management prefers to make several small deviations from the index rather than a few large ones. All active management is based on fundamental analyses.

Index management, which is regarded as a growth area, means that the investments follow the fluctuations on the selected market. The risk is therefore limited to the average



level for the market. Here the competence lies instead in weighting the various markets correctly.

Fund market

More than every other Swede saves in mutual funds. The popularity of funds reflects the falling interest on bank sav-

ings in the 1990s. Fund savings were the savings form that increased most in 1999. All the three main types of funds increased, equity funds, mixed funds and fixed-income funds.

Funds offer opportunities to benefit from growth in value with a spread of risk. In Sweden, savers and investment managers can choose between more than two thousand different funds, nearly ten times more than the number of shares on the OM Stockholm Exchange.

At year-end 1999, a total of SEK 855 bn was invested in funds. Net deposits during the past year amounted to SEK bn 58. Of the total fund assets, unit-linked insurance accounted for SEK 153 bn or approximately 18 per cent at year-end while the remaining assets were other fund savings, including individual pension savings, IPS.

There are few signs that growth in the fund market is weakening. Provided price trends on the stock exchanges remain positive, fund managers are expected to compete over some SEK 110–120 bn, including the premium pensions, in 2000.

The four large banks gain advantage from an extensive branch network with many current account customers and had more than 86 per cent of the fund market at year-end 1999. At SPP fonder new sales of fund units were very strong in 1999 and amounted to nearly SEK 1.5 bn (0.6), which is more than double the 1998 figure. SPP Fonder's market share was 0.4 per cent (0.2). More than 12,000 SPP customers save directly in the funds and more than 95,000 save via unit-linked insurance.

SPP Fonder manages 14 securities funds and sells units in a further five that are managed by foreign fund managers.

Four index funds with competitive fees provide a complement to the actively managed funds. The goal is to achieve compliance with a predetermined benchmark index at a low cost. This requires good control over changes in the composition of the benchmark, low transaction costs and cost-effective management. SPP aims to grow within index management.

The premium pension market

In 2000 funds are expected to be the focus of public and media interest to a greater extent than before because of the premium pension choice. For SPP and the other companies in the market, premium pensions will primarily create investment management assignments. Fund managers will receive assignments from the Premium Pension Authority (PPM) which the institution that has the direct relationship with savers. SPP intends to enter 15 funds to the premium pension selection process.



The SPP Group's offer

SPP targets the employer with the offer to provide effective management of pension commitments and the individual with the offer of simple insurance and fund savings solutions. Both companies and individuals will also receive the highest return on their capital at each risk level.

For many years these offers were aimed at employers who purchased labour market insurance for their employees. Even today, employers obtain efficient management of their pension commitments from SPP and they can also benefit from the Group's investment management expertise and resources.

The SPP of today, however, does not only target employers but also has a direct offer to their employees and other people who wish to improve their financial security. SPP offers services that are based on a combination of insurance solutions and investment management. Today, investment management just as much as insurance can be regarded as the hub of the Group's operations.

SPP has specialists in equities and other investment instruments, in collective agreements, accounting and tax legislation. The parent company's efficient administration and extensive knowledge of collectively agreed occupational pensions give employers low costs and a high level of service. SPP Liv offers employers and individuals considerable flexibility and solutions that are easy to understand. Both the parent company and SPP Liv, together with a growing number of external clients, benefit from the competence and resources of SPP Investment Management.

Advisory and consulting services

The occupational pension market is constantly changing with regard to collective agreements, tax legislation, accounting and financing of different forms of financial security.

SPP monitors this development in Sweden and internationally and can show employers where they need to complement social insurance and propose different solutions for management and employees.

SPP offers help with:

- Advisory and consulting services
- Legal matters
- Calculations
- Company-specific information
- Financial security solutions in Sweden
- Financial security solutions abroad.

Administration and service

Over and above normal customer service, SPP offers additional services in the form of administration and service.

These services make it easier for the employer to administer pensions and other forms of financial security in an effective and convenient manner.

Services include:

- Bonus and profit sharing foundations
- Pension foundations
- Intermediary accounts
- Pension calculations
- Pension investigation programmes
- Electronic information transfer
- On-line connection
- Seminars and training

The Group makes active efforts to make both employers and employees better informed about pensions and other financial security matters.

THE ITP PLAN

When an employee reaches the age of 18, the company starts paying premiums for disability pension and occupational group life insurance under the ITP Plan. When the employee reaches the age of 28, the employer also starts paying for the two retirement pension components, ITP and ITPK, as well as for family pension.

Retirement pension from ITP is 10 per cent of salaries up to 7.5 base amounts, 65 per cent of salaries between 10 and 20 base amounts and 32.5 per cent of salary over and above. Pension from ITPK depends on premium payments and payment period and on the choice made by insured individual.

A person who earns more than 7.5 base amounts and is ill for more than 90 consecutive days or 105 days in one calendar year, can receive a disability pension through ITP for the period during which he or she is sick.

A person receiving disability or early retirement pension from the Social Insurance Office also receives compensation from ITP, and the same applies to the few people who elect to take out a partial pension between the age of 61 and 65.

If the insured individual dies, the widow or widower receives a survivor's pension from ITP insurance for the rest of her or his life. The pension is paid out for salaries above 7.5 raised base amounts, i.e. SEK 273,000 in 1999. Children receive compensation until they reach the age of 20. ITPK pension is conditional on the insured having taken out repayment cover and can also include extra protection in the form of family cover.

Companies pay ITP premiums to SPP and premiums for ITPK to Förenade Liv which forwards them to the insurance company chosen by the insured.

Some companies finance ITP's retirement pension in the FPG/PRI system which means that the company takes up

the value of retirement pensions as a liability in its accounts and does not pay until the pension falls due.

SPP LIV's PENSION OFFER

The employer plan for occupational pensions or parts of occupational pensions that are not covered by collective agreement is simple and gives considerable freedom of choice. SPP Liv's PensionsPlan can be specifically designed for a single person or a group of employees. It is possible to choose between defined-contribution or defined-benefit solutions and between different forms of management. Within the framework of the cost level and benefits decided by the employer, the insured can make a number of choices.

From the start, the parties can agree to place any surplus that arises in a defined-benefit employer plan in a surplus fund. The assets in the fund can be used by the employer, for future premiums for example.

Flexible pension solutions

When an employer chooses a financial security system, there are many interests that need to be satisfied. SPP Liv's PensionsPlan gives full freedom

- to the employer who can choose between defined-contribution or defined benefit pension plans and different forms of management
- to owners and presidents who can design their pension solutions freely and use bonuses to reduce retirement age or meet other requirements
- to those not covered by collective agreements who can be offered supplementary employer-paid insurance, such as sickness insurance and survivor cover, or reduced retirement age
- to employees with salaries in excess of ten base amounts, who can individually tailor an alternative to ITP insurance

- to all employees who through the company can be offered a security package in the form of privately paid group insurance, pension to survivors, own pension insurance or supplementary sickness insurance.

SPP INVESTMENT MANAGEMENT'S SERVICES

SPP Investment Management serves companies and insured within the SPP Group's pension plans, customers within discretionary investment management and holders of units in SPP's own and brokered savings funds. Many customers have a growing portion of their operations outside Sweden and the company regards Europe as its home market.

Services include management of equities, fixed-income instruments and currencies for portfolios and funds. Customers can choose between active management and index management or combine these two management forms. The Celexa companies in Sweden, the UK and the Netherlands manage real estate for both SPP and external clients.

In 1999, the number of funds rose from 16 to 19. The range now covers all main fund types: equity funds, income funds and mixed funds. They include funds that invest solely in Sweden and others that invest both in Sweden and abroad or solely in specific foreign markets.

The Generation Funds are mixed investment funds that adapt savings to the savings horizon and willingness to take risks. The new index funds give savers the opportunity, in a simple and cost-effective manner, to obtain a return on a level with the average return on the selected market and with the risk limited to choice of market instead of individual securities on the market.

SPP offers a competitive fee structure within fund management and intends to be a significant manager of premium pension funds.

**Key Account • Companies • Private Individuals
Municipalities • Organisations • Employees**



Sickness benefit



Survivors' pension



Your pension

Sickness benefit

The insured can choose a sickness insurance that provides a fixed amount each month. Qualifying periods can also be chosen. The sickness benefit can be index-linked.

Survivors' pension

The insured can choose a survivors' insurance that is paid out to survivors monthly and which can be index-linked.

Repayment cover is also available, so that the entire saved pension capital accrues to survivors.

Beneficiaries can be changed, within the circle of those eligible, throughout the entire insurance period. Survivors choose how they receive their benefits.

Your pension

Retirement pension can be defined-contribution or defined-benefit. Assets can be managed in funds or in traditional insurance.

A defined-benefit pension can be chosen as a percentage of salary or in the form of a fixed amount to be paid out each month. These amounts can be index-linked.

Upon reaching retirement age, the insured can choose how the pension should be paid – in a higher amount for one period and a lower one for another, or in the same amount all the time.

Composition can be adapted entirely to conditions in each individual case, which leads to a large number of completely individual solutions to customer requirements.

Leading in long-term savings and investment management

The SPP Group operates in the market for long-term savings in insurance and funds. The SPP Group has a leading position within many of the segments in which it is represented. This position is based on the confidence of customers and principals.

A growing number of Swedish and foreign companies and banks are now competing over every account, every deal. SPP must therefore become more flexible, improve its ability to create individual and customised solutions – through product development, more effective communication and distribution to customers – and strengthen the brand.

In order to strengthen and develop relationships with the companies, organisations and people that give SPP its assignments, the companies in the Group continuously formulate various targets and activities so that these targets can be met.

The Group

The Group has one core business and a number of support businesses. The core business is administration, sales, advisory services and investment management in the occupational pensions segment. Support businesses include private pension insurance, group insurance, fund management, discretionary investment management and will soon include management of funds from premium pensions.

The aim is to offer organisations, companies and individuals competitive products and services within the segment for long-term savings in insurance and funds.

The Group shall be perceived as secure and reliable in the way it handles its commitments. Customers and principals must also regard SPP as a profitable alternative.

Historically, SPP has operated in an environment where the client company rather than the individual both chose and paid for the various services on offer. The Group is now approaching the individual more than previously and already has a strong position in the segment of the occupational pension market where the individual decides and companies pay.

The parent company

The purpose of the parent company's operations is a direct consequence of the SPP Group's overall purpose, to offer organisations, companies and individuals competitive products and services within long-term insurance and fund savings.

The SPP ITP Division is tasked to manage the ITP Plan in such a way that its principals, SAF and PTK, choose to allow this assignment to remain with SPP. Customers must be so satisfied with the information, service, operating expenses and staff that they choose SPP even when they have an alternative.

The goal for SPP ITP is to retain its leading position in collectively agreed occupational pensions.

SPP Liv

SPP Liv offers services that provide employers with effective administration of their financial security solutions and individuals with opportunities for a clear financial security. The company aims to be one of the leading insurance providers in the open market for occupational pensions.

SPP Liv set targets for and measures its objectives based on factors such as financial criteria and customer attitudes. The company compares its own results with those of its competitors.

In 2000, the company will grow in both the occupational pension market and the life insurance market. Satisfied customers will lead to strong customer relationships and increased customer loyalty which will contribute to profitable growth. To achieve this the company is prioritising work to complete the new pension plan, strengthen the brand, set up electronic marketplaces and communication sites, and raise distribution efficiency.

By communicating with customers at the worksite, SPP Liv can present its products to both employers and employees. Presence at the client's worksite reduces the need for a large sales force which contributes to low operating expenses, something which in turn makes it possible to offer low premiums and high bonuses.

Key account clients are becoming increasingly international and SPP Liv is accompanying these clients outside Sweden. Among other things the recently started associated company Euroben offers a concept tailored for international clients. Euroben is a company owned jointly with the Norwegian insurance company Storebrand and is located in Ireland.

Parallel with efforts to meet the needs of key account clients for increasingly qualified and international service, SPP Liv is working on further development of simple and cost-effective solutions for the individual market and small companies.

SPP Investment Management

SPP Investment Management's goal is to provide its clients with effective and competent management of their pension assets and to achieve the highest risk-adjusted return in the investment portfolios and funds. This makes it possible for SPP and SPP Liv to give their client companies and insured a better return than the competition.

Principals are companies and insured within the SPP Group's pension plans, customers within discretionary investment management and holders of units in SPP's own and brokered savings funds. The market goals are to manage assignments from the parent company and SPP Liv so

well that the assignments are extended and to grow within discretionary management and fund savings.

A long-term goal is to be the leading Swedish manager of pension assets and to maintain a recognised, high international service. The company is already one of the largest private investment managers in Sweden with growing operations within discretionary management.

Efficiency and low management costs are key criteria for success in the premium pension market. At the beginning of 2000, the subsidiary SPP Fonder announced a substantial reduction in its fund management fees.



IT development for increased customer benefit

SPP has been investing heavily in information technology (IT) for many years and this is becoming an increasingly large and more important part of operations. These investments make it possible to broaden the product range and create a modern IT platform. Using this as a base, the Group can carry out a large number of development and change projects that give SPP's clients and insured a better service and lower costs.

The concept of IT and competence requirements within this area stretch over a wide field which means that SPP recruits IT specialists with a variety of knowledge profiles. Several hundred people work with IT at SPP and among new employees in 1999 many work with development, operation or service of the Group's IT system.

Requirement profile dictates competence

IT development must meet several different needs which control the recruitment of IT employees.

Many work with providing service and support to employees in their PC and intranet use in order to increase personal efficiency. This places considerable demands on service mindedness.

A large group work with systems development. In addition to pure IT expertise this requires considerable creativity and the ability to work in or lead a group of qualified people in a tight time frame. An increasing number of projects and efforts are aimed at persuading a growing number of customers and other interested parties to communicate with SPP via the web.

A third category work with efficiency enhancement of IT production, particularly in insurance administration. The main emphasis here is on planning, security and management. The ability to constantly hone the complex IT system on which ITP insurance is based is one of the cornerstones of the competitiveness of the ITP Division, today and tomorrow.

Developed infrastructure

For decades, SPP has made its operations more efficient by investing in computers, systems and programs. In the last three years, the Group has developed its basic infrastructure and improved several of its established positions of strength

within insurance and investment management through new IT applications.

The wide-area network that uses the Internet to connect customers with SPP has been in operation since 1999.

Useful millennium compliance

By 1998 the Group had already ensured compliance of most of its systems ahead of the new century. The total investment for Y2K compliance was SEK 60 m and only two per cent of these costs were incurred in 1999. The entire IT operations have gained from the increased systems expertise provided by this project.

System generation change

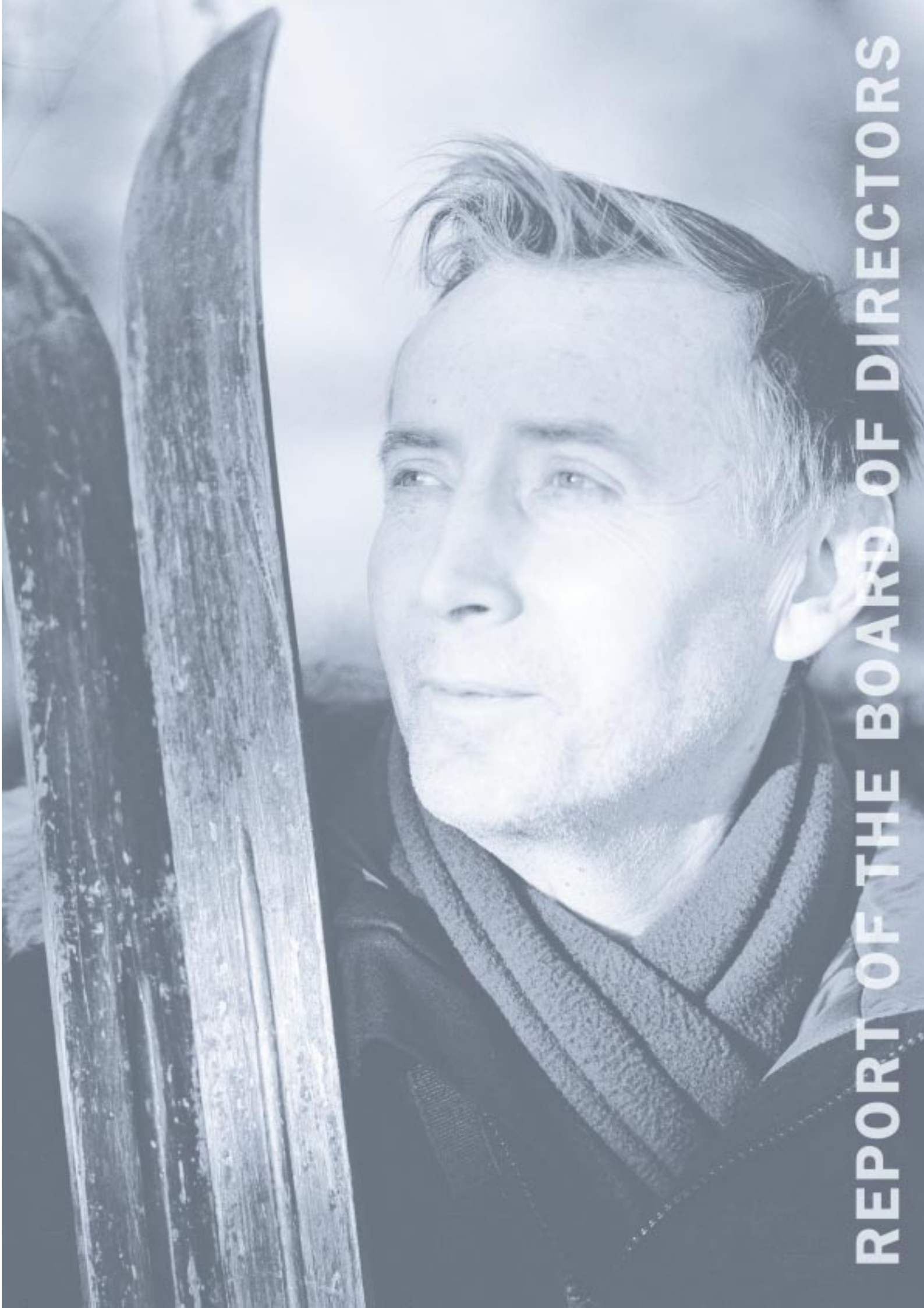
Today the Group has the most modern platforms imaginable for insurance systems and web services. New insurance in SPP Liv is placed in the new insurance system which has considerable advantages over the old system. These include the possibility to work in real time and handling of the euro.

The system has good functions for development of new products as well as basic functions for claims adjustment. Considerable work remains to be done, however, on conversion of the old ITP portfolio.

Investment Management's new finance system is the most modern and advanced in the industry. It handles all managed portfolios and enables market values and risks to be monitored down to the smallest detail.

Rapid web development

The Internet offers communication, trading and other services that are highly suitable for a company in the savings market. The website www.spp.se is developing fast and with great security for a growing number of users. The site's security solutions and design are common for the entire Group and all customers. The different applications are based on the joint platform while at the same time they are customer and user specific. More than five hundred companies use the website to notify staff changes – Direct Notification – and hundred of brokers draft quotations with the help of the site.



REPORT OF THE BOARD OF DIRECTORS

Report of the Board of Directors

The SPP Group offers occupational pension insurance, supplementary private insurance, a full range of pension assets management services and a range of funds suitable for unit-linked insurance and regular savings in mutual funds.

The Board of Directors and the President of Försäkringsbolaget SPP, ömsesidigt, hereby submit their annual report for 1999, the company's eighty-third year of operations.

Försäkringsbolaget SPP, ömsesidigt

Försäkringsbolaget SPP, ömsesidigt (SPP), is the parent company of the SPP Group. SPP's customers are companies covered by the collective agreement between the Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK), as well as companies bound by a so-called contingent agreement with a PTK union.

The parent company's insurance operations for ITP insurance are conducted in the SPP ITP Division. SPP also administers the Pension Registration Institute's (PRI) operations on an assignment basis.

SPP is a mutual life insurance company. Any surplus from operations is returned to the policyholders (client companies) and the insured (employees) in the form of bonuses.

Premiums written in 1999 amounted to SEK 15.6 bn (13.4). The number of insurance contracts totalled 1,343,000 (1,305,000).

SPP Livförsäkring AB

The wholly owned subsidiary SPP Livförsäkring AB (SPP Liv) develops, markets, sells and administers financial security solutions. The target group for these security solutions are employers and organisations and their employees and members. Sales are conducted through SPP Liv's own employees, franchise-holders, brokers and through direct marketing.

The SPP Group's unit-linked insurance activities are conducted through SPP Liv's wholly owned subsidiary SPP Liv Fondförsäkring AB.

Since 1998, the SPP Group's contacts with small companies and private individuals have been handled by SPP Kundcenter AB.

The SPP Liv Group also includes SPP Liv Pensionstjänst AB and SPP Konsult AB. These companies provide consulting and other services related to pensions and security.

SPP Liv's premiums written amounted to SEK 7.5 bn

(5.5) in 1999. The number of insurance contracts totalled 549,900 (490,900).

In autumn 1999, SPP Liv and the Norwegian insurance company Storebrand ASA decided to form a joint life insurance company called Euroben. These operations will be domiciled in Ireland. The intention of this establishment is to meet the need for co-ordinated pension solutions for large Scandinavian companies with employees in several countries.

SPP Kapitalförvaltning Holding AB

The SPP Group's investment management and real estate management activities are conducted by SPP's wholly owned subsidiary SPP Kapitalförvaltning Holding AB and its three subsidiaries SPP Kapitalförvaltning AB, SPP Fonder AB and Celexa Fastighetskapital AB.

SPP Kapitalförvaltning AB is responsible for management of SPP's and SPP Liv's pension assets and also manages pension portfolios for external clients.

SPP Fonder manages the Group's insurance and savings funds. These funds are also available for fund savings without an insurance component.

The Celexa companies in Sweden, the UK and the Netherlands manage the majority of the SPP Group's properties and also conducts property management for external customers.

AB Björnbo

AB Björnbo, Lidingö, is a wholly owned subsidiary of SPP. The company rents out approximately 250 apartments for retired people as well as operating and managing the Björnbo hospital. Björnbo had a turnover of SEK 39 m (37) in 1999.

Nordben

In 1999 SPP owned 50 per cent of the shares and voting rights in Nordben Life & Pension Insurance Co Ltd. Other owners are the Norwegian company Storebrand ASA (25%) and the Finnish companies Nova (15%) and Pension-Varma (10%). The company's head office is in Guernsey, the Channel Islands.

Nordben offers flexible pension solutions for personnel employed abroad in Nordic companies and Nordic expatriates. The company has pension agreements with the majority of major Swedish multinationals.

These operations have developed well since the start in December 1985. The number of insured individuals totalled approximately 11,900 in 1999. Premiums written amounted to approximately SEK 500 m and total assets approximately SEK 5.0 bn.

On 1 January 2000, the parent company SPP sold its shares in Nordben Life & Pension Insurance Co Ltd to SPP Liv.

Ten-Year Summary

SPP Group, SEK m	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Result										
Premiums written	10,824	12,763	13,175	14,791	18,547	21,195	16,701	13,417	18,890	23,163
Investment income	6,502	11,663	7,052	33,968	2,609	31,758	43,768	42,122	48,283	72,319
Claims incurred	-3,293	-4,120	-4,684	-4,043	-7,590	-7,007	-6,426	-7,457	-7,743	-10,359
Operating expenses	-231	-282	-319	-424	-285	-506	-662	-937	-1,039	-1,225
Technical result	5,618	10,474	4,525	33,187	-399	28,119	41,197	17,912	37,619	61,948
Net profit for the year	5,496	8,658	2,209	32,337	-3,743	25,544	37,099	14,187	35,573	59,319
Financial position										
Total assets	160,371	170,166	171,732	208,800	214,259	241,964	282,489	325,685	373,112	443,927
Policyholders' funds	72,674	71,145	65,302	90,866	78,621	89,647	119,327	128,191	156,078	206,071
– of which deferred tax	–	–	–	–	160	275	1,024	1,169	196	190
Collective reserve	31,714	29,972	25,644	47,879	30,073	47,264	81,457	89,390	35,172	81,716
Special indexation funds	6,113	6,440	5,662	6,010	7,097	8,138	7,772	9,815	10,715	15,589
Technical provisions ¹⁾	74,900	84,940	96,039	106,472	122,246	145,529	157,358	185,003	199,745	225,711
Allocated bonus	36,500	35,600	34,300	37,200	41,450	34,239	28,761	30,886	114,121	112,969
Total pension commitments	111,400	120,540	130,339	143,672	163,696	179,768	186,119	215,889	313,866	338,680
Key ratios										
Expense ratio, %	2.1	2.2	2.4	2.9	1.5	2.4	4.0	7.0	5.5	5.3
Management expense ratio, %	0.22	0.24	0.25	0.28	0.18	0.27	0.29	0.34	0.34	0.35
Administration expense ratio, % ²⁾	–	–	–	–	–	0.18	0.20	0.25	0.24	0.22
Collective solvency margin, %	128	125	120	133	118	126	144	141	111	124
Number of employees	1,469	893	922	832	905	992	1,059	1,089	1,200	1,366
Portfolio Details, SPP Group										
Number of affiliated companies										
– SPP parent company	36,500	37,000	35,700	33,900	34,200	34,700	35,200	26,800	26,700	27,100
– SPP Liv	–	–	–	–	–	2,000	3,100	12,300	13,500	15,800
Total	36,500	37,000	35,700	33,900	34,200	36,700	38,300	39,100	40,200	42,900
Number of insurance contracts										
– SPP parent company	1,186,000	1,211,000	1,232,000	1,268,000	1,295,000	1,337,000	1,368,000	1,272,000	1,305,000	1,343,000
– SPP Liv	–	–	–	–	–	271,400	298,200	459,100	490,900	549,900
Total	1,186,000	1,211,000	1,232,000	1,268,000	1,295,000	1,608,400	1,666,200	1,731,100	1,795,900	1,892,900
Investment Management, SEK bn										
SPP Parent Company										
Yield on investments, %	9.7	9.3	8.6	9.0	8.2	8.6	7.0	4.1	3.5	2.0
Total return on investments, %	5.2	8.2	3.6	20.6	1.4	15.5	18.8	15.6	15.6	20.0
Market value of investments	140	152	156	198	200	228	266	260	296	355
– of which fixed-income	94	102	108	141	145	151	159	156	177	201
– of which equities	24	29	30	41	39	61	90	124	141	181
– of which real estate	22	21	18	16	16	16	17	22	27	32
– of which Group promissory note	–	–	–	–	–	–	–	-42	-49	-59
SPP Liv										
Yield on investments, %	–	–	–	–	–	9.5	8.0	13.6	13.1	16.1
Total return on investments, %	–	–	–	–	–	16.9	18.0	14.9	15.2	19.1
Market value of investments	–	–	–	–	–	8	10	55	65	80
– of which fixed income	–	–	–	–	–	6	7	9	10	13
– of which equities	–	–	–	–	–	2	3	4	6	8
– of which Group promissory note	–	–	–	–	–	–	–	42	49	59

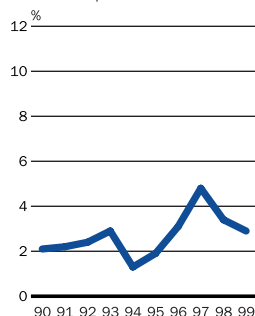
¹⁾ Calculated as technical repurchase value. ²⁾ No calculations have been made for the years 1990–1994.

SPP Parent Company, SEK m	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Result										
Paid-in current premiums	5,349	4,411	4,117	3,775	4,394	4,742	5,841	5,661	6,265	6,978
Paid-in single premiums	978	2,523	3,687	6,943	8,705	3,191	4,156	1,086	3,902	4,497
Adjustment of paid-up values	2,065	3,127	2,501	1,191	2,150	1,428	1,361	1	881	1,093
Extra pension entitlement increase	–	–	–	–	–	4,294	984	1	–	–
Premium reductions	1,960	2,702	2,963	2,888	2,231	2,220	2,412	2,045	2,298	3,016
Other	–	–	–93	–6	1,027	3,948	35	32	29	31
Total premiums written	10,352	12,763	13,175	14,791	18,507	19,823	14,789	8,826	13,375	15,615
Investment income	7,116	15,918	4,598	34,433	2,217	29,686	42,462	34,918	38,571	59,978
Claims incurred	–3,292	–4,120	–4,684	–4,043	–7,590	–6,855	–6,215	–6,138	–6,152	–8,110
Operating expenses	–215	–282	–319	–424	–241	–373	–454	–426	–452	–447
Technical result	6,247	14,729	2,071	33,652	–747	26,468	40,404	16,598	31,669	52,288
Net profit for the year	6,266	10,148	870	32,736	–4,176	24,003	36,417	13,271	30,040	50,180
Financial position										
Total assets	150,756	164,083	165,515	205,325	212,831	232,673	271,227	269,696	305,112	359,524
Policyholders' funds	73,306	73,386	66,141	92,063	79,428	88,323	117,177	112,187	136,906	177,949
– of which deferred tax	–	–	–	–	160	273	1,018	1,065	19	–
– of which surplus values	–	–	–	–	–	–	–	–	1,644	686
Collective reserve	30,693	31,346	26,179	48,853	30,880	46,244	79,914	76,965	27,405	66,467
Special indexation funds	6,113	6,440	5,662	6,010	7,097	8,138	7,772	8,370	9,158	13,568
Technical provisions ¹⁾	74,910	84,940	96,039	106,472	122,206	138,983	148,877	147,792	157,816	177,546
Allocated bonus	36,500	35,600	34,300	37,200	41,450	33,936	28,154	26,852	99,368	97,840
Total pension commitments	111,410	120,540	130,339	143,672	163,656	172,919	177,031	174,644	257,184	275,386
Key ratios										
Expense ratio, %	2.1	2.2	2.4	2.9	1.3	1.9	3.1	4.8	3.4	2.9
Management expense ratio, %	0.21	0.24	0.25	0.28	0.16	0.21	0.21	0.20	0.19	0.19
Administration expense ratio, % ²⁾	–	–	–	–	–	0.14	0.16	0.18	0.16	0.14
Collective solvency margin, %	128	126	120	134	119	127	145	144	111	124
SPP Liv Group, SEK m										
Result										
Premiums written traditional insurance	–	–	–	–	–	1,372	1,849	4,332	5,042	6,646
Premiums written unit-linked insurance	–	–	–	–	–	–	63	259	473	902
Total premiums written	–	–	–	–	–	1,372	1,912	4,591	5,515	7,548
Investment income	–	–	–	–	–	1,057	1,487	7,087	8,520	13,185
Claims incurred	–	–	–	–	–	–152	–211	–1,319	–1,591	–2,249
Operating expenses	–	–	–	–	–	–137	–206	–509	–584	–771
Balance on the technical account	–	–	–	–	–	632	976	1,199	4,761	10,511
Net profit for the year	–	–	–	–	–	535	868	586	4,194	10,001
Financial position										
Total assets	–	–	–	–	–	8,258	11,357	56,264	66,838	83,463
Policyholders' funds	–	–	–	–	–	1,467	2,318	15,925	19,406	28,290
– of which deferred tax	–	–	–	–	–	–	8	22	37	47
Collective reserve	–	–	–	–	–	1,140	1,658	12,276	6,187	14,512
– collective occupational pension insurance	–	–	–	–	–	–	–	10,651	4,610	11,386
– other traditional life insurance	–	–	–	–	–	1,140	1,658	1,625	1,577	3,126
Special indexation funds	–	–	–	–	–	–	–	1,445	1,557	2,021
Technical provisions ¹⁾	–	–	–	–	–	6,546	8,481	37,211	41,929	48,165
Allocated bonus	–	–	–	–	–	303	607	4,034	14,753	15,129
Total pension commitments	–	–	–	–	–	6,849	9,088	41,245	56,682	63,294
Key ratios										
Expense ratio, %	–	–	–	–	–	10.0	10.8	11.1	10.6	10.2
Management expense ratio, %	–	–	–	–	–	3.71	2.37	1.62	1.00	1.08
Administration expense ratio, %	–	–	–	–	–	2.50	1.46	0.91	0.57	0.55
Collective solvency margin, %	–	–	–	–	–	117	118	130	111	123
– collective occupational pension insurance	–	–	–	–	–	–	–	136	111	126
– other traditional life insurance	–	–	–	–	–	117	118	113	110	116
Average bonus rate for other traditional insurance before yield tax and after deduction for operating expenses, %	–	–	–	–	–	9.6	10.7	12.5	12.8	7.0

¹⁾ Calculated as technical repurchase value. ²⁾ No calculations have been made for the years 1990–1994.

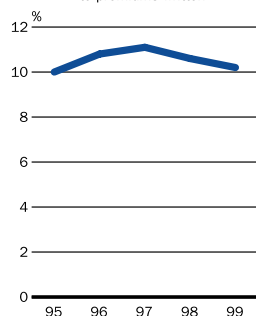
EXPENSE RATIO

Parent Company
Operating expenses in relation
to premiums written



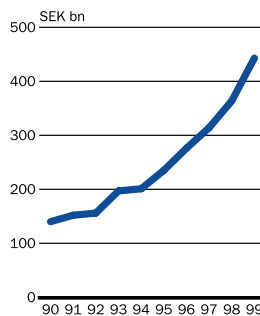
EXPENSE RATIO

SPP Liv
Operating expenses in relation
to premiums written



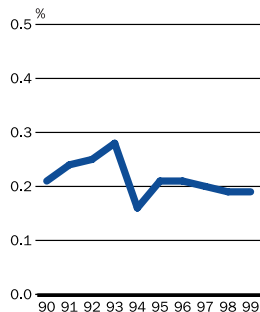
ASSETS UNDER MANAGEMENT

SPP Investment Management



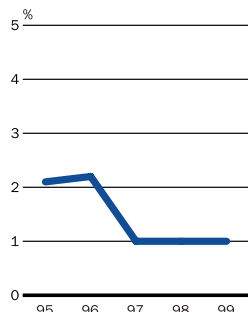
MANAGEMENT EXPENSE RATIO

Parent Company
Management costs in relation
to market-valued assets



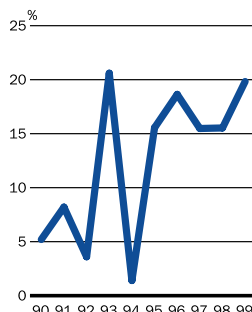
MANAGEMENT EXPENSE RATIO

SPP Liv
Management costs in relation
to market-valued assets



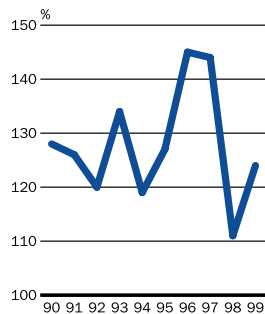
TOTAL RETURN

SPP Investment Management
Parent company's investment portfolio



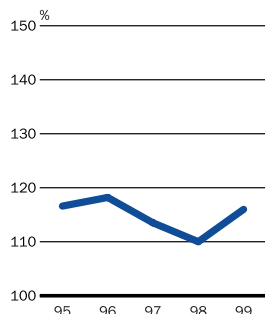
COLLECTIVE SOLVENCY MARGIN

Parent Company



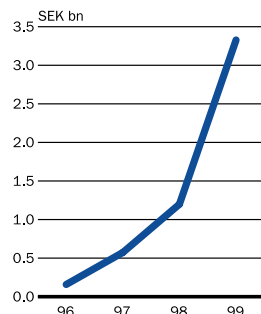
COLLECTIVE SOLVENCY MARGIN

SPP Liv
Other traditional life insurance



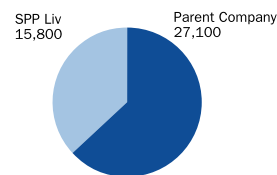
ASSETS UNDER MANAGEMENT

IN FUNDS
SPP Fonder



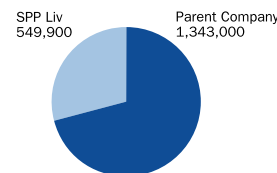
Distribution between Parent Company and SPP Liv

NUMBER OF CLIENT COMPANIES



Number of client companies
31 Dec. 1999: 42,900

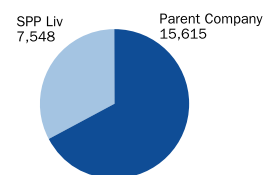
NUMBER OF INSURANCE CONTRACTS



Number of insurance contracts
31 Dec. 1999: 1,892,900

PREMIUMS WRITTEN

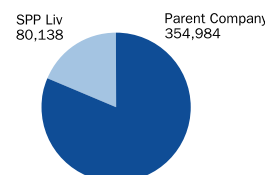
SEK m



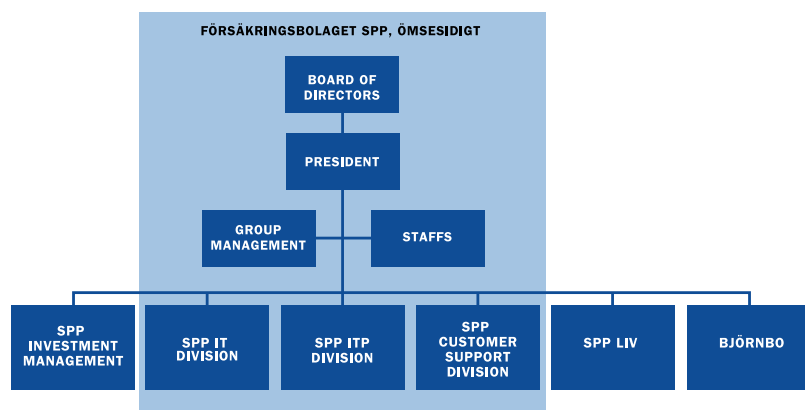
Total premiums written
31 Dec. 1999: SEK 23,163 m

INVESTMENTS

SEK m



Market value of investments
31 Dec. 1999: SEK 435,122 m



GROUP OVERVIEW

“ Last year the SPP Customer Centre had 34 employees who handled more than 300,000 customer contacts. We serve our customers by giving advice and information and by selling insurance and savings via the telephone, letter, fax, e-mail and personal visits. We want our customers to perceive that we represent competence, intelligibility, availability and a service-minded approach. We also try to be personal without losing respect for the customer's integrity. ”

Ann-Charlotte Fernström
SPP CUSTOMER CENTRE

SPP prepares for an open Europe

The Group's premiums written for 1999 amounted to SEK 23.2 bn (18.9). Paid-in premium amounted to SEK 18.5 bn (15.3). Investment income, including unrealised gains and losses, totalled SEK 72.3 bn (48.3).

Decision on SPP's surplus funds

In December 1998, SPP's Board established a collective reserve policy for Försäkringsbolaget SPP, ömsesidigt. This policy means that a surplus corresponding to approximately SEK 89 bn was placed at the disposal of client companies and the insured. SPP requested a legal examination by the Swedish Competition Authority pending implementation. In December 1999, the Competition Authority announced that it would not grant negative clearance. SPP's Board decided to withdraw the original proposal and draw up a new collective reserve policy. This decision is described in more detail on pages 6–7.

Reduced interest rate assumption

SPP and SPP Liv have strengthened reserves due to reduced interest rate assumption when calculating the premium reserve. This strengthening was motivated by the Swedish Financial Supervisory Authority's 1999 decision to reduce the lowest base interest rate for calculation of the premium reserve to 3 per cent.

In 1999, this move strengthened technical provisions by SEK 3.4 bn, of which SEK 3.1 bn is attributable to SPP and SEK 0.3 bn to SPP Liv.

The total earnings impact of the reduced interest rate is approximately SEK 45.5 bn.

SPP and SPP Liv will apply interim bases to this reserve strengthening over ten years starting in 1999.

Euroben

A jointly owned company, Euroben, was set up with the Norwegian insurance company Storebrand. The company will offer defined benefit and defined contribution occupational pension solutions for Nordic companies with operations in several countries. These operations will be established in Ireland.

EMU

When European Monetary Union, EMU, came into force on 1 January 1999, the euro was introduced as a common currency in eleven of the EU's 15 member states. The EU's efforts to achieve greater mobility for goods and services

within Europe are already affecting conditions for companies and consumers. The introduction of the euro will increase cross-border enterprise and intensify competition by providing greater opportunities to compare prices.

The financial markets have been largely adapted to the common currency since 1 January 1999. Equities and fixed-income securities, which were previously denominated in the eleven national currencies, are now traded and paid for solely in euros. Currency trading is conducted entirely in euros.

Swedish membership

Regardless of whether or not Sweden participates in EMU, SPP will be affected by the common currency. In the long run demand for new products and European insurance solutions will rise. The new legislation which allows Swedish companies to keep their accounts in euros will also require extended handling of euros.

Uncertainty as to when Sweden will join EMU is making preparatory work difficult. Despite this, the company now aims to have fully euro-enabled systems and routines in good time prior to Swedish membership.

SPP's EMU preparations began in 1997 with an analysis of the euro's impact on IT systems and marketing. Subsequent work has focused on preparing for changed customer demands. This has included a review of internal and external interfaces and dependencies. Action plans have been drawn up based on the estimated lead times for adaptation. Monitoring legal issues and examination of agreements have been given priority together with planning internal and external information and training activities.

SPP Investment Management completed most of its euro adjustments in the six months prior to and during the so-called conversion weekend at year-end 1998. As a result of the introduction of the euro, SPP now regards Europe as a single stock market and the returns in portfolios with European equities are measured in relation to an index with equities from all corners of Europe, Eurotop300. In connection with this, SPP Investment Management extended its competence and focused more on active management of European equities in 1999. If a customer would like an investment management assignment reported in euros, SPP Investment Management can offer this as well.

A number of Europe-related funds were launched in 1999, SPP EMU Aktiefond (equities), SPP EMU Blandfond (mixed) and SPP Aktieindexfond Europa (index-linked).

Experiences from Europe show the importance of co-ordinating preparatory work. National and sector-related guidelines will facilitate a smooth transfer. Against this

background, SPP is discussing EMU with industry organisations, authorities and other companies.

SPP's environmental work

Security and reliability are two pivotal factors for success for SPP. One obvious requirement in order to be a secure and reliable partner to individuals, companies, municipalities and organisations is that the company takes environmental aspects into account in its operations. SPP's environmental policy defines how this is done. As a complement to the environmental policy, we have signed the UN's statement on environmental commitments for insurance companies.

The work of introducing an environmental management system in the Group was started in 1999. The purpose of the system is to structure the work and minimise the environmental risks of the company's operations. The Environmental Council, which is tasked to provide guidance on matters concerning the Group's environmental work, was formed during the year. Initial work involved an assessment of SPP's environmental impact. Each division has a specially appointed co-ordinator who will help to pursue environmental issues. The company already considers the environment when purchasing furniture and office materials and choosing contractors.

In 1999, in co-operation with Storebrand, SPP launched the green fund Storebrand Global Miljö. The fund invests internationally in companies that combine high profitability with successful environmental work.

Premiums written

The Group's premiums written totalled SEK 23.2 bn (18.9) in 1999, of which SPP accounted for SEK 15.6 bn (13.4) and SPP Liv for SEK 7.5 bn (5.5).

The increase in premiums written compared with the previous year is due to higher paid-in premium and adjustment of paid-up values.

Premiums written, SEK m	1999	1998
Paid-in premium		
– current premiums	12,260	9,565
– single premiums	6,281	5,707
Total paid-in premium	18,541	15,272
Reinsurers' share	–31	–
Technical premium supplements	32	30
Adjustment of paid-up values	1,435	1,036
Premium reductions	3,186	2,552
Total premiums written	23,163	18,890

Paid-in premium accounted for SEK 18.5 bn (15.3) of total premiums written. Premiums comprise monthly premiums and single premiums. Paid-in premium includes special indexation funds which amount to SEK 1.2 bn (0.8).

Single premiums, SEK m	1999	1998
– early retirement	1,784	1,805
– settlement of pension commitments	4,497	3,902
Total single premiums	6,281	5,707

Single premiums are paid in the event of early retirement, pension before normal retirement age, and settlement in SPP of pension commitments secured through PRI provisions. Single premiums vary substantially depending on economic climate and the situation in the labour market.

Companies themselves can choose to settle their pension commitments. This was done to a considerable extent ahead of premium increases and new rates on 1 May 1999. Settlement of PRI commitments is also affected by the extent to which Försäkringsbolaget Pensionsgaranti, ömse-sidigt, (FPG) recommends companies with a weak financial position to reduce their PRI liabilities.

Investment income

Continued low interest rates contributed to a high return on both the Swedish and foreign equity portfolios.

The Group's investment income, including unrealised gains, totalled SEK 72.3 bn (48.3) in 1999. The parent company's return on investments amounted to 20.0 per cent (15.6) and 19.1 per cent (15.2) for SPP Liv.

Claims incurred

Claims incurred comprise benefits paid to the insured and their dependents in the form of retirement pension, disability pension and death benefit, and changes in the reserve for claims outstanding as well as claims management costs.

In 1999, the SPP Group's claims incurred amounted to SEK 10.4 bn (7.7), of which SEK 187 m (111) was attributable to operating expenses in connection with claims settlement and payment of insurance compensation.

Change in other technical provisions

The item Change in other technical provisions shows whether the insurance capital has increased or decreased during the year. This amount is affected by the size of paid-in premiums, since most of these are allocated to the insurance capital. Change in other technical provisions amounted to SEK 21.9 bn (20.8) in 1999. The item Life

insurance provisions includes a reserve strengthening of SEK 3.4 bn (5.5) attributable to reduced interest rate assumption as from 1 May 1999.

Operating expenses

Operating expenses amounted to SEK 1,225 m (1,039). The increase during the year was due to SPP Liv's costs for continued extension of its marketing organisation.

Operating expenses in relation to premiums written amounted to 5.3 per cent (5.5). This decrease was due to the sharp increase in premiums written. The management expense ratio was 0.35 per cent (0.34).

Profit for the year

Net profit for the year amounted to SEK 59.3 bn (35.6). Earnings were charged with a tax expense of SEK 2.6 bn (2.1). The SPP Group's yield tax cost amounted to SEK 2.4 bn (2.7). Yield tax amounts to 15 per cent of the market value of investments and is a standard assessment.

Investments

Investments with a total value of SEK 435.1 bn (361.2) were managed on behalf of the Group, according to the specification in the investment return tables for SPP and SPP Liv. These tables can be found on page 49.

Bonus

All the surplus that arises in the SPP Group's operations is returned to policyholders and the insured in the form of bonuses. Bonus is mainly provided in the form of adjustment of paid-up values, premium reductions, pension supplements and a bonus rate. The Group's total bonus funds at year-end 1999 amounted to SEK 205.9 bn (155.9).

Since bonus decisions are not formally guaranteed, they are reported as part of bonus funds.



Adjustment of paid-up values is stated as a liability in the balance sheet when it is formally guaranteed, which takes place the year after the bonus decision. Premium reductions are stated as a liability when the premiums are charged. Pension supplements are paid out on a current basis over the years and booked against the bonus reserve.

The guaranteed bonus is stated as a liability. The non-guaranteed bonus is recognised as an expense in conjunction with payment of the final pension.

Collective reserve

The collective reserve is the difference between the market value of the company's assets and the company's pension commitments. The SPP Group's collective reserve amounted to SEK 81.7 bn (35.2) at year-end 1999.

The collective solvency margin is defined as the quotient between the market value of assets and the sum of guaranteed commitments and allocated but not guaranteed bonus (allocated bonus). This key ratio indicates the financial strength of a life insurance company and shows if the sales value of the company's assets at a given time cover the company's total commitments.

A collective solvency margin of 100 per cent means that the company has full coverage for its commitments. In view of fluctuations in the financial markets, however, a higher solvency margin is needed if solvency is to be sufficient in the long term.

The SPP Group's collective solvency margin amounted to 124 per cent (111) at year-end 1999.

Employees

Information about employees and salaries is provided in Note 40 on page 78.

PARENT COMPANY

“ We have ITP insurance contracts with SPP and this has always worked perfectly as far as I am concerned. I work as personnel administrator at Celsius so my opinion covers administration of the insurance and treatment from SPP. Celsius operates in the defence industry and closely related industrial and service sector technologies.

They are always really pleasant at SPP and can answer all my questions. When they introduced ‘Anmälan Direkt’ (Direct Notification) last year, it was even better. I can now save a lot of time by being able to go straight into SPP’s system and change details about our employees without the roundabout method of filling in a form. **”**

Mona Schäf
PERSONNEL ADMINISTRATOR, CELSIUS

Yet another year of high efficiency and low costs

The operating section of the Group's parent company (Försäkringsbolaget SPP, ömsesidigt) is the SPP ITP Division which conducts insurance business for ITP insurance. The parent company also includes Group Management and staff and the service divisions SPP IT and SPP Group Support.

SPP ITP

Back in 1960, when the organisations representing the employers and salaried employees created the ITP occupational pension, SPP was assigned to administer the ITP Plan. The Swedish Employers' Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK) later made the supplementary pension ITPK and ITP insurance for salaried employees earning more than ten base amounts, known as alternative ITP, open to competition.

The SPP ITP Division has considerable competence in occupational pensions and the ITP system. Its ability to work with extensive insurance systems and large volumes has been well tried.

The division has another two significant assignments: administration of collective pension insurance for SPP Liv and administration of the book reserve system for the Pension Registration Institute, PRI.

SPP Investment Management manages the division's pension assets and SPP Liv and SPP Customer Centre provide customer service on behalf of the division.

The ITP Plan

The ITP Plan was created 40 years ago with the main aim of providing the salaried employees of large industrial companies with good and fair pensions. The Plan comprises retirement pension, family, disability and partial pension and ITPK. Group life insurance, TGL, is added to this cover. SAF and PTK decide what should be included in the ITP Plan in a collective agreement; SPP administers the plan.

ITP is a defined-benefit plan. This means that people covered by the system know from the start the amount of pension they will receive, namely a certain percentage of salary. Changes in salary lead to corresponding changes in the premium paid by the employer

Negotiations between SAF and PTK over new pension plan took place over several years at the end of the 1990s and the SPP ITP Division was assigned to conduct various analyses and calculations. The parties broke off these negotiations in spring 1999.

ITP customers

Approximately two-thirds of the client companies have a collective agreement with SAF and the remainder have a contingent agreement with one of the PTK unions. In 1999, the number of client companies increased to 27,100 (26,700) and the number of insured employees totalled 580,300 (564,900).

In addition to insured employees there were 763,000 (740,000) pensioners and paid-up policyholders on 31 December 1999. The total number of insurance contracts was therefore 1,343,000 (1,305,000).

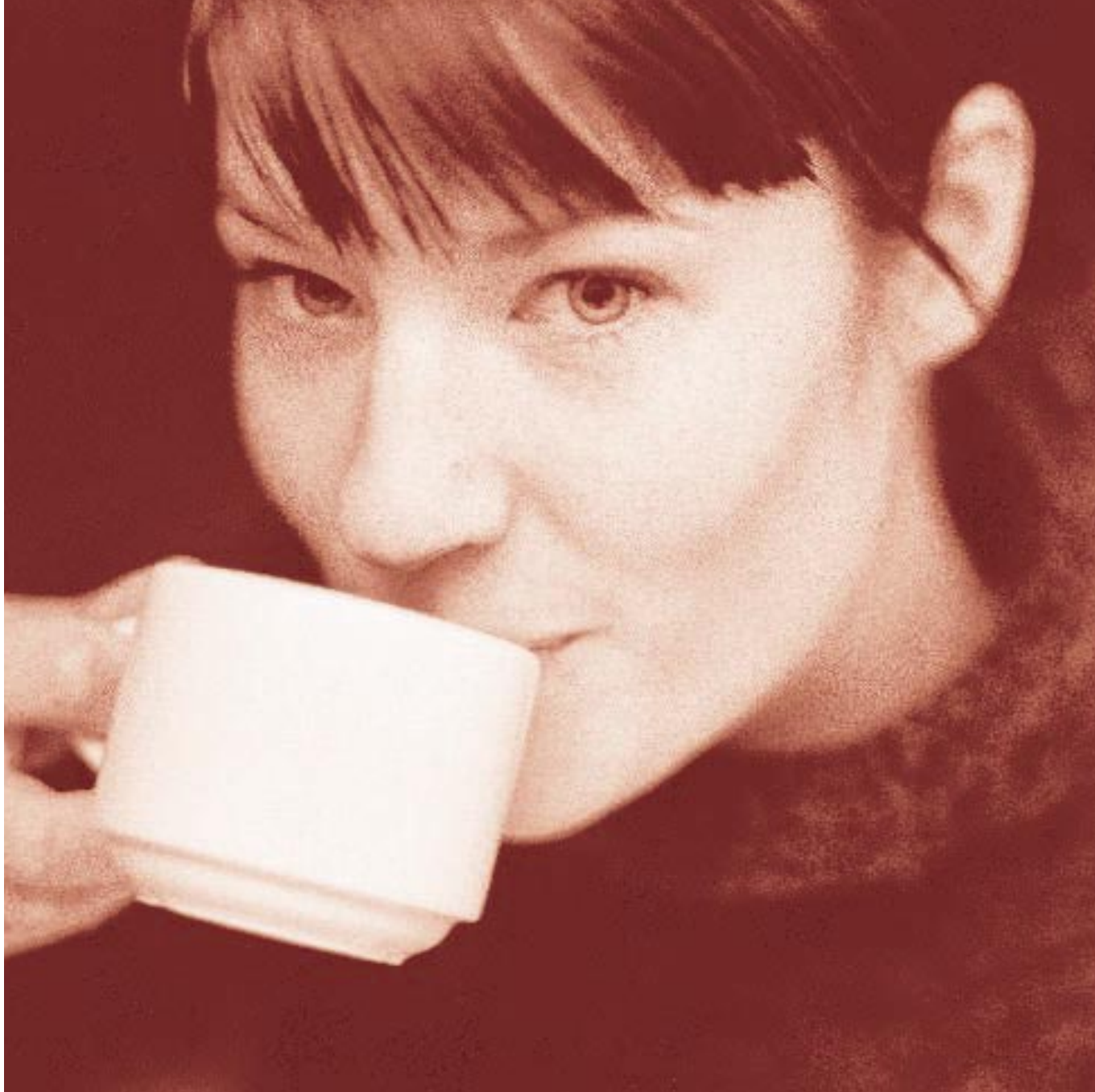
For the division and the entire Group the central goal is to manage the ITP assignment in such a way that companies and insured continue to choose SPP if all or parts of the ITP Plan are exposed to competition. This requires the division to be an attractive partner for occupational pensions, with client companies and insured individuals who are satisfied with information, service, operating expenses and staff.

The large companies are by tradition those which are most in favour of SPP ITP. Overall customer satisfaction, however, was lower in 1999 than in the previous year. Among insured and pensioners those with high salaries were generally more positive than those with lower salaries. Pensioners received retroactive pension supplements in spring 1999 and later in the year SPP decided on additional supplements for temporary pensions and in some cases of death.

The future is difficult to assess and will be affected decisively by how SAF and PTK solve the question of a new occupational pension system. At the moment the occupational pension market is growing. Changes in the social insurance system and a growing number of privatisations within the public sector are also providing new opportunities. At the same time society is becoming increasingly individualised and the way pension matters are viewed is becoming less homogenous. A future EU directive on occupational pensions may also affect conditions for the ITP Division.

FPG/PRI

Ever since the ITP Plan was created, the employer has been able to secure employees' pensions either through insurance with SPP or by retaining responsibility for pension commitments and at the same time taking out credit insurance with Försäkringsbolaget Pensionsgaranti, FPG. In the latter case, the non-profit association PRI calculates and records the employees' pension benefits and the employer's pension liability. The pension liability and capital remain in the



employer's balance sheet and the employer also manages the allocated capital. The employer can also choose a third management alternative, become affiliated to the FPG/PRI system but place all or part of the pension liability in a pension foundation.

The employer is free to change the way pension commitments are secured. In 1999, PRI settlements rose substantially, mainly before the big increase in redemption premiums on 1 May resulting from the deduction in the base interest rate. Settlement volumes were also high because companies expected to be able to use client company funds for redemption premiums paid after July 1998.

Redemption of pension rights created considerable extra work for the organisations within both SPP ITP and PRI.

A trend can be noted – a reduction in pension provisions inside the company in favour of actual funding in an insurance company or pension foundation. At the end of the year, 1,900 (2,000) employers with 226,000 (234,000) insured salaried employees were affiliated to FPG/PRI.

Reduced interest rate assumption

The Swedish Financial Supervisory Authority decides the highest interest rate that a life insurance company may use when calculating its life insurance provisions, previously known as premium reserves. The Authority is of the opinion that the interest rate for the calculation of premium should be kept below the set interest rate level.

When the Swedish Financial Supervisory Authority required the insurance companies to reduce the base rate in 1998, this led to a need to raise premiums. SPP set new rates as of 1 May, which was the biggest project within SPP ITP during the past year.

It is not permitted to raise premiums for insurance contracts already entered into and SPP therefore keeps current premiums for these unchanged in all parts except those resulting from salary increases. On the other hand, SPP uses the raised premium rates for new contracts. The same applies to single premium, such as for redemption of PRI commitments and early retirement pensions.

Since redemption premiums became considerably higher on 1 May, many companies chose to redeem parts of their pension liabilities before that date. Single premiums totalled SEK 4.5 bn (3.9) in 1999.

Collective reserve

The collective reserve provides security for the insurance company's insurance commitments. This security is needed to cover variations over time in the company's insurance risks and investment income.

In 1999, the parent company SPP allocated SEK 65.8 bn as client company funds to be used for pension purposes.

This allocation affected 36,560 contracts.

Surplus funds project

In addition to day-to-day administration and service to customers and insured, the 1998 draft surplus funds policy was in focus during the past year. The Competition Authority's decision not to grant negative clearance and the decision by the Board of SPP to withdraw the old proposal and draft a new surplus funds policy, mean that work on these issues continues. (The collective reserve decision is also discussed on pages 6–7.)

Work on the policy was first conducted in project form and was divided into three sections:

- Calculation and payment of extra pension supplements and extra increases of ITPK pension entitlement
- Calculation of client company funds per client company
- Development of routines, IT support and an organisation to be able to report and use client company funds.

The surplus funds project together with work on new premium rates were the most demanding development projects in 1999.

The division also worked with information activities, handling within the customer and market organisation as well as analysis and preparation of accounting, tax and competition aspects.

Approximately ten thousand client companies had wholly or partly changed owner, reorganised or changed in such a way that pension and insurance records needed to be reviewed. Notification about the client company funds was sent to some forty thousand companies including SPP Liv's customers within collective-agreement related occupational pension. The largest groups received special compilations of the allocated amounts so that they could inform the stock market in accordance with their stock exchange contracts.

Extensive work was also involved with the SEK 12 bn allocated to collective agreement parties and which they decided to use among other things for extra pension supplements and raised ITPK pension rights.

The companies' reaction to SPP's notification of the amounts allocated to them was positive, even though at the same time SPP was forced to postpone payment. The raised pension supplements for the approximately 250,000 people who retired in 1991 or before – and in 1992 were not compensated for the entire increase in the consumer price index – were well received by pensioners.

A new operating unit, Company Funds, is now taking care of the day-to-day management of client company funds.

IT

In 1999, the ITP Division took important steps towards a new IT-based insurance system by choosing the platform, identifying a pilot case for development, starting to build the work-flow system for pensions and analysing prerequisites for a new payment system. The new insurance system will in due course improve today's working situation and increase reliability in insurance administration.

Intensive efforts continue to develop web-based and other electronic routines for communication with customers and reporting. A large number of notifications are currently made electronically by direct connections or over the Internet. The simplicity of this system means that the number of notifications is increasing which in turn results in more accurate insurance data and correct pension statements. The main administrative gains from the new technology are generally seen at client companies and to a lesser extent at SPP.

Premiums written

Premiums written amounted to SEK 15.6 bn (13.4) in 1999, an increase of 17 per cent. This increase compared with the previous year was due to more single premiums, mainly settlement of pension commitments, known as PRI redemption. A large portion of these single premiums were paid in before 1 May 1999, when the premiums were raised due to the reduced base interest rate. Current premiums were 11 per cent higher in 1999 than in the previous year.

Premiums written, SEK m	1999	1998
Paid-in premium		
– current premiums	6,978	6,265
– single premiums	4,497	3,902
Total paid-in premium	11,475	10,167
Technical premium supplements	31	29
Adjustment of paid-up values	1,093	881
Premium reductions	3,016	2,298
Total premiums written	15,615	13,375

SPP Parent Company

SEK m

Profit and loss account	1999	1998
TECHNICAL ACCOUNT		
LIFE INSURANCE BUSINESS		
Premiums written	15,615	13,375
Investment income and charges	26,487	35,990
Unrealised gains/losses on investments	33,491	2,581
Claims incurred	-8,110	-6,152
Change in other technical provisions	-14,748	-13,673
Operating expenses	-447	-452
Balance on the technical account, life insurance business	52,288	31,669
NON-TECHNICAL ACCOUNT		
Other income and expenses	-	-5
Appropriations	-	-208
Result before taxes	52,288	31,456
Tax on profit for the year	-2,108	-1,416
Net profit for the year	50,180	30,040
Balance sheet, 31 December	1999	1998
ASSETS		
Investments	350,447	295,268
Other assets	9,077	9,844
Total assets	359,524	305,112
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Untaxed reserves	501	501
Bonus funds	176,762	134,742
Technical provisions	178,357	161,816
Other liabilities	3,904	8,053
Total shareholders' equity, provisions and liabilities	359,524	305,112

Investment income

Investment income, including unrealised gains and losses, amounted to SEK 60.0 bn (38.6) in 1999, after SPP Liv's share of this return had been adjusted via a promissory note. The promissory note adjusts the portfolio transfer made between SPP and SPP Liv in 1997.

The return on SPP's investments amounted to 20.0 per cent (15.6) according to the specification in the investment return table on page 49.

The return was -1.5 per cent (11.0) for fixed-income investments excluding direct loans, 50.4 per cent (21.3) for the equity portfolio and 16.2 per cent (19.0) for the real estate portfolio.

Claims incurred

Claims incurred amounted to SEK 8.1 bn (6.2) in 1999. Operating expenses in connection with claims management and payment of insurance compensation amounted to SEK 162 m (89). In 1999, SEK 10.0 bn (7.7) was paid in the form of pensions to insured and their survivors, of which pension supplements amounted to SEK 3.8 bn (2.6).

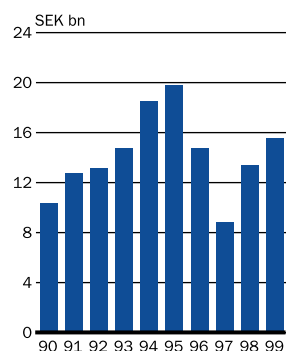
Pensions paid, SEK m	Basic amount before indexation	Pension supplements	Total
Retirement pension	4,989	2,998	7,987
Partial pension	50	1	51
Disability pension	565	115	680
Family pension	397	679	1,076
Lump-sum payments	184	-	184
Total	6,185	3,793	9,978

Change in other technical provisions

Change in other technical provisions amounts to SEK 14.7 bn (13.7) in the profit and loss account. The change for the year includes SEK 3.1 bn for the reduced interest rate

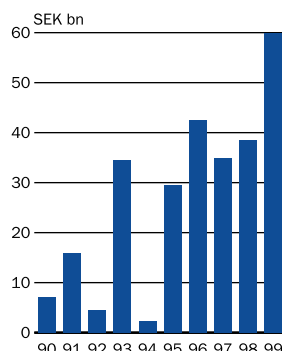
PREMIUMS WRITTEN

Parent Company



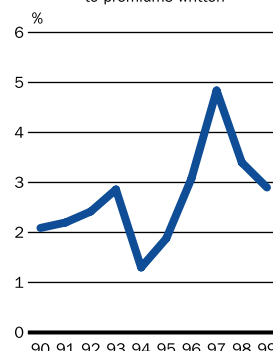
INVESTMENT INCOME

Parent Company



OPERATING EXPENSES

The Parent Company's operating expenses in relation to premiums written



assumption when calculating premium reserves from 1 May 1999. The entire amount was approximately SEK 35.1 bn, of which SEK 4.0 bn was reserved in 1998. The remaining portion will be taken to life insurance provisions with interim basis for ten years.

Operating expenses

Operating expenses for the administration of the insurance business amounted to SEK 447 m (452) in 1999.

Operating expenses in relation to premiums written, the expense ratio, amounted to 2.9 per cent (3.4). The falling expense ratio is mainly due to increased premiums written.

SPP's parent company accounted for approximately 36 per cent of the Group's operating expenses in 1999 and for approximately 67 per cent of premium volume.

Investments

Investments managed in the parent company totalled SEK 414.4 bn (345.2) according to the investment income table (see page 49).

SPP's promissory note liability to SPP Liv, relating to the insurance portfolio transferred at year-end 1996, is reported as a liability among investment assets. The value of the promissory note was SEK 59.4 bn (49.0) at year-end 1999.

Bonus

SPP's bonus funds amounted to SEK 176.8 bn (134.7).

In 1999, bonuses totalling SEK 7.9 bn (5.8) were allocated and paid.

Bonus in the form of pension supplements amounted to SEK 3.8 bn (2.6). The increase in pension supplements in 1999 for those who were not compensated in 1992 for the entire increase in the consumer price index amounted to SEK 1.1 bn.

Adjustment of paid-up values for original ITPK amounted to SEK 1.1 bn (0.9). Bonus in the form of premium reductions amounted to SEK 3.0 bn (2.3).

Bonus, SEK m	1999	1998
Pension supplements paid	3,793	2,606
Adjustment of paid-up values	-1	879
Extra pension entitlement increases	1,094	2
Premium reductions	3,016	2,298
Other	4	3
Total bonus	7,906	5,788
Withdrawal to strengthen reserves due to rate changes	31	29
Premium subsidy, ITPK ¹⁾	333	309
Other	-110	-
Change in bonus reserve	8,160	6,126

¹⁾ Payment for special indexation funds to cover the difference between actual ITPK premium and the premium that the employer pays to the respective insurance company.

Collective reserve

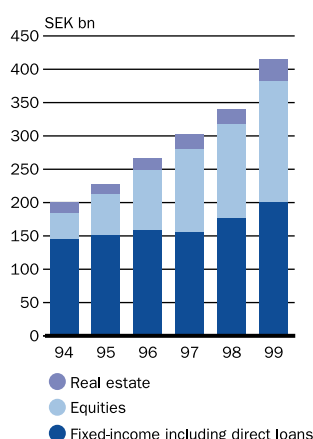
SPP's surplus, the collective reserve, was established as amounting to SEK 66.5 bn (27.4) at year-end. The collective solvency margin was 124 per cent (111) and in accordance with the Board's decision will be allowed to vary between 110 and 120 per cent. According to the Board's decisions action must be taken if the solvency margin falls below 105 per cent or exceeds 125 per cent. See also pages 6–7.

Sickness insurance

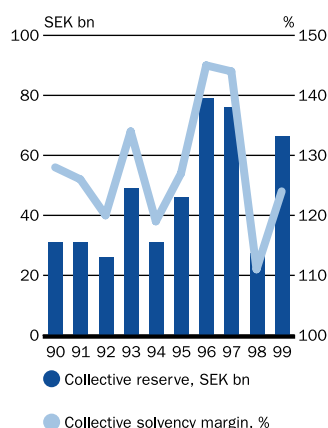
The sickness insurance business within SPP, the Sickness Insurance & Health business area, is among the largest in Sweden and insured 608,000 people in 1999.

Absence due to illness is increasing in working life. If a long period on the sick list or early retirement can be

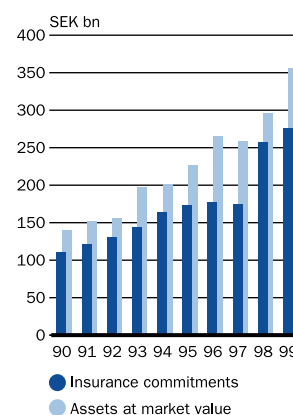
INVESTMENTS
Parent Company



COLLECTIVE SOLVENCY MARGIN
Parent Company



ASSETS IN RELATION TO PENSION COMMITMENTS
Parent Company



avoided, the individual gains a far richer life and a better financial situation. Furthermore, this reduces the financial burden on the employer, the social insurance system and sickness and waiver of premium insurance.

Therefore one of the business area's key tasks is to prevent ill health and provide rehabilitation for those who are already ill. In 1999, 247 people received rehabilitation assistance through SPP. The most common diagnoses were ache in the neck, backache, depression and burnout. The costs for purchase of rehabilitation services amounted to SEK 4.2 m. During the year the business area made a list of providers of rehabilitation and collected this knowledge in a database. The rehabilitation activities also provide the Group with considerable goodwill.

Sickness insurance is an important part of the ITP Plan. It provides the insured with financial protection if on the sick list for more than three months. People on the sick list for a long period and early retirements cost SPP 1,139 m (1,091). Of the insured, 6,500 were on the sick-list on a long term basis and 22,500 in early retirement by the beginning of 1999. The number of new sickness insurance cases rose from 7,932 in 1998 to 9,713 in 1999. The provision to reserves, the amount allocated for sickness cases, amounted to SEK 9,366 m (7,645). Total premiums written from sickness insurance contracts amounted to approximately SEK 2,776 m (2,456).

Depression was the most common diagnosis in sickness insurance followed by backache, adjustment difficulties and reactions to severe stress. According to a survey SPP assigned to Sifo Research & Consulting in December 1999, 61 per cent of the insured believe that ill health will increase. According to the same survey, 41 per cent of insured doubt whether given the present working situation they will be able to work until their 65th birthday.

The Connections tool for analysis and development of working environment, health and profitability acquired a new, more effective form in 1999 and increased resources for marketing. The Connections award, initiated by SPP in 1998, can be said to correspond to the Swedish Quality award but





with a focus on the working environment. In September 1999, a congress organised by SPP on working environmental development in companies attracted considerable attention. During the past year a new working environment poll was also presented to survey, analyse and promote changes in companies and organisations.

SPP supported 13 research projects with a total of SEK 7.6 m in 1999. Six of these projects were new for the year. The business area passes on the research results so that they can benefit the Group's customers and reduce the numbers on the long-term sick-list. These projects include several focused on stress and depression as well as ethics, morals and organisational questions.

SPP was an active participant in the development of the Elderly Award. The award is intended to highlight the elderly and was instigated on the initiative of the physician, professor emeritus Jerzy Einhorn.

SPP IT

The SPP IT Division is responsible for the insurance business's IT production and for development and maintenance of the IT systems. Operations, however, are outsourced to an independent firm of IT consultants.

SPP IT has 175 employees. There are also IT specialists at three divisions and companies within the Group and at Group staffs.

In 1999, SPP IT primarily worked with web-based development, support for the increased marketing directed at individuals, setting up the new franchise organisation, conversion to the new insurance system, allocation of client company funds, improving the system for customer-responsive marketing, and shortening the response time in the workflow systems.

SPP Group Support

Since year-end 1998, the service functions, Office Services, Purchasing, Accounts Receivable & Accounts Payable and Human Resource Administration, have been included in the SPP Group Support Division. In common with SPP ITP and SPP IT, the division functions as a separate profit centre.

SPP LIV

“ IFS has bought a company insurance plan from SPP Liv for its employees in Sweden. The plan consists of a pension foundation and insurance.
SPP Liv has effective administration and provides us with highly flexible solutions and service. ”

Sverker Lundberg
CFO, IFS LINKÖPING

Faster growth despite intensified competition

SPP Livförsäkring AB

Five years after the start, SPP Livförsäkring AB (SPP Liv) is one of Sweden's leading life insurance companies with a strong focus on the worksite as marketplace. Successes are being achieved in the face of intensifying competition.

Growth within both traditional and unit-linked insurance was very favourable during the past year. Premiums written increased from SEK 5.5 bn to SEK 7.5 bn, the number of insured from 491,000 to 550,000 and assets under management from SEK 65.0 bn to SEK 80.1 bn. Despite this and considerable IT investments, the company was able to retain its low operating expenses. The expense ratio fell to 10.2 per cent (10.6).

New customer-oriented organisation

SPP Liv focuses mainly on occupational pensions and also offers private complements in the form of life, sickness and pension insurance. The company provides ITP insured companies with regional service on behalf of the parent company and markets funds and management services on behalf of SPP Investment Management.

At year-end 1999 a customer-oriented organisation was introduced with three business areas: major employers (key accounts), companies and individuals. These business areas are responsible for the entire business process from the first contacts with prospective customers to care of existing customers. The business areas receive support from central staffs and units responsible for infrastructure.

The new business area for individuals was set up because a growing number of wage-earners are making their own choices with regard to occupational pension and the decision-making situation of the individual employee is quite different from that of company management.

SPP Liv has few local offices and works instead out at companies and worksites which means that the sales team is smaller than in a traditional life insurance company. In 2000 service and distribution efforts directed towards small companies will increase through agreements with independent franchise-holders who will exclusively sell SPP Liv's products.

SPP Liv is convinced that a future in the savings market will require a strong and secure brand and an attractive and intelligible way of explaining services, products and financial context.

Simpler with SPP Liv

The vision is to make it simpler for the customer. SPP Liv wants to achieve this through solutions that are so easy to understand that the customer can obtain advice and per-

form transactions through the Internet and structured in such a way that the company's insurance system can supply services automatically, without manual procedures.

Even today, many client companies' employees can obtain an overview of their occupational pension, all their private insurance and fund savings in the SPP Group via the Internet. They can also switch funds and take out insurance. SPP Liv is now developing its advisory services for individuals substantially and aims to become the natural adviser on pension matters.

Follows the companies within EU

Among the major client companies there is a strong wish to have a combined pension plan for all employees regardless of which EU country they work in. SPP Liv can also offer customers an individually designed investment portfolio where they can freely use any surpluses that arise.

Together with the Norwegian insurance company Storebrand, SPP Liv has developed a concept with services to meet these requirements. They will be sold by newly started Euroben, a company owned jointly with Storebrand and located in Ireland. This concept has been very well received.

IT

As the new insurance system replaces the old systems SPP Liv is obtaining more flexible insurance solutions which over time will provide major competitive advantages and lower administrative and maintenance costs. In 1999, premiums written for insurance in the new insurance system amounted to SEK 1,708 m, which corresponds to 23 per cent of total premiums written.

The occupational pension market open to competition

The open life insurance market has been rising substantially for several years. The biggest increase has been in endowment insurance. The proportion of fund-managed insurance is growing and accounts for approximately 60 per cent of new business value. In the total market, SPP Liv is among the four leading companies in terms of new business.

In the sub-market for occupational pensions exposed to competition, SPP Liv's share of new business was 24 per cent in 1999, an increase of two percentage points compared with 1998. Competitor Skandia is also increasing according to trend while SEB Trygg Liv and Länsförsäkringar are losing market share.

SPP Liv has a very strong position in the employer-controlled section of the market where the employer alone pays the premiums and chooses supplier.

In two of the large sub-markets where the employer pays premiums for occupational pension and the individual chooses the supplier – alternative ITP for employees with salaries in excess of ten base amounts and ITPK – SPP Liv has a leading position. The total premium volume in these markets is approximately SEK 8.5 bn.

The company is making efforts to obtain a strong position in the new market where in autumn 2000 municipal and county council employees will for the first time choose a pension manager for approximately one per cent of their salaries. The annual premium volume is estimated to amount to nearly SEK 2 bn. In 1999, SPP Liv had a one per cent share of the SAF/LO contractual pension, where the total premium volume is nearly SEK 3 bn.

Privately paid life insurance market

The privately paid life insurance market includes both traditional insurance and unit-linked insurance.

New business for private pension insurance amounted to SEK 8.3 bn (7.2) in 1999. SPP Liv's market shares have

been rising fast since 1996. With 17 per cent (11) the company had the second highest proportion of new business at year-end 1999 after Skandia which had 23 per cent (29). Market shares for Skandia and SEB Trygg Liv have been falling for several years.

The market for endowment insurance is large and dominated by the banks. Sales amounted to SEK 59 bn (45) in 1999.

Premium pensions

Together with SPP Fonder, SPP Liv markets the funds that the SPP Group is offering in the premium pension choice within the national pension system in autumn 2000. In addition, a further five international equity funds are marketed and brokered.

Premiums written

Premiums written in SPP Liv rose by 37 per cent to SEK 7.5 bn (5.5). The main reason for this rise was increased premiums for unit-linked and traditional insurance, where the increases were 90 and 32 per cent respectively.



Premiums written from other traditional life insurance amounted to SEK 3.9 bn (2.7), while premiums written from collective-agreement related occupational pension insurance amounted to SEK 2.7 bn (2.4). Unit-linked insurance premiums rose compared with 1998 and amounted to SEK 0.9 bn (0.5).

Premiums written, SEK m	1999	1998
Paid-in premium		
– current premiums	5,282	3,300
– single premiums	1,784	1,805
Total paid-in premium	7,066	5,105
Reinsurers' share	–31	–
Technical premium supplements	1	1
Adjustment of paid-up values	342	155
Premium reductions	170	254
Total premiums written	7,548	5,515

Investment income

Investment income, including unrealised gains, amounted to SEK 13.2 bn (8.5), including the return on SPP Liv's promissory note. The return on SPP Liv's investments amounted to 19.1 per cent (15.2) according to the investment income table.

SPP Liv's investments are divided into two portfolios with different investment strategies and return is measured separately for each portfolio. The return on the promissory note amounted to 20.0 per cent (15.6) which corresponds to the return on the parent company's investment portfolio. The return on the portfolio for other traditional life insurance was 16.5 per cent (14.0). The total return on fixed-income investments amounts to –1.0 per cent (10.4) and the total return on the equity portfolio was 51.3 per cent (21.2).

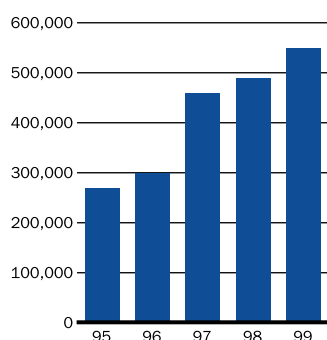
SPP Liv Group

SEK m

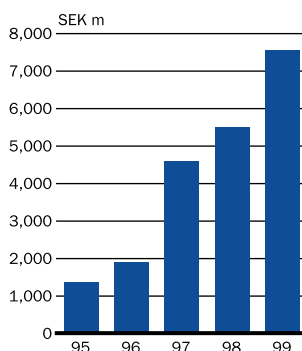
Profit and loss account	1999	1998
TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS		
Premiums written	7,548	5,515
Investment income and charges	11,152	8,121
Unrealised gains/losses on investments	2,033	399
Claims incurred	–2,249	–1,591
Change in other technical provisions	–7,202	–7,099
Operating expenses	–771	–584
Balance on the technical account, life insurance business	10,511	4,761
NON-TECHNICAL ACCOUNT		
Investment income and charges	1	15
Other income and expenses	1	2
Result before taxes	10,513	4,778
Tax on profit for the year	–512	–584
Net profit for the year	10,001	4,194

Balance sheet, 31 December	1999	1998
ASSETS		
Investments	82,062	65,646
Other assets	1,401	1,192
Total assets	83,463	66,838
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Bonus funds, including equity	28,244	19,369
Technical provisions	54,075	46,612
Other liabilities	1,144	857
Total shareholders' equity, provisions and liabilities	83,463	66,838

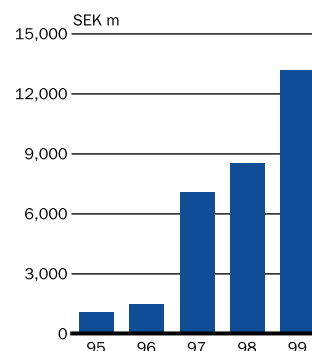
NUMBER OF INSURANCE CONTRACTS
SPP Liv



PREMIUMS WRITTEN
SPP Liv



INVESTMENT INCOME
SPP Liv



Claims incurred

Claims incurred increased by 41 per cent in 1999 to SEK 2.2 bn (1.6). Claims incurred include claims management costs amounting to SEK 25 m (22).

In 1999, SPP Liv paid a total of SEK 2.6 bn (1.7) in pensions to insured and survivors.

Change in other technical provisions

According to the profit and loss account, change in other technical provisions amounts to SEK 7.2 bn (7.1), of which SEK 0.3 bn is attributable to the reduced interest rate assumption on 1 May 1999. Of the total strengthening of reserves which amounts to approximately SEK 9.0 bn, approximately SEK 7.5 bn is attributable to the premium reserve with interim bases for ten years.

Operating expenses

Operating expenses in the insurance operations amounted to SEK 771 m (584). The market is growing fast and costs of customer service and market communication are rising. Operating expenses in relation to premiums written amounted to 10.2 per cent (10.6). The management expense ratio amounted to 1.0 per cent (1.0).

Investments

SPP Liv's investments, including the promissory note from SPP, totalled SEK 80.1 bn (65.0) according to the investment income table on page 49.

SPP Liv's investments are divided between two different portfolios. One is handled via the promissory note and

relates to pension funds attributable to collective-agreement related occupational pension insurance. This portfolio amounted to SEK 59.4 bn (49.0) at year-end. The other part of the portfolio pertains to other traditional life insurance and amounted to SEK 20.7 bn (16.0).

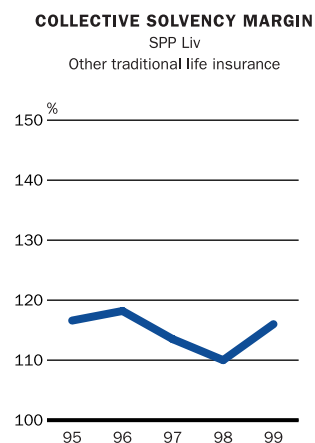
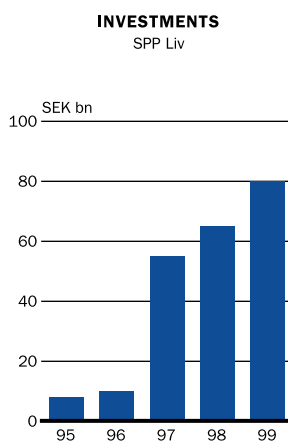
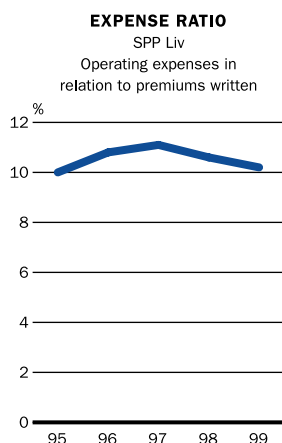
Bonus

SPP Liv's bonus funds amounted to SEK 28.0 bn (19.2). In 1999, bonus allocations and payments totalled SEK 947 m (675).

SPP Liv's bonus is calculated using different methods for the two insurance portfolios. Bonus within collective-agreement related occupational pension insurance is calculated according to the same method used for ITP in the parent company, in the form of pension supplements, adjustment of paid-up values and premium reductions. Pension supplements may amount to a maximum of the price trend according to the Consumer Price Index (CPI) over a twelve month period calculated from September to September. In the period to 1 September 1999, the CPI rose by 1.0 per cent and the pension level was raised by the same amount. The reversionary bonus in the form of premium reduction was SEK 0.3 bn (0.3).

Bonus within the portfolio for other traditional life insurance is calculated by adding a bonus rate to the insured individuals' capital. This capital is also affected by operating expenses, mortality and yield tax.

In December 1999, the bonus rate amounted to 7.0 per cent (7.0) after deduction for general operating expenses. The average bonus rate for the year, after deduction for



operating expenses, was 7.0 per cent (12.8). Between 1994 and 1999, the average rate was 10.5 per cent. On 1 February 2000, the bonus rate was raised to 10.7 per cent.

Bonus, SEK m	1999	1998
Pension supplements paid	434	266
Adjustment of paid-up values	170	155
Premium reductions	343	254
Total bonus	947	675
Premium subsidy ITPK ¹⁾	69	54
Other	110	1
Change in bonus reserve	1,126	730

¹⁾ Payment from special indexation funds to cover the difference between actual ITPK premium and the premium that the employer pays to the respective insurance company.

Collective reserve

SPP Liv's surplus, the collective reserve, amounted to SEK 14.5 bn (6.2) in 1999. The collective reserve for collective-agreement related occupational pension insurance amounted to SEK 11.4 bn (4.6) and SEK 3.1 bn (1.6) for other traditional life insurance.

SPP Liv's collective solvency margin was 123 per cent (111) at year-end. The solvency margin for collective-agreement related occupational pension insurance was 126 per cent (111).

The collective solvency margin for other traditional life insurance was 116 per cent (110). SPP Liv aims to have a solvency margin of between 105 and 115 per cent for this portfolio.



SPP INVESTMENT MANAGEMENT

“ Ever since it started in 1783 Änke- och Pupillkassan has had its own investment management. The market is developing so fast and demands for internal resources are growing so that it no longer feels defensible to continue on our own.

We are Sweden's oldest and smallest life insurance company and were looking for an investment manager appropriate for our requirements and investment philosophy. We finally chose SPP Investment Management.

The main deciding factors were our similar investment philosophies, the competence of the investment managers, sensitivity to our requirements and SPP's focus on external customers.

We are more than satisfied with the investment management result during our first year with SPP and have raised our expectations for the future. ”

Pär Söderblom

PRESIDENT, ALLMÄNNA ÄNKE- OCH PUPILLKASSAN I SVERIGE

More than SEK 440 billion under management

SPP Investment Management is one of the largest asset managers in the Nordic region with more than 80 years in the industry. The portfolio managers and analysts at the offices in Stockholm, London and New York guarantee market coverage and quality. At year-end 1999, the market value of assets under management was SEK 443 bn. The return on the SPP Group's portfolios improved and amounted to 20.0 per cent (15.6) for SPP and 19.1 per cent (15.2) for SPP Liv

Very good return and increase in external assignments

In 1999, SPP Investment Management achieved a very good return on its managed portfolios. Decisive factors were a successful choice of securities and the major upswings noted on most of the world's stock exchanges – particularly the OM Stockholm Exchange.

Side by side with management of the SPP Group's investment portfolios, SPP Investment Management increased its range of services to external clients. Discretionary assignments increased from six to eleven during the year and assets managed for external clients rose from SEK 3.6 bn to SEK 4.9 bn.

SPP Fonder also had a successful year and increased its assets under management by 178 per cent to SEK 3.5 bn. At the end of 1999, the company managed 14 securities funds

of its own and acted as broker for five international equity funds. SPP's own index funds for the US and Japan and the environmental fund Storebrand Global Miljö were new for the year.

The Celexa companies in Sweden, the UK and the Netherlands, manage SPP's own properties as well as properties for external clients.

Market focus

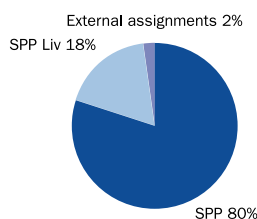
Starting in 2000, SPP Liv and SPP Investment Management will conduct group-wide marketing to the private individuals market through SPP Fonder.

Quality assured investment management

At year-end 1999, SPP Investment Management became one of the first investment managers in the Nordic region to be certified in accordance with GIPS – Global Investment Performance Standards. GIPS is an international quality assurance standard which promotes fair and consistent presentation of results in the investment management sector. GIPS makes it easier to compare the performance of different managers. Presentation of performance will be more complete and fair which means that customers can feel even greater confidence in the results presented by SPP Investment Management.

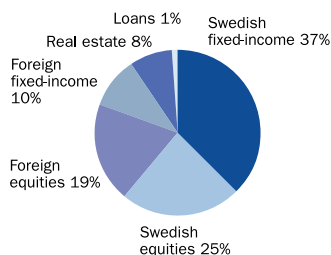
The introduction of a new finance system was completed in 1999. The system handles listed assets in all managed portfolios and allows accurate daily follow-up of market values and risk exposure.

**SPP INVESTMENT MANAGEMENT
ASSETS UNDER MANAGEMENT**



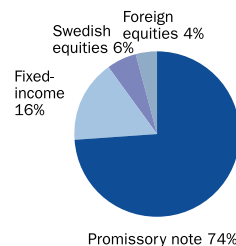
Market value 31 Dec. 1999:
SEK 443.3 bn

SPP's INVESTMENTS



Market value 31 Dec. 1999:
SEK 355.0 bn excluding promissory note

SPP LIV's INVESTMENTS



Market value 31 Dec. 1999:
SEK 80.1 bn including promissory note

SPP Investment Management

In 1999, SPP Investment Management (SPP Kapitalförvaltning in Sweden) extended its investment activities at the offices in Greenwich, CT, north-east of New York, and in London. At the end of the year, all three asset classes, fixed-income instruments, equities and real estate, were represented at these offices.

March 2000	Number of managers and analysts	
Sweden	29	Stockholm
USA	8	Greenwich, CT
UK	6	London

Targets and mandates

The main task of an investment manager is to maximise return while keeping risks under control. SPP Investment Management expresses this target as the company shall achieve the highest possible risk-adjusted return in the investment portfolios and managed funds with which it is entrusted.

Investment instructions and fund regulations provide management guidelines as well as specifying risk mandates. (Risk management at SPP is described in more detail on page 57.)

The results of operations are measured using different indexes as benchmarks. These are reported under each asset class on the following pages and in the funds table on page 53.

The investment strategy for the investment portfolio is controlled by a normal portfolio which specifies the allocation between different asset classes and permitted deviations. Since the beginning of 1999, SPP's normal portfolio has had the asset allocation 51.0 per cent fixed-income investments, 41.5 per cent equities and 7.5 per cent real estate. External clients have decided their asset allocation in a similar manner.

In 1999, SPP Liv formulated an investment target which means that over a three-year period the company must achieve a higher return than the average among its main competitors.

31 december 1999	SPP's Investment portfolio (%)	SPP's Normal portfolio (%)	Deviation (%)
Fixed-income instruments	48.5	51.0	-2.5
Equities	43.7	41.5	2.2
Real estate	7.8	7.5	0.3



MARKETS IN 1999

Real-economic development

In January 1999 there were crises in Asia, Russia and South America which made many analysts concerned that the world was heading for recession. Relatively quickly, however, these grim prospects were replaced by cautious optimism. The US economy continued to show strong growth and positive economic signals came from most economies. Ahead of 2000 the economic situation in the world appeared to be very good.

The most sensational economic turnarounds last year occurred in Asia. South Korea, Hong Kong, Thailand, Singapore and Malaysia all showed signs of recovery and the Japanese economy started to grow following the deep recession in 1997 and 1998.

The North American economy showed remarkable strength yet again with strong consumer demand, rising investments, high growth and continued low inflationary pressure, despite growth and the tight labour market.

Several European countries, including France and Spain, noted good growth in 1999 but despite this the average growth in Europe was somewhat lower than in 1998. The UK, Germany and Italy pulled down the figures but experienced better growth towards the end of the year, which makes the economic outlook for 2000 very good in Europe.

In Sweden, growth came as a positive surprise. Nearly all sections of the economy contributed to this development, with the greatest contribution coming from household demand, which was largely due to a clear improve-

ment in the labour market. Inflation remained at an historically low level.

Fixed-income and foreign-exchange markets

The pessimistic economic forecasts and fear of deflation, i.e. falling consumer prices, led to central banks all over the world conducting an expansive monetary policy at the beginning of 1999. This relaxed monetary policy combined with low inflation expectations resulted in very low bond yields in a historical perspective.

The brightening economic outlook in the US led to expectations of increases in the key lending rate from the US Federal Reserve and US long-term bond rates therefore rose. The yield on a US ten-year bond rose by 180 points during the year.

In Europe, strong expectations for a less relaxed monetary policy were not seen until the summer, although bond yields started a trend-driven rise back in May. The German ten-year rate rose by a total of 150 points in 1999 and the British by 110 points.

The Swedish long-term rate largely followed the German but mobility was higher in Sweden since the net interest margin between the two countries varied considerably. On 1 January 1999 the interest margin was 30 points but during the summer – when analysts predicted that the Riksbank would conduct a stricter monetary policy than the European Central Bank – the margin rose to between 50 and 60 points. The margin decreased towards the end of the year.

MACROECONOMIC INDICATORS

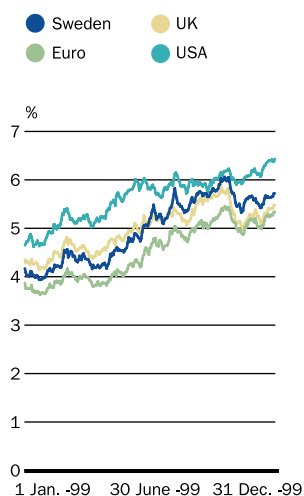
		Sweden	US	Germany	UK	Japan
GNP growth, %	1998	2.6	4.3	2.2	2.2	-2.5
	1999	3.8	4.1	1.4	2.0	0.3
Inflation, % ¹⁾	1998	-0.1	1.6	0.9	2.6	0.6
	1999	0.4	2.2	0.6	2.3	-0.3
Short-term interest rate, % ²⁾	1998	3.36	5.00	3.25	6.10	0.22
	1999	3.53	5.98	3.31	6.02	0.20
Long-term interest rate, % ²⁾	1998	4.17	4.65	3.87	4.36	1.90
	1999	5.72	6.43	5.34	5.48	1.73
Exchange rate, against SEK ²⁾	1998	–	8.11	9.48	13.55	0.07
	1999	–	8.51	8.56	13.77	0.08
Stock market index, % ³⁾	1998	10.5	26.7	17.2	9.6	-8.8
	1999	65.9	19.5	32.1	31.4	50.1

¹⁾ December–December

²⁾ Interest and exchange rates as per 31 December in each year. Short-term interest rates refer to three-month treasury bills in Sweden and corresponding euro interest rates for other countries. Long-term rates refer to ten-year government bonds.

³⁾ The following indexes were used: Affärsvärlden General Index for Sweden, S&P 500 for the US, parts of FTSE Eurotop 300 for Germany and the UK, and Nikkei 300 for Japan.

LONG-TERM INTEREST RATES



Stock markets

Development on the world's stock markets in 1999 can be said to have been controlled by two underlying factors, the recovery of the global economy and the rapid expansion within information technology. Both factors had clear impacts on geographical and sector-related development.

The global economic recovery forced up profit levels in a number of countries and industries that had been affected by the crisis in 1997 and 1998. The most important upturn occurred in Japan where the economic improvement mainly favoured the price trend for industrial companies' shares.

The higher interest rates which resulted from the improved world economy did not favour companies whose earnings growth is relatively insensitive to economic fluctuations, such as power and pharmaceutical companies.

The fantastic development for IT companies mainly had an impact at industry level and the global index FT/S&P Information Technology rose 95 per cent last year. Some national markets, particularly Sweden and Finland, benefited from the strong trend for high-tech companies. Nokia was the decisive factor behind the 162 per cent rise in the Finnish HEX index.

Development on the OM Stockholm Exchange was very strong during the year. The Affärsvärlden General Index rose by a total of 66 per cent (10). All sector-related indexes, except the power companies, rose and the best development was for the IT companies, mainly due to Ericsson's strong share price rise. Other industries that developed well were basic industries and cyclical industrial companies which benefited from the recovery in the world economy and the price rises for steel and wood products.

Real estate markets

The European and US real estate markets remained strong. Higher growth led to increased demand for premises which, combined with modest building starts, kept the vacancy rate low and raised rents. Property values rose considerably in Stockholm and in a number of other European cities while they increased more in line with inflation in many markets in the US.

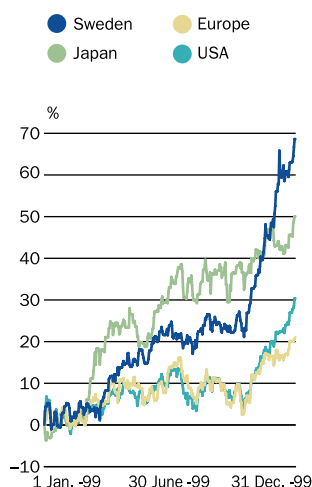
Demand for investment properties remained high in Europe due to strong foundations and increasing cross-border investment. Corresponding demand in the US weakened slightly due to the fact that prospects of higher rents and

increases in value decreased from the high levels noted recently.

In general terms the real estate markets in Europe and the US function well which means that the probability of large-scale new building can be regarded as fairly low, particularly since the property market is efficient and the capital markets are restrained.

The outlook remains positive while it will probably be difficult to maintain the high yields of recent years.

STOCK MARKET INDEXES



DEVELOPMENT OF INVESTMENT PORTFOLIOS

Fixed-income investments

SPP's fixed-income investments comprise securities issued by borrowers with high credit ratings and high liquidity. Derivative instruments are used to a limited extent, while the proportion of foreign bond issues varies.

SPP's fixed-income portfolio invested in Sweden, in most countries in the EU, and in the US during the past year. A small portion of the American and Swedish bond portfolio was invested in corporate bonds with high creditworthiness.

The market value of the parent company's fixed-income portfolio rose by SEK 25 bn or 14.5 per cent during the year. The fixed-income portfolio translated into Swedish kronor corresponds to approximately 11 per cent (10) of the Swedish bond market. Performance was on a level with the portfolio's benchmark. The negative return was due to rising interest rates.

SPP Liv's fixed-income portfolio was invested solely in Swedish securities with a high creditworthiness. The market value rose by SEK 2.3 bn or 22.6 per cent during the year. The total return amounted to -1.0 per cent (10.4) which was on a par with the benchmark. Starting in 2000, foreign bonds will also be included in SPP Liv's fixed-income portfolio.

Other fixed-income investments

SPP's other fixed-income investments are being discontinued. This applies both to promissory note loans and involvement in partner financing (ownership and financing mainly of hydroelectric power assets) and to sale and lease-back (SLB) transactions. Commitments with a value of SEK 0.4 bn were redeemed in 1999. At the end of the year the market value of promissory note loans, SLB transactions and partner financing amounted to SEK 4.7 bn (5.0).

The total return amounted to 4.9 per cent (11.0).

INVESTMENT INCOME

SPP	Market value 31 Dec. 1998		Net invest- ments 1999		Change in values		Market value 31 Dec. 1999		Yield		Average 1995-99	Total return	Average 1995-99
	SEK m	%	SEK m		SEK m	%	SEK m	%	SEK m	%	%	SEK m	%
Fixed-income excluding direct loans	171,574	49.7	37,992	-13,121	-7.3		196,446	47.4	10,414	5.8	8.0	-2,706	-1.5
Swedish	137,873	39.9	28,187	-10,232	-7.1		155,828	37.6	8,701	6.1	8.2	-1,531	-1.1
Foreign	33,701	9.8	9,805	-2,888	-7.7		40,618	9.8	1,713	4.6	6.1	-1,175	-3.1
Direct loans*	5,011	1.4	-177	-85	-1.8		4,749	1.1	325	6.7	7.1	240	4.9
Equities	141,391	41.0	-24,482	64,012	48.0		180,921	43.7	3,209	2.4	2.8	67,221	50.4
Swedish	78,908	22.9	-20,531	45,584	63.3		103,961	25.1	1,984	2.8	3.1	47,568	66.1
Foreign	62,483	18.1	-3,951	18,428	30.0		76,960	18.6	1,225	2.0	2.5	19,653	32.0
Real estate	27,221	7.9	2,431	2,636	9.8		32,288	7.8	1,731	6.4	6.5	4,367	16.2
Borrowing for investments	-43	0.0	24	0	-0.6		-19	0.0	-2	7.1	-2.2	-2	6.5
Total investments, gross	345,154	100.0	15,788	53,443	15.4		414,385	100.0	15,677	4.5	6.2	69,120	20.0
Less promissory note**	-49,002		-10,399				-59,401		-9,830	-20.0	-10.2	-9,830	-20.0
Total investments, net	296,152		5,389	53,443	15.4		354,984		5,847	2.0	5.1	59,290	20.0
Other	2,390		-1,155	7			1,242		-167			-160	
Total	298,542		4,234	53,450			356,226		5,680			59,130	

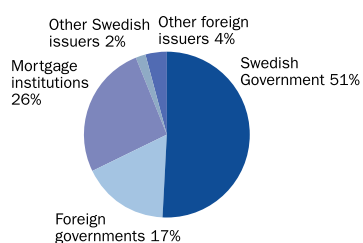
* Direct loans include promissory note loans, sale and leaseback transactions and partner financing

SPP Liv	Market value 31 Dec. 1998		Net invest- ments 1999		Change in values		Market value 31 Dec. 1999		Yield		Average 1995-99	Total return	Average 1995-99
	SEK m	%	SEK m		SEK m	%	SEK m	%	SEK m	%	%	SEK m	%
Fixed-income excluding direct loans	10,344	64.5	3,120	-787	-7.0		12,677	61.1	676	6.0	8.4	-112	-1.0
Equities	5,690	35.5	-385	2,755	49.0		8,060	38.9	129	2.3	2.8	2,885	51.3
Swedish	3,441	21.5	-752	2,035	64.7		4,724	22.8	84	2.7	3.0	2,120	67.4
Foreign	2,249	14.0	367	720	29.1		3,336	16.1	45	1.8	2.5	765	30.9
Total investments excluding promissory note	16,034	100.0	2,735	1,968	11.7		20,737	100.0	805	4.8	7.0	2,773	16.5
Plus promissory note**	49,002		10,399				59,401		9,830	20.0	10.2	9,830	20.0
Total investments including promissory note	65,036		13,134	1,968	11.7		80,138		10,635	16.1	12.1	12,603	19.1
Other	128		-209	-30			-111		-61			-91	
Total	65,164		12,925	1,938			80,027		10,574			12,512	

The heading SPP refers to the SPP Group excluding SPP Liv. SPP Liv is reported separately. "Other" pertains to assets not included in SPP Investment Management's active management. Opening and closing market values for each asset class are adjusted for financial assets and liabilities linked to these investments.

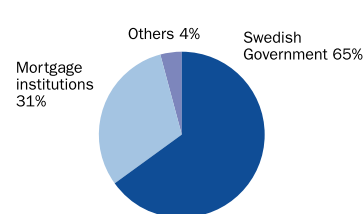
**Assets managed within the parent company but belong to SPP Liv according to promissory note.

SPP's FIXED-INCOME INVESTMENTS



Market value 31 Dec. 1999:
SEK 196.4 bn

SPP LIV's FIXED-INCOME INVESTMENTS



Market value 31 Dec. 1999:
SEK 12.7 bn excluding promissory note



Equities

The proportion of equities in the Group's investment portfolios increased from approximately 41 per cent to 43 per cent. The equity portfolios for both SPP and SPP Liv increased substantially in value and in principle all the world's stock exchanges showed strong development. No new markets or sectors were added to the portfolios. One important change, however, was that since 1 January 1999 SPP's equity portfolios have worked with new benchmarks in line with a Board decision in December 1998. The new benchmarks are S&P 500 (USA), FTSE Eurotop 300 (Europe) and Nikkei 300 (Japan).

The Swedish equity portfolios were managed entirely with active selection of securities in 1999 as well. The European equities were also actively managed but with an indexed portion which means that managers tried to follow entirely the index in each country. The equity portfolios for the US (from March 1999) and Japan were fully indexed.

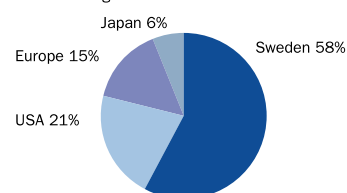
SPP's Swedish equity portfolio performed on a par with its benchmark and rose by 66.1 per cent (17.0).

THE FIVE LARGEST HOLDINGS IN THE RESPECTIVE EQUITY PORTFOLIO

SPP 31 Dec. 1999			SPP Liv 31 Dec. 1999			
	SEK m	Share of total equity portfolio		SEK m	Share of total equity portfolio	
Ericsson	34,208	18.9%	Telecommunications	Ericsson	1,561	19.4%
Hennes & Mauritz	7,684	4.2%	Retail trade	Hennes & Mauritz	351	4.4%
AstraZeneca	6,292	3.5%	Pharmaceuticals	AstraZeneca	286	3.5%
Nokia	4,253	2.4%	Telecommunications	Nokia	187	2.3%
Investor	4,209	2.3%	Investment	Investor	199	2.5%

SPP's EQUITY PORTFOLIO

Breakdown in % over largest investment countries



Market value 31 Dec. 1999:
SEK 180.9 bn

Telecom companies, particularly Nokia and Ericsson, noted strong growth in 1999. SPP's investment portfolios started the year overweighted in Nokia and this was later reduced to neutral. Another highly successful investment was the overweight in telecom operator Netcom, whose shares rose by 82 per cent in the past year.

The underweight in the forest products sector remained which had a negative effect on the portfolios since the forest products sector developed very strongly compared with other cyclically sensitive sectors. The assessment is, however, that this highly competitive industry will develop less favourably than the market as a whole over time.

The foreign portfolio also developed well with a rise of 32 per cent in 1999. The index portfolios developed as planned in line with their benchmarks.

The European portfolio started the year overweighted in the telecom sector, mainly Nokia at the beginning of the year. As this share developed strongly, however, weight was transferred to Ericsson and Alcatel. The single most significant contribution to the development of the European portfolio was the substantial overweight in the German telecom operator Mannesmann, which rose an entire 145 per cent in 1999.

Like the Swedish investment portfolios, SPP's European equity portfolios were underweighted in the banking sector at the beginning of 1999 which was fortunate since the sector developed less favourably than the market as a whole. Weak development in 1999 and improved economic prospects meant, however, that SPP started 2000 overweighted in the banking sector.

Real estate

SPP's investment policy for real estate is focused on investments in sub-markets with good liquidity, low risk, attrac-

tive foundations and a relatively attractive direct yield. Tactical allocation is also determined by the phase in the business cycle which the individual sub-market has reached.

In 1999, a number of low-yielding residential properties and several retail properties in the UK not on prime sites were sold. Acquisitions were made of a number of high-class properties in the UK, shopping centres with supermarkets in key sites in the US and a number of industrial and commercial properties in the Netherlands.

Indirect investments were made in listed property companies in Sweden and in Malon Holdings a company formed to acquire a property portfolio from Swedish Post. A number of holdings in REITs, Real Estate Investment Trusts, were sold in the first half of the year and several positions were acquired in the second half after prices had fallen.

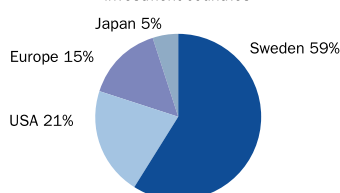
At year-end 1999, 6.1 per cent of the entire real estate portfolio was invested in various indirect holdings. The market value of SPP's real estate portfolio was SEK 32.3 bn (17.2). Investments in properties provided a total return of 15.1 per cent (16.7) in local currency and 16.2 per cent (19.0) in Swedish kronor in 1999.

SPP'S REAL ESTATE – TOTAL RETURN IN LOCAL CURRENCY

	1999	1998
Sweden	17.5%	14.4%
UK	18.4%	24.7%
USA	9.8%	15.9%
Netherlands	13.9%	12.2%
Germany	-14.1%	-0.6%
Total	15.1%	16.7%

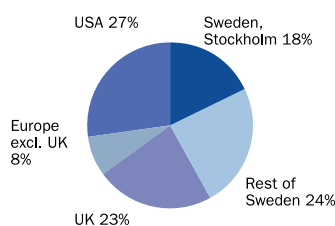
SPP LIV'S EQUITY PORTFOLIO

Breakdown in % over largest investment countries



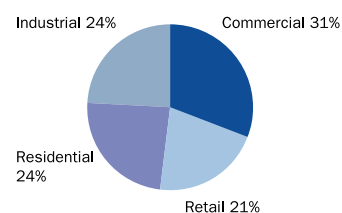
Market value 31 Dec. 1999:
SEK 8.1 bn excluding promissory note

SPP's REAL ESTATE PORTFOLIO



Market value 31 Dec. 1999:
SEK 32.3 bn

TYPE OF REAL ESTATE



Total space 31 Dec. 1999: 3,095 sq. m.

SPP FONDER

SPP Fonder is experiencing fast growth in the most dynamic segment of the Swedish savings market. At the end of 1999, the company managed more than SEK 3,507 m (1,261) on behalf of its clients, an increase of over 170 per cent in two years. Two-thirds of this increase was new savings and the remainder was growth in value. The number of customers rose by approximately 36 per cent.

Nine out of ten of SPP Fonder's customers save in unit-linked insurance but pure fund savings are rising faster than unit-linked insurance savings. SPP's expansion meant that market share doubled to 0.4 per cent (0.2).

The banks dominate the funds market which has a volume amounting to SEK 855 bn.

Website for fund selection

In 1999, SPP's work included building up information for the 2.3 million wage-earners who will take part in the premium pension choice this autumn. This process of choice, under the auspices of the Premium Pension Authority, includes approximately five hundred funds and SPP will participate with 15 funds.

In summer 2000, SPP Fonder intends to launch a website with information that is important when this choice is made. The site will be interactive with opportunities to perform individual simulations. At the same time the company is extending its advisory services and customer centre.

The possibility to buy fund units over the Internet has existed since December 1999 and in the long term the website will provide a complement in terms of information and e-commerce.

All fund types

SPP Fonder offers all its funds with or without an insurance component. The range includes all three main fund types – equity funds, fixed-income funds and mixed funds – each one with its typical risk profile. Furthermore, each fund has an individual balance point between growth opportunities and security. At the end of the year, SPP Fonder managed 14 funds and marketed another five which are managed externally.

Generation funds

Generation funds are a type of mixed fund that was first created by SPP. They are easy to understand and allow savers to adapt their savings portfolio according to the time to retirement without switching funds.

The design of the funds is based on the fact that historically shares provide a higher return than fixed-income investments but also have a higher risk level in the short term. Generation funds for young people contain a higher proportion of shares. By increasing the proportion of fixed-income investments, savers who are approaching retirement are provided with greater security.

There are five generation funds to choose between, from SPP Generation 1930s with a large proportion of fixed-income investments to SPP Generation 1970s which only contains shares.

Index funds with limited risk and low costs

SPP Fonder launched index funds in 1999. Index management accounts for a considerable portion of the fund markets in the US and the UK and favourable development can also be expected for the Swedish market for index funds.

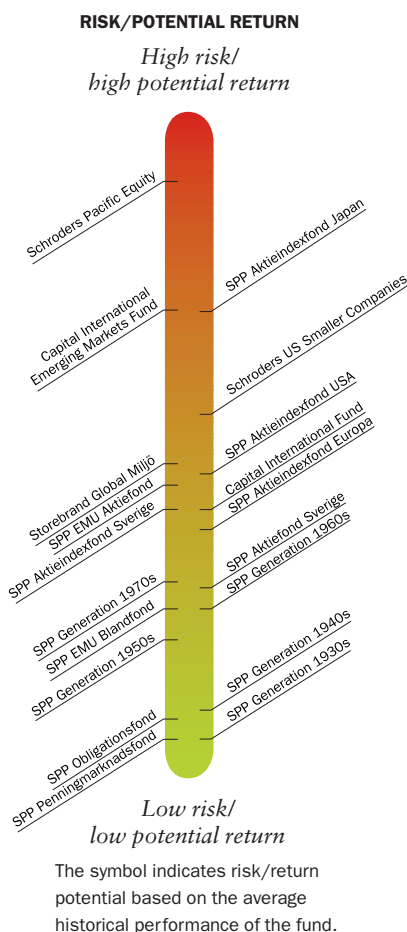
An index fund has two main advantages: the risk is limited to the average level for the market concerned and analyses of individual shares are not required.

For customers the choice between different index funds lies in finding the market or index that offers the desired balance between security and growth. For managers professionalism lies in the ability to create a portfolio that fully reflects the market concerned while keeping transaction costs as low as possible.

SPP Fonder offers four stock index funds linked to different geographical markets, Sweden, Europe, the US and Japan.

Equity and fixed-income funds

The actively managed Swedish securities funds are grouped according to investment focus. SPP Aktiefond Sverige invests in shares and equity-related securities with a wide spread across different industries in Sweden.



SPP Obligationsfond invests in liquid fixed-income securities issued by the government and mortgage institutions. SPP Penningmarknadsfond invests in Swedish fixed-income securities with short maturities issued by the government and mortgage institutions.

New EMU funds

EMU Aktiefond (equities) and EMU Blandfond (mixed) were launched at year-end 1998 and are intended for people who wish to exploit the positive effects of the increasingly integrated European economy and the common European currency.

External funds and international management

Four external funds are managed by the international fund managers Capital International and Schroder Investment Management. Since demand for ethical savings is growing, Storebrand's global environmental fund was also launched during the past year.



Development of SPP's funds in 1999

	Return 1999, %	Benchmark 1999, %	Average return 1996-1999, %	Benchmark
Swedish mutual funds (SEK 750.8 m at 31 December 1999)				
SPP Aktiefond (equities)	62.4	64.7	39.7	Affärsvärlden General Index (AFGX A list)
SPP Obligationsfond (bonds)	-1.6	-1.4	7.5	Stockholm Stock Exchange Bonds
SPP Penningmarknadsfond (money market)	2.8	3.3	4.6	OMRX Treasury Bills Index
SPP EMU Aktiefond (equities)	26.7	25.2		FTSE Ebloc 100
SPP EMU Blandfond (mixed)	6.0	5.4		Weighted combination of FTSE Ebloc (equities) and Smith Barney EMU Government (income)
SPP Generation Funds (SEK 1,997 m at 31 December 1999)				
SPP Generation 1970s	61.4	64.7	29.6	Weighted combination of above indexes
SPP Generation 1960s	52.0	52.1	35.2	
SPP Generation 1950s	38.3	37.5	27.8	
SPP Generation 1940s	23.3	21.3	18.2	
SPP Generation 1930s	10.3	9.9	9.7	
International mutual funds (SEK 180.0 m at 31 December 1999)				
Capital International Fund	47.1	31.6	23.7	MSCI World Index, incl. dividends
Capital International Emerging Countries Fund	95.4	75.2	11.5	MSCI Emerging Markets Free Index, incl. dividends
Schroders US Smaller Companies	19.3	27.5	19.4	Russel 2001 Index, incl. dividends
Schroders Pacific Equity	85.3	70.7	8.9	Ex-Japan Free index, incl. dividends
Storebrand Global Miljö	33.6	29.3	30.5	
Stock index funds (SEK 578.7 m at 31 December 1999)				
SPP Aktieindexfond Europa	22.4	21.4		FTSE Eurotop 100
SPP Aktieindexfond Sverige	77.4	71.0		OMX Index
SPP Aktieindexfond Japan	33.2	33.4		TOPIX 100
SPP Aktieindexfond USA	18.0	17.8		S&P 500



“ It's a positive experience being stationed at the SPP office in Greenwich outside New York. A pharmaceutical analyst is naturally attracted to the US which is the world's most important country and market for the pharmaceutical industry. Most of the most prominent companies in the industry are represented here and US policy affects both the pharmaceuticals market in the US and European pharmaceutical companies. This overseas posting to the US should have a positive impact on both SPP's investment result and my career.

As part of my professional development as a pharmaceutical analyst I am studying to become a Chartered Financial Analyst, CFA. This is an American and international financial analyst course. SPP is sponsoring me and paying for the programme. I really appreciate that. **”**

Alexander Lindström
PHARMACEUTICAL ANALYST FOR SPP

Human capital

Competence development and demanding customers are attracting young people to SPP

Employees

SPP is a highly qualified service company. Extensive operations within insurance, finance and IT offer employees excellent opportunities to develop both in specialist roles and in more traditional line positions. Large customers, employees who are among the foremost in their sector and a market leading position create a platform for professional development that is hard to match. An organisation with a large

number of young new employees, few decision-making levels, small working groups and watchfulness for unhealthy working habits, make SPP a workplace that is easy to enjoy.

At SPP competence means the ability to solve the problems and handle the situation facing employees today and in the future.

The proportion of graduates is higher at SPP than is normal in a private service company. This could be seen in a

survey conducted by an independent institute. According to the same source, investment in competence development at SPP is approximately 30 per cent higher than other private service companies, calculated as training costs per full-time employee. Investment in conferences and training exceeds SEK 28,000 per employee and year, excluding costs for board and lodging. On average every employee spent eleven days on competence development activities in 1999.

An attractive workplace

In 1999, 188 new employees joined the Group. IT specialists, marketing people and economists were some of the categories where SPP strengthened its organisation the most. Banking and insurance interest many people and SPP is among the leaders in savings and investment management. This helps to make the Group an attractive employer.

Particularly in the IT sector growth and the pace of change are so fast, however, that the organisation has difficulty taking care of new employees to the extent motivated by increased requirements.

Employee turnover is low and 4.8 per cent (4.1) left the Group in 1999. At the same, there is positive internal mobility among employees which meant that 3.8 per cent (3.8) developed by changing jobs within the Group.

At SPP just over half the employees are women. The proportion of women in managerial positions was approximately 33 per cent (35) in 1999. The most recent survey, from 1998, showed that SPP was slightly above average in terms of the proportion of female managers.

Competence development

The staff at SPP have an age, education and competence profile that well meets today's needs. The Group's different activities, however, place very different demands on employees and this is reflected in their varying competence development requirements.

Everyone at SPP, regardless of position, has access to internal programmes for both professional and personal development. Many people also attend external training programmes.

The individual performance reviews provide a basis for development plans where the employee takes responsibility for agreed further training and other ways of raising competence.

Insurance, IT and leadership were the three largest areas for internal training in 1999. Language training was also attended by many participants from all levels within the Group.

Examples of longer internal development programmes include "VÄXA" (grow) which is intended to provide development opportunities for people at the beginning of their

careers. The programme involves 17 training days and stretches over one year.

The project manager school is another example of internal programmes. The school's purpose is to increase the proportion of project managers and strengthen participants in their role as project manager. The programme includes ten days of training as well as coaching in project management.

The most qualified external educational programmes include the financial analyst study programme at the Stockholm School of Economics. The Group also supports specially chosen employees who are studying for an MBA. Some employees attend external management and leadership courses at IFL and management training at the Harvard Business School also took place in 1999.

Business School

Starting in 2000 the Business School will be responsible for all competence development at SPP Liv and ensure that the company has the competence it needs to be able to achieve its long-term goals. This means that the Business School will mainly work with training of account managers at the market offices and other employees at SPP Liv as well as providing training for customers and franchise-holders.

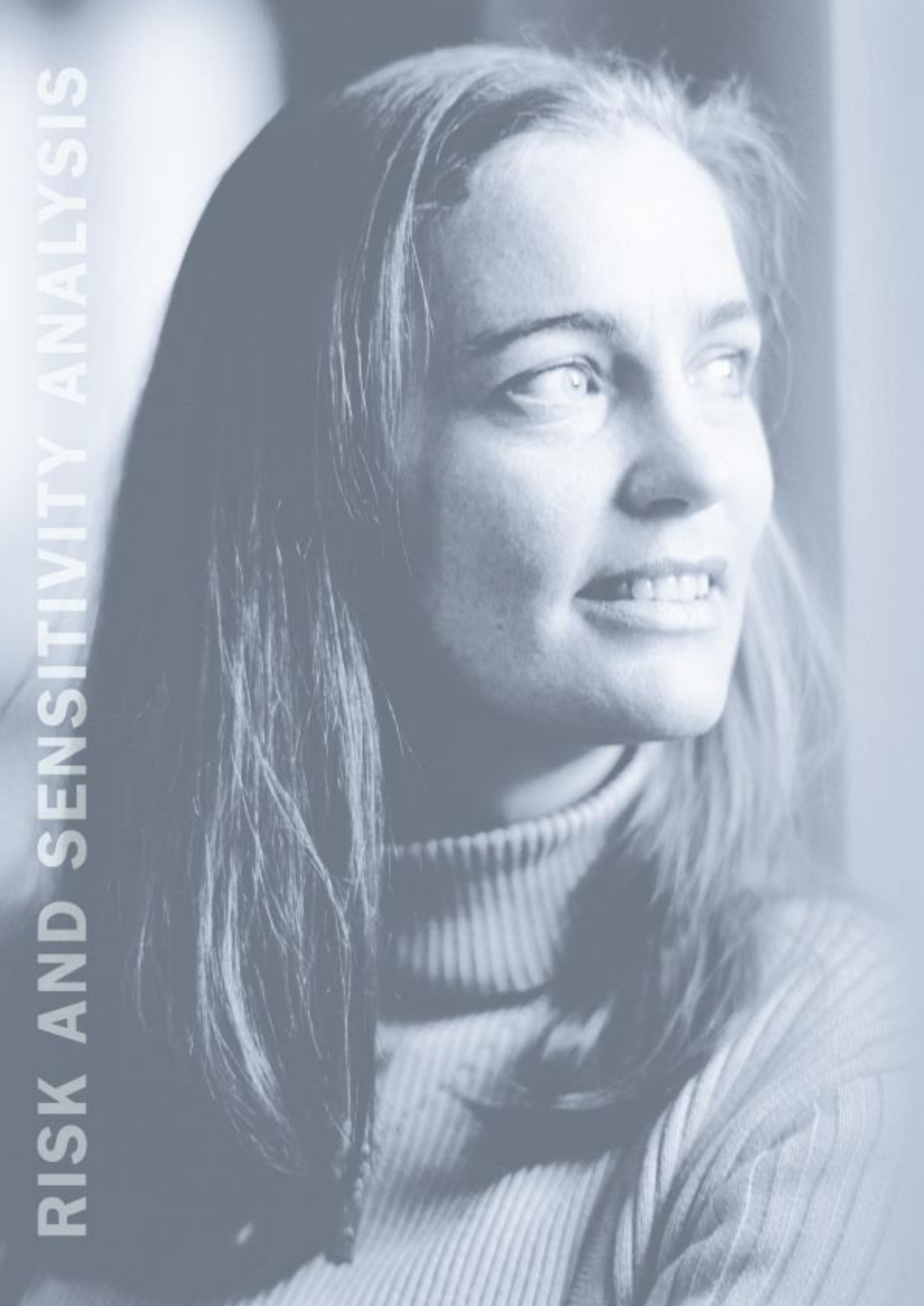
Preventive health care

SPP watches carefully for signs of burnout and works actively to prevent such tendencies. For example, training and evaluation of managers within the Group includes learning to prevent stress. Scheduled working hours where demands on availability over and above normal working hours have increased has reduced overtime and therefore also reduced the level of stress.

At SPP Investment Management's securities administration all deals are carried out at the Stockholm office and the time difference between the US and Sweden means that back-office staff are on duty until 9.30 p.m. Generally, the Group endeavours to limit the number of people who report to the same manager, which surveys at other companies have shown to have a positive impact on health.

The individual employee can attend training in stress management, meditation and mental training during working hours. SPP has a person responsible for preventive health care and employees are offered a personal health programme that assesses the working situation and examines the amount and type of stress. In 1999, special programmes with a focus on diet and exercise helped many people get started. Employees can attend preventive health care activities in partly paid working hours and some groups offer a bonus for the achievement of health goals.

RISK AND SENSITIVITY ANALYSIS



Systems and routines provide good control

People making long-term savings with a bank or an insurance company want both security and a good return. SPP has considerable experience of insurance and of managing assets and creating financial security solutions that provide the balance between security, growth potential and risk that the customer is seeking.

Insurance can be large or small and sometimes insurance contains no savings just a pure risk premium. In defined-benefit occupational insurance such as ITP there is no bonus rate. The size of pension payments is decided in the agreement between the insurance provider and the policyholder.

Insurance customers can control their risks through their choice of insurance company, management form – fund or traditional management – and funds with different risk profiles. Investment management customers can also control their risks through choice of manager and management form – active management or index-linked management – and obtain greater security by controlling the risk mandate for the assignment.

SPP uses a number of different analysis models, systems, rules and routines to control its risks and decide what premiums and charges the company considers match customer benefit, costs and risks.

New Insurance Business Act and reduced allocated interest

Insurance operations and investments made on behalf of the insured are subject, in some aspects, to rules that do not apply to other companies in the savings market. On 1 January 2000, the Insurance Business Act was given a new content with the aim of facilitating competition and product development as well as improving protection and insight into operations for the policyholders.

The law and rules issued by the regulatory authorities are meant to guarantee that the insurance company can meet its commitments.

Twice in twelve months, on 1 July 1998 and on 1 July 1999, the Swedish Financial Supervisory Authority reduced the so-called base rate assumption, in other words the highest permitted interest on debt. Insurance companies use interest on debt as a basis when calculating the size of their life insurance provisions or premium reserves as they were called previously. These reductions were motivated by the

falling interest rate and inflation levels in recent years and by an EU directive stipulating that insurance companies' base rate should not be more than 60 per cent of the long-term bond rate.

As a result of the reduced base rate assumption, in 1999 SPP reduced its interest rate for debt calculation from four per cent to three per cent before tax, which led to increased indebtedness and premium increases for new defined-benefit life insurance. The total cost of the interest rate reduction for the SPP Group is estimated to amount to approximately SEK 45.5 bn.

SPP applies interim rules for the increased indebtedness and will pay the increased costs for existing insurance from the surplus.

Long-term approach gives better protection

Banks and insurance companies are naturally free to offer more extensive protection than the law demands.

SPP – whose core values are security and reliability – offers services that function well over time. SPP Generation Funds have been the most successful of their type for several years. It was also SPP that created the generation funds concept where the investor easily finds a risk profile with an investment portfolio that is automatically adjusted to the customer's age and time to retirement.

The Group does not market highly specialised funds in high-risk markets. Prominence is given to long-term solutions rather than to products and investments that can provide the highest return in the short term provided everything develops in the most optimal manner.

Furthermore, The Group has an extremely well developed system of analysis, valuation and control for every part of its operations. This limits the risks taken by the company day by day and in individual deals. Today, this system combined with reliable routines is one of the Group's strongest competitive advantages.

There are different types of risk. In insurance operations there are insurance risks as well as administrative risks which are basically the same as those within investment management. The latter is also exposed to market risks, currency risks and credit risks.

INSURANCE RISKS

Due to its size and long experience of occupational pensions SPP has a big lead over many of its competitors as regards assessing risks and costs associated with a certain insurance

portfolio and its administration. SPP and SPP Liv can also concentrate their analyses to a relatively homogenous group of insured.

The price or premium for the insurance is set based on the assessed insurance risk and the base rate decided by the Swedish Financial Supervisory Authority.

SPP makes no individual assessments when deciding premiums for collective-agreement related occupational pensions. Since SPP Liv has individual insurance contracts, the company uses medical examinations, premium period restrictions and reinsurance for its risk control.

Collective reserve

The collective reserve is the buffer in insurance operations that allows the company to provide a stable bonus when the investment return varies. According to a decision made by the Board of SPP the collective reserve in the company shall be allowed to vary between 110 and 120 per cent of insurance commitments. If the solvency margin falls below 105 per cent or goes above 125 per cent, action must be taken. The collective reserve for collective-agreement related occupational pension in SPP Liv follows the Group's decision.

At year-end 1999, the collective solvency margin in SPP was 124 per cent. The margin for SPP Liv's collective-agreement related occupational pensions was 126 per cent.

The collective solvency margin for other traditional life insurance in SPP Liv was 116 per cent. It will normally be allowed to vary between 105 and 115 per cent.

Administrative risk

Administrative risks include inadequacies in the organisation, internal control, risk measurement and reporting. The SPP Group manages such risks by having an effective organisation, authorisation requirements for different systems and efficient routines for internal control. This is checked by a special unit, Corporate Internal Audit. In 1999, the extensive investments in the Group's IT system increased still further. The insurance system was certified as Y2K compliant back in 1998 and there were no disruptions or problems, for SPP, its customers or insured, during the millennium changeover.

RISKS IN INVESTMENT MANAGEMENT

Laws, instructions from the Swedish Financial Supervisory Authority, investment rules decided by the Boards of SPP and SPP Liv and internal rules within SPP Investment Management all combine in their separate ways to limit the risks of securities investments and investment management.

Risks are spread through diversification between different asset classes and buying several types of equities and bonds allows investments to be spread and risks reduced. An investment in fixed-income securities generally provides a low risk.

Each client decides the level of credit, liquidity, market, interest-rate and currency risks in their investments. The performance of investments is compared with various benchmarks. Responsibility for business decisions and their control, liquidity management, risk measurement and reporting are divided among different functions at SPP Investment Management in order to provide security when deals are carried out.

SPP's finance system contributes to high security. SPP has developed effective systems support for daily calculation and compilation of excess returns, asset allocation and risk relative to index. Soon after year-end 1999, SPP Investment Management received GIPS certification, which means that the company's methods for calculating returns and risk meet internationally recognised high standards.

During the past year, SPP extended its analysis capacity both in Sweden and at the offices in New York and London. This will contribute to not only more but better and more secure deals in the different markets.

Market risk

The risk that the value of investments will be adversely affected by changes in interest rates, share prices or exchange rates is summarised under market risk. In order to limit these risks, SPP allocates its investments between different asset classes as well as using deviation mandates. Investments in the money market, where return varies relatively little, have the lowest risk. The stock market has considerably greater fluctuations than the money market. Investments in some foreign stock markets involve a greater risk than investments in the Swedish stock market.

SPP and SPP Liv work with a spread of risks based on each company's normal portfolio. The composition of the normal portfolios follows the Swedish Financial Supervisory Authority's directives for insurance companies and is monitored by the boards of SPP and SPP Liv respectively. The portfolios are based on each company's pension commitments and have certain set relations between the different asset classes.

In 1999, SPP net sold equities and net purchased fixed-income investments since stock exchanges rose substantially during the year and the normal portfolios require a set allocation between the different assets.

In active investment management the deviation mandate for active risk, tracking error, serves as an additional risk control. The tracking error limits determine how much active risk the manager can take and therefore how much the return on an investment portfolio with some degree of probability can be expected to deviate from the benchmark.

High volatility or strong fluctuations can affect every financial market. Derivative instruments such as Swedish interest-rate futures, equity futures, forward exchange contracts and currency swaps are used to reduce the risk by distributing it over time and to make management more efficient.

Currency risk

The Boards of SPP and SPP Liv respectively decide which currencies should be hedged as well as the deviation mandate in relation to the normal portfolio's currency exposure. The total currency exposure rose to 22.8 per cent (22.4) in SPP and to 14.7 per cent (14.1) in traditional life insurance within SPP Liv.

CURRENCY EXPOSURE, NET

Currency	SPP	Liv*
USD	46.3	1.5
GBP	16.4	0.4
JPY	11.5	0.4
EUR	16.9	0.6
CHF	2.2	0.1
Others	1.0	0.1

Amounts in SEK bn.

* Pertains to other traditional life insurance.

Credit risk

The risk of financial loss due to the insolvency of an issuer or counterparty is called credit risk. SPP limits this risk by analysing the credit risks associated with different types of investment. SPP Investment Management analyses credit risks and suggests credit limits for issuers and counterpar-

ties. These credit limits are finally decided by the Board of SPP and SPP Liv respectively.

Fixed-income investments are made exclusively in securities issued by lenders with good creditworthiness and transactions are only conducted with counterparties with good creditworthiness.

MAJOR LOANS

Svenska Handelsbanken (Group)	16.5
FöreningsSparbanken (Group)	20.2

Loans in excess of 5% of the SPP Group's total assets.
Amounts in SEK bn.

Liquidity risk

Liquidity risk is the risk of a loss on a financial instrument because it cannot be sold immediately without reducing the price. SPP limits this risk by mainly investing in Swedish and foreign government securities and in equities with good liquidity.

Sensitivity analysis

The Strategy Department's analysts identify and measure the size of risks associated with various business environment factors. This gives the Group an opportunity to analyse the possible consequences of changes in interest rates, share values and property yields in different parts of the world.

The table shows how the market value of SPP's and SPP Liv's portfolios theoretically would be affected by a one percentage point change in the market value of shares, a one percentage point change in the yield requirement on properties and a one percentage point change in the general interest rate level in Sweden, the US, the EMU area and the UK with regard to fixed-income investments. The table's yield requirement for properties is composed of a risk-free real rate of interest, anticipated inflation and a risk premium.

SENSITIVITY ANALYSIS

Percentage change in the market value of total investments

	SPP (Parent Company)		SPP Liv ²⁾	
	SEK m	% of total ¹⁾	SEK m	% of total ¹⁾
Equities	1,809	0.4	81	0.4
Properties	4,262	1.1	–	–
Fixed-income	8,380	2.0	498	2.4
Direct loans	49	0.0	–	–

¹⁾ Percentage of market value of total portfolio.

²⁾ Pertains to other traditional life insurance, i.e. excluding promissory note.

Board of Directors



Ingemar Mundebo¹, born 1930
Chairman. Member of SPP's Board since 1988.
Other directorships: Ericastiftelsen (Chairman), Stiftelsen Gällöfsta (Chairman), Dagens Nyheter, Expressen



Gunnar Björklund², born 1935
First Vice Chairman
Vice President, Sandvik AB
Member of SPP's Board since 1993
Other directorships: AMF Pension, National Pension Insurance Fund, Biogaia Biologics AB, Seco Tools AB



Rolf Lundqvist¹, born 1940
Second Vice Chairman
Finance Director, SIF
Member of SPP's Board since 1995
Other directorships: PRI, FPG



Björn Bergman^{1,2}, born 1942
Chairman, Ledarna
Member of SPP's Board since 1984
Other directorships: Förenade Liv, FPG/PRI, PTK, Mgruppen Holding AB, Affärsledarna HAB, Trygg-Hansa Försäkrings AB



Bertil Blomqvist², born 1939
SIF
Member of SPP's Board since 1981
Other directorships: Eurocadres (Vice Chairman), PRI, Björnbo AB



Gunilla Dahmm, born 1947
Union Official, SIF
Member of SPP's Board since 1999
Other directorships: PRI, KP pension och försäkring, Förenade Liv, AP (Architects' Pension Society), FPG (deputy)



Jan-Peter Duker², born 1946
President the Swedish Forest Industries Association, TIF and the Employers' Federation of Swedish Forestry and Agriculture.
Member of SPP's board since 1998



Bo Eklöf^{1,2}, born 1941
President
Member of SPP's Board since 1991
Other directorships: Employers' Organisation for the Insurance Industry (Chairman), Stiftelsen Kapitalmarknadsgruppen (Chairman), Swedish Insurance Federation (Vice Chairman)



Holger Eriksson², born 1943
Chairman, HTF
Member of SPP's Board since 1991
Other directorships: PTK (Chairman), TCO, AMF-trygghetsförsäkring



Gösta Larsson², born 1939
Vice President, SAF
Member of SPP's Board since 1997
Other directorships: Trygghetsrådet (Chairman), AMF Försäkring, AMF Pension, AMF Kreditförsäkring, PRI



Erik Menckel¹, born 1938
Director, SAF
Member of SPP's Board since 1993
Other directorships: Member of the Board of AMF Pension AB, AMF Försäkring AB, AMFK Ömsesidigt, PRI, Nordic Employees Mutual Insurance Association, National Pension Insurance Fund, Second and Fourth Fund Boards (deputy), FPG (deputy)



Sven Nyman¹, born 1959
Senior Vice President, Investor AB
Member of SPP's Board since 1993
Other directorships: Gambro AB, OM Gruppen AB, Diligentia AB



Lars Otterbeck¹, born 1942
President & CEO D&D Dagligvaror AB
Member of SPP's Board since 1992
Other directorships: Saba Trading, Atle
Tjänste & Handel, Stiftelsen Livsmedels-
branschen



Rune Westergren¹, born 1945
Administrative Manager, HTF
Member of SPP's Board since 1995



Britt-Marie Bryngelsson, born 1953
Employee representative for FTF
Member of SPP's Board since 1993



Åke Danielsson, born 1960
Insurance employee
Employee representative for SACO
Deputy member of SPP's Board since 1999



Karin Fjellström², born 1948
Insurance employee
Employee representative for SACO
Member of SPP's Board since 1997



Birgit Sandberg², born 1945
Insurance Employee
Employee representative for FTF
Member of SPP's Board since 1993

¹ Member of Finance Committee ² Member of the Board of SPP's ITP Division

The Board's rules of procedure

The Board is responsible for the company's organisation and for management of the company's affairs. The Board shall ensure that the organisation includes satisfactory controls with regard to bookkeeping and fund management. It rests with the Board to make necessary management decisions. According to law, it is also the Board that shall decide, among other things, SPP's technical bases and technical guidelines. If operations so require, the Board shall issue instructions for the President and other officers of the company.

According to SPP's Articles of Association, the Board shall consist of a minimum of seven and a maximum of fourteen members elected by the Council of Administration. At its Annual Meeting in 1999 the Council of Administration elected fourteen board members. The Council of Administration appoints the Chairman of the Board, while the Board itself appoints two vice chairmen. The Board normally meets six times each year, with one meeting taking the form of a two-day board seminar for examination of matters of strategic importance for SPP. The Board had seven meetings in 1999.

Within the Board there is a Board Presidium, consisting of the Chairman of the Board, the Vice Chairmen and the President. The Presidium's key task is to handle and make decisions on matters that the Board delegates to the Presidium and otherwise to advise the President as regards day-to-day management. The Presidium meets on the initiative of the Chairman of the Board.

A separate divisional board has been established for operations within the SPP ITP Division with the President as chairman. In addition to the President and the head of the division, six members of the Board of SPP are members of the divisional board. The work of the divisional board is regulated by special delegation procedures adopted by SPP's Board. The divisional board met five times in 1999.

The Board has also appointed a Finance Committee from among its members, which in addition to the Chairman of the Board and the President, consists of four members with two deputies. The Finance Committee decides detailed guidelines for current investment operations, controls investment management, decides on matters contained within the mandates given to the President and Investment Management and prepares matters that are to be examined by the Board. The Finance Committee met six times in 1999.

Group Management and Heads of Group Staffs



Bo Eklöf, born 1941
President & CEO



Anders Ek, born 1948
Deputy CEO and President of
SPP Investment Management
Member of Group Management



Mikael Elf, born 1963
Senior Vice President, Head
of SPP ITP Division
Member of Group Management



Anders Östryd, born 1953
President of SPP Liv
Member of Group Management



Kerstin Stenberg, born 1946
Senior Vice President, Corporate
Accounting, Control & Administration
Member of Group Management



Jan-eric Jonsgården, born 1947
Senior Vice President,
Corporate Legal Affairs
Member of Group Management



Björn Nilsson, born 1950
Senior Vice President, Special Adviser
Member of Group Management



Jan Dahlin, born 1942
Head of Corporate IT



Klas Råsäter, born 1939
Senior Vice President,
Corporate Communications



Hans Sällström, born 1958
Head of Corporate Internal Audit



Birgitta Gilljam, born 1944
Senior Vice President
Corporate Human Resources

Council of Administration and Auditors

Council of Administration

The Council of Administration is SPP's highest level decision-making body. It has essentially the same functions as the Annual General Meeting of a company limited by shares. The Council's duties include election of Board members and auditors, consideration of the motion put forward each year concerning discharge of the Board of Directors and President from liability for their administration during the past financial year, and deciding on adoption of the Profit and Loss Account and Balance Sheet, and on disposition of earnings for the financial year. The Council of Administration consists of 38 members and eight deputies. Of these, half the members and deputies are appointed by the Swedish Employers' Confederation (SAF), the Association of Swedish Chambers of Commerce, and the Federation of Swedish Industries. The other half of the members and deputies are appointed by the Swedish Union of Clerical and Technical Employees in Industry (SIF), the Union of Commercial Salaried Employees (HTF), the Association of Managerial and Professional Staff (Ledarna), the Federation of Salaried Employees in Industry and Services (PTK), and the Swedish Association of Graduate Engineers (CF).

In order to ensure that the interests and views of SPP pensioners are represented, a number of the Council's members are SPP pensioners. They are appointed by the employee organisations named above.

Members and Deputy Members

Members and deputy members elected by SAF, the Association of Swedish Chambers of Commerce, and the Federation of Swedish Industries for the period 1999–2001 are:

Members

Tommy Adamsson, Stockholm	Britt Reigo, Stockholm
Ingvar Bladh, Västerås	Torsten Sandin, Stockholm
Heinrich Blauert, Stockholm	Jens Spendrup, Stockholm
Sune Ehring, Mörrum	Christer Spångberg, Helsingborg
Jan Fredell, Stockholm	Göran Tunhammar, Stockholm
Göran Grerup, Helsingborg	Annmarie Wildell, Stockholm
Ulf Laurin, vice ordf, Malmö	Lars Wuopio, Täby
Anders Narvinger, Västerås	<i>Deputy members</i>
Lennart Nilsson, Lund	Peter Egardt, Stockholm
Lars-Olof Norell, Stocksund	Sverker Erlandsson, Stockholm
Anna Lena Nyberg, Kramfors	Anders Modig, Stockholm
Bengt Pettersson, Stockholm	H G Wessberg, Stockholm

Members and deputy members elected by the Swedish Union of Clerical and Technical Employees in Industry (SIF), the Union of Commercial Salaried Employees (HTF), the Association of Managerial and Professional Staff (Ledarna), the Federation of Salaried Employees in Industry and Services (PTK), and the Swedish Association of Graduate Engineers (CF) for the period 1999–2001 are:

Members

Conny Andersson (HTF), Växjö
Viola Backlund (SIF), Östersund
Åge Hansen (SIF), Kungsbacka, also for SPP's pensioners
Bo Henning (SIF), Spånga, also for SPP's pensioners
Martin Johanson (HTF), Stockholm
Gösta Jönsson (Ledarna), Ragunda, also for SPP's pensioners
Åke Karlsson (Ledarna), Linköping, also for SPP's pensioners
Mari-Ann Krantz, Chairman, (SIF), Alingsås
Karl-Gösta Larsson (HTF), Luleå, also for SPP's pensioners
Curt Malmberg (SIF), Stockholm
Gyula Math (SIF), Jönköping
Lilian Ringsand (SIF), Skellefteå
Lena Sippel (HTF), Värmdö
Isa Skoog (SIF), Stockholm
Karl-Gunnar Skoog (PTK), Stockholm
Anitha Svensson-Grané (SIF), Lund
Jöran Tjernell (CF), Stockholm
Thord Wedin (SIF), Västerås
Stig Öhgren (Ledarna), Göteborg, also for SPP's pensioners

Deputy members

Jan Björklund (HTF), Stockholm
Dan Eriksson (SIF), Luleå
Harry Wandin (Ledarna), Avesta, also for SPP's pensioners
Anders Widlund (SIF), Eskilstuna

Auditors

<i>Auditors</i>	<i>Appointed by</i>
Per Bergman, Authorised Public Accountant, KPMG	Council of Administration
Carl Lindgren, Authorised Public Accountant, KPMG	Council of Administration
Göran Raspe, Authorised Public Accountant, Öhrlings PricewaterhouseCoopers	Swedish Financial Supervisory Authority
Patric Fredell, SAF	Council of Administration
Barbro Sundqvist, SIF	Council of Administration
<i>Deputy Auditors</i>	
Roland Nilsson, Authorised Public Accountant, KPMG	Council of Administration
Tomas Thiel, Authorised Public Accountant, KPMG	Council of Administration
Tommy Nilsson, Ledarna	Council of Administration
Gustaf Svensson, SAF	Council of Administration

Analysis of Results

Parent Company SEK m	Direct insurance of Swedish risks			Total	Reinsurance accepted
	Total	Group pension and occupational pension insurance with bases	Group life and occupational group life insurance with bases		
Premiums written	15,615	15,301	314	15,615	–
Investment income	38,173	38,158	10	38,168	5
Unrealised gains on investments	44,571	44,564	–	44,564	7
Claims incurred	–8,110	–7,912	–198	–8,110	–
Change in life insurance provisions	–14,748	–14,748	–	–14,748	–
Operating expenses	–447	–438	–9	–447	–
Investment charges	–11,686	–11,685	–	–11,685	–1
Unrealised losses on investments	–11,080	–11,078	–	–11,078	–2
Balance on the technical account, life insurance business	52,288	52,162	117	52,279	9
Technical provisions					
Life insurance provisions	168,796	168,796	–	168,796	–
Provisions for claims outstanding	9,561	9,366	175	9,541	20
Total technical provisions	178,357	178,162	175	178,337	20
Bonus funds	176,762	176,518	207	176,725	37
Note to the result analysis for life insurance business					
Claims incurred					
Claims paid	–6,347	–6,152	–195	–6,347	–
Change in provisions for claims outstanding	–1,763	–1,760	–3	–1,763	–
Total claims incurred	–8,110	–7,912	–198	–8,110	–

Profit and Loss Accounts

SEK m	Note	Group		Parent Company	
		1999	1998	1999	1998
TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS					
Premiums written (gross)	1	23,194	18,890	15,615	13,375
Premiums ceded		-31	-	-	-
Investment income	2	38,414	45,974	38,173	43,331
Unrealised gains on investments	3	47,010	4,948	44,571	5,400
Increase in value of investments for which policyholders bear the investment risk		535	65	-	-
Claims incurred					
Claims paid		-8,325	-7,343	-6,347	-5,787
Gross	4	-8,326	-7,343	-6,347	-5,787
Reinsurers' share		1	-	-	-
Change in provisions for claims outstanding		-2,034	-400	-1,763	-365
Gross		-2,054	-400	-1,763	-365
Reinsurers' share		20	-	-	-
Change in other technical provisions					
Life insurance provisions		-20,508	-14,748	-14,748	-9,673
Other technical provisions	5	-1,442	-6,024	-	-4,000
Operating expenses	6	-1,225	-1,039	-447	-452
Investment charges	7	-1,904	-812	-11,686	-7,341
Unrealised losses on investments	8	-11,738	-1,891	-11,080	-2,819
Decrease in value of investments for which policyholders bear the investment risk		2	-1	-	-
Balance on the technical account, life insurance business		61,948	37,619	52,288	31,669
NON-TECHNICAL ACCOUNT					
Balance on the technical account, life insurance business		61,948	37,619	52,288	31,669
Investment income		9	29	-	-
Unrealised gains on investments		-	-10	-	-
Investment charges		-8	-	-	-
Unrealised losses on investments		-	-1	-	-
Other income		59	36	-	0
Other expenses		-58	-40	-	-5
Result before appropriations and taxes		61,950	37,633	52,288	31,664
Appropriations		-	-	-	-208
Result before taxes		61,950	37,633	52,288	31,456
Tax on profit for the year	9	-2,631	-2,060	-2,108	-1,416
NET PROFIT FOR THE YEAR		59,319	35,573	50,180	30,040

Balance Sheets

SEK m	Note	31 Dec. 1999	Group 31 Dec. 1998	Parent Company 31 Dec. 1999	31 Dec. 1998
ASSETS					
Investments					
Land and buildings	10	32,849	28,026	23,117	19,655
Investments in Group and associated companies					
Shares and participations in Group companies	11	–	–	2,290	2,181
Fixed-income securities issued by and loans to Group companies	12	–	–	7,984	6,678
Promissory notes, Group companies	13	–	–	–59,401	–49,002
Shares and participations in associated companies	14	64	64	64	64
Other financial investments					
Shares and participations	15	192,209	149,754	183,321	143,011
Bonds and other fixed-income securities	16	203,833	180,188	191,572	170,049
Loans with collateral in real property	17	194	263	194	263
Other loans	18	1,306	1,383	1,306	1,383
Other financial investments	19	–	986	–	986
		430,455	360,664	350,447	295,268
Investments for which policyholders bear the investment risk					
	20	2,289	853	–	–
Reinsurers' share of technical provisions					
Claims outstanding		20	–	–	–
Receivables					
Amounts receivable from direct insurance operations	21	1,439	2,721	783	2,139
Other receivables	22	1,407	1,236	1,394	1,212
		2,846	3,957	2,177	3,351
Other assets					
Tangible assets	23	68	70	51	50
Cash at bank and in hand		1,170	963	354	352
		1,238	1,033	405	402
Prepayments and accrued income					
Accrued interest and rental income		6,688	6,407	6,278	6,045
Deferred acquisition costs	24	112	98	–	–
Other prepayments and accrued income		279	100	217	46
		7,079	6,605	6,495	6,091
TOTAL ASSETS					
		443,927	373,112	359,524	305,112

SEK m	Note	Group		Parent Company	
		31 Dec. 1999	31 Dec. 1998	31 Dec. 1999	31 Dec. 1998
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES					
Untaxed reserves	25	–	–	501	501
Bonus funds	26				
Bonus reserve		92,942	70,589	75,966	56,517
Reserve for unrealised gains	27	91,133	52,326	87,603	50,616
Restricted equity in operating companies	28	5,276	4,949	–	–
Accumulated loss in operating companies	28	–3,986	–5,724	–	–
Other funds		–38,803	–1,831	–36,987	–2,431
Net profit for the year		59,319	35,573	50,180	30,040
		205,881	155,882	176,762	134,742
Technical provisions					
Life insurance provisions	29	219,212	193,304	168,796	150,118
Provisions for claims outstanding	30	10,901	8,747	9,561	7,698
Other technical provisions	31	–	5,500	–	4,000
		230,113	207,551	178,357	161,816
Provisions for life insurance for which policyholders bear the investment risk	32	2,319	877	–	–
Provisions for other risks and expenses					
Provisions for taxes	33	506	585	189	208
Other provisions		4	4	3	2
		510	589	192	210
Deposits received from reinsurers		20	–	–	–
Liabilities					
Liabilities related to direct insurance	34	1,318	876	643	523
Liabilities related to reinsurance operations		7	–	–	–
Derivatives		202	–	178	–
Other liabilities	35	2,256	6,425	2,222	6,875
		3,783	7,301	3,043	7,398
Accruals and deferred income	36	1,301	912	669	445
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES					
		443,927	373,112	359,524	305,112
Memorandum Items					
Guarantees and assets pledged as collateral security for own liabilities and by way of provisions reported commitments	37	325,685	254,719	266,281	208,974
Other pledged assets and comparable guarantees	38	366	359	–	–
Contingent liabilities	39	37,906	2,235	28,005	

Cash Flow Statements

SEK m	Group		Parent Company	
	1999	1998	1999	1998
Life insurance				
Paid-in premium and fees	18,548	15,248	11,513	10,148
Investment income and expenses	15,487	15,881	4,775	8,506
Insurance claims paid	-8,325	-7,343	-6,347	-5,787
Bonuses paid	-4,669	-3,214	-4,169	-2,898
Operating expenses in insurance operations	-1,206	-1,015	-436	-435
	19,835	19,557	5,336	9,534
Other				
Other income and expenses	1	-4	-	-5
Taxes	-2,637	-3,033	-2,127	-2,462
	-2,636	-3,037	-2,127	-2,467
Cash flow from operating activities	17,199	16,520	3,209	7,067
Investing, financing and other				
Capital expenditure, machinery and equipment	-17	-31	-12	-16
Investments	-14,394	-13,103	164	-3,689
Change in receivables and other assets	617	-1,652	770	-1,797
Change in liabilities	-3,182	-1,631	-4,129	-1,684
Portfolio transfers, translation differences, etc.	-16	142	-	-
Total investing, financing and other	-16,992	-16,275	-3,207	-7,186
TOTAL CASH FLOWS	207	245	2	-119
CHANGE IN LIQUID ASSETS	207	245	2	-119

Accounting Principles

The annual accounts have been prepared in accordance with the Annual Accounts Acts for Insurance Companies and the Swedish Financial Supervisory Authority's instructions and general advice regarding the annual accounts of insurance companies. The same accounting principles are used for the Group and the parent company.

Consolidated Accounts

The consolidated accounts include the parent company Försäkringsbolaget SPP, ömsesidigt, and those companies in which the parent company's voting rights exceed 50 per cent through direct or indirect ownership and holdings of a long-term nature. The consolidated accounts are prepared according to the purchase method in accordance with the recommendations of the Swedish Financial Accounting Standards Council.

The balance sheets of foreign subsidiaries are translated to SEK using year-end exchange rates. Profit and loss accounts are translated using the average exchange rates for the year. The translation differences which arise are stated in equity.

Associated companies, i.e. companies in which the Group's voting rights amount to a minimum of 20 per cent and a maximum of 50 per cent, are reported according to the acquisition cost method. Briefly, this means the value is determined by the original purchase price for the shares and that any dividends from associated companies are stated as income in the consolidated profit and loss account.

Accounting and valuation of investments

Investments are reported at current value with the exception of shares and participations in Group companies and associated companies and fixed-income securities issued by, and loans to, Group companies which are valued at acquisition value, after deduction for requisite write-downs. Purchases and sales of investments are reported in the balance sheet as per transaction date. Unsettled transactions as per the closing date are reported as a receivable from or liability to the counterparty under other receivables and other liabilities.

Assets and liabilities in foreign currency are translated into SEK at year-end exchange rates with the exception of shares in foreign subsidiaries and associated companies which are translated at the exchange rate prevailing on the investment date.

The current value of Swedish properties is calculated according to the cash flow method. The current value of foreign properties is calculated in accordance with the valuation method that applies in the respective country which has resulted in some being valued according to the cash flow method and some according to a direct yield model. All properties with a current value in excess of SEK 250 m (250) have been appraised externally. Other properties are valued externally over a period of four years. In 1999, 63 per cent (54) of the real estate portfolio's market value was appraised by external assessors.

The result of trading in equity and interest-rate futures is reported as a capital gain, net in the item other investments in the note for investment income/charges. Derivatives that are used to hedge currency risks are reported together with the underlying asset. All derivatives are valued at current value.

Realised and unrealised changes in value are reported over the profit and loss account and for equities and real estate comprise the difference between the acquisition value and current value. For fixed-income instruments the unrealised result is calculated as the difference between amortised cost and current value. Amortised cost is the present value of future payments discounted by the effective rate of interest at acquisition. This takes into account any premiums or discounts at acquisition which are spread over the remaining maturity period of the instrument.

Unrealised gains on investments at the closing date are reported in a reserve for unrealised gains after deferred tax under bonus funds in the balance sheet has been taken into account. The reserve for unrealised gains consists of the difference between the total acquisition value (for fixed-income investments – amortised cost) and total current value for the respective asset item in the original currency translated at the year-end exchange rate, with the exception of land and buildings. Unrealised gains on land and buildings are calculated on an individual basis. Reserve for unrealised gains relating to land and buildings thus comprises the sum of all unrealised gains attributable to individual buildings where current value exceeds acquisition value.

For unit-linked insurance activities in the event of the transfer of units to mutual funds from "on behalf of policyholders" to "on own account" the current value of the fund units at the transfer date is applied. Fund units for which policyholders bear the investment risk are valued at current value.

Valuation of other assets

Machinery and equipment is valued at acquisition values after deduction of accumulated depreciation. Depreciation is carried out according to plan based on estimated useful economic life.

Acquisition costs that vary with and which are directly or indirectly related to acquisition or renewal of insurance contracts are capitalised in the balance sheet. The depreciation period for capitalised acquisition costs is five years.

Valuation of technical provisions

In the life insurance business, long-term contracts motivate consideration to both the length of the contract and the return on the assets that correspond to the insurance undertaking. For this reason, present value computations of reserves are always made. These are computed according to generally accepted actuarial principles adopted by SPP's Board of Directors. These principles are based on assumptions with regard to interest rates, mortality, illness and operating expenses.

Technical provisions consist of life insurance provisions and provisions for claims outstanding and other technical provisions.

Life insurance provisions are the capital value of benefits undertaken according to contracts entered into includ-

ing anticipated payment costs reduced by the capital value of future premiums for such benefits.

The provision for claims outstanding mainly comprises the estimated capital value of the company's liability for disability pensions and premium waivers for disabilities that have already occurred. A small portion relates to insurance amounts due for payment, but for which payment has not yet been made, as well as an amount for anticipated but not yet known claims.

Provisions for which policyholders bear the investment risk correspond to the undertakings according to insurance contracts. These provisions comprise at all times the sum of the current value of the fund units attributable to the insurance in question, and funds that have not been converted into fund units.

When calculating the collective reserve, the companies' commitments consist of allocated bonus and earned benefits calculated as technical repurchase value.

Tax

Taxes are calculated individually for each company in the country of operation and in accordance with prevailing tax legislation. Tax costs for 1999 include yield tax, income tax and withholding tax on dividend payments. Income tax includes deferred tax on the portion of the SPP Group's operations that is liable for income tax.

Notes

Amounts in SEK m, unless otherwise stated

NOTE 1 PREMIUMS WRITTEN (GROSS)

	Group		Parent Company	
	1999	1998	1999	1998
Paid-in and recognised premium	18,692	15,427	11,611	10,306
Portfolio premiums	-5	-5	0	0
Reversionary bonus for adjustment of paid-up values	1,435	1,036	1,093	881
Reversionary bonus for premium reduction	3,186	2,552	3,016	2,298
Technical premium supplements	32	30	31	29
Premium tax	-146	-150	-136	-139
	23,194	18,890	15,615	13,375

Premiums written have been taken out in Sweden.

	1999		1998	
Premiums written for direct insurance Group	Periodic premiums	Single premiums	Periodic premiums	Single premiums
Group insurance				
Bonus contracts	16,070	6,223	12,739	5,677
Contracts where policyholders bear the investment risk	843	58	444	30
	16,913	6,281	13,183	5,707

In the Parent Company premiums written for direct insurance, of which SEK 11,118 m (9,473) are periodic premiums and SEK 4,497 m (3,902) single premiums, are entirely attributable to bonus contracts.

NOTE 2 INVESTMENT INCOME

	Group		Parent Company	
	1999	1998	1999	1998
Operating surplus from land and buildings	1,852	1,408	1,203	957
(Rental income)	2,953	2,456	1,889	1,635
(Operating expenses)	-1,101	-1,048	-686	-678
Dividends received	3,490	3,506	3,387	3,339
(Associated companies)	4	3	4	3
(Group companies)	-	-	64	10
Interest receivable, etc.	8,967	8,404	8,838	8,326
(Bonds and other fixed-income securities)	8,674	7,938	8,191	7,487
(Bonds and other fixed-income securities, Group companies)	-	-	405	419
(Other interest receivable)	293	466	237	406
(Other interest receivable, Group companies)	-	-	5	14
Reversed write-downs	12	2	12	161
(Other investments)	12	2	12	161
Exchange gains, net	2,073	3,346	2,021	3,235
Capital gains, net	22,020	29,308	22,712	27,313
(Land and buildings)	576	1,284	275	175
(Shares and participations)	21,060	22,101	20,425	21,516
(Shares and participations, Group companies)	-	-	1,691	-
(Fixed-income securities)	384	5,624	321	5,377
(Other investments)	-	299	-	245
	38,414	45,974	38,173	43,331

NOTE 3 UNREALISED GAINS ON INVESTMENTS

	Group		Parent Company	
	1999	1998	1999	1998
Land and buildings	1,451	111	1,304	793
Shares and participations	45,559	-	43,267	-
Bonds and other fixed-income securities	-	4,341	-	4,084
Loans with collateral in real property	-	8	-	8
Other loans	-	488	-	515
	47,010	4,948	44,571	5,400

NOTE 4 CLAIMS PAID (GROSS)

	Group		Parent Company	
	1999	1998	1999	1998
Claims paid	-8,136	-7,229	-6,182	-5,695
Cancellations and repurchases	-3	-3	-3	-3
Operating costs for claims management	-187	-111	-162	-89
	-8,326	-7,343	-6,347	-5,787

NOTE 5 CHANGE IN OTHER TECHNICAL PROVISIONS

	Group		Parent Company	
	1999	1998	1999	1998
Other technical provisions	-	-5,500	-	-4,000
Life insurance provisions where policyholders bear the investment risk	-524	-	-	-
	-1,442	-6,024	-	-4,000

Other technical provisions in 1999 refer to a reserve strengthening attributable to reduced interest rate assumptions in the premium reserve calculation.

NOTE 6 OPERATING EXPENSES

	Group		Parent Company	
	1999	1998	1999	1998
Acquisition costs	-380	-289	-	-
Change in deferred acquisition costs	14	47	-	-
Administrative expenses	-863	-797	-447	-452
Reinsurance commissions and profit participation	4	-	-	-
Total operating expenses in insurance operations	-1,225	-1,039	-447	-452
Claims management	-187	-111	-162	-89
Treasury management	-324	-222	-265	-176
Property management	-279	-253	-214	-182
Other	1	-4	-	-
Total operating expenses	-2,016	-1,629	-1,088	-899

Specification of total operating expenses:

Staff costs	-672	-643	-249	-334
Premises	-108	-77	-57	-32
Depreciation	-19	-24	-11	-17
Other	-1,367	-1,048	-904	-648
Management fees	150	163	133	132
Net operating expenses	-2,016	-1,629	-1,088	-899

Operating expenses include commissions amounting to SEK 133 m (85). The SPP Group's pension commitments are covered by current insurance.

NOTE 7 INVESTMENT CHARGES

	Group		Parent Company	
	1999	1998	1999	1998
Investment management charges	-324	-222	-265	-176
Interest payable, etc.	-572	-590	-579	-612
<i>(Real estate loans)</i>	1	2	2	4
<i>(Real estate loans, Group companies)</i>	-	-	-38	-49
<i>(Other interest payable)</i>	-573	-592	-543	-560
<i>(Other interest payable, Group companies)</i>	-	-	0	-7
Capital losses, net	-1,008	-	-1,012	-
<i>(Other investments)</i>	-1,008	-	-1,012	-
Return on promissory note	-	-	-9,830	-6,553
	-1,904	-812	-11,686	-7,341

NOTE 8 UNREALISED LOSSES ON INVESTMENTS

	Group		Parent Company	
	1999	1998	1999	1998
Shares and participations	-	-1,891	-	-2,819
Bonds and other fixed-income securities	-11,505	-	-10,849	-
Loans with collateral in real property	-4	-	-4	-
Other loans	-49	-	-49	-
Other financial investments	-180	-	-178	-
	-11,738	-1,891	-11,080	-2,819

NOTE 9 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	1999	1998	1999	1998
Yield tax	-2,363	-2,660	-1,899	-2,171
Income tax	-10	812	43	946
Other	-258	-212	-252	-191
	-2,631	-2,060	-2,108	-1,416

Of income tax, in the Group SEK 6 m (973) and in the Parent Company SEK 19 m (1,046) comprise deferred tax. Deferred tax income in 1998 is attributable to utilisation of a deferred tax liability in connection with changed distribution of investment income to sickness and accident insurance.

NOTE 10 LAND AND BUILDINGS¹⁾

Group	1999		1998	
	Current value	Acquisition value	Current value	Acquisition value
Swedish properties	15,211	12,911	14,214	12,961
Foreign properties	17,638	18,797	13,812	14,784
	32,849	31,708	28,026	27,745
Parent Company				
Swedish properties	14,693	12,457	13,598	12,323
Foreign properties	8,424	7,982	6,057	5,969
	23,117	20,439	19,655	18,292

Properties with option agreements in the Group and the Parent Company comprise SEK 2,503 m (2,706) of the current value of the Swedish properties.

	Group		Parent Company	
	1999	1998	1999	1998
Tax values				
Properties used in own operations				
Buildings	215	215	187	187
Land	78	78	69	69
Other properties				
Buildings	5,856	5,926	5,668	5,744
Land	1,143	1,176	1,113	1,116
	7,292	7,395	7,037	7,116

Tax values refer to Swedish properties. Properties used in own operations comprise 2.7 per cent (2.4) of the current value of the Group's total property portfolio.

Breakdown by type of property and location

	Current value	Acquisition value	Current value SEK/sq. m. lettable space, SEK	Direct yield, %
Residential/mixed residential	5,103	2,189	7,276	5.7
<i>(Sweden, metropolitan areas)</i>	3,912	1,438	8,827	-
<i>(Rest of Sweden)</i>	837	412	3,940	-
<i>(Outside Sweden)</i>	354	339	7,742	-
Office and commercial property	21,267	22,698	14,548	7.5
<i>(Sweden, metropolitan areas)</i>	4,810	4,166	11,495	-
<i>(Rest of Sweden)</i>	2,217	3,024	7,249	-
<i>(Outside Sweden)</i>	14,240	15,508	19,305	-
Industrial properties	3,894	4,037	5,244	8.4
<i>(Sweden metropolitan areas)</i>	286	341	4,053	-
<i>(Rest of Sweden)</i>	568	750	3,027	-
<i>(Outside Sweden)</i>	3,040	2,946	6,276	-
Hotel and conference facilities	78	277	4,149	10.4
<i>(Rest of Sweden)</i>	78	277	4,149	-
Other properties	4	4	37,708	3.9
<i>(Outside Sweden)</i>	4	4	37,708	-
Sale and leaseback	2,503	2,503	6,710	6.8
Total	32,849	31,708	9,961	-

If the direct yield requirement is raised by one percentage point, the market value falls by 13.2 per cent (13.9).

On 31 December 1999, the vacancy rate, calculated after space was 10.9 per cent (10.2) in the Swedish real estate portfolio and 3.8 per cent (3.5) in the portfolio outside Sweden.

¹⁾ The statutory list of equities and real estate holdings is attached to the annual report submitted to the Swedish Financial Supervisory Authority. The list may be ordered from SPP Corporate Communications, SE-103 73 Stockholm, via fax +46 8 441 60 75 or info@spp.se.

NOTE 11 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Parent Company	Reg. No.	Domicile	Number	Share of equity	Book value 1999	Book value 1998
Swedish companies						
AB Björnbo	556058-1695	Lidingö	100	100%	0	0
Förvaltnings AB A6 Center	556278-7902	Jönköping	800	80%	0	0
SPP Livförsäkring AB	516401-8524	Stockholm	2,000	100%	200	200
SPP Kundcenter AB	556550-1243	Stockholm	1,000	100%	–	–
SPP Liv Fondförsäkring AB	516401-8599	Stockholm	800	100%	–	–
SPP Liv Pensionstjänst AB	556254-6969	Stockholm	8,000	100%	–	–
SPP Konsult AB	556045-7581	Stockholm	100	100%	–	–
SPP Kapitalförvaltning Holding AB	556542-4115	Stockholm	900	100%	56	56
SPP Fonder AB	556397-8922	Stockholm	1,000	100%	–	–
SPP Kapitalförvaltning AB	556138-1475	Stockholm	430,000	100%	–	–
Celexa Fastighetskapital AB	556545-7826	Stockholm	7,000	100%	–	–
Celexa Fastighetsservice AB	556021-1863	Stockholm	2,000	100%	–	–
Teknocenter Sverige AB	556504-3774	Halmstad	510	51%	–	–
Teknocenter Sverige Företagssupport AB	556504-6652	Halmstad	1,000	100%	–	–
Teknocenter Sverige Service AB	556475-5311	Halmstad	1,005	100%	–	–
Nummerhästen 7 KB	969639-7737	Stockholm	99	99%	2	0
Trumpetstöten Vit KB	969639-9063	Stockholm	99	99%	4	1
Marketenteriet 5 KB	969639-9402	Stockholm	99	99%	2	0
Stoltalaren 1 KB	969640-1026	Stockholm	99	99%	10	1
Taptot 9 KB	969640-2271	Stockholm	99	99%	5	1
Trumpetstöten Röd KB	969639-7273	Stockholm	99	99%	4	0
Trumpetstöten Grön KB	969639-7299	Stockholm	99	99%	4	0
Silksvansen 8 KB	969640-2297	Stockholm	99	99%	6	1
Trumpetstöten Blå KB	969639-7257	Stockholm	99	99%	2	0
Interstat 6 KB	969640-1059	Stockholm	99	99%	9	1
Trumpetstöten 4 KB	969639-7240	Stockholm	99	99%	0	0
Naraden 7 KB	969640-1422	Stockholm	99	99%	4	0
Naraden Gul KB	969646-8702	Stockholm	99	99%	2	1
Hornstöten 1 KB	969646-8728	Stockholm	99	99%	2	2
Naraden Grön KB	969646-8751	Stockholm	99	99%	2	1
Naraden Ria KB	969651-3747	Stockholm	99	99%	1	0
Naraden Adolf KB	969651-2038	Stockholm	99	99%	5	1
Naraden Lant KB	969651-1998	Stockholm	99	99%	1	0
Naraden Åby KB	969651-3127	Stockholm	99	99%	4	0
Naraden Hand KB	969651-2996	Stockholm	99	99%	1	0
Naraden Vattnet KB	969651-2988	Stockholm	99	99%	2	0
Naraden Boglundsängen KB	969651-4117	Stockholm	99	99%	0	0
Hjulmakaren 1 KB	969657-5605	Stockholm	99	99%	2	–
SPP Real Estate USA KB	969663-6886	Stockholm	99	99%	88	–
					418	266
Foreign companies						
SPP Ejendomsinvest A/S	–	Copenhagen	310	100%	16	16
SPP Real Estate (Europe/Pacific) BV	–	Amsterdam	105	100%	396	396
Amstel Klaver Beleggingen BV	–	Amsterdam	40,000	100%	0	0
SPP Real Estate (USA) Inc	–	Greenwich	5,000	100%	353	97
SPP Real Estate (International) Ltd	–	London	499,871,324	100%	1,107	1,406
					1,872	1,915
Total shares and participations in Group companies					2,290	2,181

Since all shares are unlisted, no market values are given. No information about property owning foreign subsidiaries' subsidiaries is provided in the note. Nor are book values stated for subsidiaries in sub-groups.

NOTE 11 continued

	Book value 1999	Book value 1998
Acquisition value		
Opening balance	14,448	14,447
Acquisitions, disposals and transfers during the year	-1,582	1
Closing balance	12,866	14,448
Accumulated write-downs		
Opening balance	-12,267	-12,281
Disposals and transfers during the year	1,691	14
Write-downs during the year	-	-
Closing balance	-10,576	-12,267
Total shares and participations in Group companies	2,290	2,181

NOTE 12 FIXED-INCOME SECURITIES
ISSUED BY, AND LOANS TO, GROUP COMPANIES

	Parent Company	
	1999	1998
Acquisition value		
Opening balance	6,689	7,117
Change during the year	1,306	-428
Closing balance	7,995	6,689
Accumulated write-downs		
Opening balance	-11	-179
Disposals and transfers during the year	-	12
Reversed write-downs	-	159
Write-downs during the year	-	-3
Closing balance	-11	-11
Total fixed-income securities issued by and loans to Group companies	7,984	6,678

All fixed-income securities issued by, and loans to, Group companies are unlisted and comprise loans to property-owning subsidiaries. The book value of fixed-income securities issued by, and loans to, Group companies is considered to be on a par with current value.

NOTE 13 PROMISSORY NOTE, GROUP COMPANIES

	1999		1998	
Parent Company	Current value	Acquisition value	Current value	Acquisition value
Promissory note debt, SPP Livförsäkring AB-59,401	-59,401	-49,002	-49,002	-49,002

This debt relates to SPP Liv's insurance portfolio attributable to collective occupational pension insurance. The promissory note pertains to the portfolio transfer carried out between SPP and SPP Liv. Interest shall correspond to SPP's average investment return and amounted to SEK 9,830 m (6,553) in 1999. Dispensation has been obtained from the Swedish Financial Supervisory Authority.

NOTE 15 SHARES AND PARTICIPATIONS¹⁾

	1999		1998	
Group	Current value	Acquisition value	Current value	Acquisition value
Swedish shares	110,083	50,506	83,324	56,478
Foreign shares	81,211	56,630	66,104	54,198
Participations in Swedish funds	533	437	57	56
Participations in foreign funds	382	333	269	266
	192,209	107,906	149,754	110,998
Listed Swedish shares	108,917	49,828	82,099	55,699
Listed foreign shares	80,545	54,689	65,196	51,898
Listed Swedish funds	533	437	57	56
Listed foreign funds	223	194	269	266
Unlisted shares	1,991	2,758	2,133	3,079
	192,209	107,906	149,754	110,998
Parent Company				
Swedish shares	105,371	48,017	79,902	53,700
Foreign shares	77,585	52,658	62,844	49,992
Foreign funds	365	317	265	262
	183,321	100,992	143,011	103,954
Listed Swedish shares	104,219	47,351	78,691	52,933
Listed foreign shares	77,585	52,660	62,675	49,838
Listed foreign funds	206	178	265	262
Unlisted shares	1,311	803	1,380	921
	183,321	100,992	143,011	103,954

¹⁾The statutory list of equities and real estate holdings is attached to the annual report submitted to the Swedish Financial Supervisory Authority. The list may be ordered from SPP Corporate Communications, SE-103 73 Stockholm, via fax +46 8 441 60 75 or info@spp.se

NOTE 14 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Reg. No.	Domicile	Number	Share of equity	Book value 1999	Book value 1998
Swedish companies						
Karolinska Investment Management Holding AB	556575-9254	Stockholm	500	50%	0	-
Foreign companies						
Nordben Life & Pension Insurance Co Ltd	-	Guernsey	3,000,000	50%	64	64
					64	64

Since the companies are of minor significance in terms of the requirement to present a true and fair view, associated companies are reported according to the purchase method.

NOTE 16 BONDS AND OTHER FIXED-INCOME SECURITIES

Group	1999		1998	
	Current value	Acquisition value	Current value	Acquisition value
Swedish government	105,734	107,414	95,362	90,166
Swedish municipalities	0	0	2	2
Swedish mortgage institutions	53,723	54,541	48,992	47,586
Other Swedish issuers	3,962	3,895	3,321	3,232
Foreign governments	33,230	34,385	32,511	31,518
Other foreign issuers	7,184	7,325	–	–
	203,833	207,560	180,188	172,504
Listed securities	201,199	204,956	177,176	169,551
Unlisted securities	2,634	2,604	3,012	2,953
	203,833	207,560	180,188	172,504
of which subordinated fixed term	410	399	641	609

The current value of fixed-income securities exceeds and falls below respectively the amount to be redeemed on the due date by SEK 12,120 m (11,988) and SEK 4,985 m (3,702) respectively.

Parent Company

Swedish government	97,732	99,193	88,510	83,588
Swedish municipalities	0	0	2	2
Swedish mortgage institutions	49,993	50,732	46,134	44,801
Other Swedish issuers	3,433	3,471	2,892	2,823
Foreign governments	33,230	34,385	32,511	31,518
Other foreign issuers	7,184	7,325	–	–
	191,572	195,106	170,049	162,732
Listed securities	189,204	192,760	167,271	160,002
Unlisted securities	2,368	2,346	2,778	2,730
	191,572	195,106	170,049	162,732
of which subordinated fixed term	410	399	641	609

The current value of fixed-income securities exceeds and falls below respectively the amount to be redeemed on the due date by SEK 12,120 m (11,929) and SEK 4,985 m (3,452) respectively.

Fixed interest terms	SPP	SPP Liv
0–1 year	12,055	695
1–2 years	32,497	2,578
2–5 years	65,718	4,238
5–10 years	59,417	3,725
>10 years	21,885	926
Total	191,572	12,162

NOTE 17 LOANS WITH COLLATERAL IN REAL PROPERTY

Group and Parent Company	1999		1998	
	Current value	Acquisition value	Current value	Acquisition value
Loans with collateral in real property	194	212	263	277

NOTE 18 OTHER LOANS

Group and Parent Company	1999		1998	
	Current value	Acquisition value	Current value	Acquisition value
Municipal loans	106	114	169	172
Other loans	1,200	1,326	1,214	1,326
	1,306	1,440	1,383	1,498

There are no loans where the main collateral is the insurance policy.

NOTE 19 OTHER FINANCIAL INVESTMENTS

Group and Parent Company	1999		1998	
	Current value	Acquisition value	Current value	Acquisition value
Amount receivable from transferring party on genuine repurchase agreements	–	–	986	987

NOTE 20 INVESTMENTS FOR WHICH POLICYHOLDERS BEAR THE INVESTMENT RISK

A specification of the holding of investments for which policyholders bear the investment risk is attached to the annual report submitted to the Swedish Financial Supervisory Authority. The list may be ordered from SPP Corporate Communications, SE-103 73 Stockholm, via fax +46 8 441 60 75 or info@spp.se

NOTE 21 RECEIVABLES RELATED TO DIRECT INSURANCE

	Group		Parent Company	
	1999	1998	1999	1998
Amounts receivable from policyholders	990	2,335	751	2,115
Amounts receivable from insurance companies	449	386	32	24
	1,439	2,721	783	2,139

NOTE 22 OTHER RECEIVABLES

	Group		Parent Company	
	1999	1998	1999	1998
Owed by subsidiaries	–	–	158	127
Due unpaid interest and rent	70	37	24	10
Taxes outside Sweden	52	67	30	38
Taxes in Sweden	846	583	845	583
Other	439	549	337	454
	1,407	1,236	1,394	1,212

NOTE 23 TANGIBLE ASSETS

	Group		Parent Company	
	1999	1998	1999	1998
Acquisition value				
Opening balance	133	142	98	83
Acquisitions and disposals during the year	6	–9	0	15
Closing balance	139	133	98	98
Accumulated depreciation				
Opening balance	–63	–79	–48	–32
Sales and transfers during the year	11	40	12	1
Depreciation during the year	–19	–24	–11	–17
Closing balance	–71	–63	–47	–48
Book value of tangible assets	68	70	51	50

NOTE 24 DEFERRED ACQUISITION COSTS

Group	1999	1998
Opening balance	98	51
Change during the year	14	47
	112	98
Of which book value with remaining depreciation period >2 years	91	90

NOTE 25 UNTAXED RESERVES

Company	1999	1998
1997 tax allocation reserve	293	293
1998 tax allocation reserve	208	208
	501	501

A provision has been made to a tax allocation reserve within the part of SPP's operations that is liable for income tax.

NOTE 26 BONUS FUNDS

Group	Bonus reserve	Reserve for unrealised gains	Equity in operating companies	Other funds	Net profit for the year	Total 1999	Total 1998
Opening balance	70,589	52,326	-775	-1,831	35,573	155,882	127,022
Disposition of earnings in previous year	31,633	-	2,109	1,831	-35,573	-	-
Reversionary bonus	-8,853	-	-	-	-	-8,853	-6,463
Withdrawal to strengthen reserves due to price changes	-31	-	-	-	-	-31	-29
Withdrawal from indexation funds ²⁾	-402	-	-	-	-	-402	-363
Other changes in bonus funds	6	-	-	-	-	6	-1
Change in reserves	-	38,803	-	-38,803	-	-	-
Exchange rate fluctuations	-	4	-44	-	-	-40	143
Net profit for the year	-	-	-	-	59,319	59,319	35,573
Closing balance	92,942	91,133	1,290	-38,803	59,319	205,881	155,882
Parent Company							
Opening balance	56,517	50,616		-2,431	30,040	134,742	110,829
Disposition of earnings in previous year	27,609	-	-	2,431	-30,040	-	-
Transfer of insurance portfolio ¹⁾	110	-	-	-	-	110	-2
Reversionary bonus	-7,906	-	-	-	-	-7,906	-5,788
Withdrawal to strengthen reserves due to price changes	-31	-	-	-	-	-31	-29
Withdrawal from indexation funds ²⁾	-333	-	-	-	-	-333	-309
Other changes in bonus funds	-	-	-	-	-	-	1
Change in reserves	-	36,987	-	-36,987	-	-	-
Net profit for the year	-	-	-	-	50,180	50,180	30,040
Closing balance	75,966	87,603	-	-36,987	50,180	176,762	134,742

¹⁾ Of transferred insurance portfolio in the Parent Company, SEK 110 m (-2m) pertained to transfers from SPP Liv.

²⁾ Special indexation funds are included in the bonus reserve with SEK 15,589 m (10,715) in the Group and SEK 13,568 m (9,158) in the Parent Company.

NOTE 27 RESERVE FOR UNREALISED GAINS

	Group		Parent Company	
	1999	1998	1999	1998
Land and buildings	5,545	4,488	5,274	4,261
Shares and participations	85,557	40,164	82,329	39,057
Bonds and other fixed-income securities	-	7,684	-	7,317
Other investments	31	9	0	0
Deferred tax	-	-19	-	-19
	91,133	52,326	87,603	50,616

Unrealised gains are estimated on a portfolio basis for shares and participations and bonds and other fixed-income securities. Unrealised gains attributable to land and buildings are estimated on an individual basis.

NOTE 28 EQUITY IN OPERATING COMPANIES

Group	1999	1998
Restricted equity		
Opening restricted equity	4,949	4,140
Translation difference, etc.	327	809
Closing restricted equity	5,276	4,949

NOTE 28 continued

Accumulated deficit		
Opening accumulated deficit	-5,724	-4,705
Previous year's result in Group ¹⁾	1,185	120
Transfer to reserve for unrealised gains	924	-435
Translation difference, etc.	-371	-704
Closing accumulated deficit	-3,986	-5,724

¹⁾ Excluding result in life insurance company which has affected bonus reserve.

NOTE 29 LIFE INSURANCE PROVISIONS

Group	Reversionary bonus	Other provisions	Total 1999	Total 1998
Opening balance	20	193,284	193,304	158,057
Transfer from other technical liability	-	5,400	5,400	20,500
Change for the year	-1	20,509	20,508	14,747
(of which attributable to reduced interest rate assumptions)	-	3,399	3,399	734
(of which other change)	-1	17,110	17,109	14,013
	19	219,193	219,212	193,304

NOTE 29 continued

Parent Company	Reversionary bonus	Other provisions	Total 1999	Total 1998
Opening balance	19	150,099	150,118	124,659
Insurance portfolio taken over/transferred	–	30	30	–13
Transfer from other technical liability	–	3,900	3,900	15,800
Change for the year	–1	14,749	14,748	9,672
(of which attributable to reduced interest rate assumptions)	–	3,100	3,100	–
(of which other change)	–1	11,649	11,648	9,672
	18	168,778	168,796	150,118

Of insurance portfolio taken over during the year, SEK 30 m (–13) comprises transfers to SPP Liv.

The provision, which made in 1998, attributable to reduced interest rate assumptions on 1 July 1999, was actuarially related during the year and transferred from other insurance technical liability to life insurance provisions and a provision for unsettled claims.

The following calculation bases were used for calculating life insurance provisions: Interest rate assumptions: The yearly interest rate has been assumed as 2.6% after tax. Mortality assumption: A gender neutral assumption with regard to mortality has been applied since 1994. The mortality assumption is based on the company's experience.

Operating expenses assumption: Operating expenses are taken out through reduction of interest rate assumption. In addition, costs are taken out in connection with premium and pension payments.

Safety margin: Cover is provided by a reduction of assumed interest rate intensity and by a percentage increase in the actual life insurance provision.

NOTE 30 PROVISIONS FOR CLAIMS OUTSTANDING

Group	Notified claims	Non-notified claims	Provision for non-life annuities and sickness annuities	Total 1999	Total 1998
Opening balance	10	269	8,468	8,747	8,147
Transfer from other insurance technical liability	–	–	100	100	200
Change for the year	6	269	1,779	2,054	400
	16	538	10,347	10,901	8,747
Parent Company					
Opening balance	9	240	7,449	7,698	7,133
Transfer from other insurance technical liability	–	–	100	100	200
Change for the year	5	222	1,536	1,763	365
	14	462	9,085	9,561	7,698

NOTE 31 OTHER TECHNICAL PROVISIONS

	Group		Parent Company	
	1999	1998	1999	1998
Opening balance	5,500	20,700	4,000	16,000
Transfer to life insurance provisions and provision for claims outstanding	–5,500	–20,700	–4,000	–16,000
Change for the year	–	5,500	–	4,000
	–	5,500	–	4,000

The provision made in 1998 attributable to reduced interest rate assumptions on 1 July 1999 has been actuarially based during the year and transferred from other technical liabilities to life insurance provisions and provisions for claims outstanding.

NOTE 32 PROVISIONS FOR LIFE INSURANCE FOR WHICH POLICYHOLDERS BEAR THE INVESTMENT RISK

	Group	
	1999	1998
Opening balance	877	353
Change for the year	1,442	524
	2,319	877

NOTE 33 PROVISIONS FOR TAXES

	Group		Parent Company	
	1999	1998	1999	1998
Yield tax	144	279	189	189
Income tax	362	306	–	19
	506	585	189	208

Of income tax, SEK 190 m (196) in the Group and SEK – m (19) in the Parent Company consists of deferred tax.

NOTE 34 LIABILITIES RELATED TO DIRECT INSURANCE

	Group		Parent Company	
	1999	1998	1999	1998
Owed to policyholders	814	396	223	128
Owed to insurance companies	103	109	19	24
Other liabilities	401	371	401	371
	1,318	876	643	523

NOTE 35 OTHER LIABILITIES

	Group		Parent Company	
	1999	1998	1999	1998
Owed to subsidiaries	–	–	113	726
Owed to insurance associations	1,644	1,517	1,644	1,517
Genuine repurchase agreements	–	4,045	–	4,045
Other	612	863	465	587
	2,256	6,425	2,222	6,875

All liabilities fall due for payment earlier than five years after the balance sheet date.

NOTE 36 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	1999	1998	1999	1998
Accrued interest	2	45	1	45
Reserve for employees	108	66	28	26
Prepaid rent	185	199	131	106
Other	1,006	602	509	268
	1,301	912	669	445

NOTE 37 GUARANTEES AND ASSETS PLEDGED AS COLLATERAL SECURITY FOR OWN LIABILITIES AND BY WAY OF PROVISIONS REPORTED COMMITMENTS

	Group		Parent Company	
	1999	1998	1999	1998
Assets registered on behalf of policyholders	283,698	216,099	224,378	170,465
<i>in addition to requisite pledged assets</i>	<i>51,722</i>	<i>13,936</i>	<i>46,021</i>	<i>12,680</i>
On account of others	38,099	32,243	38,099	32,243
Other pledged assets	3,888	6,377	3,804	6,266
	325,685	254,719	266,281	208,974
Land and buildings	15,932	13,944	15,932	13,944
Shares and participations	70,327	46,068	54,741	41,295
Bonds and other fixed-income securities	238,874	194,225	195,301	153,289
Other loans	115	172	115	172
Cash and bank balances	437	310	192	274
	325,685	254,719	266,281	208,974

NOTE 38 OTHER PLEDGED ASSETS AND COMPARABLE GUARANTEES

	Group		Parent Company	
	1999	1998	1999	1998
Cash and bank balances	366	359	–	–
	366	359	–	–

NOTE 39 CONTINGENT LIABILITIES

	Group		Parent Company	
	1999	1998	1999	1998
Amount which according to the present interest rate assumptions remains to be written off	37,900	2,200	28,000	
Other contingent liabilities	6	35	5	8
	37,906	2,235	28,005	8

NOTE 40 PERSONNEL

In 1999, the fourteen ordinary members of the Board (with the exception of the President) were paid fees totalling SEK 1,687,000 (1,670,500) of which SEK 277,000 (277,000) was paid to the Chairman. These amounts include compensation for work in the finance delegation of SEK 300,000 (293,500) and in the SPP ITP Division' Board of SEK 330,000 (330,000).

No directors' fees were paid to employee representatives and their deputies. In 1999, the President was paid a total salary of SEK 4,042,340 (3,472,489), of which earnings-related salary comprised SEK 600,000 (450,000). Also included was a company car benefit (excluding fuel) and meals benefit. Termination of employment by the Company is subject to a 24-month term of notice. Severance pay shall be reduced by the full amount of salary/benefit received from other employment during the term of notice. The retirement age is 60. Retirement pension, including national pension and occupational pension under collective agreements amounts to approximately 65 per cent of salary. SPP Liv's new President took up his position on 1 January 2000. Retirement age is 60. Retirement pension, including national pension and occupational pension under collective agreements amounts to approximately 65 per cent of salary.

Another five people in Group management are entitled to a notice period of 12-24 months in the event of termination of employment by the Company. Severance pay shall be reduced by the full amount of salary/benefit received from other employment during the term of notice. Retirement age is 60–62. Retirement pension, including national pension and occupational pension under collective agreements amounts to approximately 65 per cent of salary.

SPP has been allocated SEK 207.8 m of client company funds. The SPP Group has been allocated SEK 214.9 m.

	1999		1998	
Average number of employees	No. of employees	Of whom men	No. of employees	Of whom men
Parent Company				
<i>Sweden</i>				
Salaried staff	454	41%	471	41%
Total in the Parent Company	454	41%	471	41%

NOTE 40 continued

Subsidiaries				
<i>Sweden</i>				
Salaried staff	774	49%	590	45%
Other employees	68	69%	72	67%
<i>Outside Sweden</i>				
<i>Salaried staff</i>				
UK	26	50%	30	48%
Netherlands	12	65%	11	69%
USA	32	56%	26	65%
Total in subsidiaries	912	51%	729	48%
Total in the Group	1,366	48%	1,200	45%

Salaries, other remuneration and payroll overhead

	1999		1998	
	Salaries and other remuneration (of which bonus)	Payroll overhead (of which pension costs)	Salaries and other remuneration (of which bonus)	Payroll overhead (of which pension costs)
Parent Company				
<i>Sweden</i>				
Board, President and Vice Presidents	6 (1)	12 (8)	5 (0)	9 (6)
Salaried employees	167	71 (16)	191	81 (19)
Total in Parent Company	173	83 (24)	196	90 (25)

Subsidiaries				
<i>Sweden</i>				
Board, President and Vice Presidents	9 (0)	6 (3)	7 (0)	6 (2)
Salaried employees	272	139 (40)	192	96 (26)
Other employees	13	5 (1)	13	5 (1)
<i>UK</i>				
Board and President	– (–)	– (–)	2 (1)	0 (0)
Salaried employees	15	3 (1)	18	3 (2)
<i>Netherlands</i>				
Salaried employees	7	1 (1)	6	1 (1)
<i>USA</i>				
Board and President	4 (2)	1 (0)	4 (2)	1 (0)
Salaried employees	22	4 (1)	17	4 (1)
Total in subsidiaries	342	159 (47)	259	116 (33)
Total in the Group	515	242 (71)	455	206 (58)

NOTE 41 AUDITORS' FEES

	Group 1999	Parent Company 1999
KPMG		
Audit assignments	2.8	1.7
Other assignments	1.3	0.5
Auditors appointed by the Swedish Financial Supervisory Authority Öhrlings PricewaterhouseCoopers		
Audit assignments	0.4	0.3
Other assignments	–	–
	4.5	2.5

Proposed disposition of earnings

The Board of Directors and the President propose that the Parent Company's profit for 1999 of SEK 50,179,822,674 after deduction for provision to a reserve for unrealised gains of SEK 36,987,723,261, a net amount of SEK 13,192,099,413 be allocated to the bonus reserve.

The result of operations during the year and the Company's financial position as per 31 December 1999, are presented in the adjoining Parent Company and Consolidated Profit and Loss Accounts and Balance Sheets, as well as the notes to the financial statements.

Stockholm, 9 March 2000



Ingemar Mundebo
Chairman



Gunnar Björklund
First Vice Chairman



Rolf Lundqvist
Second Vice Chairman



Björn Bergman



Bertil Blomqvist



Gunilla Dahmm



Jan-Peter Duker



Holger Eriksson



Gösta Larsson



Erik Menckel



Sven Nyman



Lars Otterbeck



Rune Westergren



Britt-Marie Bryngelsson



Karin Fjellström



Birgit Sandberg



Bo Eklöf
President

Audit Report

To the Council of Administration of Försäkringsbolaget SPP, ömsesidigt

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Försäkringsbolaget SPP, ömsesidigt, for the year 1999. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

We recommend to the Council of Administration that the profit and loss accounts and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 9 March 2000



Per Bergman
Authorised Public Accountant



Carl Lindgren
Authorised Public Accountant



Göran Raspe
Authorised Public Accountant
Appointed by the Swedish Financial
Supervisory Authority



Patric Fredell



Barbro Sundqvist

Glossary

Actuarial bases for calculation

These bases contain rules for the calculation of premiums, life insurance provisions and bonuses.

Adjustment of paid-up values

Bonus allocation to raise earned pension entitlement prior to retirement age. At SPP this adjustment is made to compensate for inflation, etc.

Administration expense ratio

Insurance companies' administrative expenses in relation to average managed assets.

Allocated bonus

Bonus set aside for policyholders. Allocated bonus is not formally guaranteed. The size of the allocated bonus is decided by the insurance company. See Bonus.

Amortised cost

Amortised cost is the present value of future payments discounted by the interest rate at acquisition. Amortised cost is used to define the acquisition value of fixed-income investments.

Bonus

Surplus assigned or allocated to policyholders in the form of immediate or later payments, premium reductions, or extension of insurance benefits.

Bonus funds

The bonus reserve, reserve for unrealised gains, equity in operating companies, other funds and net profit for the year.

Bonus reserve

Liability item in the balance sheet to which insurance companies must allocate the annual profit from life insurance business according to the Swedish Insurance Companies Act. The bonus reserve may only be used for bonuses and to cover a loss.

Bonus rate

The rate at which the insured's savings earn interest. The bonus rate includes guaranteed interest and interest (bonus) that is not guarantee.

Collective reserve

Market value of insurance company's assets, minus commitments to policyholders (guaranteed commitments and allocated bonus).

Collective solvency margin

Market value of insurance company's assets in relation to commitments to policyholders (guaranteed commitments and allocated bonus).

Contingent agreement

An employer who is not a member of an employer organisation undertakes to apply the same terms of employment as those provided in the collective agreement for the sector concerned by signing a contingent agreement with a trade union organisation. For example, a non-SAF affiliated employer can sign an agreement with a PTK union under which he undertakes to provide ITP for his salaried employees.

Duration

The expression duration is defined differently within investment management and insurance operations. Within investment management duration is on a par with interest-rate risk. Duration indicates how sensitive a fixed-income portfolio is to changes in average interest rates. Duration can be specified as a percentage: a certain percentage change in interest rates leads to a certain percentage change in the value of the portfolio. Duration can also be expressed as number of years and then states the weighted average duration for the portfolio, i.e. the period until the investor receives

back the invested funds plus interest. Within insurance operations duration stands for a period of time. It refers to the time that passes from the date an insurance contract comes into effect until it ceases to apply. When calculating the technical value (in principle "market value" on the calculation date) of a life insurance policy, duration can also be defined as the period between it coming into force and the calculation date.

Expense ratio

Calculated as operating expenses in relation to premiums written.

Insured

The person covered by the insurance.

Investment assets

Assets which have the character of a capital investment, i.e. fixed-income securities, equities and real estate.

Investment income

Yield, capital gains/losses and unrealised changes in value.

Investments

Market valued investment assets plus portion of receivables and liabilities handled by the Investment Management Division.

Life insurance provisions

Value of future guaranteed insurance benefits (pension amount) less the value of future premium payments.

Management expense ratio

Operating expenses in the insurance business and claims settlement costs in relation to average managed assets.

Market value

The value assets are estimated to have in the market.

Normal portfolio

The Boards of SPP and SPP Liv have established normal portfolios for management of each company's investments. The portfolios are divided into fixed-income investments, equities and real estate. The internal allocation between the different types of asset depends, among other things, on the structure of the companies' commitments and level of risk they have chosen.

Operating expenses

Comprehensive name for costs of administration and sales.

Paid-up policy

A paid-up policy comprises earned pension rights when premium payments have ceased prematurely. The paid-up policy corresponds to premiums paid earlier and states the value of the insured's claim on the insurance company, which will be paid upon retirement.

This designation is also used for the earned part of current insurance.

Pension commitments

Pension commitments are the sum of technical provisions and allocated bonus.

Pension supplement

Bonus allocated to the insured in addition to guaranteed pension. According to SPP's actuarial bases may not exceed the increase in the Consumer Price Index for the year in question, calculated from the date when pension payments start. The pension supplement is decided by SPP's Board each year.

Policyholder

The party who by taking out insurance has entered into an agreement with the insurance company.

Policyholders' funds

Consist of untaxed reserves and bonus funds. Provision for deferred tax is reversed in the calculation of policyholders' funds.

Premium reduction

The bonus method used to reduce premiums paid by policyholders. This method is used for risk insurance, such as occupational group life insurance (TGL) and collective risk insurance.

Premium reserve

Value of future guaranteed insurance benefits (pension amounts) less the value of future premium payments. The premium reserve is part of life insurance provisions.

Premiums written

Premiums paid and taken up as a receivable, in addition to bonus in the form of adjustment of paid-up values and premium reductions. Reductions are made for special premium tax.

Provision for claims outstanding

Estimated value of claims incurred but not yet paid for.

Reversionary bonus

Surplus funds allocated to insurance. The reversionary bonus is formally guaranteed.

Risk insurance

Insurance where the entire premium is used to protect against risk. It therefore carried no rights to a paid-up policy if the premium payments cease.

Special indexation funds

Funds allocated to guarantee the value of pensions or for another pension-promoting purpose. These funds are placed at SPP's disposal following a decision by the parties to the agreement. The funds are therefore not included in the collective reserve.

Surplus fund

The surplus that arises in a defined-benefit employer plan can be placed in a company's own surplus fund. The money in this reserve can be used to pay future premiums.

Tax

Mainly yield tax calculated on the market value of the company's assets at the end of the financial year.

Technical provisions

Value of insurance company's guaranteed commitments: life insurance provisions, provision for claims outstanding and other technical provisions.

Total return

The sum of changes in value and return on investment assets.

Tracking error

Shows how much a portfolio's return can be expected to deviate from the benchmark chosen. In the case of SPP, tracking error is measured in relation to return on SPP's normal portfolio.

Unrealised gains/losses on investment assets

Positive/negative change in market value of investment assets.

Volatility

A statistical risk measurement that shows past price fluctuations. The higher the volatility, the greater the risk.

Yield

Balance of interest receivable, interest payable, dividends on shares and participations and surplus/deficit on properties for own use after deduction for investment management costs.

HEAD OFFICE	Telephone	Fax
Regeringsgatan 107 SE-103 73 Stockholm	+46 8 441 60 00	+46 8 441 62 90
SPP Customer Centre	+46 8 533 533	+46 8 441 64 30
SPP Investment Management	+46 8 441 60 00	+46 8 21 15 68
SPP Liv	+46 8 441 65 00	+46 8 441 60 85
E-mail	kundcenter@spp.se	
Internet	www.spp.se	

SPP LIV, MARKET OFFICES

	Telephone	Fax
Sundsvall Storgatan 11 Box 970 SE-851 25 Sundsvall	+46 60 14 90 00	+46 60 14 90 40
Linköping Teknikringen 7-9 SE-583 30 Linköping	+46 13 28 79 00	+46 13 13 62 36
Stockholm Regeringsgatan 109 SE-103 73 Stockholm	+46 8 441 65 00	+46 8 441 69 10
Västerås Stora gatan 16 Box 302 SE-721 07 Västerås	+46 21 15 38 00	+46 21 15 38 10
Göteborg Kungssportsavenyn 31-35 Box 3055 SE-400 10 Göteborg	+46 31 778 20 00	+46 31 778 20 40
Malmö Djäcknegatan 2 Box 4159 SE-203 12 Malmö	+46 40 669 59 00	+46 40 23 31 34

SPP LIV, LOCAL OFFICES

Gävle	+46 26 401 21 75	+46 26 401 21 76
Hofors	+46 26 65 86 40	+46 26 65 86 42
Jönköping	+46 36 30 03 30	+46 36 30 03 32
Karlstad	+46 54 15 71 60 +46 54 15 84 90 +46 54 15 69 80	+46 54 18 82 33
Luleå	+46 920 23 15 10	+46 920 108 99
Umeå	+46 90 10 01 46	+46 90 10 01 48
Växjö	+46 13 28 79 00	+46 470 76 91 45
Örebro	+46 21 15 38 00	+46 19 18 60 10

SPP INVESTMENT MANAGEMENT, CELEXA FASTIGHETSKAPITAL

	Telephone	Fax
SPP Investment Management 10 Glenville Street, 2nd floor Greenwich, CT 06831, USA	+1 203 532 6000	+1 203 532 6001
SPP Investment Management 243 Knightsbridge London SW7 1DH England	+44 171 590 2000	+44 171 590 2001
SPP Investment Management 235 Pine Street San Fransisco, CA 94104 USA	+1 415 362 4488	+1 415 362 0754
SPP Investment Management 750 B Street, San Diego, CA 92101 USA	+1 619 231 7712	+1 619 231 1458
Celexa Fastighetskapital AB Luntmakargatan 34 Box 3039 SE-103 63 Stockholm	+46 8 412 80 00	+46 8 412 80 03
Celexa Real Estate Investment Management Ltd. 243 Knightsbridge London SW7 1DN England	+44 171 590 3700	+44 171 590 3803
Celexa Real Estate Investment Management B.V. P.O. Box 75035 1070 AA Amsterdam Concertgebouwplein 11 1071 LL Amsterdam Netherlands	+31 20 577 7666	+31 20 671 7476

OTHER SUBSIDIARIES AND ASSOCIATED COMPANIES

AB Björnbo

Björnbo 1 SE-181 46 Lidingö	+46 8 636 28 10	+46 8 765 63 36
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Nordben

Harbour House, South Esplanade St Peter Port, Guernsey GY1 1AP Channel Islands	+44 1481 70 29 00	+44 1481 71 07 19
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Euroben Life and Pension Ltd

Block C Sweepstakes Dublin 4 Ireland	+353 1 55 66 777	+353 1 66 77 888
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List of equities and real estate

The statutory list of equity and real estate holdings is attached to the Annual Report submitted to the Swedish Financial Supervisory Authority.

This list may be ordered from SPP Corporate Communications, SE-103 73 Stockholm,

or by fax + 46 8 441 60 75, or info@spp.se

The annual report is also available on SPP's website.

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FÖRSÄKRINGSBOLAGET SPP, SE-103 73 STOCKHOLM, SWEDEN
OFFICE ADDRESS: REGERINGSGATAN 107, STOCKHOLM, TELEPHONE +46 8 441 60 00, FAX +46 8 441 62 90