



Annual Report 2003



– a Handelsbanken company

2003

Highlights of the year

■ FOCUS ON DEMUTUALISATION

The work of restructuring SPP from a mutually operated to a profit-distributing company affected operations throughout the year. There was a strong focus on preparing for voting procedures in 2004, since customer support is required before this demutualisation can take place.

■ MUNICIPAL ADMINISTRATION TAKEN OVER FROM SPV

SPP took over administration of pensions and insurance for municipalities and county councils from SPV in January. These operations include Electum, the independent selection centre for pension agreements within the PFA area.

■ INTEGRATED ORGANISATION

On 1 March, SPP and Handelsbanken Liv merged their sales organisations and arranged them on the same lines as Handelsbanken's regional bank operations. All central units were also integrated, with the exception of the accounting and actuarial units.

■ SALE OF EURO BEN

In October, SPP sold its 50% holding in Euroben Life & Pension Ltd to its sister company Handelsbanken Liv.

■ REDUCTION OF PENSION BENEFITS

In November, it was decided to reduce supplementary amounts for current pension benefits from 1 January 2004. The average reduction was 6% with a maximum of 8%. Defined-benefit pensions were not affected.

■ NEW PRESIDENT AT START OF 2004

On 1 January 2004, Stefan Nilsson left his position as SPP's Chief Executive to become head of Handelsbanken Pensions & Insurance. He was succeeded by Göran Holgerson, formerly Executive Vice President of Handelsbanken Liv.

Key Figures

Premiums written, SEK million	2003	2002	2001	2000	1999
Traditional life insurance	5 981	8 869	9 633	8 262	6 647
Unit linked insurance	3 215	3 087	3 006	1 762	901
Group eliminations	-43	-29	-12	-13	-
Total	9 153	11 927	12 627	10 011	7 548
Managed assets, SEK million					
Traditional life insurance	75 151	72 799	80 694	83 460	80 138
Unit linked insurance	11 843	7 447	6 519	3 884	2 289
Total	86 994	80 246	87 213	87 344	82 427
Total return, %	5.3	-10.4	-2.8	3.3	19.1
Collective funding ratio, %	100	97	108	119	123
Bonus rate gross, %	1.5	2.25	5.8	10.9	7.5

Contents

Highlights of the year	1
Chief Executive's comments	2
Strategic direction	3
Our markets and products	4
Report of the Board of Directors	5
Five-year summary	11
Profit and loss account	12
Analysis of results	13
Balance sheet	14
Accounting principles	16
Notes	18
Proposed appropriation of profits	23
Auditors' report	24
Management and Board	25
Glossary	26

SPP, together with its sister company Handelsbanken Liv, is a market leader with a complete range of life insurance products for occupational and private pensions, as well as wealth management solutions for companies, organisations and private individuals.



– a Handelsbanken company

2003 – the turnaround year



I believe many people in our industry feel slightly envious of SPP. Even though right now we are all in the same boat, in the same crisis. At least for SPP we can see a way out of all this. A way that will permanently solve the problems that have been discussed about mutual life insurance companies during the past year. Issues such as internal transactions, transparency and who owns what will become non-issues when we demutualise. This fact is recognised by most players in this year when everything turned around.

When at the start of this year I left my post as Executive Vice President of Handelsbanken Liv in order to become Chief Executive of SPP, it was with a feeling of confidence and humility. The greatest challenge for SPP in the next few years is to succeed in the demutualisation process. This entails an extensive amount of work, involving almost everything and everyone in the company. I know this because I headed the work of demutualising Handelsbanken Liv in 2002. I also realise that SPP's demutualisation will be carried out under partly different conditions, but I still hope that my experience can be of some benefit. Under all circumstances, this is a challenge for which I have great respect.

At the same time, I feel confident: Handelsbanken Liv's demutualised model has been seen to work in stock market upturns and downturns. This is also the solution to the problems described in the mutually operated companies: the lack of fairness, security and full transparency. Although in this context I would like to point out that there is no law of nature that says that a mutual company cannot be operated in a relatively fair and open manner. This is also my intention with SPP, up until and after demutualisation.

But a mutual company can never be operated quite as well as a demutualised one. Why? The explanations are many. Firstly a mutually operated stock company is a strange hybrid – on the one hand we have the shareholders, who own the company but have no right to a return on their investment. On the other hand the policyholders, who do not own the company and therefore lack any real influence over the way it is operated and run, but at the same time have to bear all the risks and deficits.

This is a system which demonstrably does not work optimally for anyone. I believe this is because the normal driving forces are not there. Fundamental incentives such as the fact that efforts are rewarded, while mistakes are punished.

As an owner in a mutually operated stock life insurance company it does not make any difference: if you get it right, someone else reaps the benefit – if you get it wrong, someone else has to pay. Add to this some impenetrable accounts and an industry norm for information which over the years has meant that policyholders have not really understood how their pension insurance functions – and we have the entire crisis in a nutshell.

A profit-distributing life insurance company, on the other hand, is as transparent as any “ordinary” limited liability company – costs and revenues can be clearly stated. Customers' and the company's assets are kept separate and therefore all transactions between the parent company and subsidiaries are of no interest to customers. The company also has to meet any deficits in its operating and risk results.

This means there is a natural incentive to keep down costs. In our preparations ahead of the demutualisation of SPP, this is therefore a key focus.

A turnaround occurred in 2003. Consistent and single-minded efforts bore fruit. Our operating deficit decreased by 40%. This is naturally both gratifying and essential – and totally in line with our plan. This work will continue. Our current assessment is that we can bring down costs to an acceptable level by 2006 at the earliest. For this reason, in the past year our owner Handelsbanken decided not to demutualise as of 1 January 2005. Conversion into a profit-distributing company is always a good deal for customers, but it must also be good for the company. With the present deficit, this would not be the case. But I do not doubt for one second that we will soon be able to decide on a definite demutualisation date.

A good deal for both parties is also a factor that really separates a profit-distributing company from a mutual one. In a mutually operated company the owner receives neither more nor less, regardless of what he does. In our demutualised company customers and the company will have a shared incentive – a high return. If we can produce a better return than promised, the company can take a share. 90% goes to the customers and 10% to the company. If we perform less well than promised and customers' capital falls below the guaranteed level when the time comes to pay benefits, the company has to make up the difference. Simple, fundamental driving forces in other words.

The company bears the risk but at the same time can receive a return. Policyholders gain clarity and security – since the company takes over responsibility for operating and risk results as well as guaranteeing a committed capital with guaranteed growth. Everyone wins.

The market, media, politicians – yes even our competitors – saw this. They also saw the injustices in the mutual system.

Chief Executive's comments continued

When SPP corrected one of these injustices by reducing current pension payments in order to prevent today's savers from bearing the entire deficit alone, this was received relatively well. An understanding we would not have encountered if we had taken the same action just one year before. But now, in 2003, many people understood. A turnaround had taken place. These injustices will not be able to arise in our demutualised company. There no policyholder will subsidise another. Furthermore, a profit-distributing company always reports the fair value of its insurance, so no collective funding will be required.

Within the industry during the year I have noted a clear increase in interest in our model. Several have expressed their willingness to demutualise, but few can. It requires a finan-

cially strong owner to assume the risks that policyholders alone share in the mutual companies. I also note that several mutual companies are now thinking of introducing fairer allocations of their return. Almost like our demutualised model.

2003 really was the year when everything turned around.

STOCKHOLM, FEBRUARY 2004



Göran Holgerson

Strategic direction

The overall strategic objective for SPP is to demutualise. Over time this means that we can go all the way and merge with our sister company Handelsbanken Liv. The way forward is via profitability, customer satisfaction, integration with Handelsbanken Liv and the Bank — and, naturally, a successful conversion process.

PROFITABILITY

Demutualisation of SPP requires profitability. We are not there yet. The way forward will require lower costs and higher revenues. Expenditures shall not be reduced by an intensive cost-cutting programme, but as now through a continuous review of what we are doing and how we are doing it. The rule is simple: if it's not profitable, don't do it. Today we no longer accept unprofitable business which can be seen in a lower total premium volume, but also in substantial cost reductions.

CUSTOMER SATISFACTION

SPP will also nurture existing customers more actively, through better information, administration and personal advice. This is a comparatively cost effective way of bringing in profitable business. At the same time it gives SPP more opportunities for more satisfied customers. Another way of raising customer satisfaction has been relocating our sales force to Handelsbanken's branches, closer to the customer. SPP is now represented at some 450 locations throughout Sweden.

INTEGRATION

The volume of insurance sold via brokers is decreasing. Since in the corporate segment, brokers account for a large share of the market's total volume, brokers will continue to be an important sales channel for SPP. For this reason we and the brokers are now examining how we can extend our co-operation. Our adjustment to Handelsbanken's regions and extended co-operation with the bank branches are increasing our opportunities for local customer con-

tacts. This is also part of the integration between SPP and Handelsbanken Liv where we now have joint organisations for sales, administration and staffs, as well as a joint executive management. Sales increased substantially in the second half of the year, from a low level in the first half.

STAFF CHANGES

SPP's former Chief Executive, Stefan Nilsson, became overall head of both SPP and Handelsbanken Liv on 1 January 2004. Göran Holgerson, formerly Executive Vice President of Handelsbanken Liv, took over as Chief Executive of SPP. At the same time, Hans Hagman, previously Regional Manager of the sales organisation in South Norrland, took over as the new Chief Executive of Handelsbanken Liv. He succeeded Barbro Johansson, who left the company on reaching her contracted retirement age. Göran Holgerson was responsible for Handelsbanken Liv's demutualisation in 2002. He will now play a key role in the demutualisation of SPP, when this enters a highly intensive phase in 2004 with policyholders casting their votes.

DEMUTUALISATION

Demutualisation requires a yes vote from at least half the policyholders. There is also a minority rule, that not more than 10% of all those entitled to vote may oppose demutualisation. Subsequently, the Swedish Financial Supervisory Authority has to examine the model and give its approval. Another decisive factor for when demutualisation can take place, is when SPP's cost situation has improved sufficiently. According to the present plan demutualisation can take place in 2006 at the earliest.

Our markets and products

SPP's main market is occupational pensions in the open competitive market in Sweden. Although our share of this market decreased slightly during the year, we are strongly placed ahead of 2004. Following extensive organisational changes during the year, our joint sales organisation now sells products and services from both SPP and Handelsbanken Liv. Sales are made via the approximately 450 Handelsbanken branches, at client companies' workplaces, and via direct marketing to private individuals. Sales are also conducted via independent insurance brokers.

The total open market for life and pension insurance is assessed as largely unchanged compared with 2002, with approximately SEK 96 billion¹ in paid-in premiums. Premiums for occupational pensions are estimated to have risen by 8-10% while premiums for endowment insurance decreased by 17%. Payments to private pension insurance are also assessed as having declined slightly, by approximately 3%.

A WAIT-AND-SEE YEAR IN THE OCCUPATIONAL PENSIONS MARKET - BUT THE FUTURE LOOKS BRIGHT

SPP's market position as one of the major companies results from its strong focus on occupational pensions. SPP was second-largest in the occupational pensions market in 2002, but this position was challenged in 2003, mainly by AMF Pension and Folksam-KPA. Due to the monopolistic rules in the SAF-LO and PFA collective agreements, both these companies have acquired a significant proportion of "free customers" since employees who do not actively choose their pension managers automatically end up with these companies.

The total contractual pensions market, also known as the selection centre market, has increased during the year. The reason is an enlargement in the collective agreements² for employees who are entitled to choose their pension manager, and salary increases which lead to higher occupational pension premiums. SPP's share decreased slightly during the year.

In general companies were more hesitant during the year. Above all, there was a decrease in single premium early retirement pensions. This was largely due to the fact that the so-called client company funds have now been used and to demographic factors – a large number of people have retired in recent years. It is positive that many single premium policies have been taken out with Euroben³.

LARGE RANGE OF PRODUCTS AND SERVICES

In 2004 we will develop voluntary ITP, a product unique to SPP, into an even more competitive product. Through the Web portal Benefit World, to which many companies connected during the year, we can meet the rising need for simplicity when individuals choose alternative ITP, pension solutions for high earners. Our specialists at SPP Konsult and SPP Pensionstjänst will also be fully occupied during the year with the development of special solutions and administering these for companies requiring advanced services. The municipal pension administration taken over from SPV, including the Electum Pensionstjänst selection centre, is well equipped to handle the increase in the municipal market.

DECLINE IN THE PRIVATE MARKET

Sales of private pension insurance decreased in the market in general and this also applied to SPP. This was mainly due to the stock market decline. Above all, there was a fall in premium payments for traditional insurance. Since most of these policies have regular premiums, this did not have a major impact on premiums written in the short term.

SPP's portfolio of PLUSgrupp group life insurance was sold to the life insurance company Bliwa Livförsäkring AB from 1 January 2004. This was done in order to allow a focus on developing profitability in the core business.

NEW OPPORTUNITIES OUTSIDE SWEDEN

Since legislation during the year has provided better tax relief opportunities for cross-border pension plans, new markets are opening up. We are making active efforts to prepare to become a strong player in the European market. Euroben³ has been provided with infrastructure to conduct such cross-border business.

Our recently launched product BenEx for expatriate employees sold very well. Business in Nordben was steady during the year. Our specialists at International Business also monitor insurance and pension matters in some 30 countries for companies with international operations.



¹ Includes pension associations and pension societies, but not pension foundations.

² Increase relates to private sector employees' SAF-LO contractual pensions, municipal employees' PFA individual choice and civil servants' PA 03.

³ Euroben Life & Pension Ltd is a wholly owned subsidiary of Handelsbanken Liv. Euroben is a non-mutual life insurance company domiciled in Ireland.

Report of the Board of Directors

The Board of Directors and the Chief Executive of SPP Livförsäkring AB (or SPP, or the company) hereby submit their annual report for the financial year 2003.

SPP Livförsäkring AB, corporate identity number 516401-8524, is domiciled in Stockholm, Sweden. The company is a wholly owned subsidiary of Svenska Handelsbanken AB (publ), corporate identity number 502007-7862 (Handelsbanken).

THE SPP GROUP

SPP Livförsäkring AB is the parent company of the SPP Group. SPP Livförsäkring AB is a traditional life insurance company which is operated according to mutual principles. This means that SPP cannot issue dividends and that earnings, profit or loss, accrue to policyholders and affect the size of the bonus. The Group includes SPP Liv Fondförsäkring AB which conducts unit linked insurance operations and is able to issue dividends. The insurance operations in the two companies are marketed under the joint name SPP.

The Group also includes the subsidiary SPP Liv Pensionstjänst AB and its subsidiary SPP Konsult AB as well as the subsidiary SPP Kundcenter AB (dormant). Subsidiaries that do not operate as insurance companies conduct consulting and other services related to pensions and financial security. Life insurance operations outside Sweden are conducted through the associated company Nordben Life and Pension Insurance Co Ltd., and through SPP's branch office in London.

Policyholders' savings in SPP Liv Fondförsäkring AB are invested in SPP Fonder's funds and in a selection of Handelsbanken's funds.

SPP Livförsäkring AB purchases IT services and asset management from the parent company Handelsbanken. The company also purchases from and sells services to its sister company Handelsbanken Liv. Intra-group prices are set within the framework of the work of SPP and Handelsbanken Liv's Planning Committee. The work of the Planning Committee complies with the rules and guidelines applied in the rest of the Handelsbanken Group. Prices are set at cost, although never higher than market prices.

OPERATIONS

SPP provides pension insurance in the open, competitive segment of the occupational pensions market where employers and organisations and their employees and members are free to choose their pension solutions.

SPP, Handelsbanken Liv and Handelsbanken offer customers a broad range of savings products related to both pensions and other savings. This takes place within the framework of Handelsbanken's universal bank concept, where life insurance is a natural part of the product range.

Sales are conducted via Handelsbanken's branch network, client companies' workplaces, brokers and direct marketing.

SIGNIFICANT EVENTS

The financial year saw a very strong focus on continued efforts to convert SPP into a profit-distributing, demutualised company, which will take place in 2006 at the earliest. Voting procedures, where policyholders can have their say on demutualisation, are in hand and will be conducted as planned in 2004.

Determined efforts to raise profitability and the ongoing integration between SPP and Handelsbanken Liv are yielding results. These include a SEK 265 million decrease in operating expenses. The assessment is that costs will have reached an acceptable level by the demutualisation date.

As part of the ongoing integration between SPP and Handelsbanken Liv, a new joint regional organisation was introduced on 1 March 2003. These operations coincide geographically with Handelsbanken's seven regional banks in Sweden. At the same time, a joint executive management was established for SPP and Handelsbanken Liv.

2003 was a year of change for the company's asset management. The focus of asset allocation shifted from a strategic to a more tactical perspective. The influence of risk analysis on portfolio composition was further strengthened. Return targets were quantified increasingly in absolute terms. New equity portfolios were developed, tailored to the company's risk profile and investment philosophy. A property at Gärdet, Stockholm, was acquired in the fourth quarter which is expected to provide an increased yield.

The separation from Alecta was completed in autumn 2003. This means the individual insurance system, including administration of claims management and pension payments, is now carried out by the company. This marked the seventh and final transfer of the insurance portfolio from Alecta to SPP.

In October 2003, SPP sold its holding in the associated company Euroben Life & Pension Ltd to Handelsbanken Liv. On the date of sale, SPP's holding amounted to 50% of the shares.

In November 2003 it was decided that supplementary amounts for current pension payments would be reduced with effect from 1 January 2004. This represents a reduction of outgoing pensions which averages 6%, maximum 8%. The guaranteed insurance component and defined-benefit plans are unaffected.

SPP has decided to transfer its PLUSgrupp group life

insurance to Bliwa Livförsäkring AB. SPP will continue to sell group insurance via Bliwa.

Göran Holgerson took over as SPP's new Chief Executive on 1 January 2004. On the same date the former Chief Executive, Stefan Nilsson, took up a post in Handelsbanken as Executive Vice President and head of Handelsbanken Pensions & Insurance.

ASSET MANAGEMENT

More active management

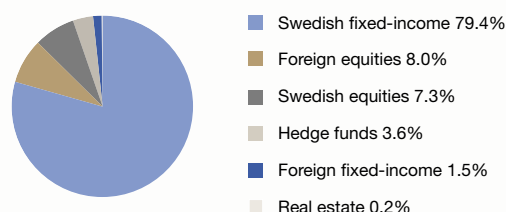
In 2003 the world's stock markets turned positive again after three years of falling prices. However, the year provided considerably more drama than the full-year figures indicate – the start of the year saw sharp stock market falls underpinned by the escalation of the Iraq conflict.

The average total return during the year amounted to 5.3% (-10.4%). The average total return over the past five years amounted to 2.9%.

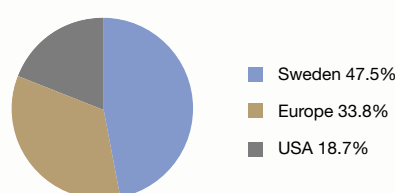
SPP's asset management changed through asset composition focusing on a more short-term reference portfolio. This is decided on a monthly basis, or more often if required, by the company's investment managers in consultation with the company's Asset Liability Management (ALM) Committee. These changes mean, among other things, that the portfolios' relative return in relation to different market indexes has become less important. The company's customer commitments are formulated in absolute terms – this fact has increasingly governed the focus of asset management.

In the total portfolios the proportion of equities in the first quarter was very low. In the second quarter equity exposure was gradually increased to approximately 10% of assets. This then grew at a slower rate in the second half to reach a level of about 15% by year-end. Return equities amounted to 19.4%.

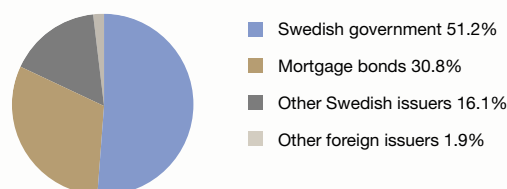
Breakdown of assets



Equity investments



Fixed-income investments



Investment income

SEK million	Market value 31 Dec 2002	Net investment 2003	Change in value			Market value 31 Dec 2003	Yield	Total return			
	%		%	%	%	%	%				
SPP Livförsäkring AB											
Fixed-income, Swedish	62 381	85.7	-2 940	201	0.3	59 642	79.4	2 483	4.0	2 684	4.4
Fixed-income, foreign	1 051	1.4	77	13	0.6	1 141	1.5	52	2.4	65	3.0
Total fixed-income	63 432	87.1	-2 863	214	0.3	60 783	80.9	2 535	4.0	2 749	4.3
Equities, Swedish	3 948	5.4	1 186	339	14.9	5 473	7.3	7	0.3	346	15.2
Equities, foreign	2 611	3.6	2 722	723	20.1	6 056	8.0	70	2.0	793	22.1
Total equities	6 559	9.0	3 908	1 062	18.1	11 529	15.3	77	1.3	1 139	19.4
Other investments	2 808	3.9	-9	-115	-4.3	2 684	3.6	54	2.0	-61	-2.3
Real estate	-	-	155	0	0.0	155	0.2	2	11.6	2	11.6
Total investments	72 799	100.0	1 191	1 161	1.6	75 151	100.0	2 668	3.7	3 829	5.3
Other	-1 441		134			-1 307		-367		-367	
Total	71 358		1 325			73 844		2 301		3 462	

The duration of the fixed-income portfolios was shortened considerably following a substantial fall in long-term market interest rates in the first half of the year. This change was carried out in view of a growing conviction of an upturn in the global economy, reduced geopolitical uncertainty and the assessment that the restricted risk in the total portfolio should be used for equity exposure to a greater extent. Another change carried out was a significant increase in mortgage and corporate bonds in the bond portfolio in replacing of government securities. These active portfolio decisions made a positive contribution to the return on the total portfolio. The return for all fixed-income investments amounted to 4.3%.

A positive outlook for the Swedish krona (SEK), combined with the fact that the insurance liability is expressed in SEK, motivated the decision to hedge all asset exposure in foreign currency throughout the year. Since SEK strengthened substantially during the year, in particular in relation to the US dollar, it can also be noted that this measure made a positive contribution to return on the total portfolio.

Total return, %						
Year	1999	2000	2001	2002	2003	5-year average
Fixed-income	-1.0	9.1	4.4	6.9	4.3	4.7
Equities	51.3	-3.0	-12.9	-35.3	19.4	3.9
Average all investments	19.1	3.3	-2.8	-10.4	5.3	2.9

Risks in asset management

Asset management operations are exposed to market risk, liquidity risk, credit risk and operational risk. The company works with ALM and identifies and quantifies risks and the covariation between investment assets and life insurance provisions.

Market risk

Market risk is the risk that the value of the investment portfolio will be negatively affected by changed interest rates, share prices or exchange rates. In order to limit market risk, the ALM Committee decides on a reference portfolio. The composition of the reference portfolio is primarily governed by the extent to which the balance sheet can withstand market fluctuations. In this respect risks on the liability side are equally important as the sensitivity of the investment assets. The current market opinion also affects the composition of the reference portfolio, but these considerations take second place. Various derivative instruments are used in order to reduce the risks from major price fluctuations.

Even though the limited risk resistance of the balance sheet does not allow exposure to the stock markets in line with earlier normal levels, the focus of management during the year was more than anything directed at this asset class.

There were two starting points:

For traditional equity exposure the investment horizon must be short. New information can lead to an immediate decision to liquidate all or parts of such a portfolio. Liquidity therefore has the highest priority and this type of investment is only made in index-linked instruments: index-linked funds (ETFs) or equity-index linked futures.

In order to allow a more sustained exposure to equity markets, three low-risk portfolios have been developed.

Portfolio 1: The aim has been to identify a number of investment criteria that must be met before a particular stock is approved as a potential purchase candidate. This portfolio, which will be concentrated and focus on the European stock markets, will barely outperform relevant stock indexes during bull markets but should over time show greater stability than average equities. At year-end this portfolio accounted for 4.1% of the total portfolio.

Portfolio 2: Another way of achieving a better control of the risks in an equity portfolio has been to structure a mixed portfolio (equities/cash) where the maximum permitted loss has been quantified as a percentage of the portfolio's initial value. In practice this technique means that the equity portion of the portfolio is gradually increased when a positive return (risk buffer) is generated and vice versa. All equity exposure is established via listed index-linked funds in order to ensure liquidity and low transaction costs. Only the most liquid indexes (S&P 500 and Euro STOXX) have been used so far. At year-end this portfolio accounted for 10.1% of the total portfolio.

Portfolio 3: This is a sector portfolio focused on pure-play property companies. The intention is to obtain an exposure towards a sector with a high degree of stability, where the shares often offer a high yield. At year-end this portfolio accounted for 1.1% of the total portfolio.

One way to identify the interest rate risk in the portfolios' composition is to describe fixed-interest periods. Of the total holding in bonds and fixed-income securities, 10% have a fixed-income period that exceeds 10 years. See also Note 14. The average maturity for SPP's fixed-income holdings is three years.

During 2003 SPP minimised the currency risk in the foreign investments with forward contracts in order to limit the effects of exchange rate fluctuations. At 31 December, currency exposure before and after forward hedging is shown in the table below.

Exposure in foreign currency, SEK million				
	Market exposure net	Weight %	Forward exposure	Market exposure gross
CHF	10	0.01	-270	280
EUR	27	0.04	-2 732	2 759
GBP	11	0.01	-1 449	1 460
NOK	-9	-0.01	-116	107
SEK	74 580	99.91	6 719	67 861
USD	29	0.04	-1 968	1 997
Total	74 648	100.0	184	74 464

Liquidity risk

Liquidity risk is the risk of loss that results from not being able to sell a financial instrument immediately without a substantial price reduction. This risk is limited through investments in Swedish and foreign fixed-income government securities, equities with good liquidity and investments in mortgage bonds. In Sweden, mortgage bonds are assessed as having the same liquidity as fixed-income government securities.

Credit risk

Credit risk is the risk that counterparties are unable to meet their commitments to SPP. The creditworthiness of issuers, borrowers and other counterparties is determined via both internal and external credit assessments. Three holdings amount to more than 5% of the total market value of investments.

Major exposures

Company	Share	Total SEK million
Nordbanken/Nordea	6%	4 528
Spintab	6%	4 178
Handelsbanken/Stadshypotek	6%	4 141

A description of operational risk is provided on page 10.

NEW BUSINESS

Market share for occupational pensions measured in new premiums amounted to 13% (20). These premiums amounted to SEK 3 030 million (5 591) which is a decrease of 46%. Of this amount, SEK 2 190 million (4 716) relates to traditional life insurance and SEK 840 million (875) to unit linked insurance. This change is mainly due to lower sales of single premium insurance for early retirement pensions.

RESULTS

Comments on key items

Profit

Profit after tax amounted to SEK 1 608 million (-9 129). This is an increase of SEK 10 737 million. This improvement in earnings is mainly due to positive investment income during the period. Change in life insurance provisions, with some actuarial adjustments of assumptions and widower's pension reserves, made a marginal contribution to this positive result.

For appropriation of profits, see page 23.

Premiums written

Premiums written amounted to SEK 9 153 million (11 927) which is a decline of 23%. Regular premiums

accounted for SEK 7 040 million (7 384) of premiums written and single premiums for SEK 2 113 million (4 543). The change in premiums written is mainly due to reduced sales of single premium insurance and reduced premiums for non-adjustment of paid up values for voluntary ITP and ITP-related plans.

Investment income

Investment income, including unrealised gains and losses, totalled SEK 5 011 million (-9 936). Investment return in the traditional life insurance business amounted to SEK 3 829 million (-7 734) or 5.3% (-10.4). Considering the low risk profile that characterised the investment focus and with a cautiously increased portion of equities, this result is satisfactory. The return on the equities portfolios was 19.4% and comprised approximately 30% of the total return. The return on fixed-income investments decreased by 2.6 percentage points compared with the previous year and amounted to 4.3%.

Claims incurred and life insurance provisions

Claims incurred amounted to SEK -4 385 million (-4 515) which is a decrease of 3%.

Change in other technical provisions amounted to SEK -6 333 million (-4 470), an increase of 42% compared with the previous year. The biggest change is due to an increased technical provision where the policyholder bears the risk relating to unit linked insurance commitments. These provisions increased by SEK 4 392 million in 2003, of which approximately SEK 1 100 million comprises a change in the value of fund units. The remaining amount mainly corresponds to premiums written during the year for unit linked insurance. During the year a continued review of the reserve requirement within traditional life insurance was carried out. The results of this included adjustment of the reserve for special widower's pension according to the ITP Plan's interim rules by SEK 270 million which contributed to reduced costs.

Operating expenses

Operating expenses amounted to SEK -1 160 million (-1 425), a decrease of 19%. Deliberate efforts to reduce costs to an acceptable level contributed to this improved result. This includes IT costs and commission to brokers.

The cost of sales via brokers are affected by both reduced volumes and lower commission levels. The reduced IT costs relate to both completed projects and management costs. Operating expenses in relation to premiums written amounted to 12.7% (11.9).

Tax

The tax expense for the year was SEK -593 million (-628) and mainly comprises costs for policyholder tax.

Personnel

The average number of employees at year-end amounted to 651 (631), which is an increase of 3%. Details of salaries and other payroll costs are provided in Note 6.

Solvency ratio

The solvency ratio amounted to 1.28 (1.13) and the increase is mainly due to improved earnings in 2003 and to technical changes in life insurance calculations. According to the Swedish Insurance Business Act (FRL) the capital base must amount to at least a required solvency margin. The solvency ratio, which is the quotient between the capital base and the solvency margin, must show that the company has a satisfactory margin in order to meet its guaranteed commitments.

SPP's capital base amounted to SEK 3 827 million and was thus SEK 836 million higher than the required solvency margin. The capital base includes subordinated debentures issued by SPP to Handelsbanken in 2002 totalling SEK 1 600 million as well as an assessed surplus value in SPP Liv Fondförsäkring AB. This surplus value amounts to SEK 900 million with an assessed market value of SEK 1 000 million. The market value was based on an independent valuation.

The Swedish Financial Supervisory Authority has approved the inclusion of the above items in the capital base.

PARENT COMPANY

Premiums written amounted to SEK 5 981 million (8 869) which is a decrease of 33%. Sales of single premium insurance for early retirement pension decreased compared with the previous year. Net investment income amounted to SEK 3 462 million (-8 044). Net profit for the year was SEK 1 586 million (-9 015). The improved investment income, lower costs for reserve strengthening and decreased operating expenses all contributed to the improved earnings.

SPP LIV FOND FÖRSÄKRING AB

Premiums written amounted to SEK 3 215 million (3 087), an improvement of 4%. The increase was mainly due to a continued trend with increased savings in funds instead of traditional life insurance. The company is the largest player in the ITPK market.

Net loss for the year amounted to SEK -89 million (-200). This improvement in earnings was mainly due to increased investment income for the company's own assets and lower administrative expenses. The administrative result amounted to SEK -81 million (-145).

These operations are still being built up and are expected to show a loss for the next few years. A shareholders' contribution of SEK 100 million (100) was received from the parent company for future operations.

OTHER COMPANIES

SPP Liv Pensionstjänst reported a loss of SEK -12.8 million (-2.2). The company administers 50 profit-sharing foundations, 25 pension foundations and one insurance association. Pension payments numbered approximately 22 000 (28 000) per month. The company's operations also include pensions and insurance administration for municipalities and county councils as well as the Benefit World pensions portal. SPP Konsult AB reported a profit of SEK 1.8 million (-2.0). Completed consulting assignments were on a par with the previous year.

INSURANCE COMMITMENTS

Bonus

Funding, which comprises a funding reserve and other funds in the parent company, amounted to SEK 1 127 million (582).

For collective-agreement related occupational pension insurance bonuses are issued to the insured in the form of pension supplements and revaluation of earned pension rights. The pension supplement corresponds to the price trend according to the Swedish consumer price index. Pensions were raised by 1.7% at the beginning of 2003. For 2004, current pension payments will be indexed by 1.53%. For other insurance, SPP reduced the supplementary amounts for pensions under payment on 1 January 2004. The reduction of total pensions averaged 6%, maximum 8%, of current pension payments. The guaranteed portion of the insurance was unaffected.

For paid-up policies relating to pension rights earned prior to retirement age it was decided not to issue a bonus in 2004. Bonus in the form of premium reductions is not issued.

For other insurance the bonus is calculated by adding a bonus rate to the pension capital. The average bonus rate during the year was 1.5% before deduction for operating expenses and policyholder tax.

Collective funding

The collective funding capital in the parent company amounted to SEK -289 million (-1 794) at year-end 2003. The funding ratio on the same date amounted to 100% (97). During 2003 the funding ratio slowly rose as a result of improved earnings. The change in earnings is largely explained by an improvement in investment income. In autumn 2003 SPP decided to introduce a new funding policy. This policy states the band for the funding level with a target in the 100-115% band. This represents an adjustment to target levels taking the coming demutualisation into account.

Once the planned demutualisation is completed, the funding policy will be replaced by rules for profit distribution.

RISKS IN INSURANCE OPERATIONS

Insurance risks

Collective-agreement based pension plans require inclusive affiliation which eliminates selection risk. Other occupational pension plans are subject to health checks for morbidity and mortality risks. In addition, reinsurance is taken out for major individual risks. In addition to reinsurance of individual risks, the total mortality result is reinsured. The primary purpose of reinsurance is to even out the risk result over time. Private customers are only offered standard products with low risk.

The price or premium for the insurance is set on the basis of the estimated actuarial risk and the set base rate. In order for the company to be capable to always meet its commitments, these are set with safety margins which help reduce risk exposure. Some types of premiums can be adjusted during the insurance period which contributes to a lower risk level. Actuarial risk is continuously analysed and checked by the company's actuaries.

Financial risks in unit linked insurance

Unit linked insurance does not provide a guaranteed minimum return. This means that in unit linked insurance savings the policyholder bears the entire financial risk in the pension savings. Value development is linked entirely to the market value of the fund units at any point in time.

Operational risks

Operational risk can occur in all the company's operations. Operational risk is the risk of losses arising as a result of internal processes and systems that are not adequately designed for the business. Human error or other external events can also result in losses.

A strict division of responsibility is applied whereby business decisions, risk measurement, reporting and liquidity management are organised with different functions. Identification, governance and control of operational risks are clear and integrated parts of management responsibility at all levels within the Handelsbanken Group. A decentralised way of working encourages cost awareness which leads to vigilance against potential risks of loss in daily operations.

As part of the ongoing work on demutualisation the company is investing in a review and evaluation of processes and routines in order to prevent error and improve internal controls. This is important work which identifies risks and leads to concrete action plans and will, over time, lead to a reduction in administrative expenses. The work will also result in routines and rules for handling operational risks complying with those of the Group.

Five-year summary

SEK million	2003	2002	2001	2000	1999*
Group					
Result					
Premiums written	9 153	11 927	12 627	10 011	7 548
Net investment income in insurance business	5 011	-9 936	-2 693	2 785	13 185
Claims incurred	-4 385	-4 515	-3 872	-3 003	-2 249
Bonuses and rebates	-62	-5	-3	-	-
Operating expenses	-1 160	-1 425	-1 223	-911	-729
Balance on the technical account, life insurance business	2 219	-8 458	-5 837	-4	10 553
Profit/loss for the year	1 608	-9 129	-6 599	-497	10 043
Financial position					
INVESTMENTS					
land and buildings	155	-	-	-	-
shares and participations in associated companies	102	184	218	199	-
shares and participations	14 605	9 301	29 137	35 430	8 149
fixed-income	52 945	59 089	47 657	46 741	12 223
other investments	5 255	86	-	-	59 401
Total investments	73 062	68 660	77 012	82 370	79 773
Investments for which policyholders bear the investment risk	11 843	7 447	6 519	3 884	2 289
Technical provisions for traditional life insurance	72 476	70 551	67 642	59 377	51 756
Technical provisions for which policyholders bear the risk	11 902	7 509	6 578	3 922	2 319
Funding capital					
Shareholders' equity	1 301	737	13 041	24 036	28 244
Subordinated debentures	1 600	1 600	-	-	-
Surplus value group companies	900	900	-	-	-
	3 801	3 237	13 041	24 036	28 244
Key ratios					
Expense ratio, %	12.7	11.9	9.7	9.1	9.7
Management expense ratio, %	1.5	1.8	1.4	1.1	1.0
Parent Company					
Capital base	3 827	3 282	12 977	23 985	28 106
Required solvency margin	2 991	2 914	2 881	2 621	2 290
Solvency ratio	1.28	1.13	4.50	9.15	12.27
Collective funding capital	-289	-1 794	5 822	13 124	14 512
Funding capital	3 827	3 282	12 977	23 985	28 272
Investment management – return					
Yield on investments, %	3.7	3.7	3.7	8.6	16.1
Total return on investments, %	5.3	-10.4	-2.8	3.3	19.1
Expense ratio, %	15.6	13.5	11.1	9.7	10.3
Management expense ratio, %	1.3	1.7	1.4	1.1	1.0

* Adjusted for changed accounting principle

Profit and loss account

SEK million	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS				
Premiums written (net of reinsurance)	9 153	11 927	5 981	8 869
Premiums written	<i>Note 1</i> 9 326	12 087	6 154	9 029
Premiums ceded	-173	-160	-173	-160
Investment income	<i>Note 2</i> 5 464	4 332	5 217	4 175
Unrealised gains on investments	<i>Note 3</i> 2 139	2 611	2 017	2 498
Change in value of investments for which policyholders bear the investment risk	<i>Note 4</i> 1 425	-2 095	-	-
Claims incurred (net of reinsurance)	-4 385	-4 515	-4 384	-4 516
Claims paid	-4 420	-4 199	-4 419	-4 199
Gross	<i>Note 5</i> -4 495	-4 275	-4 494	-4 275
Reinsurers' share	75	76	75	76
Change in provision for claims outstanding	35	-316	35	-317
Gross	<i>Note 27</i> 5	-355	5	-356
Reinsurers' share	30	39	30	39
Change in other technical provisions (net of reinsurance)	-6 333	-4 470	-1 941	-3 540
Life insurance provisions	<i>Note 26</i> -1 941	-3 540	-1 941	-3 540
Life insurance provisions for which policyholders bear the risk				
Unit linked commitments	<i>Note 28</i> -4 392	-930	-	-
Bonuses and rebates (net of reinsurance)	-62	-5	-62	-5
Operating expenses	<i>Note 6</i> -1 160	-1 425	-936	-1 201
Investment charges	<i>Note 7</i> -2 872	-14 784	-2 627	-14 717
Unrealised losses on investments	<i>Note 8</i> -1 145	-	-1 145	-
Result from participations in associated companies	-5	-34	-	-
Balance on the technical account, life insurance business	2 219	-8 458	2 120	-8 437
NON-TECHNICAL ACCOUNT				
Balance on the technical account, life insurance business	2 219	-8 458	2 120	-8 437
Investment income	13	9	-	-
Unrealised gains on investments	1	-1	-	-
Investment charges	-18	-44	-	-
Unrealised losses on investments	-1	0	-	-
Other income	68	35	-	-
Other expenses	-81	-42	-	-
Result before tax	2 201	-8 501	2 120	-8 437
Tax	<i>Note 9</i> -593	-628	-534	-578
NET PROFIT/LOSS FOR THE YEAR	1 608	-9 129	1 586	-9 015

Analysis of results

Parent Company

SEK million	Total 2003	Group pension and occupational pension insurance	Group life and occupational group life insurance
Premiums written (net of reinsurance)	5 981	5 928	53
Investment income	5 217	5 214	3
Unrealised gains on investments	2 017	2 016	1
Claims incurred (net of reinsurance)	-4 384	-4 332	-52
Change in other technical provisions (net of reinsurance)	-1 941	-1 941	0
Bonuses and rebates (net of reinsurance)	-62	-62	0
Operating expenses	-936	-927	-9
Investment charges	-2 627	-2 626	-1
Unrealised losses on investments	-1 145	-1 144	-1
Balance on the technical account, life insurance business	2 120	2 126	-6
Technical provisions, gross			
Life insurance provisions	69 902	69 902	0
Claims outstanding	2 574	2 497	77
Total technical provisions, gross	72 476	72 399	77
Reinsurers' share of technical provisions			
Claims outstanding	191	191	0
Total reinsurers' share of technical provisions	191	191	0
Funding	1 127	1 114	13
Notes to analysis of results			
Premiums written (net of reinsurance)	5 981	5 928	53
Premiums written	6 154	6 101	53
Premiums ceded	-173	-173	0
Claims incurred (after ceded business)	-4 384	-4 332	-52
Claims paid	-4 419	-4 395	-24
Before ceded business	-4 494	-4 470	-24
Reinsurers' share	75	75	0
Change in provision for claims outstanding	35	63	-28
Before ceded business	5	33	-28
Reinsurers' share	30	30	0

Balance sheet

SEK million		GROUP		PARENT COMPANY	
		31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
ASSETS					
Investments					
Land and buildings	<i>Note 10</i>	155	-	155	-
Shares and participations in group companies	<i>Note 11</i>	-	-	101	101
Shares and participations in associated companies	<i>Note 12</i>	102	184	108	203
Shares and participations	<i>Note 13</i>	14 605	9 301	14 565	9 299
Bonds and other fixed-income securities	<i>Note 14</i>	52 945	59 089	52 882	59 050
Derivatives	<i>Note 15</i>	282	86	282	86
Other financial investments	<i>Note 16</i>	4 973	-	4 973	-
		73 062	68 660	73 066	68 739
Investments for which the policyholders bear the investment risk					
Unit linked insurance assets	<i>Note 17</i>	11 843	7 447	-	-
Reinsurers' share of technical provisions					
Claims outstanding		191	160	191	160
Receivables					
Receivables arising out of direct insurance operations	<i>Note 18</i>	272	367	228	315
Other receivables	<i>Note 19</i>	283	67	495	470
		555	434	723	785
Other assets					
Tangible assets	<i>Note 20</i>	60	80	60	80
Cash at bank and in hand	<i>Note 21</i>	6 714	3 733	6 609	3 436
		6 774	3 813	6 669	3 516
Prepayments and accrued income					
Accrued interest income		958	949	958	949
Deferred acquisition costs	<i>Note 22</i>	443	514	224	284
Other prepayments and accrued income		80	81	75	80
		1 481	1 544	1 257	1 313
TOTAL ASSETS		93 906	82 058	81 906	74 513

Balance sheet

SEK million		GROUP		PARENT COMPANY	
		31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES					
Shareholders' equity					
	<i>Note 23</i>				
Share capital (2,000 shares par value SEK 100,000)		200	200	200	200
Funding reserve		-1 385	9 675	-1 729	9 430
Other reserves					
Reserve for unrealised gains	<i>Note 24</i>	720	1 110	720	1 098
Other funds		379	-930	378	-931
Profit/loss brought forward		-221	-189	172	-
Net profit for the year		1 608	-9 129	1 586	-9 015
		1 301	737	1 327	782
Subordinated liabilities					
	<i>Note 25</i>	1 600	1 600	1 600	1 600
Technical provisions (gross)					
Life insurance provisions	<i>Note 26</i>	69 902	67 972	69 902	67 972
Provision for claims outstanding	<i>Note 27</i>	2 574	2 579	2 574	2 579
		72 476	70 551	72 476	70 551
Provisions for life insurance where the policyholders bear the risk					
Unit linked commitments	<i>Note 28</i>	11 902	7 509	-	-
Provisions for other risks and charges					
Taxes					
	<i>Note 29</i>	46	25	41	8
Other provisions					
		3	3	3	3
		49	28	44	11
Deposits from reinsurers					
		191	160	191	160
Liabilities					
Liabilities arising out of direct insurance operations	<i>Note 30</i>	643	737	593	682
Liabilities arising out of reinsurance operations		10	8	10	8
Derivatives	<i>Note 31</i>	144	30	144	30
Other liabilities	<i>Note 32</i>	5 455	584	5 389	575
		6 252	1 359	6 136	1 295
Accruals and deferred income					
	<i>Note 33</i>	135	114	132	114
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		93 906	82 058	81 906	74 513
Memorandum items					
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	<i>Note 34</i>	91 631	79 939	79 729	72 430
Other pledged assets	<i>Note 35</i>	529	682	529	682

Accounting principles

The Annual Report has been prepared in conformity with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL) and the instructions and general guidelines regarding the annual accounts of insurance companies issued by the Swedish Financial Supervisory Authority (FFFS 2002:21).

CONSOLIDATED ACCOUNTS

The consolidated accounts include all companies in which SPP directly or indirectly has a decisive influence. A decisive influence normally exists when the holding amounts to more than 50% of the voting rights. Subsidiaries are consolidated in accordance with the purchase method. Companies in which SPP directly or indirectly has a significant influence are reported as associated companies. A significant influence normally exists when the holding amounts to a minimum of 20% and an maximum of 50% of the votes. Associated companies are reported in the consolidated accounts in accordance with the equity method.

The book value of an associated company corresponds to the Group's share of the associated company's equity and any residual values on consolidated surplus or deficit values. In the profit and loss account the Group's share of the associated company's profit after tax adjusted for amortisation of acquired surplus values, is reported as Result from participations in associated companies. Since a foreign associated company was sold during the year, the result until the date of sale is included in the result for the year.

Shareholders' contribution provided is reported as an increase in the item participations in group companies in the balance sheet.

Translation of the balance sheets and profit and loss accounts of foreign operations is effected according to the current rate method. Assets, liabilities and minority shares in equity are translated at the closing rate. Shareholders' equity is translated at the exchange rate on the date of investment and earning respectively. Any translation differences that arise are stated directly in shareholders' equity. The profit and loss account is translated according to the average exchange rate for the year.

INTANGIBLE ASSETS

An intangible asset is an identifiable, non-monetary asset without physical substance held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. An asset is a resource from which future economic benefits are expected over which control is exercised as a result of past events.

When a company is acquired an acquisition balance sheet is prepared where identifiable assets and liabilities are valued at fair value on the acquisition date. To the extent the acquisition price can be attributed to identifiable assets and liabilities this difference is reported as goodwill.

Investments in both own developed and acquired computer software is recognised as an expense as incurred where such expenditure relates to maintenance of existing business operations or an existing intangible asset.

In development of a new intangible asset, or a new business enterprise for an existing intangible asset, the expenditure incurred is capitalised from the date when it is probable that economic benefits will accrue which can be estimated in a reliable manner. Asset recognition of expenditure on an existing intangible asset is also

subject to the requirement that the economic benefits must clearly exceed the economic benefits associated with the existing asset in its original condition.

Examination of whether an impairment loss requirement exists takes place when there is an indication that the asset may have decreased in value.

VALUATION OF INVESTMENTS

All investments, apart from investments in group companies, are valued at fair value. Investments in group companies are valued at the lower of historical cost and fair value. Buildings and land are valued individually applying cash flow analyses. Valuations are performed by an external valuer.

Changes in value, both realised and unrealised, are reported in the profit and loss account. For shares and real estate the unrealised result is calculated as the difference between cost and fair value. For fixed-income instruments the unrealised result is calculated as the difference between amortised cost and fair value. Amortised cost is the discounted present value of future payments where the discount rate comprises the effective rate of interest at acquisition. This takes into account any premiums or discounts at acquisition which are spread over the remaining maturity of the instrument.

Purchases and sales of money and capital market instruments on the spot market are reported applying transaction date accounting. Business that is not settled as per the closing date is reported gross as a receivable from or liability to the recipient under other receivables or other liabilities.

Derivative transactions with a positive market value on the closing date are stated under Investments and transactions with a negative market value are reported under Liabilities.

Assets subject to securities lending are reported as securities in the balance sheet. Remuneration received is accrued over the maturity and reported as interest. The securities are stated at fair value under Other pledged assets and comparable collateral.

Remuneration received for bonds related to a repurchase agreement (repo) is reported as a liability under Other liabilities. The bonds included in such agreement are reported in the balance sheet under Bonds and other fixed-income securities. Sold securities are reported as a pledged asset under Pledges and comparable collateral for own liabilities and for reported commitments for provisions. The purchase price paid for bonds related to a repurchase agreement (repo) is reported as a receivable under Other financial investments. Acquired securities are not reported as an asset. The difference between the purchase price in the spot phase and the forward phase is accrued over maturity and reported as interest.

Reserve for unrealised gains

The gains that arise when the fair value of investments exceeds the historical cost is placed in a reserve for unrealised gains. The reserve for unrealised gains is included in shareholders' equity in the balance sheet. The reserve for unrealised gains consists of the difference between the total historical cost (for fixed-income investments - amortised cost) and the total fair value for the asset item in original currency translated at the closing rate. Calculations are performed collectively per balance sheet item with the exception of land and buildings where provision is made on an individual basis.

Unit linked insurance

In unit linked insurance business, fund units for which policyholders bear the investment risk are valued at fair value. When the policyholders' units are realised, for example when pensions are paid, payment of charges or similar, the unit is valued at its fair value at the date of transfer.

VALUATION OF ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency are valued at the closing rate.

TANGIBLE ASSETS

Machinery and equipment are valued at cost. An impairment test is performed when there is an indication of a decrease in value.

DEFERRED ACQUISITION COSTS

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

PROVISIONS

Provisions are reported as a result of a past event where it is probable that an outflow of resources will be required to settle the commitment. The provision is valued at the amount that is judged most likely taking the date of settlement into account.

Technical provisions are described separately.

IMPAIRMENT LOSSES

This section describes the criteria applied for impairment losses on tangible and intangible assets as well as shares in subsidiaries, associated companies and any participation in joint ventures.

Impairment losses are reported if the recoverable amount is less than the carrying amount. The recoverable amount is calculated as the higher of an asset's value in use and net selling price. The recoverable amount is determined when there is an indication that the asset has decreased in value.

DEPRECIATION

Equipment

Equipment is depreciated on a straight-line basis over the useful life of the asset. This means that personal computers are depreciated over three years and other equipment is depreciated over five years.

Intangible assets

Goodwill attributable to acquisition of associated companies is amortised after an estimated useful life of ten years which is based on the value of the associated company's business, contracts and customer base.

TAXES

Tax is calculated individually for each company in the respective country in accordance with prevailing tax legislation. Tax expense for the year includes policyholder tax, income tax and withholding tax on dividends. Income tax includes deferred tax on the unrealised result of the portion of the Group's operations that is liable for income tax.

VALUATION OF TECHNICAL PROVISIONS

Technical provisions comprise life insurance provisions and provision for claims outstanding and other technical provisions.

In the life insurance business, the long 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 performed. These are calculated according to generally accepted actuarial principles and assumptions adopted by SPP Livförsäkrings AB's Board of Directors. These principles are based on assumptions with regard to interest rates, mortality, morbidity and operating expenses.

Life insurance provisions are the capital value of benefits undertaken according to contracts entered into including anticipated payment costs reduced by the capital value of future premiums for these insurance contracts.

Mortality assumption

For collective-agreement related occupational pension insurance mortality assumptions are based on the company's actual experience. For other traditional life insurance, mortality assumptions are applied which were jointly developed by the industry in 1990.

Operating expenses assumptions

The company applies a cost that is proportional to the technical provisions and one which is proportional to paid-in premiums. The operating expenses assumption is based on the company's current expenditure.

Interest rate assumptions and tax

The interest rate assumption is 3.5% for old contracts taken out before 2003. On contracts taken out from January to April, the interest rate assumption is 3.25%. The interest rate assumption with effect from May is 3.0%. The Swedish Financial Supervisory Authority stipulates the maximum permitted interest rate assumption at which life insurance provisions may be calculated. A tax burden occurs through a reduction of the assumed interest rate by 0.5% for old contracts and 0.4% for new contracts.

Provision for claims outstanding

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

Life insurance provisions for which the policyholders bear the risk — Unit linked insurance commitments

Provisions for which policyholders bear the investment risk in unit linked insurance operations correspond to the undertakings under the insurance contracts. These provisions comprise at all times the sum of the fair value of fund units attributable to the insurance in question, and funds that have been paid in but not yet invested in fund units.

OTHER

Reclassification of some lines in the profit and loss account and related notes has been effected for the comparative year 2002. This mainly pertains to a change of method to reporting the capital gain for investments net per class of asset. Otherwise some minor reclassifications have been made in the balance sheet for the comparative year 2002.

Notes

Amounts in SEK million unless otherwise stated

NOTE 1 Premiums written (gross)

	Group		Parent Company	
	2003	2002	2003	2002
Paid-in premiums	9 315	11 341	6 143	8 283
Reversionary bonus for adjustment of paid-up values	25	492	25	492
Reversionary bonus for premium reduction	-1	265	-1	265
Technical premium supplements	0	1	0	1
Premium tax	-13	-12	-13	-12
	9 326	12 087	6 154	9 029

Premiums written have been taken out in Sweden.

Premiums written for direct insurance Group	2003		2002	
	Regular premiums	Single premiums	Regular premiums	Single premiums
Group insurance				
Bonus contracts	4 273	1 838	4 763	4 237
Contracts where policyholders bear the investment risk	2 940	275	2 781	306
	7 213	2 113	7 544	4 543

Premiums written attributable to bonus contracts pertain entirely to the Parent Company (reduced by group eliminations, SEK 43 million).

NOTE 2 Investment income

	Group		Parent Company	
	2003	2002	2003	2002
Operating surplus from land and buildings	2	-	2	-
Rental revenue	2	-	2	-
Operating expenses	0	-	0	-
Dividends received	368	702	132	533
Interest receivable, etc.	2 578	2 381	2 587	2 396
Bonds and other fixed-income securities	2 452	2 182	2 452	2 182
Other interest receivable	126	199	126	199
Other interest receivable, group companies	0	-	9	15
Exchange gains, net	30	-	30	-
Capital gains, net	2 486	1 249	2 466	1 246
Shares and participations	879	2	861	-
Fixed-income securities	1 387	1 247	1 385	1 246
Other investments	220	-	220	-
	5 464	4 332	5 217	4 175

NOTE 3 Unrealised gains on investments

	Group		Parent Company	
	2003	2002	2003	2002
Shares and participations	2 139	1 362	2 017	1 249
Bonds and other fixed-income securities	-	1 186	-	1 186
Derivatives	-	63	-	63
	2 139	2 611	2 017	2 498

NOTE 4 Change in value of investments for which policyholders bear the investment risk

	Group		Parent Company	
	2003	2002	2003	2002
Shares and participations	1 342	-1 958	-	-
Bonds and other fixed-income securities	83	-137	-	-
	1 425	-2 095	-	-

NOTE 5 Claims paid (gross)

	Group		Parent Company	
	2003	2002	2003	2002
Claims paid	-4 412	-4 193	-4 412	-4 193
Operating costs for claims management	-83	-82	-82	-82
	-4 495	-4 275	-4 494	-4 275

NOTE 6 Operating expenses

	Group		Parent Company	
	2003	2002	2003	2002
Acquisition costs	-193	-498	-99	-314
Change in deferred acquisition costs	-71	97	-60	13
Administrative expenses	-961	-1 071	-842	-947
Reinsurance commissions and profit participations	65	47	65	47
Total operating expenses in insurance operations	-1 160	-1 425	-936	-1 201
Claims management	-83	-82	-82	-82
Treasury management	-171	-173	-167	-168
Share in results of associated companies	-5	-34	-	-
Total operating expenses	-1 419	-1 714	-1 185	-1 451
Specification of total operations expenses:				
Staff costs	-566	-530	-566	-530
Premises	-135	-98	-135	-98
Depreciation	-20	-20	-20	-38
Other	-775	-1 110	-473	-794
Management fees	77	44	9	9
Net operating expenses	-1 419	-1 714	-1 185	-1 451

Consolidated operating expenses include commissions to brokers amounting to SEK 68 million (220). The SPP Group's pension commitments are covered by ongoing insurance.

The total sum of minimum leasing charges amounts to SEK 250 million, of which SEK 31 million falls due within one year. Between one and five years SEK 124 million and later than five years SEK 95 million. The leasing cost comprises an operating lease and pertains to rent for premises. This cost normally has a variable charge related to inflation and property tax.

Staff costs include provision to profit sharing foundation of SEK 12.2 million.

Operating expenses for claims management are reported under the heading Claims paid and operating expenses related to treasury management are reported under Investment charges.

STAFF COSTS

PRINCIPLES FOR COMPENSATION TO SENIOR EXECUTIVES

The compensation level for senior executives is revised annually according to the decision-making process that applies throughout the Handelsbanken Group. One main principle in the process is that compensation may only be issued in the form of fixed salary and customary employee benefits. Variable compensation benefits such as bonus and percentage of profits are not paid.

Decision-making process

Handelsbanken's Board appoints a special compensation committee composed of two board members, one of whom is appointed chairman of the committee.

The compensation committee convenes when its chairman calls a meeting and its assignments include establishing principles for the salaries, benefits and pensions of Chief Executives of subsidiaries. Based on these guidelines the Board of SPP decides the terms for the Chief Executive.

TERMS AND COMPENSATION FOR SENIOR EXECUTIVES

Terms

The Chief Executive's retirement age is 60 Retirement pension between 60-64 is 65% of salary. From the age of 65 retirement pension is 10% of annual salary up to 7.5 price base amounts. In addition national pension will be received. On the salary component above 7.5 price base amounts, retirement pension will be paid of 65%.

The company has no agreements on severance pay.

Compensation

In 2003 the Chief Executive received a total salary of SEK 2 592 thousand (1 661), of which profit-related salary amounted to SEK 0 (0). In addition, benefits were provided with a total value of SEK 157 thousand (101). Since the Chief Executive was employed

in May 2002, the comparative year only comprises eight months.

Non-executive board members, outside the Handelsbanken Group, received fees totaling SEK 235 thousand (470). No fees were paid to the Chairman of the Board. No fees were paid to employee representatives on the Board and their deputies.

The Chief Executive and other senior executives, in common with other employees in the Handelsbanken Group, received compensation with a share in Handelsbanken's profit sharing system Oktogonen. One Swedish share corresponded to SEK 76 thousand (82).

The Chief Executive and senior executives were invited to acquire synthetic options at market prices with Handelsbanken class A shares as the underlying securities. The options programme runs between 1999 and November 2004 and is subject to the same terms as those applying to other executives in the Handelsbanken Group who have been invited to participate. The Chief Executive's holding amounted to 40 000 options.

Average number of employees

Group and Parent Company	2003		2002	
	No. of employees	Of whom men	No. of employees	Of whom men
Salaried employees	651	47%	631	45%
Total	651	47%	631	45%

Salaries, other remuneration and payroll overhead

Group and Parent Company	Salaries and other remuneration (of which bonuses)		Payroll overhead (of which pension costs)	
	2003	2002	2003	2002
Board of Directors and Chief Executive	2.8	2.9	4.0	3.0
	(-)	(1.5)	(-)	(1.3)
Salaried employees	262.9	158.0	263.1	139.8
	(-)	(55.4)	(-)	(42.9)
Total	265.7	160.9	267.1	142.8
	(-)	(56.9)	(-)	(44.2)

The above information pertains to SPP Livförsäkring AB. The following companies' employees are employed by SPP Livförsäkring AB: SPP Liv Pensionstjänst AB, SPP Liv Fondförsäkring AB and SPP Konsult AB. These companies purchase corresponding services from SPP Livförsäkring AB. SPP Kundcenter AB has no operations.

Absence due to illness

Age	Absence due to illness, %			Total
	Women	Men	Total	
-29	13.4	3.3	8.7	4.4
30-49	4.7	1.1	3.2	1.7
50-	7.3	4.4	6.1	4.5
Total	5.8	2.0	4.2	2.5

Of which, on long-term sick list, % points of total absence due to illness

Gender breakdown, management

SPP and Handelsbanken Liv have a joint Executive Management. The management group comprises a total of 18 people, 13 of whom are employed at SPP.

	Women	Men
Executive Management	2	16
of which SPP	2	11
Board of Directors	1	11

NOTE 11 Shares and participations in group companies

Specification of the Parent Company's and the Group's holding of shares and participations in group companies:

	Corporate ID no.	Domicile	No. of shares	Share of equity	Book value 2003	Book value 2002
SPP Kundcenter AB	556550-1243	Stockholm	1 000	100%	0	0
SPP Liv Pensionstjänst AB	556254-6969	Stockholm	8 000	100%	1	1
SPP Konsult AB ¹	556045-7581	Stockholm	100	100%	-	-
SPP Liv Fondförsäkring AB	516401-8599	Stockholm	800	100%	100	100
					101	101

Since all shares are unlisted, no market values are given.

1) Book value is not given for sub subsidiaries.

Cost	Parent Company	
	2003	2002
Opening balance	101	101
Shareholders' contribution provided ¹	105	110
Write-down for the year	-105	-110
Closing balance	101	101

1) SPP Liv has provided a conditional shareholders' contribution to SPP Liv Fondförsäkring AB of SEK 100 million and to SPP Liv Pensionstjänst AB of SEK 5 million. A write-down of the shareholding was effected by a corresponding amount.

	Group		Parent Company	
	2003	2002	2003	2002
Fees to auditors				
KPMG Bohlins AB, Audit costs	0.3	0.3	0.3	0.2
KPMG Bohlins AB, Consultancy costs	2.2	2.9	2.2	2.9
BDO Feinstein Revision AB, Audit costs	0.5	0.1	0.5	0.1
Internal audit, Handelsbanken	1.5	1.5	1.5	1.5

NOTE 7 Investment charges

	Group		Parent Company	
	2003	2002	2003	2002
Investment management charges	-171	-173	-167	-168
Interest payable, etc.	-115	-183	-123	-183
Other interest payable	-115	-183	-123	-183
Exchange losses, net	-	-1 855	-	-1 855
Capital losses, net	-2 586	-12 573	-2 337	-12 511
Shares and participations	-2 429	-12 571	-2 184	-12 511
Fixed-income securities	-157	-2	-153	-
	-2 872	-14 784	-2 627	-14 717

NOTE 8 Unrealised losses on investments

	Group		Parent Company	
	2003	2002	2003	2002
Bonds and other fixed-income securities	-795	-	-795	-
Derivatives	-350	-	-350	-
	-1 145	-	-1 145	-

NOTE 9 Tax

	Group		Parent Company	
	2003	2002	2003	2002
Policyholder tax	-592	-600	-533	-550
Income tax	0	0	-	-
Other	-1	-28	-1	-28
	-593	-628	-534	-578

NOTE 10 Land and buildings

Group and Parent Company	Fair value	Cost	Tax assessment value	Book value SEK 000/m2
			2003	2002
Office and commercial properties	155	155	88	24

No part of the property is used in the company's own operations.

NOTE 12 Shares and participations in associated companies

	Group		Parent Company	
	2003	2002	2003	2002
Opening balance	184	218	203	206
Divestment	-71	-	-78	
Write-down	-	-3	-17	-3
Share of profits	-5	-34		
Translation difference	-	8		
Goodwill amortisation	-6	-5		
Closing balance	102	184	108	203

The closing balance of shares in associated companies includes goodwill with SEK 33 million. SPP's share in the associated company Euroben Life & Pension Ltd, 50%, was sold in October 2003.

Nordben Life and Pension Insurance Co Limited is domiciled in Guernsey. SPP's shareholding totals 3 000 000 shares with a share of capital of 28%.

NOTE 13 Shares and participations

Group	2003		2002	
	Fair value	Cost	Fair value	Cost
Swedish equities	1 017	951	3 864	4 976
Foreign equities	2 718	2 612	2 524	3 303
Units in Swedish funds	7 174	7 207	2 830	2 835
Units in foreign funds	3 696	3 631	83	122
	14 605	14 401	9 301	11 236
Of which listed	14 605	14 401	9 301	11 236

Parent Company	2003		2002	
	Fair value	Cost	Fair value	Cost
Swedish equities	1 017	951	3 864	4 976
Foreign equities	2 718	2 612	2 524	3 303
Units in Swedish funds	7 135	7 168	2 829	2 834
Units in foreign funds	3 695	3 630	82	121
	14 565	14 361	9 299	11 234
Of which listed	14 565	14 361	9 299	11 234

The statutory list of shares is attached to the annual report submitted to the Swedish Patent and Registration Office (PRV). The list may be ordered from SPP, Finance, SE-105 39 Stockholm or by fax +46 8 556 859 90. Alternatively, see www.spp.se.

NOTE 14 Bonds and other fixed-income securities

Group	2003		2002	
	Fair value	Cost	Fair value	Cost
Swedish government	31 130	31 045	48 941	47 815
Swedish mortgage institutions	18 693	18 598	7 329	7 202
Other Swedish issuers	2 070	2 034	1 565	1 539
Other foreign issuers	774	759	1 007	941
Units in Swedish funds	278	271	247	240
	52 945	52 707	59 089	57 737
Of which listed	52 945	52 707	59 089	57 737

Parent Company	2003		2002	
	Fair value	Cost	Fair value	Cost
Swedish government	31 130	31 045	48 941	47 815
Swedish mortgage institutions	18 693	18 598	7 329	7 202
Other Swedish issuers	2 070	2 034	1 565	1 539
Other foreign issuers	774	759	1 007	941
Units in Swedish funds	215	208	208	202
	52 882	52 644	59 050	57 699
Of which listed	52 882	52 644	59 050	57 699

The accrued acquisition value of fixed-income securities exceeds and falls below the amount to be realised on the due date by SEK 263 million and SEK 32 million respectively.

Fixed-interest terms

0-1 years	20 921
1-2 years	6 764
2-5 years	15 955
5-10 years	3 699
10 years-	5 543
Total	52 882

NOTE 15 Derivative instruments with positive values

Group and Parent Company	2003		2002	
	Book value	Nominal value	Book value	Nominal value
Derivative instruments included in the balance sheet				
Forward exchange contracts	282	6 606	86	2 480
	282	6 606	86	2 480

NOTE 16 Other financial investments

	Group		Parent Company	
	2003	2002	2003	2002
Repurchase agreements	4 973	-	4 973	-
	4 973	-	4 973	-

NOTE 17 Unit linked insurance assets

Group	2003		2002	
	Fair value	Cost	Fair value	Cost
Swedish fund units	11 299	11 910	7 078	9 032
Shares and participations	9 252	9 833	5 679	7 521
Fixed-income securities	2 047	2 077	1 399	1 511
Foreign fund units	544	602	369	508
Shares and participations	544	602	369	508
	11 843	12 512	7 447	9 540

The holdings of investments for which the policyholders bear the investment risk are attached to the annual report submitted to PRV. The list may be ordered from SPP, Finance, SE-105 39 Stockholm or via fax +46 8 556 859 90.

NOTE 18 Receivables arising out of direct insurance operations

	Group		Parent Company	
	2003	2002	2003	2002
Amounts receivable from policyholders	185	315	185	315
Amount receivable from Collectum	87	52	43	-
	272	367	228	315

NOTE 19 Other receivables

	Group		Parent Company	
	2003	2002	2003	2002
Owed by group companies	-	0	266	417
Tax assets	0	-	-	-
Taxes outside Sweden	3	4	3	4
Other	280	63	226	49
	283	67	495	470

NOTE 20 Tangible assets

	Group		Parent Company	
	2003	2002	2003	2002
Cost				
Opening balance	164	96	164	96
Purchases/sales during the year	-2	68	-2	68
Closing balance	162	164	162	164
Accumulated depreciation				
Opening balance	-84	-64	-84	-47
Depreciation for the year	-18	-20	-18	-37
Closing balance	-102	-84	-102	-84
Book value	60	80	60	80

NOTE 21 Cash at bank and in hand

	Group		Parent Company	
	2003	2002	2003	2002
Funds on accounts at group companies	6 673	3 699	6 581	3 406
Other liquid assets	41	34	28	30
	6 714	3 733	6 609	3 436

NOTE 22 Deferred acquisition costs

	Group		Parent Company	
	2003	2002	2003	2002
Capitalisation				
Opening balance	1 030	742	665	534
Capitalisation for the year	131	288	53	131
Closing balance	1 161	1 030	718	665
Accumulated depreciation				
Opening balance	-516	-325	-381	-263
Depreciation for the year	-202	-191	-113	-118
Closing balance	-718	-516	-494	-381
Book value	443	514	224	284
of which book value with remaining depreciation period > 2 years	277	405	121	216

NOTE 23 Shareholders' equity

Group	Share capital	Funding reserve	Other reserves		Profit brought forward	Net profit for the year	Total 2003
			Reserve for unrealised gains	Other funds			
Opening balance	200	9 675	1 110	-930	-189	-9 129	737
Appropriation of profits		-9 855		930	-204	9 129	-
Shareholders' contribution received					172		172
Reversionary bonus		-632					-632
Payment of client company funds		-576					-576
Withdrawal from indexation funds		-6					-6
Other changes in bonus funds		1					1
Associated companies		8	-11				-3
Reversal of reserve for unrealised gains			-379	379			-
Net profit for the year						1 608	1 608
Closing balance	200	-1 385	720	379	-221	1 608	1 301

Parent Company	Share capital	Funding reserve	Other reserves		Profit brought forward	Net profit for the year	Total 2003
			Reserve for unrealised gains	Other funds			
Opening balance	200	9 430	1 098	-931	-	-9 015	782
Disposition of profits		-9 946		931		9 015	-
Shareholders' contribution received					172		172
Reversionary bonus		-632					-632
Payment of client company funds		-576					-576
Withdrawal from indexation funds		-6					-6
Other changes in bonus funds		1					1
Reversal of reserve for unrealised gains			-378	378			-
Net profit for the year						1 586	1 586
Closing balance	200	-1 729	720	378	172	1 586	1 327

Special indexation funds are included in the funding reserve with SEK 2 200 million (2 258) in the Group and in the Parent Company.

Sensitivity analysis, shareholders' equity

	Effect on shareholders' equity
Price fall Equities 10%	-1 479
Exchange rate fall (SEK), 10%	-679
Yield real estate 2 percentage points	-3
Interest rate rise 1 percentage point	-1 187

This calculation takes into account the fact that 60% of the change in market interest rates also has an impact on calculation of life insurance provisions. These would in such a case be reduced by SEK 252 million. Funds available for bonuses would increase by the same amount. Here we have assumed that the discount rate applying to contracts taken out before 2003 will not be affected by an increase in interest rates.

NOTE 24 Reserve for unrealised gains

	Group		Parent Company	
	2003	2002	2003	2002
Shares and participations in associated companies	-	11	-	-
Shares and participations	203	1	203	-
Bonds and other fixed-income securities	379	1 098	379	1 098
Derivatives	138	-	138	-
	720	1 110	720	1 098

NOTE 25 Subordinated liabilities

	Group		Parent Company	
	2003	2002	2003	2002
Perpetual debentures	1 600	1 600	1 600	1 600
	1 600	1 600	1 600	1 600

NOTE 26 Life insurance provisions (gross)

Group and Parent Company	Reversionary bonus	Other provisions	Total 2003	Total 2002
Opening balance	1	67 971	67 972	65 202
Insurance portfolio transferred	-	-10	-10	-770
Change for the year	0	1 941	1 941	3 540
Rounding difference	-	-	-1	-
	1	69 902	69 902	67 972

Of insurance portfolio transferred during the year SEK -10 million (-770) comprises settlement to Alecta.

NOTE 27 Provision for claims outstanding (gross)

Group	Notified claims	Non-notified claims	Provision for non-life annuities and sickness annuities	Total	
				2003	2002
Opening balance	3	215	2 361	2 579	2 441
Insurance portfolio transferred	-	-	-	-	-217
Change for the year	0	16	-21	-5	355
	3	231	2 340	2 574	2 579

Parent Company	Notified claims	Non-notified claims	Provision for non-life annuities and sickness annuities	Total	
				2003	2002
Opening balance	3	215	2 361	2 579	2 440
Insurance portfolio transferred	-	-	-	-	-217
Change for the year	0	16	-21	-5	356
	3	231	2 340	2 574	2 579

NOTE 28 Unit linked commitments

	Group		Parent Company	
	2003	2002	2003	2002
Opening balance	7 509	6 578	-	-
Rounding difference	1	1	-	-
Change for the year	4 392	930	-	-
	11 902	7 509	-	-

NOTE 29 Provisions for taxes

	Group		Parent Company	
	2003	2002	2003	2002
Policyholder tax	46	25	41	8
Income tax	0	0	-	-
	46	25	41	8

NOTE 30 Liabilities arising out of direct insurance operations

	Group		Parent Company	
	2003	2002	2003	2002
Owed to policyholders	556	685	550	682
Owed to Collectum	87	52	43	-
	643	737	593	682

NOTE 31 Derivative instruments with negative values

Group and Parent Company	2003		2002	
	Book value	Nominal value	Book value	Nominal value
Derivative instruments included in the balance sheet				
Interest rate futures	47	9 812	-	-
Forward exchange contracts	97	6 236	30	2 869
	144	16 048	30	2 869

NOTE 32 Other liabilities

	Group		Parent Company	
	2003	2002	2003	2002
Owed to group companies	1	25	1	25
Repurchase agreements	4 973	-	4 973	-
Other	481	559	415	550
	5 455	584	5 389	575

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

NOTE 33 Accruals and deferred income

	Group		Parent Company	
	2003	2002	2003	2002
Reserve for employees	40	42	40	42
Other	95	72	92	72
	135	114	132	114

NOTE 34 Pledges and comparable collateral for own liabilities and for reported commitments for provisions

	Group		Parent Company	
	2003	2002	2003	2002
Assets registered on behalf of policyholders	86 658	79 939	74 756	72 430
<i>In addition to requisite pledged assets</i>	2 281	1 874	2 281	1 874
Collateral pledged for repurchase agreements	4 973	-	4 973	-
	91 631	79 939	79 729	72 430

	Group		Parent Company	
	2003	2002	2003	2002
Shares and participations	24 576	15 347	14 780	9 299
Bonds and other fixed-income securities	55 672	60 449	53 625	59 050
Real estate	108	-	108	-
Cash and bank balances	6 302	4 143	6 243	4 081
Repurchase agreements	4 973	-	4 973	-
	91 631	79 939	79 729	72 430

NOTE 35 Other pledged assets

	Group		Parent Company	
	2003	2002	2003	2002
Collateral for interest rate futures	74	-	74	-
Securities lending, equities	455	682	455	682
	529	682	529	682

Proposed appropriation of profits

The Board of Directors and the Chief Executive propose that the Parent Company's profit for 2003 of SEK 1 586 253 857, with the addition of reversed funds from the reserve for unrealised gains of SEK 378 365 164, a total of SEK 1 964 619 021, be transferred to the funding reserve. The result of operations during the year, and the company's financial position as per 31 December 2003, are presented in the profit and loss accounts and balance sheets for the Parent Company and the Group, as well as in the notes to these accounts.

STOCKHOLM, 11 FEBRUARY 2004

Björn C Andersson
Chairman

Rolf Lundqvist
Vice Chairman

Barbro Johansson

Björn Bergman

M Johan Widerberg

Holger Eriksson

Carl-Johan Tibblin

Yonnie Bergqvist

Åke Danielsson

Magnus Ugglå

Paul Wåhländer

Stefan Nilsson

Göran Holgerson
Chief Executive

Auditors' Report

To the Annual General Meeting of SPP Livförsäkring AB, corporate identity number 516401-8524

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive of SPP Livförsäkring AB for the year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the Chief Executive. 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 Chief Executive, 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 Chief Executive. We also examined whether any board member or the Chief Executive has, in any other way, acted in contravention of the Swedish Insurance Business 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 Annual General Meeting 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 Chief Executive be discharged from liability for the financial year.

STOCKHOLM, 30 MARCH 2004

KPMG Bohlins AB
Peter Zell
Authorised Public Accountant

Ulf Davéus
Authorised Public Accountant
Appointed by
the Swedish Financial
Supervisory Authority

Management

SPP and Handelsbanken Liv have a joint executive management.

Stefan Nilsson, born 1957
Executive Vice President
of Handelsbanken
Head of Handelsbanken Pensions
and Insurance

Göran Holgerson, born 1960
Chief Executive of SPP

Hans Hagman, born 1963
Chief Executive
of Handelsbanken Liv

Henrik Sandberg, born 1957
Executive Vice President of SPP

Hampus Klockhoff, born 1950
Regional Manager North Norrland
Deceased 12 March 2004

Magnus Fors, born 1960
Regional Manager South Norrland

Lennart Olsson, born 1953
Regional Manager Stockholm City

Elisabeth Norberg, born 1950
Regional Manager Central Sweden

Mats van Rheinberg, born 1956
Regional Manager East Sweden

Lars Fitger, born 1955
Regional Manager West Sweden

Anders Persson, born 1963
Regional Manager South Sweden

Jan Ahlström, born 1956
Head of Business Support,
Corporate

Åke Svensson, born 1955
Head of Business Support,
Private

Stephan Oxenborg, born 1951
Head of Development Unit

Bo Engström, born 1955
Head of Administration

Johan Lagerström, born 1961
Head of Communications

Gun Ternstedt, born 1952
Head of Human Resources

Tibor Havas, born 1950
Head of Brokerage Unit

Board of Directors

Björn C Andersson, born 1946
Chairman
Executive Vice President of
Handelsbanken
Head of Handelsbanken Asset
Management
Member since 2001

Barbro Johansson, born 1944
Former Chief Executive of
Handelsbanken Liv
Member since 2001

Magnus Ugglå, born 1952
Executive Vice President of
Handelsbanken
Head of Stockholm City
Regional Bank
Member since 2002

Björn Bergman, born 1942
Chairman of Ledarna
Member since 1994

Rolf Lundqvist, born 1940
Vice Chairman, former
Administrative Director of SIF
Member since 2000

M Johan Widerberg, born 1949
Executive Vice President of
Handelsbanken
Head of Western Sweden
Regional Bank
Member since 2001

Yonnie Bergqvist, born 1961
Chief Executive of Stadshypotek
Bank
Member since 2001

Stefan Nilsson, born 1957
Executive Vice President
of Handelsbanken
Head of Handelsbanken Pensions
and Insurance
Member since 2001

Paul Wähländer, born 1958
Employee representative
Insurance employee
Member since 2002

Holger Eriksson, born 1943
Chairman of HTF
Member since 1994

Carl-Johan Tibblin, born 1944
Executive Vice President
Resources,
Scania CV AB
Member since 1994

Åke Danielsson, born 1960
Deputy Employee representative
Insurance employee
Member since 2000

Glossary

Bonus

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

Bonus rate

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

Collective funding capital

Market value of an insurance company's assets minus commitments to policyholders.

Collective funding ratio

Market value of an insurance company's assets in relation to insurance commitments.

Demutualisation

In a demutualised (profit distributing) company the shareholders' bear responsibility for the risk capital and it is permitted to distribute profits. In a mutually operated life insurance company the policyholders bear responsibility for most of the risk capital and profit distribution is not permitted.

Expense ratio

Operating expenses for administration, purchases and claims management in relation to premiums written.

Funding capital

Consists of shareholders' equity, untaxed reserves and subordinated debentures. When calculating funding capital, the provision for deferred tax is reversed.

Funding reserve

Item in shareholders' equity in the balance sheet to which the insurance company under the Swedish Insurance Business Act is obliged to allocate profit for the year on life insurance business. The funding reserve may only be used for bonuses and to cover losses.

Investment income

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

ITP

Supplementary pension for salaried employees in Swedish industry and commerce.

ITPK

Supplementary retirement pension to ITP the design of which can be influenced by the employee.

Life insurance provisions

Value of future guaranteed insurance benefits (pension amounts and other guaranteed disbursements) minus the value of future premium payments.

Life insurance provisions for which policyholders bear the risk

Life insurance provisions where policyholders themselves bear the risk to some extent. For SPP this only relates to unit linked insurance.

Management expense ratio

Operating expenses for administration, purchases and claims management in relation to average assets under management.

Mutuality

Mutuality means that the company's entire result, both profits and losses, and bonuses accrue to the policyholders. This means, among other things, that a final price for an insurance cannot be provided until the insurance contract has expired and that significant redistribution of assets may take place among policyholders.

New business

Estimated value of new sales, i.e. single premiums plus current annual premiums.

Pension supplement

Bonus allocated to the insured in addition to guaranteed pension. This 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 the Board each year.

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.

Provision for claims outstanding

The estimated value of incurred insurance claims that have not yet been paid.

Reversionary bonus

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

Solvency ratio

The solvency ratio is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company. The solvency ratio is the capital base divided by the required solvency margin. The capital base is mainly shareholders' equity in the company and any subordinated debentures. The required solvency margin is mainly the sum of 4% of the life insurance provisions and 0.1-0.3% of mortality risks. The solvency ratio must amount to at least one for a limited period. Normally, however, the ratio should amount to at least three.

Special indexation funds

Funds allocated to secure 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 a collected agreement. Special indexation funds are therefore not included in collective funding capital.

Technical provisions

Value of insurance company's guaranteed commitments which comprise life insurance provisions and provision for claims outstanding.

Total return and yield

The sum of change in value and yield on investments. Yield is the sum of interest receivable, interest payable, operating surplus from land and buildings, and dividends on shares and participations after deduction of operating expenses for asset management.

Head office: SPP, SE-105 39 Stockholm. Street address: Hälsingegatan 38. Telephone: +46 8 556 850 00. Fax: +46 8 556 855 90.



– a Handelsbanken company
www.spp.se