

Länsförsäkringar Bank

INTERIM REPORT, JANUARY – SEPTEMBER 2004

Summary

- Operating income amounted to SEK 119.1 M (68.3) before loan losses and SEK 90.5 M (34.6) after loan losses.
- Revenues rose by 51% to SEK 888.7 M (587.4). Excluding Länsförsäkringar Fondförvaltning, the corresponding increase was 25%. Administration expenses rose by 47% to SEK 769.6 M (522.3). The corresponding increase excluding Länsförsäkringar Fondförvaltning was 22%.
- Net interest income rose by 21% to SEK 604.4 M (497.8).
- Return on equity was 6.2% (3.1).
- Lending to the public increased by 34% to SEK 37.4 billion (27.9). Deposits from the public rose by 7% to SEK 18.6 billion (17.4).
- Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 53% to SEK 22.0 billion (14.4).
- The bank received a capital contribution of SEK 300 M in the form of an unconditional shareholders' contribution.
- Capital adequacy amounted to 11.69% (8.55) and the Tier 1 ratio was 9.20% (8.06).
- Länsförsäkringar's banking operations, with offices throughout Sweden, have Sweden's most satisfied customers, according to this year's Swedish Quality Index survey. Länsförsäkringar has gained 125,000 new bank customers since September 2003 and has a total of 565,000 customers (440,000).
- The Länsförsäkringar Alliance has developed a combined account statement for banking and insurance. This is unique in the Swedish banking and insurance market. The statement provides a summary of the customer's total banking and insurance transactions.

Tomas Johansson, Managing Director, Länsförsäkringar Bank:

Profitability has been in focus and I am pleased to be able to confirm a substantial increase in earnings and return on equity. The results of this year's Swedish Quality Index survey are highly gratifying for Länsförsäkringar's banking operations. Not only do we have Sweden's most satisfied bank customers, but we also received the highest marks in all sub-categories. The combination of Sweden's most satisfied bank customers and increased profitability is the best confirmation we can get that Länsförsäkringar's concept is correct and attractive to the customers.

Figures in parentheses pertain to January – September 2003.



Key figures

Group	Jan. 1–Sep. 30, 2004	Jan. 1–Sep. 30, 2003	Full-year 2003
Return on equity, %	6.23	3.12	2.98
Investment margin, %	2.19	2.58	2.59
Interest margin, %	2.00	2.37	2.39
Cost/income ratio before loan losses	0.86	0.89	0.90
Cost/income ratio after loan losses	0.89	0.94	0.94
Capital adequacy, %	11.69	8.55	13.00
Tier 1 ratio, %	9.20	8.06	9.95
Percentage of doubtful receivables, gross, %	0.52	0.87	0.69
Percentage of doubtful receivables, net, %	–0.03	0.22	0.12
Provision ratio for doubtful receivables, %	105.85	74.43	83.14
Parent Company			
Return on equity, %	0.95	neg	neg
Investment margin, %	1.03	1.33	1.33
Interest margin, %	0.86	1.15	1.16
Cost/income ratio before loan losses	1.03	1.12	1.12
Cost/income ratio after loan losses	1.05	1.15	1.14
Capital adequacy, %	45.93	28.81	45.23
Tier 1 ratio, %	36.36	27.10	34.62
Percentage of doubtful receivables, gross, %	0.23	0.33	0.27
Percentage of doubtful receivables, net, %	0.00	0.03	0.00
Provision ratio for doubtful receivables, %	99.43	89.84	100.00

Quarterly development, Group

SEK M	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Net interest income	211,4	210,0	182,9	202,9	182,1
Net commission revenue	57,2	48,9	53,1	9,1	8,4
Other revenues	38,8	43,9	42,5	22,7	22,6
Total revenues	307,4	302,8	278,5	234,7	213,1
Personnel costs	–52,0	–59,0	–53,3	–58,5	–44,1
Other costs	–210,0	–202,0	–193,3	–155,4	–138,9
Total costs	–262,0	–261,0	–246,6	–213,9	–183,0
Income before loan losses	45,4	41,8	31,9	20,8	30,1
Loan losses	–11,3	–13,4	–3,9	–5,3	–9,1
Income from banking operations	34,1	28,4	28,0	15,5	21,0
Income from insurance operations	0,0	0,0	0,0	14,8	1,2
Net profit	34,1	28,4	28,0	30,3	22,2

Group

Total assets

The Group's total assets after the first three quarters of 2004 amounted to SEK 40.1 billion (29.3), representing an increase of 37%.

Lending to the public rose by 34%, or SEK 9.5 billion, to SEK 37.4 billion (27.9).

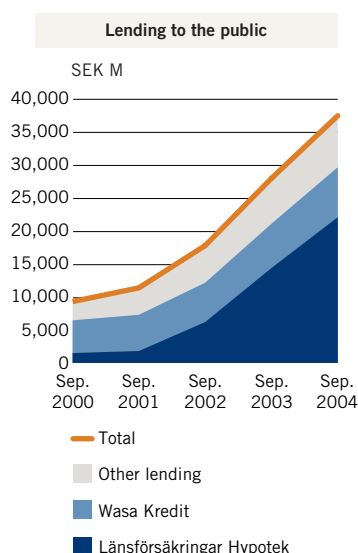
Deposits from the public rose by 7%, or SEK 1.2 billion, to SEK 18.6 billion (17.4).

Lending portfolio

The table below shows lending distributed by segment. The trend for the first nine months of the year shows a clear increase in the proportion of mortgages.

Lending portfolio, Group

SEK M	Sep. 30, 2004	%	Dec. 31, 2003	%
Mortgages	25,500	68	19,523	64
Installments	3,416	9	3,283	11
Unsecured loans	3,098	8	2,318	8
Leasing	2,701	7	2,629	9
Agriculture	2,405	6	2,033	6
Multi-family dwellings	242	1	243	1
Other	211	1	187	1
Lending to the public, gross	37,573	100	30,216	100
Allocations to reserve	-211		-172	
Lending to the public, net	37,362		30,044	



Funding

Borrowing and securities issued increased by 99%, or SEK 7.8 billion, to SEK 15.7 billion (7.9).

	Limit	Unutilized at Sep. 30, 2004
Commercial papers	SEK 6 bn	SEK 1.5 bn
MTN (Medium Term Note)	SEK 15 bn	SEK 10 bn
EMTN (Euro Medium Term Note)	EUR 1.5 bn	EUR 400 M
Syndicated loan	EUR 150 M	EUR 90 M

Syndicated loan

In 2003, Länsförsäkringar Bank raised a syndicated loan totaling EUR 150 M, including a credit facility of EUR 60 M. The syndicated loan agreement – including the credit facility – was terminated by the bank in September 2004, and the loan will be repaid in October. The credit facility was unutilized and has instead been replaced with other credit lines with a total volume exceeding the terminated facility. The limit for the issue of commercial papers was raised from SEK 6 billion to SEK 15 billion on October 1.

Capital adequacy

The bank's capital adequacy at September 30, 2004 was 11.69% (8.55) and the Tier 1 ratio was 9.20% (8.06). During the period, the bank received SEK 300 M in the form of an unconditional shareholders' contribution.

The target level for capital adequacy is 10.5% and the Tier 1 target is 8.5%. The permitted deviation range for both targets is +/-0.5 percentage points.

Rating

The credit ratings assigned to the bank by Standard & Poor's are A- with a stable outlook for long-term borrowing and A-2/K-1 for short-term borrowing. The ratings from Moody's are A3 with a stable outlook for long-term borrowing and Prime-2 for short-term borrowing.

Earnings and profitability

Consolidated operating income amounted to SEK 119.1 M (68.3) before loan losses and SEK 90.5 M (34.6) after loan losses. This corresponds to a return on average equity of 6.2% (3.1).

Revenues

Net interest income rose by 21% to SEK 604.4 M (497.8). The rise is primarily attributable to increased volumes. The Group's investment margin, that is, net interest income as a percentage of average total assets, amounted to 2.2% (2.6). The change is mainly due to an altered mix in the re-financing portfolio. Net commission revenue increased to SEK 159.1 M (19.1), largely due to the fact that Länsförsäkringar Fondförvaltning has been included in the Banking Group since the beginning of the year. The asset management company's share of net commission revenue amounted to 83%.

Net income from financial transactions amounted to SEK 12.5 M (0).

Other operating revenue rose by 60% to SEK 112.6 M (70.6).

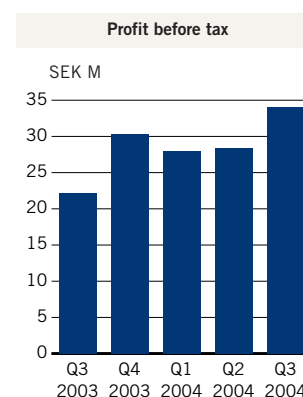
Expenses

Operating expenses rose by SEK 247.3 M to SEK 769.6 M (522.3). The rise is largely attributable to increased volumes but also to the fact that Länsförsäkringar Fondförvaltning has been included in the Group since the beginning of the year.

The cost/income ratio amounted to 0.86 (0.89) before loan losses and 0.89 (0.94) after loan losses.

Loan losses

Provisions were made after group-wise appraisal and, to a limited extent, after individual review. The Group's net loan losses (expected and confirmed) amounted to SEK 28.6 M (33.6).



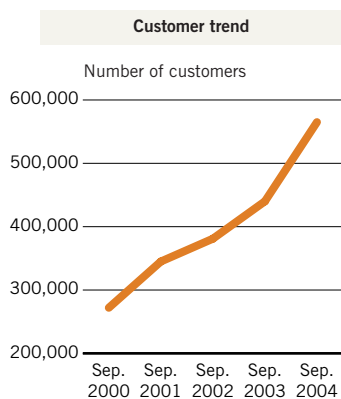
Interest-rate risk

An increase of 1 percent in market interest rates would have resulted in a reduction of approximately SEK 7.0 M in the value of the Banking Group's interest-bearing assets and liabilities (including derivatives) at September 30, 2004.



Sweden's most satisfied bank customers

Länsförsäkringar's banking operations are unmatched in terms of satisfied customers in the private customer segment, according to the Swedish Quality Index survey conducted annually by the Stockholm School of Economics. Länsförsäkringar was awarded total marks of 75.8, to be compared with a 67.8 average for all banks. Länsförsäkringar received the highest marks in all seven categories: image, expectations, product quality, service quality, value for money, satisfaction and loyalty. The fact that Länsförsäkringar offers good value for money was rated most highly by customers. The survey also shows that customers perceive Länsförsäkringar as a bank with a local presence and that offers a broad range of products and services.



New products and services

Two new products were developed – foreign payments and stock index bonds. From the end of September, customers are able to make and receive foreign payments on account in the form of regular, express and EU payments and forex checks. Another new product, stock index bonds, was developed in September and will be launched in October with two different investment orientations – Global, and China and Japan.

Autumn market communications

The Länsförsäkringar Alliance launched its integrated autumn campaign in early October. The purpose of the campaign is to demonstrate the benefits of combining banking and insurance business at Länsförsäkringar. The offer comprises favorable terms for mortgage loans, share trading via the Internet and free survivors' protection for customers that have both their collective early retirement pension and their premium pension with Länsförsäkringar.

Combined account statements

The Länsförsäkringar Alliance has developed a combined account statement for banking and insurance. This is unique in the Swedish banking and insurance market. The combined statement provides customers with a convenient and easy overview of their entire banking and insurance transactions with Länsförsäkringar. The combined statement also creates a clear image of what Länsförsäkringar represents and can offer. All customers receive tips and offers that are tailored to their needs, based on their existing business with Länsförsäkringar. The combined statements and offers are distributed to customers by post.

Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public amounted to SEK 7.8 billion (6.9) during the period, while deposits from the public totaled SEK 18.6 billion (17.4). Most of the Group's lending operations are conducted through Länsförsäkringar Hypotek AB and Wasa Kredit. The major portion of the Banking Group's administration expenses is contained within the Parent Company.

Deferred tax claims

Deferred tax claims attributable to loss carry-forwards are only reported if it is likely that the deduction can be offset against future surpluses. If a company has reported losses in recent years, it can therefore only report deferred tax claims if there are convincing factors to suggest that the company will generate an adequate taxable surplus in the future.

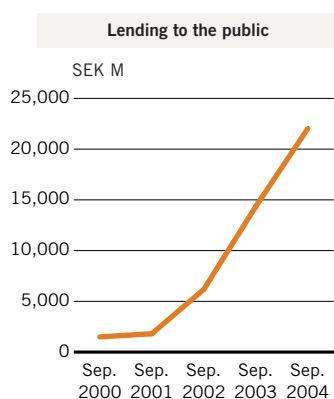
The bank has accumulated tax loss carry-forwards totaling SEK 352 M. Deferred tax claims have not been reported for this amount. In view of this, the bank will consider during the fourth quarter of 2004 whether there are grounds for reporting deferred tax claims in the balance sheet.

Subsidiaries

Länsförsäkringar Hypotek AB

Mortgage lending rose by SEK 7.6 billion to SEK 22.0 billion (14.4), representing an increase of 53% since September 2003. Market share in terms of lending for private homes and tenant-owned apartments increased by 0.6 percentage points since September 30, 2003 and currently amounts to 2.4% (1.8).

The number of home mortgage customers is rising steadily and amounted to 47,000 at September 30, 2004. The average size of loans is approximately SEK 300,000. Most of the lending, equivalent to 85%, pertains to financing single-family dwellings. Tenant-owner financing accounts for 11%, leisure home financing for 2% and other financing for the remaining 2%. First lien mortgages are carried by Länsförsäkringar Hypotek and second lien mortgages by the bank. Länsförsäkringar Hypotek's operating income amounted to SEK 19.2 M (38.7). The change is due to temporary effects of the company's refinancing agreement with the Parent Company and to altered allocation principles between the Parent Company and the subsidiary.



Wasa Kredit AB

Wasa Kredit is a finance company whose operations focus on financing of cars, computers and heavy machinery and unsecured loans. Wasa Kredit's operating income before appropriations and tax amounted to SEK 70.0 M (42.3) and the lending volume totaled SEK 7.6 billion (6.7).

New contracts during the period totaled SEK 3,765 M, distributed among 56,050 contracts, representing a year-on-year increase of 16% and 28%, respectively.

Länsförsäkringar Fondförvaltning AB

As of January 1, 2004 Länsförsäkringar Fondförvaltning AB is a subsidiary of Länsförsäkringar Bank AB.

Länsförsäkringar Fondförvaltning manages SEK 38 billion (32) in 35 (36) mutual funds with different investment orientations.

Länsförsäkringar's mutual funds are marketed by the regional insurance companies and by insurance brokers, both as direct fund saving and via various unit-linked products. Länsförsäkringar's mutual funds can also be linked to premium pension plans, collective agreement pensions and occupational pension plans.

Profit before tax and appropriations amounted to SEK 21.9 M (4.5).

SEK M	Sep. 30, 2004	Sep. 30, 2003	Sep. 30, 2002
Total number of mutual funds	35	36	36
– of which, equity funds	29	30	30
Assets under management	38,309	31,679	34,210
Net inflow	3,238	3,402	3,922
Income before appropriations and tax	21.9	4.5	21.2

WASA Garanti Försäkring AB

Obligations and rights pertaining to WASA Garanti Försäkring AB have been transferred to the bank and liquidation of the company will be completed in early 2005.

Income statements

SEK 000s		Group			Parent Company		
		Jan. 1– Sep. 30 2004	Jan. 1– Sep. 30 2003	Full-year 2003	Jan. 1– Sep. 30 2004	Jan. 1– Sep. 30 2003	Full-year 2003
Interest income	Note 2	1,514,972	1,164,526	1,593,678	967,710	749,199	1,021,581
Interest expense	Note 3	–910,591	–666,776	–893,004	–696,310	–508,485	–685,242
Net interest income		604,381	497,750	700,674	271,400	240,714	336,339
Dividends received		9	–	2,418	9	–	138
Commission revenue		418,047	80,567	111,316	75,476	41,300	58,084
Commission expense		–258,901	–61,470	–83,132	–73,104	–42,963	–61,233
Net income from financial transactions		12,527	–	–399	12,527	–	–399
Other operating revenue		112,623	70,561	91,284	108,849	81,798	123,377
Total operating revenue		888,686	587,408	822,161	395,157	320,849	456,306
General administration expenses		–721,757	–437,305	–650,219	–383,612	–307,071	–448,586
Depreciation/amortization and write-downs of tangible and intangible fixed assets		–28,455	–43,429	–57,663	–19,985	–37,933	–49,777
Other operating expenses		–19,392	–41,578	–28,477	–5,540	–15,393	–12,755
Total expenses before loan losses		–769,604	–522,312	–736,359	–409,137	–360,397	–511,118
Income before loan losses		119,082	65,096	85,802	–13,980	–39,548	–54,812
Loan losses, net	Note 4	–28,593	–33,633	–38,871	–6,517	–9,968	–11,066
Income from banking operations		90,489	31,463	46,931	–20,497	–49,516	–65,878
Income from insurance operations		–	3,161	17,990	–	–	–
Total operating income		90,489	34,624	64,921	–20,497	–49,516	–65,878
Tax on income for the period		–	–	–18,611	31,076	23,559	18,224
NET PROFIT/LOSS FOR THE PERIOD		90,489	34,624	46,310	10,579	–25,957	–47,654
Earnings per share, SEK		9.48	4.12	5.51	1.11	–3.09	–5.67

Due to the size of accumulated loss carry-forwards, no tax has been calculated.

Balance sheets

SEK 000s	Group			Parent Company		
	Sep. 30, 2004	Sep. 30, 2003	Dec. 31, 2003	Sep. 30, 2004	Sep. 30, 2003	Dec. 31, 2003
Assets						
Cash and central bank account balances	135,000	36,855	75,144	71,423	36,855	75,144
Lending to credit institutions	1,487,776	206,812	602,095	28,398,227	18,779,018	21,076,011
Lending to the public Note 5	37,361,703	27,898,564	30,043,724	7,780,548	6,861,526	7,049,293
Shares and participations	3,833	2,700	3,833	3,833	2,700	3,833
Shares and participations in Group companies	–	–	–	1,856,400	1,206,900	1,251,900
Bonds and other interest-bearing securities	495,675	649,250	1,243,145	495,675	649,250	1,243,145
Assets in insurance operations	–	5,331	21	–	–	–
Intangible assets	83,712	91,874	77,655	68,297	91,874	77,655
Tangible assets	20,869	27,625	25,587	6,464	9,276	7,762
Other assets	276,103	239,639	237,538	85,307	99,027	76,795
Prepaid expenses and accrued income	232,589	97,071	96,980	189,414	48,414	54,778
ASSETS	40,097,260	29,255,721	32,405,722	38,955,588	27,784,840	30,916,316
Liabilities, provisions and shareholders' equity						
Liabilities to credit institutions	1,192,373	1,126,095	1,356,951	1,551,820	1,217,001	1,399,382
Deposits and borrowing from the public	19,561,841	18,545,784	18,154,223	18,622,708	17,482,098	17,012,814
Securities issued	14,790,733	6,756,120	9,120,062	14,790,733	6,756,120	9,120,062
Liabilities in insurance operations	–	6,408	5,400	–	–	–
Other liabilities	218,574	135,649	307,500	111,434	30,700	262,866
Accrued expenses and prepaid income	913,880	767,328	458,629	459,282	458,054	129,925
Provisions	23,775	17,965	21,010	7,061	–	4,296
Subordinated debt	1,050,000	180,000	1,050,000	1,050,000	180,000	1,050,000
Shareholders' equity Note 6						
Share capital (9,548,708 shares, par value of SEK 100 each)	954,871	839,871	839,871	954,871	839,871	839,871
Restricted reserves	55,051	12,072	55,051	12,072	12,072	12,072
Profit brought forward	1,245,673	833,805	990,715	1,385,028	834,881	1,132,682
Net profit/loss for the period	90,489	34,624	46,310	10,579	-25,957	-47,654
Total shareholders' equity	2,346,084	1,720,372	1,931,947	2,362,550	1,660,867	1,936,971
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY	40,097,260	29,255,721	32,405,722	38,955,588	27,784,840	30,916,316
Memorandum items						
Assets on own debt	500,000	705,964	500,000	500,000	700,000	500,000
Contingent liabilities	63,412	24,647	29,412	61,358	20,101	29,949
Commitments						
Loans approved but not disbursed	529,804	693,194	457,983	159,502	212,885	179,696
Unutilized overdraft facilities	698,571	589,103	686,078	4,012,801	4,085,598	4,223,247
Interest swap agreements	13,600,000	4,000,000	5,600,000	5,750,000	300,000	2,500,000
Currency swap agreements	4,568,100	821,898	1,725,598	4,568,100	821,898	1,725,598
Total commitments	19,396,475	6,104,195	8,469,659	14,490,403	5,420,381	8,628,541

Cash-flow statements

SEK 000s	Group		Parent Company	
	Jan. 1 – Sep. 30 2004	Jan. 1 – Sep. 30 2003	Jan. 1 – Sep. 30 2004	Jan. 1 – Sep. 30 2003
Liquid funds, January 1	– 679,712	1,210,049	– 814,459	1,031,974
Operating activities				
Operating income	90,489	34,624	–20,497	–49,516
Adjustment for items not included in cash flow				
Booked non-chargeable tax	–	–	31,076	23,559
Depreciation/amortization charged against earnings	28,455	43,428	19,985	37,933
	118,944	78,052	30,564	11,976
Increase in lending to the public	–7,317,979	–8,037,221	–731,255	–1,043,000
Decrease in securities holdings	–	–	–	–
Increase in deposits and borrowing from the public	1,407,618	2,167,867	1,609,895	2,650,514
Increase in lending to subsidiaries	–	–	–6,423,154	–6,884,063
Change in other assets	–174,174	–23,283	–143,148	–24,814
Change in other liabilities	369,090	360,596	180,690	245,480
Cash flow from operating activities	–5,596,501	–5,453,989	–5,476,408	–5,043,907
Investing activities				
Increase in debenture loans	–	–	–	–
Change in fixed assets	717,676	–176,953	738,141	–169,934
Increase in shares in subsidiaries	–	–	–604,500	–400,000
Acquisition of Länsförsäkringar Fondförvaltning AB	–91,352	–	–	–
Change in assets in insurance operations	21	6,854	–	–
Change in liabilities in insurance operations	–5,400	1,014	–	–
Cash flow from investing activities	620,945	–169,085	133,641	–569,934
Financing activities				
Shareholders' contribution received	300,000	480,000	300,000	480,000
New share issue	115,000	–	115,000	–
Group contribution received	–	–	–	–
Change in securities issued	5,670,671	3,050,597	5,670,671	3,050,597
Cash flow from financing activities	6,085,671	3,530,597	6,085,671	3,530,597
Cash flow for the period	1,110,115	–2,092,477	742,904	–2,083,244
Liquid funds at period-end	430,403	–882,428	–71,555	–1,051,270
Liquid funds include:				
Cash and central bank account balances	135,000	36,855	71,423	36,855
Eligible Treasury bills	–	–	–	–
Other lending to/deposits in credit institutions	1,487,776	206,812	1,408,842	128,876
Liabilities to credit institutions	–1,192,373	–1,126,095	–1,551,820	–1,217,001
	430,403	–882,428	–71,555	–1,051,270
Interest received amounted to	1,429,176	722,122	849,933	483,987
Interest paid amounted to	548,288	131,935	394,734	80,410
Tax paid amounted to	3,930	1,577	2,280	839
Gross investments during the period	10,668	17,919	8,885	17,072

Notes

NOTE 1 ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council. In all other respects, the accounting principles and methods of computation remain unchanged compared with the 2003 Annual Report.

Recommendation RR29 "Employee Benefits" was taken into account when preparing this interim report. The majority of the company's (the Group's) pension commitments are with pension institutions. Since these institutions were unable to produce a specification of each company's pension liability in accordance with RR29, the pension commitments have been reported as if they were defined-contribution pension plans, in accordance with URA 42. Other defined-benefit pension plans correspond to a smaller amount and are calculated as previously in accordance with actuarial principles. The deviation from the method of computation in accordance with RR29 is not deemed to have any significant impact.

NOTE 2 INTEREST INCOME

SEK 000s	Group			Parent Company		
	Jan. 1–Sep. 30 2004	Jan. 1–Sep. 30 2003	Full-year 2003	Jan. 1–Sep. 30 2004	Jan. 1–Sep. 30 2003	Full-year 2003
Interest income, lending to credit institutions	257,040	87,470	136,984	668,089	433,093	623,463
Interest income, lending to the public	1,222,535	1,036,421	1,428,079	264,241	275,471	369,544
Interest income, interest-bearing securities	35,380	28,825	26,504	35,380	28,825	26,504
Other interest income	17	11,810	2,111	–	11,810	2,070
Total interest income	1,514,972	1,164,526	1,593,678	967,710	749,199	1,021,581
Average interest rate, lending to the public	4.7%	5.6%	5.5%	4.8%	5.8%	5.7%

NOTE 3 INTEREST EXPENSE

SEK 000s	Group			Parent Company		
	Jan. 1–Sep. 30 2004	Jan. 1–Sep. 30 2003	Full-year 2003	Jan. 1–Sep. 30 2004	Jan. 1–Sep. 30 2003	Full-year 2003
Interest expense, liabilities to credit institutions	302,141	123,756	174,655	129,592	22,926	37,921
Interest expense, deposits and borrowing from the public	266,915	395,525	504,485	225,206	339,428	433,458
Interest expense, interest-bearing securities	295,597	133,651	195,360	295,597	133,651	195,360
Interest expense, subordinated debt	38,133	7,479	10,010	38,111	6,115	10,010
Other interest expense, including government deposit insurance	7,805	6,365	8,494	7,804	6,365	8,493
Total interest expense	910,591	666,776	893,004	696,310	508,485	685,242
Average rate of interest during the period, deposits from the public	1.6%	2.7%	2.6%	1.6%	2.7%	2.6%

NOT 4 LOAN LOSSES, NET

SEK 000s	Group			Parent Company		
	Jan. 1–Sep.30 2004	Jan. 1–Sep.30 2003	Full-year 2003	Jan. 1–Sep.30 2004	Jan. 1–Sep.30 2003	Full-year 2003
Specific provision for individually appraised loan receivables						
Write-off of confirmed loan losses during the period	1,283	5,044	15,186	830	3,080	1,349
Reversed provisions for expected loan losses reported in the interim accounts as confirmed losses	–449	–856	–992	–449	–854	–990
Provision for expected loan losses during the period	24,568	24,420	17,372	1,366	2,015	2,374
Payment received for prior confirmed loan losses	–10,131	–8,476	–14,977	–439	–425	–679
Reversed provisions no longer required for expected loan losses	–4,287	–4,834	–5,843	–2,553	–2,406	–3,396
Net expense during the period for individually appraised loan receivables	10,984	15,298	10,746	–1,245	1,410	–1,342
Group-wise provisions for individually appraised receivables	–	–	–	–	–	–
Homogenous groups, appraised by group, of loan receivables of limited value and similar credit risk						
Write-off of confirmed loan losses during the period	3,907	–	9,799	3,907	–	2,866
Payment received for previously confirmed loan losses	–1,842	–1,418	–2,487	–22	–	–17
Allocation/dissolution of provisions for loan losses	17,795	19,753	20,813	6,128	8,558	9,559
Net expense for the period for homogenous loan receivables appraised by group	19,860	18,335	28,125	10,013	8,558	12,408
Net expense for period for fulfillment of guarantees	–2,251	–	–	–2,251	–	–
Net expense for the period for loan losses	28,593	33,633	38,871	6,517	9,968	11,066

NOTE 5 LENDING TO THE PUBLIC

SEK 000s	Group			Parent Company		
	Sep. 30, 2004	Sep. 30, 2003	Dec. 31, 2003	Sep. 30, 2004	Sep. 30, 2003	Dec. 31, 2003
Loan receivables, gross						
Public sector	115,350	130,335	130,774	–	–	–
Commercial sector	3,829,477	3,567,596	3,619,121	395,650	324,923	311,879
Household sector	33,619,318	24,382,310	26,458,102	7,461,967	6,614,207	6,809,759
Other	8,476	3,880	8,072	3,618	1,936	3,134
Total	37,572,621	28,084,121	30,216,069	7,861,235	6,941,066	7,124,772
Less:						
Specific provisions for individually reserved loan receivables						
Commercial sector	–40,127	–34,567	–28,589	–247	–247	–247
Household sector	–55,556	–47,781	–40,978	–15,561	–17,965	–17,198
	–95,683	–82,348	–69,567	–15,808	–18,212	–17,445
Provisions for group-wise reserved loan receivables						
Commercial sector	–13,814	–14,374	–13,243	–2,059	–3,585	–1,727
Household sector	–101,421	–88,835	–89,535	–62,820	–57,743	–56,307
	–115,235	–103,209	–102,778	–64,879	–61,328	–58,034
Total provisions	–210,918	–185,557	–172,345	–80,687	–79,540	–75,479
Loan receivables, net						
Public sector	115,350	130,335	130,774	–	–	–
Commercial sector	3,775,536	3,518,655	3,577,289	393,344	321,091	309,905
Household sector	33,462,341	24,245,694	26,327,589	7,383,586	6,538,499	6,736,254
Other	8,476	3,880	8,072	3,618	1,936	3,134
	37,361,703	27,898,564	30,043,724	7,780,548	6,861,526	7,049,293
Doubtful loan receivables						
Commercial sector	56,754	77,817	58,905	2,306	2,128	2,206
Household sector	142,504	165,313	148,383	78,844	81,279	73,272
	199,258	243,130	207,288	81,150	83,407	75,478
Non-performing loan receivables included among doubtful loan receivables						
Commercial sector	22,284	47,334	34,414	442	247	479
Household sector	79,775	98,169	82,245	47,202	43,187	40,185
	102,059	145,503	116,659	47,644	43,434	40,664

Definitions:

Non-performing receivables are claims for which interest payments, amortization or overdrafts are more than 60 days past due.

A doubtful receivable is a non-performing receivable or a receivable for which payments are unlikely to be made in accordance with the terms of the claim, and for which the value of the collateral is not adequate with a secure margin to cover both the principal and accrued interest, including penalties for possible late payments.

NOTE 6 SHAREHOLDERS' EQUITY

SEK 000s	Group			Parent Company		
	Sep. 30 2004	Sep. 30 2003	Dec. 31 2003	Sep. 30 2004	Sep. 30 2003	Dec. 31 2003
Restricted equity						
Share capital	954,871	839,871	839,871	954,871	839,871	839,871
Statutory reserve	2,371	2,371	2,371	2,371	2,371	2,371
Share premium reserve	9,701	9,701	9,701	9,701	9,701	9,701
Other reserves	42,979	–	42,979	–	–	–
	1,009,922	851,943	894,922	966,943	851,943	851,943
Non-restricted equity						
Profit brought forward	1,245,673	833,805	990,715	1,385,028	834,881	1,132,682
Net profit/loss for the year	90,489	34,624	46,310	10,579	–25,957	–47,654
	1,336,162	868,429	1,037,025	1,395,607	808,924	1,085,028
Total shareholders' equity	2,346,084	1,720,372	1,931,947	2,362,550	1,660,867	1,936,971
Change in shareholders' equity						
Opening balance	1,931,947	1,205,748	1,205,749	1,936,971	1,206,824	1,206,824
Group contribution received	–	–	–	–	–	66,390
Tax effect of Group contribution received	–	–	–	–	–	–18,589
Group contribution paid	–	–	–69,600	–	–	–
Tax effect of Group contribution paid	–	–	19,488	–	–	–
Unconditional shareholders' contribution from Parent Company	300,000	480,000	730,000	300,000	480,000	730,000
New issue of shares in Länsförsäkringar Bank AB	115,000	–	–	115,000	–	–
Changed Group structure	–91,352	–	–	–	–	–
Net profit/loss for the period	90,489	34,624	46,310	10,579	–25,957	–47,654
Closing balance	2,346,084	1,720,372	1,931,947	2,362,550	1,660,867	1,936,971

NOTE 7 DERIVATIVE INSTRUMENTS

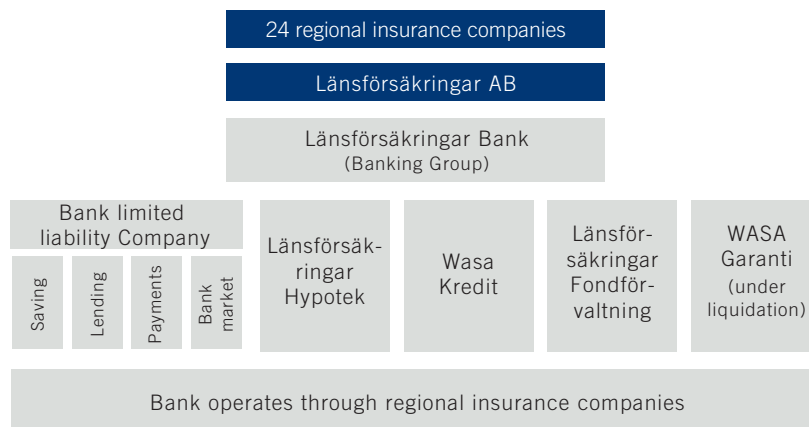
SEK 000s	Nominal value		Fair value	
	Group	Parent Company	Group	Parent Company
Derivative instruments with positive values				
Interest-rate derivatives	2,375,000	3,000,000	8,800	37,379
Currency derivatives	903,700	903,700	589	589
Derivative instruments with negative values				
Interest-rate derivatives	11,850,000	2,750,000	97,549	8,552
Currency derivatives	3,664,400	3,664,400	47,067	47,067

This interim report is unaudited.
Stockholm, October 26, 2004.

Tomas Johansson
Managing Director

Reporting dates:

Year-end report 2004: February 16, 2005



Länsförsäkringar's organization is based on 24 independent and customer-owned regional insurance companies. The regional insurance companies jointly own Länsförsäkringar AB. In turn, Länsförsäkringar AB owns Länsförsäkringar Bank (Bank Group), with the parent company and the subsidiaries Länsförsäkringar Hypotek, Wasa Kredit, Länsförsäkringar Fondförvaltning and WASA Garanti. Customer contact always occurs at the regional insurance companies. From the customer's viewpoint, the regional insurance companies operate as local banks, in the same manner as with non-life insurance and life assurance.

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