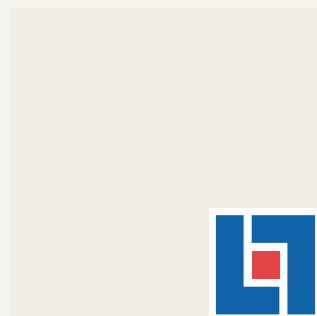
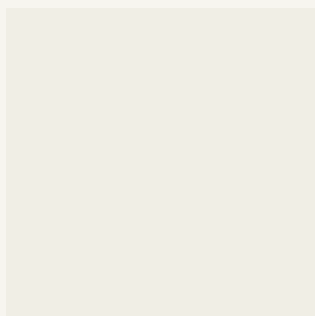
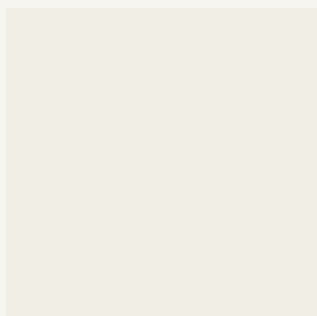
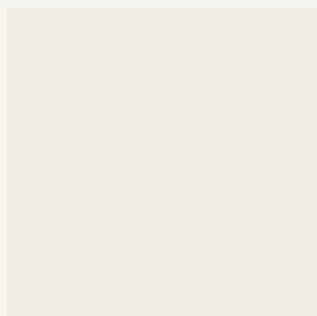
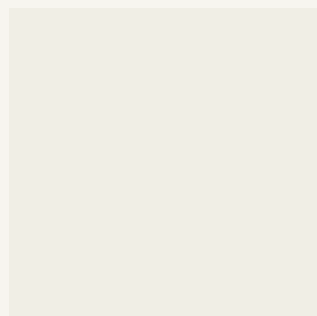
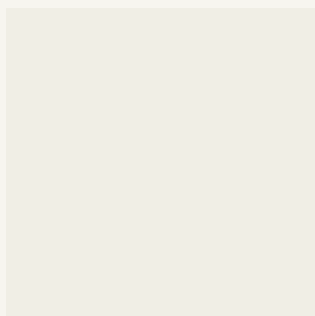
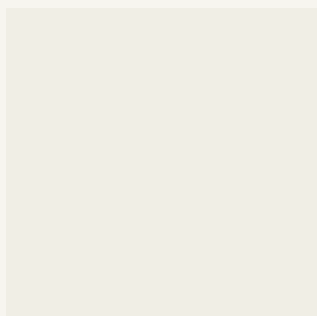
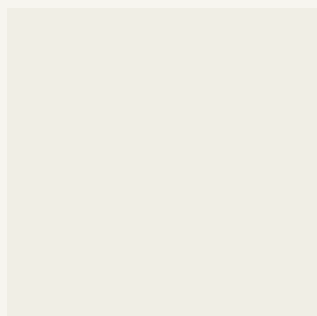
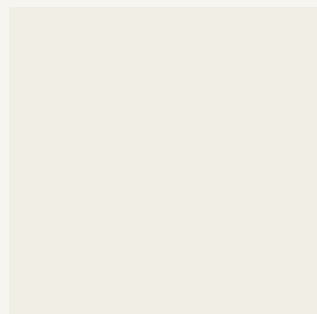
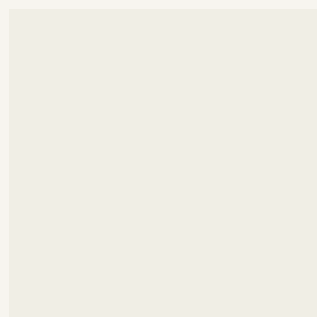
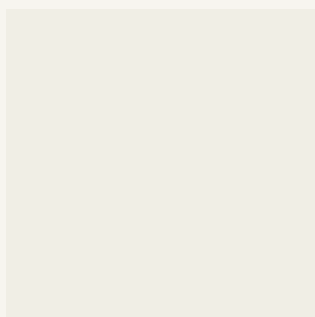
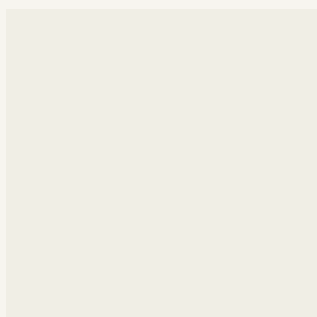
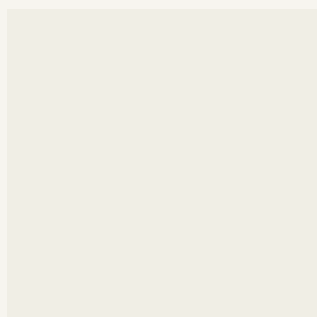


# Länsförsäkringar Bank

ANNUAL REPORT 2002



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## Länsförsäkringar Bank in brief

Länsförsäkringar Bank operates through 24 independent regional insurance companies that work close to customers in their own locally defined markets. This creates a unique local presence and knowledge of the market. There is a total of some 80 advisory offices located throughout Sweden. Customers can also conduct their banking business via the Internet, by telephone and via Sweden Post/Swedish Cashier Service, pay for their purchases with credit/debit cards and use all ATMs throughout Sweden.

The bank directs its services to private individuals and farmers, and is today a full-service bank where customers can handle all their banking business. The many different service locations give customers substantial freedom to deal with and use the bank on their own terms.

Länsförsäkringar Bank is part of the Länsförsäkring group. The group comprises 24 regional insurance companies and the jointly owned Länsförsäkringar AB, which is a strong support and development organization. Combined, the group companies comprise Sweden's only customer-owned and locally based banking and insurance group.

2002 in brief ►

## Definitions

### Capital adequacy

The capital base in relation to risk-weighted amounts.

### Duration

The average weighted duration of future payment flows, expressed as a number of years.

### Earnings per share

Operating profit after standard tax, divided by the number of shares.

### Income/cost ratio after loan losses

Total revenues in relation to total costs plus credit losses.

### Income/cost ratio before loan losses

Total revenues in relation to total costs.

### Interest margin

The difference between the average interest rate on all assets and the average interest rate on all liabilities.

### Investment margin

Net interest income in relation to average total assets.

### Percentage of doubtful receivables

Doubtful receivables, net, in relation to total lending to private individuals and credit institutions (excluding banks).

### Primary capital ratio

Shareholders' equity less goodwill in relation to the risk-weighted amount.

### Provision ratio for doubtful receivables

Provision for anticipated credit losses in relation to doubtful receivables.

### Return on shareholders' equity

Earnings for the period, after appropriations and taxes, in relation to average shareholders' equity, adjusted for new share issues and dividends.

### Risk-weighted total assets

Total assets and commitments off balance sheet, valued in accordance with the Act on the Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies.



Länsförsäkringar has Sweden's most satisfied bank customers\*. During 2002, 43,000 new bank customers chose Länsförsäkringar. At year-end, the bank had a total of 393,000 customers.

\* Swedish Quality Index 2002

Länsförsäkringar is Swedish Bank of the Year for 2002. The magazine *Privata Affärer*, which awards the prize, notes, among other points, that Länsförsäkringar offers the most important services and has a large network of branches throughout Sweden, and that its interest rates are among the best in the market and its fees are competitive.

During the year, Länsförsäkringar Bank launched a mortgage institute. Länsförsäkringar Hypotek offers competitive home loans under its own management. Lending increased by 235% during the year.

The bank's savings offering has been expanded through the addition of share trading via the Internet, a simple and user-friendly service with the same highly competitive pricing philosophy as for our other banking services.



The bank's lending to private individuals rose 59% to SEK 19.9 billion. Deposits by private individuals increased by 19% to SEK 14.7 billion.

Standard & Poor's has assigned Länsförsäkringar Bank a credit rating of K1 for short-term borrowing and BBB+ for long-term borrowing. According to Standard & Poor's, the ratings reflect the bank's strategic importance in the area of regional insurance, its strong capitalization rate, the high quality of its credit portfolio and its solid financial base.

Länsförsäkringar's partnership with Sweden Post/ Swedish Cashier Service gives bank customers access to branches and rural postal service throughout Sweden. The facilities offered include giro payments, deposit's and withdrawals from the customer's own account, and foreign payments.

*Sparöversikt* (Savings Review) magazine named Länsförsäkringar Fixed-income Fund Manager of the Year for 2002. The award is based on an assessment of the funds' performance over the preceding two years, and also takes into account the level of risk taken by the managers to achieve this performance. The primary reasons why Länsförsäkringar won the award were its competent fund management and low fees.

Key ratios	Group		Bank	
	2002	2001	2002	2001
Total assets, SEK M	22,302	15,523	20,519	14,367
Operating profit/loss	20	1	-84	-90
Return on equity, %	1.90	0.16	Neg	Neg
Income/cost ratio before loan losses	1.01	0.92	0.84	0.73
Income/cost ratio after loan losses	0.99	0.96	0.82	0.77
Investment margin, %	3.0	3.1	1.8	1.6
Capital adequacy, %	8.08	9.12	24.3	22.49
Percentage of doubtful receivables, %	0.15	0.43	0.04	0.12

# Bank of the Year 2002

“Länsförsäkringar offers the most important services and has a large network of branches throughout Sweden. Its interest rates are among the best in the market, its fees are competitive, and a bonus system benefits those who are also insurance customers. An ambitious training program for the bank’s advisors and highly favorable customer ratings in several surveys show that this year’s award is well deserved.”



This was the wording of the jury’s citation when the magazine *Privata Affärer* named Länsförsäkringar Bank of the Year 2002. The target groups of the banking operations are private individuals and farmers. For the past two years, we have been preparing to take the step from being a niche bank to becoming a full-service bank, where customers can gather all their business. There can be no doubt that we are on the right road. Challenger Bank of the Year 2001. Bank of the Year 2002. And an even more intensive focus on customer satisfaction in the future. As further proof of our success, *Sparöversikt* (Savings Review) magazine named Länsförsäkringar Fixed-income Fund Manager of the Year for 2002.

## **Full-service bank serving all of the customer’s financial needs**

Today we have a full range of services and a good delivery capacity. In plain English, this means that we not only have good services and products, but also the resources to live up to our promises. Moreover, through the 24 regional insurance companies, we have a strong local presence and are familiar with the real situa-

tion in which our customers live and work. This gives us high credibility as a long-term partner for financial concerns. But there are still far too few people who know that we exist and what we can offer. Of the group’s 2.9 million insurance customers, to date only 15% use one or more of our banking services. We also know that between 60 and 70% of Länsförsäkringar’s customers save and borrow at the same bank where they have their payroll deposit account. This shows that we have considerable potential in the customer base.

## **Focus on mortgage loan customers**

There is a clear trend today for those who own their homes to make a very conscious and active decision and be increasingly demanding when choosing a lending institution. Accordingly, a key activity during the year was the campaign directed at the 1.2 million homeowners who are insured with Länsförsäkringar. The purpose of the household-finance offering was to make it attractive for customers to transact all their banking and insurance business with the group. Länsförsäkringar Hypotek’s attractive terms and



strong local presence proved extremely popular. The number of mortgage-loan customers tripled and lending increased by more than 235% during the year.

#### **Satisfied customers and employees improve business**

No company is better than its employees, and the success we are enjoying today is the result of our employees' efforts. During 2002, we focused major efforts on a training program for advisors, and we are working continuously to develop and enhance the competence of our employees. It is pleasing to note that the employee satisfaction index for the banking operations is at a high level and climbing constantly. Länsförsäkringar also has Sweden's most satisfied bank customers. In 2002, Länsförsäkringar's banking operations had a Swedish Quality Index of 79, compared with the average of 68 for all banks in Sweden. Satisfied customers are certainly a large part of the secret behind the fact that the number of customers increased by 12% and the volume of business grew by 34% to SEK 35 billion. Our revenues increased twice as rapidly as expenses dur-

ing the year, resulting in a 32-percent increase in earnings. This creates highly favorable conditions for sustainable future profitability.

#### **New Managing Director**

Sören Ericson was responsible for banking operations since 1998. His vision, knowledge and determination created a solid platform for operations. I succeeded Sören as president in January 2003, and our objectives remain clear: we will develop Länsförsäkringar's banking operations into an even more vigorous full-service bank. We will continue to offer our customers the best solutions at competitive prices. And this will lead to continued strong growth in volumes, and accordingly to increased profitability.

March 2003

**Tomas Johansson**  
Managing Director



# Full-service bank for private individuals and farmers

Banking operations, combined with non-life and life insurance, is one of Länsförsäkringar's core areas. Development has been highly positive, and Länsförsäkringar Bank today represents a full-service alternative for Private individuals and farmers. The number of customers rose by 12% during 2002. Business volume rose 34% to SEK 35 billion, and total revenues increased by 21%.

Länsförsäkringar is Sweden's only customer-owned and locally based banking and insurance group. The group's operations consist of 24 independent regional insurance companies and the jointly owned Länsförsäkringar AB.

Länsförsäkringar enjoys a high degree of trust in the community and possesses Sweden's strongest brand in the insurance market. The Group's banking operations have the country's most satisfied bank customers, according to the Swedish Quality Index, and received the prestigious Bank of the Year award for 2002. Länsförsäkringar Fonder was named Fixed-income Fund Manager of the Year for 2002.

The regional insurance companies have a combined total of 2.9 million customers and are the market leader in non-life insurance, with a market share of 29%.

## A natural choice

The aim is for Länsförsäkringar to be the customers' natural choice in the areas of non-life and life insurance and banking services. During 2000, the banking business developed its strategy for growing from a niche bank to full-service bank, and today offers complete solutions in the areas of saving, borrowing and payments.

Länsförsäkringar's guiding principles are: customer-owned, locally based, accessible, and personal attention. The group's

strong financial position creates the necessary conditions for staying power, development potential and good value. Home-owners and farmers, the strategic target groups of the bank business, are offered a total customer concept based on a high degree of customer satisfaction.

## Combined customer offering in bank and insurance services

Although Länsförsäkringar has Sweden's strongest brand in the non-life insurance segment, relatively few people are aware of the group's banking business. According to a brand-awareness survey conducted in December 2002, only 18% of the Swedish population and 29% of Länsförsäkringar's customers are aware that the group also offers banking services. Of Länsförsäkringar's 2.9 million insurance customers, only 15% use one or more of the group's banking services. This means that there is extremely high potential in the customer base, both for bringing more customers to the banking operations and in order to do more business with existing customers.

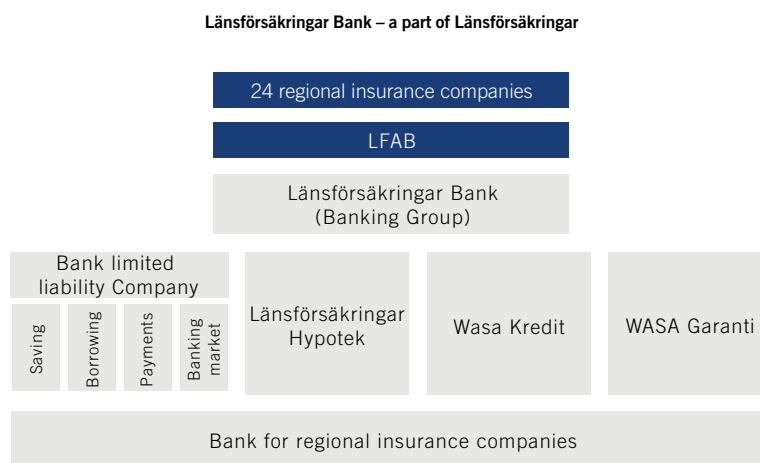
Accordingly, intensive efforts are under way to create a higher awareness of Länsförsäkringar's banking operations by, for example, making a number of offerings that clarify Länsförsäkringar's products and services and make it attractive for customers to bundle all their banking and

insurance business with the group. The campaign has been effective: 88% of the 43,000 people who became bank customers during the year initiated the first contact with Länsförsäkringar Bank themselves, while 76% of new customers had seen some form of market communication that aroused their interest. By year-end, the bank had 393,000 customers. The long-term objective is that the majority of Länsförsäkringar's insurance customers should also be bank customers.

## Clear customer satisfaction

The results of the customer surveys that have been carried out are clear. Customers feel that it is practical, simple and time-saving to have all their insurance and banking business under one roof. They have confidence in the regional insurance company in their locality and appreciate the local presence and market knowledge. The highly favorable terms (such as the Länsbonus bonus system for multiple-service customers) are also greatly appreciated. The consistently high quality of the services and products, combined with the competitive prices, are an additional reason why an increasing number of customers are choosing to transfer their business to Länsförsäkringar Bank.





The banking operations, combined with non-life and life insurance, are a core area in Länsförsäkringar.

#### Länsförsäkringar Hypotek

After an earlier partnership with SBAB, Länsförsäkringar Hypotek was launched during the year, offering its own loans secured by first mortgages, giving Länsförsäkringar a complete offering of home loans for private individuals. Residential loans increased by 235% to SEK 7.8 billion during the year. Länsförsäkringar Hypotek's operating profit was SEK 36 M.

#### Wasa Kredit

Wasa Kredit is a finance company whose operations focus on the markets for cars, computers and major appliances. Wasa Kredit's operating profit was SEK 54 M. The lending volume at year-end amounted to SEK 6.2 billion, and the company had 97,000 customers.

#### WASA Garanti

WASA Garanti focuses on liquidating risk involvement within the constructors' all risks insurance segment, as well as credit guarantees and rent insurance. The company also handles receivables that arose during the property crisis during the early 1990s. The stock of leasehold guarantees handled by the company declined more rapidly than expected during the year. Profit before appropriations and taxes amounted to SEK 24 M.

## Good rating for Länsförsäkringar Bank

Standard & Poor's has assigned Länsförsäkringar Bank a credit rating of K1 for short-term borrowing and BBB+ for long-term borrowing.

According to Standard & Poor's, the rating reflects the bank's strategic importance in the area of regional insurance, its strong

capitalization rate, the high quality of its loan portfolio and its solid financial base.

During summer 2002, Länsförsäkringar Bank launched a commercial paper program to support the strong growth of the housing mortgage market. This enables the bank to lend up to a maximum of SEK 4 billion.



#### Daily economy is the key

Daily financial transactions are the key to a long-term and successful bank business. Customer surveys show that most of Länsförsäkringar's customers save and borrow at the bank where they take care of their day-to-day finances.

Länsförsäkringar Bank offers a competitive solution for day-to-day finances

and a complete range of services and products for saving, borrowing and payments. During 2002, share-trading via the Internet was added to the offering, providing a simple and user-friendly service based on the same competitive pricing philosophy as the other banking services.

The cooperation with Sweden Post/Swedish Cashier Service that was initiated

during the year enables customers to make deposits, withdrawals and foreign payments at 1,350 branches and through 2,700 rural post carriers throughout the country.

#### Meets customers' requirements and needs

As a result of heavy investments in systems, products and channels, Läns-

försäkringar's bank operations are well equipped to handle customers' expectations and demands. The banking operations have 80 branches throughout Sweden, and customers give a high rating to the banking services available via the Internet and by telephone. The products and services correspond to the needs of the private and agricultural market.

The aim is that volumes should continue to grow and that the bank should develop into an even stronger full-service bank, with substantially more customers than today.

### Focus on profitability

Operating profit for 2002 amounted to SEK 20 M. Total revenues increased at a considerably higher rate (21%) than administration costs (10%). However, volumes must increase further to produce satisfactory profitability. Net interest income improved by 27%. Net commission income declined by 42%, mainly as a result of increased card-related costs. Länsförsäkringar Bank's capital adequacy at year-end was 8.08%. The proportion of lending represented by doubtful receivables declined during the

year from 0.43 to 0.15%. Loan losses amounted to SEK 13 M.

### Deposits and lending show strong growth

An increasing number of customers are choosing Länsförsäkringar as their main bank, and it is currently Sweden's sixth largest bank for private individuals and farmers. Deposits from households rose 19% to SEK 14.7 billion during 2002. Lending increased by 59% to SEK 19.9 billion.

## Record growth for Länsförsäkringar Hypotek – the bank's own mortgage loan institution

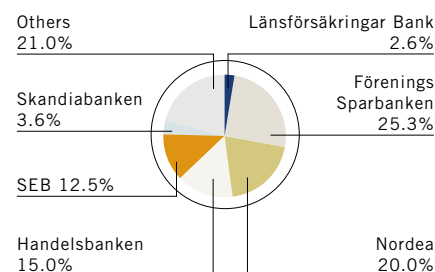
Länsförsäkringar Hypotek showed positive development during the year. Lending increased by SEK 5.5 billion (235%) to SEK 7.8 billion. The number of home loan customers rose 200%, from 10,000 to 30,000.

An offering was launched during 2002 that clearly illustrates the many advantages of having banking and insurance business under one roof at Länsförsäkringar. The offering comprised a home loan, survivors' protection, day-to-day finances, and homeowner insurance for single-family houses on extremely favorable terms.

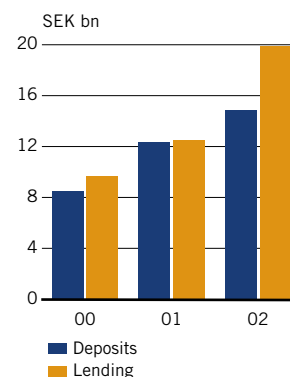
Residential business and the development of attractive packaged offerings to this customer category will remain high priorities during 2003.



Market shares, deposits, November 2002



Deposits and lending 2000–2002



Total lending to private individuals within the banking Group amounted to SEK 19.9 billion in 2002, while deposits from private individuals amounted to SEK 14.7 billion during the year.



### Länsförsäkringar Hypotek

Länsförsäkringar Hypotek showed positive development during the year. Lending increased by SEK 5.5 billion (235%) to SEK 7.8 billion. The number of home loan customers rose 200%, from 10,000 to 30,000. Residential business and the development of attractive packaged offerings to this customer category will remain high priorities during 2003.

### Full-service alternative for farmers

The partnership with Landshypotek, which covers loans and other banking services for agricultural and silvicultural properties, continued to develop positively. Länsförsäkringar and Landshypotek market each other's services, enabling them to offer a full-service alternative in banking and insurance services for farmers. The number of customers in the agriculture sector increased to slightly more than 5,000 during

2002. Borrowing amounted to SEK 719 M, an increase of 26%, while lending increased by 61% to SEK 1,439 M.

### Wasa Kredit

The bank also arranges loans via its subsidiary Wasa Kredit, a finance company that focuses primarily on the markets for cars, computers and major appliances. Wasa Kredit's lending during the year totaled SEK 6.2 billion.

## BANK OF THE YEAR 2002



Each year, the magazine *Privata Affärer* makes its selection for the Bank of the Year award. Last year, Länsförsäkringar was named Newcomer Bank of the Year for 2001, and this year “challenger” has matured to the point of being selected as Bank of the Year 2002. *Privata Affärer*’s citation reads as follows: “The challenger has matured. Länsförsäkringar now offers the most important banking services and has a large network of branches throughout Sweden. Its interest rates are among the best in the market, its fees are competitive, and a bonus system benefits those who are also insurance customers. An ambitious training program for the bank’s advisors and highly favorable customer ratings in several surveys show that this year’s award is well deserved.”



# Personal attention and local base

The essence of the regional insurance concept is that all business and customer contacts should be conducted locally. However, many customers prefer to perform most of their day-to-day banking functions from home at times that suit them. This is why the combination of local and digital customer interfaces is a key success factor for Länsförsäkringar, and one of the cornerstones of its banking operations.

Customers require personal attention mainly when they are seeking advice about their private finances and when they wish to take out a loan. In order for the advisor to have an understanding and knowledge of the customer's needs and the reality in which he/she lives and works, it is essential that operations focus on the local level. Customer surveys show that customers trust their regional insurance company and appreciate the local involvement and market knowledge. During the year, the number of advisory offices increased to 80, and Länsförsäkringar's bank business plans to gradually increase the number of bank branches in the future.

Banking via telephone and the Internet are solutions that facilitate day-to-day bank transactions. Today, customers make 60% of their payments via the Internet, and the number of customers connected to the service increased by 18% to 209,000 during the year. A new feature during the year was the development of Internet services designed to serve the specific needs of customers in the agricultural sector.



A nationwide bank with local connections. Länsförsäkringar has 80 bank offices located throughout Sweden.

### Development and support key functions

Länsförsäkringar Bank is owned by Länsförsäkringar AB, which in turn is owned by 24 regional insurance companies. While all business with customers is conducted at the local level, the development and business support functions are concentrated in Stockholm, this being the best way to utilize the advantages of an efficient and specialized organization to provide the best possible support to the local business operations.

### Employees the key to successful customer meetings

A total of some 500 persons work in the banking operations – 50% of them at the regional insurance companies. Customer surveys show that customers trust their regional insurance company and appreciate its local presence and market knowledge.

A successful customer meeting is dependent on knowledge of and understanding for the customer's situation, needs and possibilities, and local market conditions. The fact that the employees have the

# Sweden's most satisfied bank customers

Länsförsäkringar has Sweden's most satisfied bank customers. This is clear from the results of the Swedish Quality Index survey conducted by the Stockholm School of Economics. Länsförsäkringar achieved a customer-satisfaction index of 79, compared with the average of 68 for all Swedish banks.

Länsförsäkringar is also perceived as the bank providing the best value in Swe-

den, as well as scoring the highest rating for perceived service and product quality.

The survey measures customers' satisfaction based on their overall experience of the bank, in relation both to their own expectations and to an "ideal bank."

Since satisfied customers are the most important requirement for a successful bank, these measurements, together with the awards received by the bank during the year, are extremely important.



competence required and a working method that always focuses on the customer generates confidence in all of the bank's channels.

Accordingly, as well as focusing on new, reasonably priced products, the bank introduced a training package during the year to serve as a common platform for the 24 regional insurance companies.

The training program enables all the employees at the regional insurance companies throughout the country to work in a similar manner to each other, as well as providing them with detailed knowledge about the bank's regulations, products and services. The training package is partially computer-supported. The EttKUND (OneCustomer) sales support system placed in operation during the year is also an important tool for ensuring the success of customer meetings.

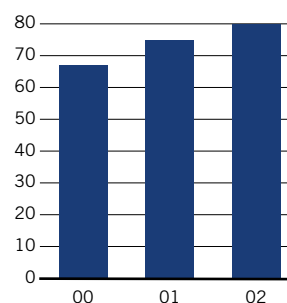
All employees have individual competence plans, which were further developed into personal-objectives contracts during 2002. Efforts were also stepped up during the year to develop a positive corporate

culture based on common values. The response among employees was extremely positive, and the Satisfied-Employee Index rose clearly – from 72 in 2001 to 75.7.

## 558 certified advisors

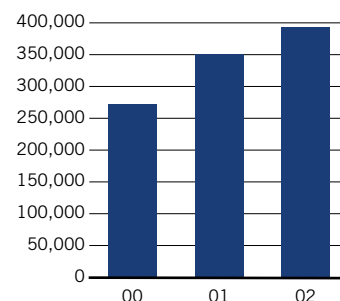
During the year, Länsförsäkringar certified 558 advisors, who give advice about funds and other methods of saving. The certification verifies that the employees have undergone an approved training program that is approved by the Swedish Society of Unit Trusts and designed in accordance with the competence requirements defined by the Society. Länsförsäkringar's training, in common with all its other activities, is based on the customer meeting, and covers areas such as ethics, law, the advice-giving situation and the advisor's role and responsibilities. Also included are knowledge of the Swedish economy, investments instruments and private finances. The training also took into account the draft law concerning strengthened consumer protection, which arose from the study behind the Act concerning Financial Advice to Consumers.

Number of bank offices



80 bank offices throughout Sweden in 2002.

Number of customers



Number of customers increased by 12% during 2002.

# Direct saving in funds

The economic recovery expected during 2002 failed to materialize. Instead, the stock market was adversely affected by the uncertain state of the global economy. Two of Länsförsäkringar's 26 funds for which there is a comparative index outperformed the index in question. Seven out of 33 funds produced a positive return during 2002. The magazine *Sparöversikt* (Savings Review) named Länsförsäkringar Fixed-income Fund Manager of the Year for 2002.

Funds, together with traditional savings accounts, share trading via the Internet and capital assurance, are part of Länsförsäkringar's savings offering. Länsförsäkringar's funds are managed by Länsförsäkringar Fondförvaltning AB, a sister company to the bank. Measures were taken during the year to strengthen the offering to customers who save in funds.

## Important partnership

The Swedish savings market is changing rapidly and the proportion of international investments is steadily increasing. In June 2002, a partnership was initiated with ABN AMRO, which has a global management organization with the necessary resources to evaluate the investment alternatives available in financial markets worldwide. The partnership is strategically important and creates value-added for the customer. During the last seven months of the year, ten of Länsförsäkringar's funds outperformed their respective indexes.

## Fixed-income Fund Manager of the year

The magazine *Sparöversikt* (Savings Review) named Länsförsäkringar Fixed-income Fund Manager of the Year for 2002. The award is based on an assessment of the funds' results during the preceding two years and also takes into account the degree of

risk taken by the managers in achieving their results. Länsförsäkringar's competent management and low fees were the motivations for the award. All of Länsförsäkringar's six fixed-interest funds showed positive development during the year.

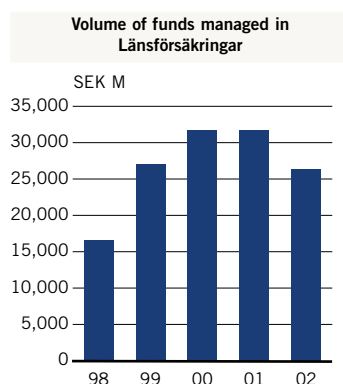
## Technology-dominated funds show decline

As a consequence of the weak stock market trend during the year, a number of Länsförsäkringar's mutual funds produced

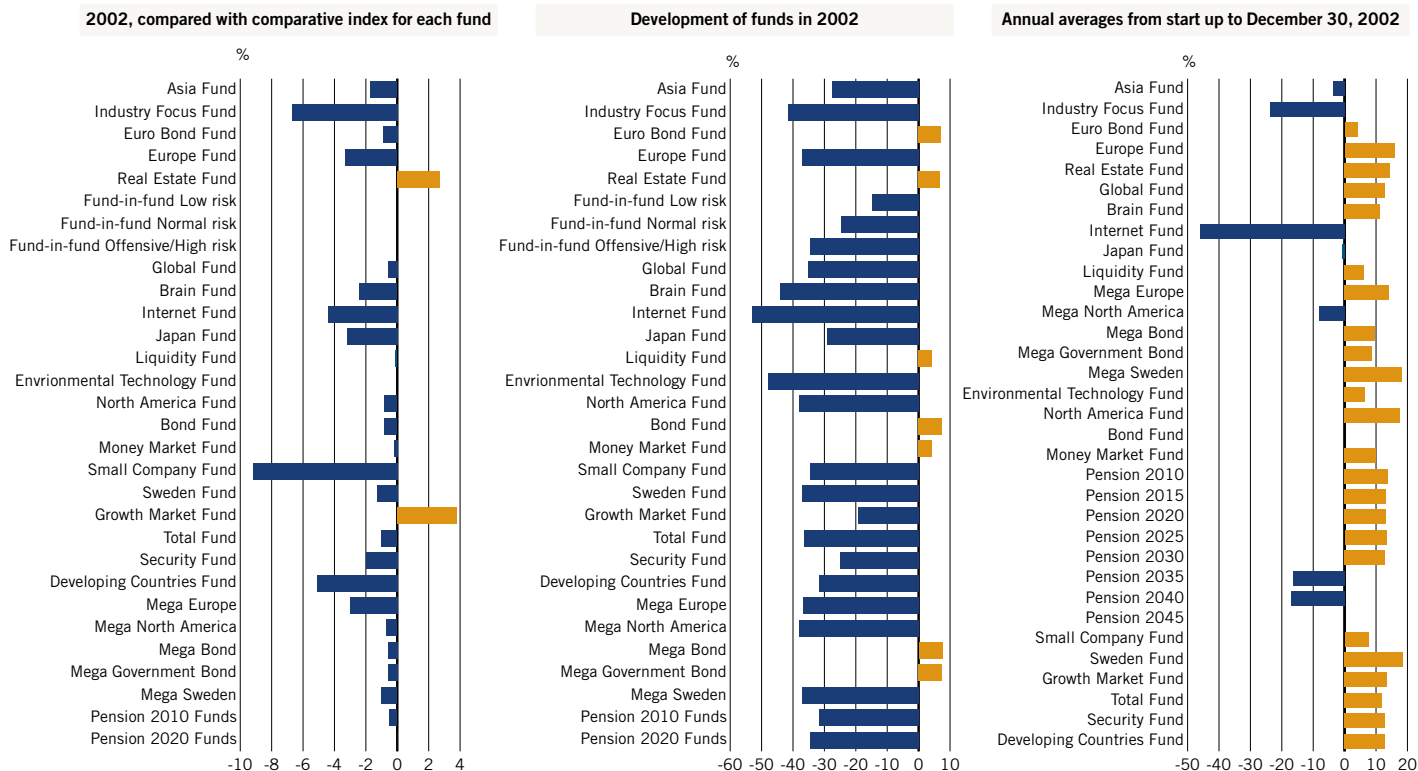
a negative return during 2002. The heaviest losses affected funds with a high proportion of technology-related shares.

## Increased net savings

Net savings in all types of funds increased during 2002. The distribution among different types of funds was essentially the same as in 2001. The proportion of mutual funds and other funds increased somewhat, while the share of fixed-interest and mixed funds declined slightly.



## Trend of funds during



## New feature during the year

# Share trading via the Internet

To strengthen customer satisfaction in the savings area, a new service, share trading via the Internet, was launched during the year. It is simple and user-friendly and follows the same competitive pricing philosophy as the bank's other services.

Share trading via the Internet, a cooperative venture with OM, gives access to an advanced platform for trading in Swedish shares. The service was introduced during November 2002.

Customers who subscribe to share trading via the Internet gain access to all of Stockholmbörsen's lists: the A List, Attract 40, New Markets and the O List. Users of the service can trade in Swedish shares and share-based securities such as warrants, subscription rights, convertibles and depository receipts.

## Board of Directors' Report

### THE GROUP

#### Ownership and the Group's structure

The bank is owned by Länsförsäkringar AB (publ) (556549-7020). Banking is a core operation of the Länsförsäkringar Alliance.

The banking Group comprises the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878) and wholly owned subsidiaries Länsförsäkringar Hypotek AB (Hypotek) (556244-1781), Wasa Kredit AB (Kredit) (556311-9204) and WASA Garanti Försäkring AB (Garanti) (516401-7831).

Länsförsäkringar AB (publ), Stockholm, is the Parent Company of the largest and smallest group where Länsförsäkringar Bank AB (publ) is a subsidiary and the consolidated accounts are established.

#### Focus of operations

The Group conducts deposit operations in the bank by providing savings for private individuals, companies and agriculture. It also carries out lending activities for private persons and farmers mainly through mortgages and unsecured credits, and for companies through its subsidiary Kredit in the form of leasing and instalment. Hypotek conducts mortgage mortgage operations and Garanti mainly handles risk-commitment run-off activities and claims adjustment.

Customers of the bank can receive financial advice and services offered by any of the regional insurance companies' 80 offices that conduct banking operations. The offices are located at, or adjacent to, offices of the regional insurance companies. The office staff is also employed with the bank. However, from year 2003, this set-up will cease when the sale and certain administration of bank services through contracts are outsourced to the respective regional insurance companies. Regional insurance companies are reimbursed for the sale and administration

through a reimbursement system that is based on volumes managed.

#### Total assets

The Group's total assets rose in 2002 by 44% to SEK 22,302 M.

Lending to the public rose 59%, or SEK 7,408 M, to SEK 19,861 M (12,453 M). All lending was conducted in SEK. Lending accounted for 89% (80) of total assets.

Interest-bearing securities (bonds in the bank operations) declined during the year by 65%, or SEK 916 M, to SEK 499 M (1,415 M).

Deposits from the public rose 19%, or SEK 2,384 M, to SEK 14,736 M (12,352 M).

Borrowing and securities issued rose 294%, or SEK 3,989 M to SEK 5,347 M (1,358 M). The borrowing that is required over and above financing via deposits from the public and shareholders' equity, is

conducted mainly in the form of loans and through issuance of money-market instruments.

#### Capital cover and rating

The Group's capital adequacy at year-end 2002 amounted to 8.08% (9.12). The tier 1 ratio amounted to 7.45% (8.45).

Standard & Poor's has issued LF Bank a credit rating of BBB+ for long-term borrowing and K1 for short-term borrowing.

#### Earnings and profitability

Group operating profit amounted to SEK 20 M (1), of which the insurance operations' income was SEK 24 (22). This corresponds to an earning capacity on average shareholders' equity before tax of 1.9 (0.2)%. Revenues during the year rose twice as fast as the costs.

The bank has for several years invested large sums in systems, products and chan-

Investments, Group SEK M	2002-12-31	2001-12-31	Change in %
Interest-bearing securities	499	1,415	-65
Lending to the public <sup>1)</sup>	19,861	12,453	+59
Credit institutions	1,408	1,153	+22
Other	534	502	+6
<b>Total investments</b>	<b>22,302</b>	<b>15,523</b>	<b>+44</b>

<sup>1)</sup> Including leasing

Financing, Group, SEK M	2002-12-31	2001-12-31	Change in %
Deposits from the public	14,736	12,352	+19
Credit institutions	267	217	+23
Borrowing and securities issued	5,347	1,358	+294
Other	566	510	+10
Subordinated debentures	180	80	+125
Shareholders' equity	1,206	1,006	+20
<b>Total liabilities and shareholders' equity</b>	<b>22,302</b>	<b>15,523</b>	<b>+44</b>



nels and is now equipped to offer private individuals and farmers a main bank solution. The number of customers, and thereby the volumes, so far are too small to create satisfactory profitability in the investments taken. The unit cost is much too high. Accordingly, the challenge ahead is to sharply increase volumes and the number of customers. Growth during 2002 has shown that the bank operation is on the right track.

### Revenues

Net interest income rose 27% to SEK 538 M (424). The increase is explained in positive terms by the rise in lending volumes to the public. Net interest income was charged with SEK 8 M (9) allotted for the obligatory depositor's guarantee. Group investment margin, i.e., net interest income in relation to the average total assets, was 3% (3). Net commission revenue declined

SEK 20 M to SEK 28 M (48) due to increased costs for card services. Other operating revenues totaled SEK 84 M (58).

### Expenses

Operating expenses rose 10%, or SEK 60 M, to SEK 641 M (581). The increase is largely related to the growth in lending and deposit volumes, which triggered an increase in costs for sales. The costs for developing securities services and borrowing system were capitalized. The income/cost ratio, that is, revenue in relation to expenses, amounted to 1.01 (0.92) before loan losses and 0.99 (0.96) after loan losses.

### Loan losses

Provisions were made partly after individual assessment, and partly after group valuation. The Group's loan losses amounted to a net of SEK 13 M (+25).

## PARENT COMPANY

### Strategic cooperation

In early 1998, Länsförsäkringar Bank began a cooperation with the government-owned SBAB mortgage lending company. This means that the bank, via its branch network with Länsförsäkrings group, could gradually start acting from March 1998 as intermediary for Länsförsäkringar's residential/mortgage loans with one of the market's lowest rates. The cooperation progressed very favorably. Since Länsförsäkringar now offers housing mortgage on its own, this cooperation with SBAB has diminished.

The cooperation initiated with Landshypoteket in 1997/1998, involving a packaging of bank services for farmers, has continued.

A cooperation with Sweden Post/Swedish Cashier Service was initiated during the summer of 2002, which means that the bank's customers can make cash deposits and withdrawals at approximately 1,300 offices and with some 2,700 rural mail carriers.

A share trading service via Internet has been developed in cooperation with OM AB. This service began operating in November 2002.

### Earnings

The bank posted an operating loss of SEK 84 M (loss: 90). Group contribution paid by the subsidiaries Wasa Kredit AB, Länsförsäkringar Hypotek AB and WASA Garanti Försäkring AB amounted to SEK 55 M, SEK 35 M and SEK 24 M, respectively. The Group contributions paid are reported in the balance sheet. Operating revenues amounted to SEK 389 M (294) while expenses, excluding loan losses, amounted to SEK 461 M (405). Loans losses for the year totaled SEK 12 M (+21).

The year was characterized by the development of internal processes as well



as in larger systems. Expansion of ATMs continued.

The total number of customers in the bank increased by 30,000 to approximately 284,000. The number of customers with Internet services has risen by approximately 24%, or slightly more than 42,000 to 219,000. Internet banking services have been in operation for slightly more than a year. The value of payments via Privatgiro was about SEK 3.7 billion, which can be compared with the value of payments in 2001 totaling SEK 1.9 billion.

### **Risks and risk management**

The ultimate responsibility for the bank's risk exposure lies with the Board of Directors. The Board sets the guidelines for risk management through the credit policy and finance policy. Among other steps, the Board appoints a credit delegation and two different credit committees in which decisions on loans within certain frameworks are made. In addition, the Board appoints a finance committee to handle the bank's financial activities.

#### **Credit risk**

Credit risk is the risk for losses as a result of a counterparty not being able to fulfill their obligations toward the bank and that any collateral does not cover the bank's receivable.

The primary risk-limiting factor is to ensure that the credit process in itself is conducted with the necessary quality.

The bank's credit risk covers receivables mainly from private individuals but

also from companies, banks and public institutions. Lending is granted after a thorough credit assessment that, in the first instance, is based on the customer's ability to repay. All credit decisions in the bank are made by at least two persons or, for smaller loans, of one person with support of an IT-based evaluation system. The commitments are regularly followed up, which is also the case with the payment history and the value trend of the collateral. Payments due and non-performing claims are regularly followed up.

The bank currently has no trading stock of financial instruments. The bank manages its own capital and other liquidity reserves at low risk assumption.

In the finance policy, the bank's counterparty risk is minimized by allowing investments only in certain specific instruments and with a stated limit for each counterparty. The bank may use derivatives to reduce interest-rate risks.

#### **Market risk**

Market risk in the bank is the risk for losses as a result of fluctuations in interest rates and exchange rates.

In the finance policy, the interest-rate risk is limited to a level not exceeding 10% of the bank's share capital (corresponding to approximately SEK 84 M). Interest-rate risk, expressed here as a valuation change in the portfolio at a one-percentage shift of the yield curve, amounted to SEK 1 M (7) at year-end.

The bank does not face currency risks since neither borrowing nor investment is conducted in foreign currencies.

#### **Liquidity risk**

Liquidity risk arises when assets and liabilities have different due dates, which means that payment obligations cannot be immediately fulfilled.

The bank's primary financing source is account deposits. These deposits are continually followed up. The bank's objective is to maintain such a liquidity level that ongoing payment obligations can be met, while there is contingency for unforeseen events. Payment contingencies are managed by having a sufficient volume of liquid assets, for instance, eligible bonds, which can promptly be turned into liquid funds. The bank should always have a liquidity that allows a certain fixed portion of the total assets to be immediately accessible.

#### **Operating risks**

Operating risks are risks for losses that may arise in part due to global events (such as natural calamities, criminality) and partly because of internal factors (computer errors, fraud, insufficient compliance with regulations and the like).

The best protection against similar risks is a good internal control. Internal control builds primarily on capable leadership, distinct rules and instructions and continuous training.

Directly answerable to the Board of Directors is the internal audit whose func-

tion is to examine and evaluate the internal control in the bank. Internal control is a review function independent from the operational activity.

### Sensitivity Analysis

Based on income statement and balance sheet structure in 2002, the analysis below describes the static effect of the various changes in each respective item.

An adjustment in the market interest rate of one percentage point on all maturity dates affects the market value of interest-bearing securities by approximately SEK 5 M (7) per balance sheet date.

#### PROPOSAL FOR THE DISTRIBUTION OF THE PARENT COMPANY'S DISPOSABLE EARNINGS (SEK)

Retained earnings	142,807,941
Shareholders' contribution received	180,000,000
Group contribution received	83,030,400
Net loss	-50,957,672
	<b>354,880,669</b>
The Board of Directors proposes that the following amount be carried forward	354,880,669

The Group's disposable earnings amount to SEK 353,806,000. Allocation to restricted reserves is not required.

With regard to the Group and the bank's reported earnings, financial position, average number of employees and capital adequacy analysis, refer to the following income statement, balance sheet, additional information and capital adequacy analysis.

All figures in the annual report are reported in SEK 000s unless otherwise specified.

#### SENSITIVITY ANALYSIS

	Change	Effect on operating earnings (SEK 000s)
Net interest income	+/-1%	+/-2,896
Investment margin	+/-0,1%-points	+/-16,393
Changes in personnel, average	+/-1 person	-/+586
Salary adjustments	+/-1%	-/+694
General administration expense, others	+/-1%	-/+3,187

#### KEY RATIOS

	2002	2001	2000	1999	1998
<b>Group</b>					
Return on equity, %	1.90	0.16	6.31	1.61,	Neg.
Earnings per share, SEK	2.37	0.16	6.60	1.60	Neg.
Investment margin, %	3.0	3.1	3.0	3.0	
Interest margin, %	2.8	2.9	2.7	2.8	2.7
Income/cost ratio before loan losses	1.01	0.92	1.04	1.00	1.20
Income/cost ratio after loan losses	0.99	0.96	1.04	0.97	0.86
Capital adequacy, %	8.08	9.12	10.21	11.65 <sup>1)</sup>	16.91
Tier 1 ratio, %	7.45	8.45	9.37	10.63	13.89
Percentage of doubtful receivables, %	0.15	0.43	0.57	0.62	1.44
Provision ratio for doubtful receivables, %	83.35	74.35	75.97	86.12	78.39

#### Parent Company

Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Net profit per share, SEK	Neg.	Neg.	Neg.	Neg.	Neg.
Investment margin, %	1.8	1.6	1.6	1.5	2.2
Interest margin, %	1.6	1.6	1.3	1.3	1.7
Income/cost ratio before loan losses	0.84	0.73	0.84	0.57	1.04
Income/cost ratio after loan losses	0.82	0.77	0.86	0.51	0.97
Capital adequacy ratio, %	24.30	22.49	27.76	36.77 <sup>1)</sup>	59.90
Tier 1 ratio, %	22.40	20.82	25.50	33.60	49.24
Percentage of doubtful receivables, %	0.04	0.12	0.10	0.05	0.26
Provision ratio for doubtful receivables, %	90.28	83.16	91.11	96.77	86.72

<sup>1)</sup> Subordinated debentures amounting to SEK 100 M repaid in 1999

## Income statement

(SEK 000s)		Group		Parent Company	
		2002	2001	2002	2001
Interest income	Note 2	1,143,218	847,974	824,184	621,028
Interest expense	Note 3	-605,399	-423,646	-534,632	-387,496
<b>Net interest income</b>		<b>537,819</b>	<b>424,328</b>	<b>289,552</b>	<b>233,532</b>
Dividends received	Note 4	20	-	28,496	-
Commission revenue	Note 5	85,094	70,815	40,179	31,053
Commission expense	Note 6	-57,508	-22,910	-42,608	-22,800
Net profit/loss from financial transactions	Note 7	-206	6,168	-206	6,168
Other operating revenue	Note 8	84,111	57,987	73,994	45,969
<b>Total operating revenue</b>		<b>649,330</b>	<b>536,388</b>	<b>389,407</b>	<b>293,922</b>
General administration expense	Note 9	-563,859	-497,204	-395,402	-331,976
Depreciation/amortization and write-downs of tangible and intangible assets	Note 10	-46,327	-38,223	-47,350	-35,358
Other operating expense	Note 11	-30,864	-45,882	-18,333	-37,543
<b>Total expenses before loan losses</b>		<b>-641,050</b>	<b>-581,309</b>	<b>-461,085</b>	<b>-404,877</b>
<b>Profit/loss before loan losses</b>		<b>8,280</b>	<b>-44,921</b>	<b>-71,678</b>	<b>-110,955</b>
Loan losses, net	Note 12	-13,155	24,589	-11,980	21,174
<b>Profit/loss from banking business</b>		<b>-4,875</b>	<b>-20,332</b>	<b>-83,658</b>	<b>-89,781</b>
<b>Profit from insurance business</b>	Note 13	<b>24,386</b>	<b>21,713</b>	<b>-</b>	<b>-</b>
<b>Total operating profit/loss</b>		<b>19,511</b>	<b>1,381</b>	<b>-83,658</b>	<b>-89,781</b>
Tax on the year's profit/loss	Note 14	406	-	32,701	22,932
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>19,917</b>	<b>1,381</b>	<b>-50,957</b>	<b>-66,849</b>
Net profit/loss per share (number of shares: 8,398,708)		2.37	0.16	-6.07	-7.96

## Balance Sheet

(SEK 000s)		Group		Parent Company	
		2002-12-31	2001-12-31	2002-12-31	2001-12-31
Assets					
Cash and central bank account balances		68,774	25,097	68,774	25,097
Lending to credit institutions	Note 15	1,408,026	1,152,920	13,081,425	7,563,299
Lending to the public	Note 16	19,861,343	12,452,807	5,818,526	4,494,585
Shares and participations	Note 17	500	500	500	500
Shares and participations in Group companies	Note 18	–	–	806,900	614,151
Bonds and other interest-bearing securities	Note 19	499,154	1,414,675	499,154	1,414,675
Assets in the insurance business	Note 20	12,185	36,409	–	–
Intangible assets	Note 21	108,518	90,651	108,518	90,651
Tangible assets	Note 22	29,752	13,152	10,727	9,699
Other assets	Note 23	235,507	243,092	74,065	87,617
Prepaid expenses and accrued income	Note 24	77,921	94,189	50,761	66,961
Total assets		22,301,680	15,523,492	20,519,350	14,367,235
Liabilities, provisions and shareholders' equity					
Liabilities to credit institutions	Note 25	266,751	217,064	352,145	223,963
Deposits and borrowing from the public	Note 26	16,377,917	13,292,531	14,831,584	12,449,063
Securities issued	Note 27	3,705,523	417,498	3,705,523	417,498
Debt in the insurance business	Note 28	5,394	14,789	–	–
Other liabilities	Note 29	234,265	227,501	173,785	149,781
Accrued expenses and prepaid income	Note 30	308,116	250,317	69,489	52,179
Provisions	Note 31	17,965	17,960	–	–
Subordinated debt	Note 32	180,000	80,000	180,000	80,000
Shareholders' equity	Note 33				
Share capital (8,398,808 shares, par SEK 100)		839,871	839,871	839,871	839,871
Restricted reserves		12,072	12,072	12,072	12,072
Retained earnings		333,889	152,508	405,838	209,657
Net profit/loss for the year		19,917	1,381	–50,957	–66,849
Total shareholders' equity		1,205,749	1,005,832	1,206,824	994,751
Total liabilities, provisions and shareholders' equity		22,301,680	15,523,492	20,519,350	14,367,235
Memorandum items	Note 34				
Assets pledged for own debt		500,915	524,571	490,000	500,000
Contingent liabilities		23,986	18,621	19,440	18,621
Commitments		2,902,213	1,575,513	4,445,249	2,517,385
Other notes					
Fixed-interest period	Note 35				
Information on actual value	Note 36				
Capital adequacy analysis	Note 37				

## Cash-flow statement

(SEK 000s)	Group		Parent Company	
	2002-12-31	2001-12-31	2002-12-31	2001-12-31
<b>LIQUID FUNDS AT THE BEGINNING OF THE PERIOD</b>	<b>960,953</b>	<b>-662,606</b>	<b>899,537</b>	<b>-794,777</b>
<b>Operating activities</b>				
Operating profit/loss	19,511	1,381	-83,658	-89,781
<b>Adjustments for items not included in cash flow:</b>				
Booked, non-chargeable tax	406	-	32,701	22,932
Depreciation/amortization charged against earnings	46,327	38,223	47,350	35,358
	<b>66,244</b>	<b>39,604</b>	<b>-3,607</b>	<b>-31,491</b>
Increase in lending to the public	-7,408,536	-2,832,808	-1,323,941	-1,379,442
Decrease in securities holdings	-	1,815,137	-	1,815,137
Increase in deposits and borrowing from the public	3,085,386	4,085,977	2,382,521	3,809,822
Increase in lending to subsidiaries	-	-	-5,301,184	-1,190,757
Change in other assets	25,537	-24,135	-2,538	-9,244
Change in other liabilities	67,884	-15,687	46,314	-40,244
<b>Cash flow from operating activities</b>	<b>-4,163,485</b>	<b>3,068,088</b>	<b>-4,202,435</b>	<b>2,973,781</b>
<b>Investing activities</b>				
Increase in subordinated debentures	100,000	-	100,000	-
Change in fixed assets	834,727	-1,457,421	849,276	-1,454,799
Increase in shares of subsidiaries	-	-	-192,749	46,724
Change in assets in the insurance business	24,224	-1,334	-	-
Change in liabilities in the insurance business	-9,395	-32,482	-	-
<b>Cash flow from investing activities</b>	<b>949,556</b>	<b>-1,491,237</b>	<b>756,527</b>	<b>-1,408,075</b>
<b>Financing activities</b>				
Shareholder contribution	180,000	100,000	180,000	100,000
Group contribution	-	-	115,320	81,900
Securities issued	3,288,025	-53,292	3,288,025	-53,292
<b>Cash flow from financing activities</b>	<b>3,468,025</b>	<b>46,708</b>	<b>3,583,345</b>	<b>128,608</b>
<b>Cash flow for the year</b>	<b>254,096</b>	<b>1,623,559</b>	<b>137,437</b>	<b>1,694,314</b>
<b>LIQUID FUNDS AT THE END OF THE PERIOD</b>	<b>1,215,049</b>	<b>960,953</b>	<b>1,036,974</b>	<b>899,537</b>
<b>Liquid funds include:</b>				
Cash and central bank account balances	68,774	25,097	68,774	25,097
Other lending and deposits to credit institutions	1,408,290	1,152,920	1,315,345	1,098,403
Liabilities to credit institutions	-262,015	-217,064	-347,145	-223,963
	<b>1,215,049</b>	<b>960,953</b>	<b>1,036,974</b>	<b>899,537</b>
Interest received	1,162,953	875,917	847,874	655,115
Interest paid	585,983	424,716	531,311	389,137
Taxes paid	3,889	3,919	1,186	947
Gross investments during the year	87,148	42,498	65,340	39,840



## Additional information

### NOTE 1 ACCOUNTING PRINCIPLES

This Annual Report has been prepared in accordance with the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (1995:1559) and the regulations of the Swedish Financial Supervisory Authority.

#### Consolidated accounts

The consolidated accounts have been prepared in accordance with recommendations of the Swedish Financial Accounting Standards Council (RR 1:00) and include the parent company Länsförsäkringar Bank AB and those companies in which the bank, directly or indirectly, holds more than 50% of the voting rights. These companies, with the exception of WASA Garanti AB (acquired in 1999), have been included in the consolidated accounts by applying the purchase method. Wasa Garanti had been consolidated in line with the simplified method provided for insurance companies by the Swedish Financial Supervisory Authority in chapter 7,3 of FFFS 2001:19. In financial statements for the merger between Länsförsäkringar Bank and Wasa Bank on November 1, 1998, Länsförsäkringar Bank AB (acquiring company) used the actual values of the assets and liabilities that were noted in the purchase analysis made when establishing the consolidated accounts. Changes in the valuation arose thereafter are reported as shares in subsidiaries, deferred tax and goodwill.

#### Untaxed reserves

Untaxed reserves are divided into deferred tax liability and restricted equity. Changes in the deferred tax liability due to changes in untaxed reserves are reported as deferred tax in the Group's income statement.

#### Group contributions and shareholders' contribution

Group contributions and shareholders' contribution are reported in accordance with the statements issued in 1998 by the Swedish Financial Accounting Standards Council's emergency issues task force, which means that group contributions and shareholders' contribution are charged directly against unrestricted equity.

#### Fixed assets and current assets

Fixed assets are classified as those assets intended to be permanent until maturity, or held for long-term use in the operations. Other assets are defined as current assets.

The basic valuation principle is that acquisition value is applied to fixed assets and actual value to current assets, even when this exceeds the acquisition value.

#### Intangible assets

Development costs for computer programs that are assessed to hold significant financial values are capitalized during the year. Amortization/depreciation is applied after completion of the programs.

#### Reporting of business transactions

Business transactions on the money, bond and equity markets are reported in the balance sheet per trading day, that is, at the time when the significant risks and rights have transpired between the parties. Deposits and lending transactions are reported per settlement date.

#### Financial instruments

The bank's portfolio of bonds and other interest-bearing securities that are intended to be held for the long term are classified as fixed assets and carried at accrued acquisition value. Bonds that are not meant for long-term holding are classified as current assets and carried at actual value. Unrealized gains that arise when the actual value exceeds the acquisition value are allocated into a reserve for unrealized gains, after the deferred tax is taken into account. The reserves are included in the restricted equity.

The actual value of the financial instrument on the balance sheet corresponds to the most recent paid price.

The acquisition value of the instrument is defined as the accrued acquisition value, which means that any premium or discount on the price at the time of acquisition is distributed (according to the interest-rate method), over the remaining maturity.

Payments received and adjustments in the financial instrument's accrued acquisition value received during the period are reported under the item interest income.

Unrealized and realized losses or gains on the financial instruments have been reported under net profit/loss from financial transactions.

#### Hedge accounting

The bank uses interest-rate swaps to protect certain loan receivables with established payment flows from interest-rate risks. Hedged and protected positions have been identified individually and show a high correlation during changes in value, which means that unrealized and realized gains and losses on hedged positions are offset by unrealized losses and gains on protected positions.

The bank applies hedge accounting with acquisition valuation, which means that the hedged and protected positions are reported in the income statement and balance sheet without taking into account unrealized changes in value.

#### Lending

Loan receivables are initially reported in the balance sheet at their acquisition value, that is, in the amount lent to the borrower. Thereafter, loan receivables are reported continuously at their acquisition value after deductions for write-offs and specific and group provisions for loan losses.

All loan receivables are classified as fixed assets and are reported at the highest value expected to be received.

Lending is reported in the balance sheet after deductions for incurred as well as possible loan losses. Incurred loan losses and allocation of provision for possible loan losses, less recoveries and reversals on previous incurred and possible loan losses, are reported under the item net loan losses.

Incurred loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal or through other claim remissions. Non-performing claims are loans in which interest rates, amortization or overdrafts are more than 60 days past due. A doubtful claim is a non-performing claim or a claim for which other circumstances create uncertainty as to its value, and for which the value of the collateral is not adequate to cover both principal and accrued interest rates, including penalties for possible late payments.

A write-down on possible loan losses is made if the repayment capacity of the borrower is not expected to improve sufficiently within two years and the value of the collateral does not cover the principal. The receivable is written down to the amount that the bank is expected to recover, taking into account the repayment capacity of the borrower and the value of the collateral. The value of the collateral is based on its market value.

The Bank applies either an individual or a group valuation of credits when deciding on a provision for possible loan losses. The group valuation is used for homogenous groups of loan receivables with the same credit risk, and while not viewed as non-performing, are still judged as doubtful due to other circumstances. The group valuation is based on an assessment of a potential loss trend in the future, whereupon a standard provision occurs. In addition, group provisions of individually appraised loan receivables have not been deemed necessary.

Recovered funds for doubtful receivables on which provisions have been made are, in the first instance, settled against the principal and in the second, against the interest rate. Interest rates on doubtful receivables are reported according to the cash principle, which means they are not reported as income until payment has been received.

#### Depreciation/amortization

Intangible assets are amortized according to plan as specified below:

Goodwill	10 years
Other intangible assets	3–5 years

Tangible assets are depreciated according to plan as specified below:

Office furniture, fixtures, equipment	5 years
Local improvements on tenancy	5 years
Cars	5 years
Computer equipment	3–5 years

Goodwill pertaining to the acquisition of Wasa Banken is being amortized for 10 years corresponding to the long-term market significance the company represents.

#### Leasing

The Group's leasing operations mainly comprise financial leasing. In reporting financial leasing transactions, the leasing item is reported as lending to the lessee. Lease payments net of depreciation are reported as interest income.

#### Income Tax

Deferred tax shall be reported with reference to all temporary differences between the reported and the tax values of the assets and liabilities. The tax value of unutilized loss carryforwards is capitalized only to the extent that it is likely these will entail lower tax payments in the near future.

**NOTE 2 INTEREST INCOME**

	Group		Parent Company	
	2002	2001	2002	2001
Interest income, lending to credit institutions	34,206	41,321	432,071 <sup>1)</sup>	298,937 <sup>2)</sup>
Interest income, lending to the public	1,078,784	744,198	361,952	259,746
Interest income, interest-bearing securities	25,502	60,730	25,502	60,730
Other interest income	4,726	1,725	4,659	1,615
<b>Total interest income</b>	<b>1,143,218</b>	<b>847,974</b>	<b>824,184</b>	<b>621,028</b>
Average rate of interest on lending to the public,	6.6%	6.6%	7.1%	6.3%

<sup>1)</sup> Of which, 399,918 is intra-Group interest income.

<sup>2)</sup> Of which, 257,612 is intra-Group interest income.

4,033 (35,682) of interest income is attributable to securities classified as current assets.

**NOTE 3 INTEREST EXPENSE**

	Group		Parent Company	
	2002	2001	2002	2001
Interest expense, liabilities to credit institutions	54,781	8,334	54,144 <sup>1)</sup>	11,207
Interest expense, deposits and lending from the public	535,833 <sup>2)</sup>	406,566 <sup>5)</sup>	465,714 <sup>3)</sup>	367,543
Interest expense, subordinated debt	7,210 <sup>4)</sup>	4,182 <sup>6)</sup>	7,210 <sup>4)</sup>	4,182 <sup>6)</sup>
Other interest expense, including government deposit insurance	7,575	4,564	7,564	4,564
<b>Total interest expense</b>	<b>605,399</b>	<b>423,646</b>	<b>534,632</b>	<b>387,496</b>
Average rate of interest on deposits from the public	3.4%	3.3%	3.4%	3.3%

<sup>1)</sup> Of which, 1,465 is intra-Group interest expense.

<sup>2)</sup> Of which, 1,979 is intra-Group interest expense.

<sup>3)</sup> Of which, 6,282 is intra-Group interest expense.

<sup>4)</sup> Of which, 7,210 is intra-Group interest expense.

<sup>5)</sup> Of which, 5,100 is intra-Group interest expense.

<sup>6)</sup> Of which, 4,182 is intra-Group interest expense.

**NOTE 4 DIVIDENDS RECEIVED**

	Group		Parent Company	
	2002	2001	2002	2001
Dividends received on shares	20	–	28,496 <sup>1)</sup>	–
	<b>20</b>	<b>–</b>	<b>28,496</b>	<b>–</b>

<sup>1)</sup> Of which 28,476 is intra-Group dividend.

**NOTE 5 COMMISSION REVENUE**

	Group		Parent Company	
	2002	2001	2002	2001
Payment commissions	25,134	18,118	25,134	18,118
Lending commissions	57,325	51,559	12,410	11,797
Deposit commissions	41	26	41	26
Securities commissions	92	–	92	–
Other commissions	2,502	1,112	2,502	1,112
<b>Total commission revenue</b>	<b>85,094</b>	<b>70,815</b>	<b>40,179</b>	<b>31,053</b>

**NOTE 6 COMMISSION EXPENSE**

	Group		Parent Company	
	2002	2001	2002	2001
Payment commissions	17,859	10,869	17,859	10,869
Securities commissions	592	192	592	192
Other commissions	39,057	11,849	24,157	11,739
<b>Total commission expense</b>	<b>57,508</b>	<b>22,910</b>	<b>42,608</b>	<b>22,800</b>

**NOTE 7 NET RESULT OF FINANCIAL TRANSACTIONS**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Realized result</b>				
Interest-rate related instruments	–206	723	–206	723
<b>Realized result</b>	<b>–206</b>	<b>723</b>	<b>–206</b>	<b>723</b>
<b>Unrealized changes in value</b>				
Interest-rate related instruments	–	5,445	–	5,445
<b>Unrealized changes in value</b>	<b>–</b>	<b>5,445</b>	<b>–</b>	<b>5,445</b>
<b>Total net result of financial transactions</b>	<b>–206</b>	<b>6,168</b>	<b>–206</b>	<b>6,168</b>

**NOTE 8 OTHER OPERATING REVENUE**

	Group		Parent Company	
	2002	2001	2002	2001
Other revenue	84,111	57,987	73,994 <sup>1)</sup>	45,969 <sup>2)</sup>
<b>Other operating revenue</b>	<b>84,111</b>	<b>57,987</b>	<b>73,994</b>	<b>45,969</b>

<sup>1)</sup> Of which, 19,500 in intra-Group sales.

<sup>2)</sup> Of which, 3,420 in intra-Group sales.

A Group provision in the amount of 10,362 concerning WASA Garanti has been reversed. The provision is no longer deemed necessary.

**NOTE 9 GENERAL ADMINISTRATION EXPENSE**

	Group		Parent Company	
	2002	2001	2002	2001
Personnel expense	162,461	152,928	80,659	68,963
Expense for premises	22,463	22,807	10,380	12,538
IT expense	69,458	67,574	55,686	49,862
Expense for consultants	32,893	63,248	24,756	38,208
Other administration expense	276,584	190,647	223,921	162,405
<b>Total administration expense</b>	<b>563,859</b>	<b>497,204</b>	<b>395,402</b>	<b>331,976</b>

**Auditing fees**

KPMG Bohlins				
– Audit	562	348	298	223
– For other assignments	218	100	147	70
Ernst & Young				
– Audit	106	91	62	56
– For other assignments	–	–	–	–

**Personnel and salaries**

The average number of employees in the Parent Company totaled 106 (96) persons of which 66 (58) are women. The average number of employees in the Group was 251 (235), of which 132 (122) are women.

**NOTE 9 GENERAL ADMINISTRATION EXPENSES, CON'T.**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Salaries and remuneration amounted to</b>				
Salaries and remuneration to the Board of Directors and CEO	7,649	8,177	5,150	4,940
Salaries and remuneration to other employees	91,568	82,169	40,922	35,813
<b>Total salaries and remuneration</b>	<b>99,217</b>	<b>90,346</b>	<b>46,072</b>	<b>40,753</b>
Social security costs	59,341	49,002	30,658	23,954
Of which pension expense	20,063	13,808	12,044	8,134
Of which pension expense for CEO and Deputy CEO	830	3,314	165	2,619

**Notice of termination period and severance pay for senior executives**

Termination of employment by the Company entitles the Managing Director and the Executive Vice President to a severance pay corresponding to 12-months' salary. If they resign on their own accord, they will be entitled to a severance pay equivalent to six-months' salary. For other executives, the Company applies the conditions stipulated in the central agreement between the labor market parties.

**Pension commitments**

The Managing Director has an agreement to retire at age 60. The pension is in accordance with the FTP plan.

**Loans to senior executives**

The bank has issued loans to members of the Board of Directors totaling 1,234. The terms and conditions of the loan correspond to what are applied for employees of Länsförsäkringar Bank AB. The Board members of Länsförsäkringar Bank AB have been granted loans in Länsförsäkringar Hypotek AB in the amount of 2,923. The loans operate on market terms.

The other members of the Boards of Directors within the LFAB Group have also received loans from the bank in the amount of 13,913. At Länsförsäkringar Hypotek AB the loan amounts to 7,629. The terms and conditions of the loan are equivalent to those applied for other LFAB Group employees.

**NOTE 10 DEPRECIATION/AMORTIZATION AND WRITE-DOWNS OF TANGIBLE AND INTANGIBLE FIXED ASSETS**

	Group		Parent Company	
	2002	2001	2002	2001
Depreciation of tangible assets	10,523	7,937	4,295	5,072
Amortization of intangible assets	35,804	30,286	35,804	30,286
Write-downs of shares in subsidiaries	–	–	7,251	–
<b>Total depreciation/amortization and write-downs</b>	<b>46,327</b>	<b>38,223</b>	<b>47,350</b>	<b>35,358</b>

**NOTE 11 OTHER OPERATING EXPENSE**

	Group		Parent Company	
	2002	2001	2002	2001
Marketing	30,864	45,882	18,333	37,543
<b>Total, other operating expense</b>	<b>30,864</b>	<b>45,882</b>	<b>18,333</b>	<b>37,543</b>

**NOTE 12 LOAN LOSSES, NET**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Specific provision for individually appraised loan receivables</b>				
Write-down on incurred losses during the year	2,899	5,356	3,117	5,089
Reversal of previous provisions for possible loan losses reported as incurred losses in the year-end accounts	–1,861	–2,712	–2,079	–2,444
Provision for possible loan losses during the year	10,253	–2,115	3,892	542
Recovered/paid from previously incurred loan losses	–10,337	–10,626	–407	–282
Reversal of previous provisions for possible loan losses	–33,061	–17,763	–6,916	–8,849
<b>Net expense for individually appraised loan receivables during the year</b>	<b>–32,107</b>	<b>–27,860</b>	<b>–2,393</b>	<b>–5,944</b>
<b>Group provisions for individually appraised loan receivables</b>				
Allocation/reversal of Group provisions	–	–	–	–
<b>Group-wise appraised homogenous groups of loan receivables with limited value and similar credit risk</b>				
Write-down on incurred losses during the year	20,597	14,628	2,229	–
Recovered/paid from previously incurred loan losses	–6,960	–2,648	–13	–
Allocation/reversal of provisions for loan losses	31,625	–8,709	12,157	–15,230
<b>Net expense for Group-wise appraised loan receivables during the year</b>	<b>45,262</b>	<b>3,271</b>	<b>14,373</b>	<b>–15,230</b>
<b>Total net expense for loan losses during the year</b>	<b>13,155</b>	<b>–24,589</b>	<b>11,980</b>	<b>–21,174</b>

All information pertains to receivables in general.

**NOTE 13 PROFIT FROM INSURANCE BUSINESS**

	Parent Company	
	2002	2001
<b>Technical reporting of non-life insurance business</b>		
Premiums earned (after ceded reinsurance)	498	668
Investment income transferred from financial operations	383	913
Claims payments before ceded reinsurance	13,870	2,933
Change in provision for non-performing/non-recoverable claims (after ceded reinsurance)	4,871	12,950
<b>Total claims payment (after ceded reinsurance)</b>	<b>19,622</b>	<b>17,464</b>
Other revenue/expense	0	2
Operating expense	–128	–53
<b>Technical result, non-life insurance business</b>	<b>19,494</b>	<b>17,413</b>
<b>Non-technical reporting</b>		
Technical result, non-life insurance business	19,494	17,413
Investment income	5,263	5,227
Unrealized gains on investment assets	19	–5
Investment expenses	–7	–9
Investment income transferred to non-life insurance business	–383	–913
<b>Profit/loss before appropriations and tax</b>	<b>24,386</b>	<b>21,713</b>

**NOTE 14 TAX ON PROFIT/LOSS FOR THE YEAR**

	Group		Parent Company	
	2002	2001	2002	2001
Current tax	–	–	–32,290	–22,932
Deferred tax	–406	–	–411	–
<b>Total tax on profit/loss for the year</b>	<b>–406</b>	<b>–</b>	<b>–32,701</b>	<b>–22,932</b>

Fiscal loss carryforwards per balance sheet date amounting to SEK 353 M (364) pertain to operations of the Parent Company. The merger carried out in 1998 has entailed that SEK 352 M may not be utilized until the tax assessment in 2005, at the earliest. Deferred tax assets have not been reported for the aforementioned items.

**Reconciliation of tax expense for the year**

Reported pretax profit	19,511	1,381	–83,658	–89,781
Corporate income tax 28%	5,463	387	–23,424	–25,139
Tax on non-deductible expense	3,162	973	2,336	292
Tax on non-taxable revenue	–9,105	–2,190	–8,584	–1,530
Increase in loss carryforwards without capitalizing deferred tax	–	830	–	3,445
Utilization of non-capitalized loss carryforwards	–2,968	–	–3,029	–
Other	3,042	–	–	–
<b>Reported tax expense</b>	<b>–406</b>	<b>–</b>	<b>–32,701</b>	<b>–22,932</b>
Applicable tax rate	28%	28%	28%	28%
Effective tax rate	–2%	0%	–39%	–26%

**Tax items charged against shareholders' equity**

Deferred tax pertaining to revised accounting principles	–	–	–	–
Current tax in received/paid Group contribution	–	–	32,290	22,932
	–	–	<b>32,290</b>	<b>22,932</b>

The net tax recorded for the year thereby amounts to zero.

The temporary difference between the reported and written-down value of the Parent Company's directly owned shares amount to:

Shares in Group companies	112,520	131,226	112,894	120,145
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Deferred taxes relating to these share holdings have not been reported. For Group/affiliated companies, the Parent Company has control over when the tax liability is realized and this will not take place within the foreseeable future, while dividends received in Sweden are not taxable revenue.

**NOTE 15 LENDING TO CREDIT INSTITUTIONS**

	Group		Parent Company	
	2002	2001	2002	2001
Lending to subsidiaries	–	–	11,766,080	6,464,896
Deposit, Swedish banks	1,296,000	658,000	1,296,000	658,000
Other lending to credit institutes	112,026	494,920	19,345	440,403
	<b>1,408,026</b>	<b>1,152,920</b>	<b>13,081,425</b>	<b>7,563,299</b>

**Information on due dates:**

Payable on demand	92,681	54,600	–	84
Remaining maturity, maximum 3 months	1,315,345	1,098,320	1,406,346	1,167,919
Remaining maturity, 3 months to one year	–	–	11,465,079	6,160,296
Remaining maturity, 1–5 years	–	–	–	25,000
Remaining maturity, more than 5 years	–	–	210,000	210,000
	<b>1,408,026</b>	<b>1,152,920</b>	<b>13,081,425</b>	<b>7,563,299</b>
Average maturity (years)	0.1	0.1	1.0	1.0

For information on fixed-interest periods, please read Note 35.

**NOTE 16 LENDING TO THE PUBLIC**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Loan receivables, gross</b>				
Public sector	91,645	59,343	–	–
Corporate sector	3,182,795	2,780,665	243,772	161,918
Household sector	16,735,067	9,753,838	5,645,609	4,396,300
Other	3,791	4,103	1,366	1,220
	<b>20,013,298</b>	<b>12,597,949</b>	<b>5,890,747</b>	<b>4,559,438</b>

**Provisions for individually reserved receivables**

Corporate sector	–21,932	–11,096	–247	–520
Household sector	–37,457	–46,548	–19,204	–23,720
	<b>–59,389</b>	<b>–57,644</b>	<b>–19,451</b>	<b>–24,240</b>

**Provisions for Group-wide reserved loan receivables**

Corporate sector	–12,494	–20,369	–1,138	–1,083
Household sector	–80,072	–67,129	–51,632	–39,530
	<b>–92,566</b>	<b>–87,498</b>	<b>–52,770</b>	<b>–40,613</b>
<b>Total provisions</b>	<b>–151,955</b>	<b>–145,142</b>	<b>–72,221</b>	<b>–64,853</b>

**Loan receivables, net**

Public sector	91,645	59,343	–	–
Corporate sector	3,143,078	2,749,200	242,387	160,315
Household sector	16,622,829	9,640,161	5,574,773	4,333,050
Other	3,791	4,103	1,366	1,220
	<b>19,861,343</b>	<b>12,452,807</b>	<b>5,818,526</b>	<b>4,494,585</b>

**Doubtful loan receivables**

Corporate sector	42,264	35,094	1,479	247
Household sector	140,056	149,859	78,520	66,128
Other	–	23	–	–
	<b>182,320</b>	<b>184,976</b>	<b>79,999</b>	<b>66,375</b>

**Non-performing loan receivables included among doubtful loan receivables**

Corporate sector	18,919	21,464	247	247
Household sector	71,423	60,778	42,080	33,069
Other	–	15	–	–
	<b>90,342</b>	<b>82,257</b>	<b>42,327</b>	<b>33,316</b>

**Corporate loans according to industry**

Agriculture	212,380	166,004	139,731	105,661
Fishing	1,006	–	1,006	–
Mining	340	315	340	315
Manufacturing	676,261	597,482	13,663	4,983
Electricity, gas, heating and water supply	540	269	540	269
Construction	315,657	272,291	15,077	11,259
Parts/retail sales	763,834	660,919	7,394	4,820
Hotel/restaurant	4,937	5,202	–	–
Transport, storage and communication	173,791	151,683	3,073	3,275
Financial operations	14,884	–	14,884	–
Property/leasing operations	722,403	666,272	37,626	22,802
Education	561	704	561	704
Healthcare	3,145	2,515	888	17
Other social and personal services	5,495	2,977	5,495	2,977
Other	287,561	254,032	3,494	4,836
	<b>3,182,795</b>	<b>2,780,665</b>	<b>243,772</b>	<b>161,918</b>

**NOTE 16 LENDING TO THE PUBLIC, CON'T.**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Division according to collateral</b>				
Single-family homes	9,206,578	3,602,432	2,263,697	1,918,357
Tenant-owner apartments	1,198,736	1,076,081	612,314	492,740
Apartment building	214,651	110,149	7,506	19,322
Agricultural/farm properties	69,465	89,310	69,465	89,310
Business and office properties	135,684	18,164	25,604	12,536
Industrial properties	32,257	13,855	6,050	6,050
Other guarantees	8,416	11,172	8,416	11,172
Other collateral	5,793,494	5,237,100	8,049	23,612
Unsecured credit	3,354,017	2,439,686	2,889,646	1,986,339
	<b>20,013,298</b>	<b>12,597,949</b>	<b>5,890,747</b>	<b>4,559,438</b>

	Group		Parent Company	
	2002	2001	2002	2001
<b>Information on due dates:</b>				
Payable on demand	5,535	6,877	–	–
Remaining maturity, maximum 3 months	2,199,259	104,532	179,709	36,516
Remaining maturity, 3 months to one year	4,470,415	1,252,392	611,905	150,430
Remaining maturity, 1–5 years	7,215,389	6,209,350	607,118	488,304
Remaining maturity, more than 5 years	5,970,745	4,879,656	4,419,794	3,819,335
	<b>19,861,343</b>	<b>12,452,807</b>	<b>5,818,526</b>	<b>4,494,585</b>
Average maturity (years)	16.9	15.2	20.4	19.2

The loan receivables are entirely related to Sweden.

For the Parent Company, maturity has actually been reported, although the Banking Business Act 2:19 is applicable, in principle, to the entire lending, which means that termination may occur within one year.

Leasing assets in subsidiary Wasa Kredit AB comprise SEK 2.5 billion of the Group's lending to the public. Leasing assets are classified as financial leasing. Car leasing comprises 44.3% of the leasing.

For information on fixed-interest periods, please read Note 35.

**NOTE 17 SHARES AND PARTICIPATIONS**

	Group		Parent Company	
	2002	2001	2002	2001
Other shares and participations	0	0	0	0
Tenancy	500	500	500	500
<b>Total shares and participations</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>

All the shares are unlisted.

**NOTE 18 SHARES AND PARTICIPATIONS IN GROUP COMPANIES (Parent Company)**

	2002			2001		
	No. of shares	Nominal value	Book value	No. of shares	Nominal value	Book value
Wasa Kredit AB	875,000	87,500	387,772	875,000	87,500	387,772
Länsförsäkringar Hypotek AB	70,335	70,335	341,128	70,335	70,335	142,379
WASA Garanti Försäkrings AB	650,000	65,000	78,000	650,000	65,000	84,000
<b>Total shares and participations in Group companies</b>			<b>806,900</b>			<b>614,151</b>

The bank has a total of three wholly owned subsidiaries with registered offices in Stockholm. All the shares are unlisted. Of the asset items, 728,900 pertain to shares in credit institutions.

Subsidiaries Wasa Kredit AB and Länsförsäkringar Hypotek AB are operating credit-market companies. Wasa Kredit's (556311-9204) shareholders' equity as of December 31, 2002 amounted to SEK 347 M and profit for the year was SEK 38 M. Länsförsäkringar Hypotek's (556244-1781) shareholders' equity amounted to SEK 335 M as of end December 2002 and profit for the year was SEK 26 M. Subsidiary WASA Garanti Försäkrings AB's (516401-7831) shareholders' equity as of December 31, 2002 amounted to SEK 78 M and profit for the year was SEK 18 M.

**NOTE 19 BONDS AND OTHER INTEREST-BEARING SECURITIES (Group and Parent Company)**

	2002				2001			
	Nominal value	Accrued acquisition value	Actual value	Book value	Nominal value	Accrued acquisition value	Actual value	Book value
<b>Issued by other creditors</b>								
Mortgage institution	500,000	499,154	501,359	499,154	1,400,000	1,414,675	1,419,554	1,414,675
<b>Total bonds</b>	<b>500,000</b>	<b>499,154</b>	<b>501,359</b>	<b>499,154</b>	<b>1,400,000</b>	<b>1,414,675</b>	<b>1,419,554</b>	<b>1,414,675</b>
Of which listed securities			499,154					1,414,675
<b>Difference between book and nominal value</b>								
Higher/lower book value				–846				14,675
				<b>–846</b>				<b>14,675</b>
<b>Information on maturity:</b>								
Maximum of one year			199,154					1,414,675
1–5 years			300,000					–
			<b>499,154</b>					<b>1,414,675</b>
Average remaining maturity (years)			1.1					0.6

For information on fixed-interest periods please read Note 35.

The item is appraised as a fixed asset since the intention is to retain the securities until they are due.

**NOTE 20 ASSETS IN THE INSURANCE BUSINESS**

	Group	
	2002	2001
<b>Investment assets</b>		
Other financial investment assets	11,926	25,582
<b>Total investment assets</b>	<b>11,926</b>	<b>25,582</b>
<b>Claims</b>		
Claims with regard to direct sales	26	10,135
Other claims	14	18
<b>Total claims</b>	<b>40</b>	<b>10,153</b>
<b>Other assets</b>		
Cash and bank	219	674
<b>Total other assets</b>	<b>219</b>	<b>674</b>
<b>Total assets</b>	<b>12,185</b>	<b>36,409</b>

**NOTE 21 INTANGIBLE ASSETS**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Goodwill</b>				
Opening acquisition value	2,683	2,683	2,683	2,683
<b>Closing acquisition value</b>	<b>2,683</b>	<b>2,683</b>	<b>2,683</b>	<b>2,683</b>
Opening accumulated write-off	-850	-582	-850	-582
Write-offs during the year	-268	-268	-268	-268
<b>Closing accumulated write-off</b>	<b>-1,118</b>	<b>-850</b>	<b>-1,118</b>	<b>-850</b>
<b>Closing residual value according to plan</b>	<b>1,565</b>	<b>1,833</b>	<b>1,565</b>	<b>1,833</b>
<b>Other intangible assets</b>				
Opening acquisition value	122,018	86,394	122,018	86,394
Purchasing	53,671	35,624	53,671	35,624
<b>Closing accumulated acquisition value</b>	<b>175,689</b>	<b>122,018</b>	<b>175,689</b>	<b>122,018</b>
Closing write-off	-33,200	-3,183	-33,200	-3,183
Write-off during the year	-35,536	-30,017	-35,536	-30,017
<b>Closing accumulated write-off</b>	<b>-68,736</b>	<b>-33,200</b>	<b>-68,736</b>	<b>-33,200</b>
<b>Closing residual value according to plan</b>	<b>106,953</b>	<b>88,818</b>	<b>106,953</b>	<b>88,818</b>
<b>Total intangible assets</b>	<b>108,518</b>	<b>90,651</b>	<b>108,518</b>	<b>90,651</b>

The goodwill item pertains to the acquisition of WASA Banken AB (publ). Other intangible assets include capitalized expenditures for the development of the data system with a booked value of 106,637 (88,186). Of these, 34,470 (19,458) comprise capitalized development costs for which write-off has yet to commence.

**NOTE 22 TANGIBLE ASSETS**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Office equipment</b>				
Opening acquisition value	51,404	44,904	33,766	29,745
Purchasing	28,206	8,295	6,398	5,682
Sales/disposals	-11,378	-1,795	-11,121	-1,661
<b>Closing acquisition value</b>	<b>68,232</b>	<b>51,404</b>	<b>29,043</b>	<b>33,766</b>
Opening depreciation	-38,252	-30,937	-24,067	-19,474
Sales/disposals	10,295	622	10,046	479
Depreciation during the year	-10,523	-7,937	-4,295	-5,072
<b>Closing accumulated depreciation</b>	<b>-38,480</b>	<b>-38,252</b>	<b>-18,316</b>	<b>-24,067</b>
<b>Closing residual value according to plan</b>	<b>29,752</b>	<b>13,152</b>	<b>10,727</b>	<b>9,699</b>
<b>Total tangible assets</b>	<b>29,752</b>	<b>13,152</b>	<b>10,727</b>	<b>9,699</b>

**NOTE 23 OTHER ASSETS**

	Group		Parent Company	
	2002	2001	2002	2001
Accounts receivable	184,245 <sup>1)</sup>	164,111	6,522 <sup>2)</sup>	17,993
Deferred tax claim	-	-	411	-
Other assets	51,262	78,981 <sup>4)</sup>	67,132 <sup>3)</sup>	69,624 <sup>5)</sup>
<b>Total other assets</b>	<b>235,507</b>	<b>243,092</b>	<b>74,065</b>	<b>87,617</b>

- <sup>1)</sup> Of which, 1,307 in receivables from Group companies.  
<sup>2)</sup> Of which, 4,057 in receivables from Group companies.  
<sup>3)</sup> Of which, 24,473 in receivables from Group companies.  
<sup>4)</sup> Of which, 11,612 in receivables from Group companies.  
<sup>5)</sup> Of which, 12,714 in receivables from Group companies.

**NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME**

	Group		Parent Company	
	2002	2001	2002	2001
Accrued interest income	46,024	68,236	28,103 <sup>1)</sup>	52,297 <sup>2)</sup>
Accrued interest swap	2,477	-	503	-
Other accrued income	25,126	19,925	17,861	8,637
Prepaid expenses	4,294	6,028	4,294	6,027
<b>Total prepaid expenses and accrued income</b>	<b>77,921</b>	<b>94,189</b>	<b>50,761</b>	<b>66,961</b>

- <sup>1)</sup> Of which, 1,081 in accrued interest income in Group companies.  
<sup>2)</sup> Of which, 211 in accrued interest income in Group companies.

**NOTE 25 LIABILITIES TO CREDIT INSTITUTIONS**

	Group		Parent Company	
	2002	2001	2002	2001
Swedish Central Bank	-	9,893	-	9,893
Other Swedish credit institutions	266,751	207,171	352,145 <sup>1)</sup>	214,070 <sup>2)</sup>
<b>Total liabilities to credit institutions</b>	<b>266,751</b>	<b>217,064</b>	<b>352,145</b>	<b>223,963</b>

**Information on maturity:**

Payable on demand	217,064	217,064	223,963	223,963
Average remaining maturity (years)	0	0	0	0

- <sup>1)</sup> Of which 85,393 for Group companies.  
<sup>2)</sup> Of which 7,570 for Group companies.

For information on fixed-interest periods refer to Note 35.

**NOTE 26 DEPOSITS AND BORROWING FROM THE PUBLIC**

	Group		Parent Company	
	2002	2001	2002	2001
Borrowing from the public	1,641,931	940,626	-	-
Deposits from insurance companies	879,698 <sup>1)</sup>	746,335 <sup>2)</sup>	975,296 <sup>3)</sup>	843,493 <sup>4)</sup>
Deposits from households	12,696,768	10,698,037	12,696,768	10,698,037
Deposits from other Swedish public	1,159,520	907,533	1,159,520	907,533
<b>Total deposits from the public</b>	<b>16,377,917</b>	<b>13,292,531</b>	<b>14,831,584</b>	<b>12,449,063</b>

**Information on maturity:**

Payable on demand	14,735,986	12,351,905	14,831,584	12,449,063
Remaining maturity, maximum of 3 months	-	-	-	-
Remaining maturity, 3 months to one year	497,555	250,360	-	-
Remaining maturity, 1-5 years	1,144,376	690,266	-	-
Remaining maturity, more than 5 years	-	-	-	-
<b>Total</b>	<b>16,377,917</b>	<b>13,292,531</b>	<b>14,831,584</b>	<b>12,449,063</b>
Average remaining maturity (years)	0.3	0.2	0	0

- <sup>1)</sup> Of which, liability to Group companies 277,748.  
<sup>2)</sup> Of which, liability to Group companies 38,888.  
<sup>3)</sup> Of which, liability to Group companies 373,345.  
<sup>4)</sup> Of which, liability to Group companies 136,046.

For information on fixed-interest periods refer to Note 35.



**NOTE 27 SECURITIES ISSUED**

	Group		Parent Company	
	2002	2001	2002	2001
Certificates of deposit	3,350,546	–	3,350,546	–
Cashier's check issued	354,977	417,498	354,977	417,498
<b>Total securities issued, etc.</b>	<b>3,705,523</b>	<b>417,498</b>	<b>3,705,523</b>	<b>417,498</b>
<b>Information on maturity:</b>				
Remaining maturity, maximum of one year	3,350,546	–	3,350,546	–
Remaining maturity, 1–5 years	–	–	–	–
Remaining maturity, 5–10 years	354,977	417,498	354,977	417,498
Remaining maturity, more than 10 years	–	–	–	–
	<b>3,705,523</b>	<b>417,498</b>	<b>3,705,523</b>	<b>417,498</b>
Remaining maturity (years)	1.1	10	1.1	10

**NOTE 28 LIABILITIES IN THE INSURANCE BUSINESS**

	Group	
	2002	2001
<b>Technical provisions (before ceded reinsurance)</b>		
Provisions for non-performing damage claims	5,006	9,890
<b>Total technical provisions</b>	<b>5,006</b>	<b>9,890</b>
<b>Liabilities</b>		
Other liabilities	327	4,663
<b>Total Liabilities</b>	<b>327</b>	<b>4,663</b>
<b>Accrued expenses and prepaid income</b>		
Other accrued expenses and prepaid income	61	236
<b>Total accrued expenses and prepaid income</b>	<b>61</b>	<b>236</b>
<b>Total debt in the insurance business</b>	<b>5,394</b>	<b>14,789</b>

**NOTE 29 OTHER LIABILITIES**

	Group		Parent Company	
	2002	2001	2002	2001
Accounts payable – trade	72,090 <sup>1)</sup>	72,540	36,932 <sup>1)</sup>	33,898 <sup>2)</sup>
Withholding preliminary tax, customers	118,686	93,511	118,686	93,511
Other liabilities	43,489	61,450	18,167	22,372
<b>Total other liabilities</b>	<b>234,265</b>	<b>227,501</b>	<b>173,785</b>	<b>149,781</b>

<sup>1)</sup> Of which, liabilities to Group companies 12,528.

<sup>2)</sup> Of which, liabilities to Group companies 9,102.

**NOTE 30 ACCRUED EXPENSES AND PREPAID INCOME**

	Group		Parent Company	
	2002	2001	2002	2001
Accrued vacation pay	7,278	6,913	3,526	3,301
Accrued social security expenses	3,107	1,563	3,107	1,525
Accrued interest expenses	39,137	25,764	–	417 <sup>1)</sup>
Accrued interest swap	6,043	–	3,938	–
Other accrued expenses	77,942	64,509	56,782	46,936 <sup>2)</sup>
Prepaid leasing rent	172,473	151,568	–	–
Other prepaid income	2,136	–	2,136	–
<b>Total accrued expenses and prepaid income</b>	<b>308,116</b>	<b>250,317</b>	<b>69,489</b>	<b>52,179</b>

<sup>1)</sup> Of which, liability to Group companies 78.

<sup>2)</sup> Of which, liability to Group companies 200.

**NOTE 31 PROVISIONS**

	Group		Parent Company	
	2002	2001	2002	2001
Deferred tax	17,965	17,960	–	–
	<b>17,965</b>	<b>17,960</b>	<b>–</b>	<b>–</b>

Fiscal loss carryforwards per balance sheet date amounting to SEK 353 M (364) pertain to operations of the Parent Company. The merger carried out in 1998 has entailed that SEK 352 M may not be utilized until the tax assessment in 2005, at the earliest. Deferred tax assets have not been reported for the aforementioned items.

**NOTE 32 SUBORDINATED DEBT**

	Group		Parent Company	
	2002	2001	2002	2001
Debenture loan	180,000	80,000	180,000	80,000
	<b>180,000</b>	<b>80,000</b>	<b>180,000</b>	<b>80,000</b>

The item consists of a debenture loan concerning liabilities to Group companies. The debenture loan was assumed in June 2002. The debt carries annual interest corresponding to three months STIBOR with an addition of 100 bp for the period from June 1, 2002 to May 31, 2007, and with an addition of 300 bp for the period from June 1, 2007 until May 31, 2012 – due for payment after each interest date.

**NOTE 33 SHAREHOLDERS' EQUITY**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Restricted shareholders' equity</b>				
Share capital	839,871	839,871	839,871	839,871
Statutory reserve	2,371	2,371	2,371	2,371
Share premium fund	9,701	9,701	9,701	9,701
	<b>851,943</b>	<b>851,943</b>	<b>851,943</b>	<b>851,943</b>

**Non-restricted shareholders' equity**

Profit/loss carried forward	333,889	152,508	405,838	209,657
Net profit/loss for the year	19,917	1,381	–50,957	–66,849
	<b>353,806</b>	<b>153,889</b>	<b>354,881</b>	<b>142,808</b>
<b>Total shareholders' equity</b>	<b>1,205,749</b>	<b>1,005,832</b>	<b>1,206,824</b>	<b>994,751</b>

**Change in shareholders' equity, Group**

	Share capital	Restricted reserves	Unrestricted reserves	Net profit/loss for the year
Opening balance	839,871	12,072	152,508	1,381
According to the Annual General Meeting			1,381	–1,381
Received unconditional shareholder contribution from Parent Company			180,000	
Net profit/loss for the year				19,917
<b>Closing balance</b>	<b>839,871</b>	<b>12,072</b>	<b>333,889</b>	<b>19,917</b>

**Change in shareholders' equity, Parent Company**

	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net profit/loss for the year
Opening balance	839,871	2,371	9,701	209,657	–66,849
According to AGM decisions				–66,849	66,849
Received unconditional shareholder contribution				180,000	
Received Group contributions				115,320	
Tax effect of received Group contributions				–32,290	
Net profit/loss for the year					–50,957
<b>Closing balance</b>	<b>839,871</b>	<b>2,371</b>	<b>9,701</b>	<b>405,838</b>	<b>–50,957</b>

**NOTE 34 MEMORANDUM ITEMS**

	Group		Parent Company	
	2002	2001	2002	2001
<b>Assets pledged/collateral</b>				
Pledged securities in the Swedish Central Bank	490,000	500,000	490,000	500,000
For technical provisions registered assets	10,915	24,571	–	–
	<b>500,915</b>	<b>524,571</b>	<b>490,000</b>	<b>500,000</b>
<b>Contingent liabilities</b>				
Guarantee commitment	23,986	18,621	19,440	18,621

	Group		Parent Company	
	2002	2001	2002	2001
<b>Commitments</b>				
Granted, but non-disbursed loans	553,425	489,489	136,541	216,657
Granted, but unutilized overdraft facilities	648,788	569,524	4,008,708	1,784,228
Interest swap agreement <sup>1)</sup>	1,700,000	516,500	300,000	516,500
	<b>2,902,213</b>	<b>1,575,513</b>	<b>4,445,249</b>	<b>2,517,385</b>

<sup>1)</sup> The parties involved in the interest swap agreement have high credit worthiness. A change in the market rate of one percentage point on all maturities will affect the market value of the entered interest swap agreement per balance sheet date by around +/- 47, 633 (2,595) in the Group and approximately +/- 4,204 (2,595) in the Parent Company. Unrealized losses on these derivatives that have been deferred due to the insurance reporting amount in the Group to 4,593 (19,111), and in the Parent Company at 1,640 (19,111) per balance sheet date.

**NOTE 35 FIXED-INTEREST PERIODS**

Fixed-interest periods	<3m	3–6 m	6–12 m	1–3 years	3–5 years	>5 years	Total	Average remaining fixed-interest term
<b>Group</b>								
Lending to credit institutes	1,408,026						1,408,026	
Lending to the public	12,207,966	3,872,488	1,033,740	1,780,347	808,651	158,151	19,861,343	0.6 yrs.
Bonds and other interest-bearing securities	199,154			300,000			499,154	1.1 yrs.
Other assets	533,157						533,157	
<b>Total assets</b>	<b>14,348,303</b>	<b>3,872,488</b>	<b>1,033,740</b>	<b>2,080,347</b>	<b>808,651</b>	<b>158,151</b>	<b>22,301,680</b>	
Liabilities to credit institutes	266,751						266,751	0 yrs.
Deposits from the public	14,735,986	497,555		342,060	802,316		16,377,917	0.3 yrs.
Securities issued, etc.	3,098,059	607,464					3,705,523	0.2 yrs.
Subordinated debt	180,000						180,000	
Other liabilities and provisions	565,740						565,740	
Shareholders' equity	1,205,749						1,205,749	
<b>Total liabilities and shareholders' equity</b>	<b>20,052,285</b>	<b>1,105,019</b>	<b>–</b>	<b>342,060</b>	<b>802,316</b>	<b>–</b>	<b>22,301,680</b>	
<b>The Bank (Parent Company)</b>								
Lending to credit institutes	13,056,425		25,000				13,081,425	0 yrs.
Lending to the public	5,801,129	10	3,628	75	10,305	3,379	5,818,526	0 yrs.
Bonds and other interest-bearing securities	199,154			300,000			499,154	1.1 yrs.
Other assets	1,120,245						1,120,245	
<b>Total assets</b>	<b>20,176,953</b>	<b>10</b>	<b>28,628</b>	<b>300,075</b>	<b>10,305</b>	<b>3,379</b>	<b>20,519,350</b>	
Liabilities to credit institutes	352,145						352,145	
Deposits from the public	14,831,584						14,831,584	
Securities issued, etc.	3,098,059	607,464					3,705,523	0.2 yrs.
Subordinated debt	180,000						180,000	
Other liabilities and provisions	243,274						243,274	
Shareholders' equity	1,206,824						1,206,824	
<b>Total liabilities and shareholders' equity</b>	<b>19,911,886</b>	<b>607,464</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20,519,350</b>	

**NOTE 36 CURRENT VALUE INFORMATION**

	Group				Parent Company			
	Current assets booked value	actual value	Fixed assets booked value	actual value	Current assets booked value	actual value	Fixed assets booked value	actual value
<b>Assets</b>								
Cash and central bank account balances	68,774	68,774			68,774	68,774		
Lending to credit institutions <sup>1)</sup>			1,408,026	1,408,026			13,081,425	13,081,425
Lending to the public <sup>1)</sup>			19,861,343	19,931,993			5,818,526	5,818,526
Shares and participations	500	500			500	500		
Shares and participations in Group companies							806,900	806,900
Bond and other interest-bearing securities			499,154	501,359			499,154	501,359
Assets in the insurance business			12,185	12,185				
Intangible fixed assets			108,518	108,518			108,518	108,518
Tangible fixed assets			29,752	29,752			10,727	10,727
Other assets	235,507	235,507			74,065	74,065		
Prepaid expenses and accrued income	77,921	77,921			50,761	50,761		
<b>Total assets</b>	<b>382,702</b>	<b>382,702</b>	<b>21,918,978</b>	<b>21,991,833</b>	<b>194,100</b>	<b>194,100</b>	<b>20,325,250</b>	<b>20,327,455</b>
<b>Liabilities</b>								
Liabilities to credit institutes <sup>1)</sup>			266,751	266,751			352,145	352,145
Deposits and borrowing from the public <sup>1)</sup>			16,377,917	16,409,617			14,831,584	14,831,584
Securities issued, etc.			3,705,523	3,707,557			3,705,523	3,707,557
Debt in the insurance business			5,394	5,394				
Other liabilities			234,265	234,265			173,785	173,785
Accrued expenses and prepaid income			308,116	308,116			69,489	69,489
Provisions			17,965	17,965				
Subordinated debt			180,000	180,000			180,000	180,000
<b>Total liabilities</b>			<b>21,095,931</b>	<b>21,129,665</b>			<b>19,312,526</b>	<b>19,314,560</b>
<i>Positions not shown in balance sheet</i>								
Negative values				4,593				1,640

<sup>1)</sup> Deposits and lending essentially take place at a floating interest rate, which explains why the deviation between booked and nominal value is limited.

**NOTE 37 CAPITAL ADEQUACY ANALYSIS DECEMBER 31, 2002**

	Group
<b>Total capital base</b>	<b>1,306,519</b>
of which tier 1	1,204,519

**Capital requirement for credit risks**

Risk class		Balance sheet items	Non-balance sheet items/Items not in the balance sheet	Risk-weighted amount
Group A	0%	241,508		0
Group B	20%	1,914,276	29,538	388,763
Group C	50%	9,304,567	165,326	4,734,946
Group D	100%	10,931,464	111,389	11,042,853
		<b>22,391,815</b>	<b>306,253</b>	<b>16,166,562</b>
<b>Total risk-weighted amount for credit risks</b>				<b>16,166,562</b>
Capital adequacy ratio %				8.08

Group A – Cash on hand, receivable or guaranteed by state/central bank within the EU or Swedish municipality.

Group B – Receivable or guaranteed by banks/credit institutions or municipalities within EU.

Group C – Claim on collateral for mortgaging residential property or site leasehold.

Group D – Other assets.

	Parent Company
<b>Total capital base</b>	<b>1,307,657</b>
of which tier 1	1,205,657

**Capital requirement for credit risks**

Risk class		Balance sheet items	Non-balance sheet items/Items not in the balance sheet	Risk-weighted amount
Group A	0%	12,644,223		0
Group B	20%	1,819,199	20,940	368,028
Group C	50%	2,170,510	50,216	1,110,363
Group D	100%	3,885,418	18,055	3,903,473
		<b>20,519,350</b>	<b>89,211</b>	<b>5,381,864</b>
<b>Total risk-weighted amount for credit risks</b>				<b>5,381,864</b>
Capital adequacy ratio %				24.30

Group A – Cash on hand, receivable or guaranteed by state/central bank within the EU or Swedish municipality.

Group B – Receivable or guaranteed by banks/credit institutions or municipalities within EU.

Group C – Claim on collateral for mortgaging residential property or site leasehold.

Group D – Other assets.

Stockholm, March 17, 2003

**Tommy Persson**  
Board Chairman

**Ulf Eriksson**

**Carl Dahlberg**

**Bengt Gabriels**

**Göran Trobro**

**Fredrik Waern**

**Lena Wahlgren**

**Tomas Johansson**  
Managing Director

**Urban Bergman**  
Employee representative

**Sven-Erik Martinell**  
Employee representative

**Katarina Timåker**  
Employee representative

Our Auditors' Report was issued on March 17, 2003.

**Johan Bäckström**  
Authorized Public Accountant

**Lars Bonnevier**  
Authorized Public Accountant  
Auditor appointed by  
the Swedish Financial Supervisory Authority

## Auditors' Report

**To the Annual General Meeting of Shareholders of  
Länsförsäkringar Bank AB (publ); Corporate registration  
number 516401-9878**

We have examined the Annual Report, consolidated financial statements, bookkeeping and the administration of the Board of Directors and Managing Director of Länsförsäkringar Bank AB for financial year 2002. The responsibility for the financial statements and administration rests with the Board of Directors and Managing Director. It is our responsibility to express our opinion on the Annual Report, consolidated financial statements and administration on the basis of our audit.

Our examination was performed in accordance with generally accepted auditing standards in Sweden, which means that we have planned and implemented our audit in order to make sure as far as reasonable that the Annual Report and the consolidated financial statements do not contain any significant errors. An audit implies that a selected number of documents forming the basis of amounts and other information in the accounts is examined. An audit furthermore implies a test of the accounting principles and the Board's and Managing Director's application of these as well as an evaluation of the total information contained in the Annual Report and consolidated accounts. To support our recommendation regarding discharge from liability, we have examined all important decisions, measures and circumstances in the company

in order to assess whether any member of the Board of Directors or the Managing Director is liable for damages towards the company. We have furthermore examined whether or not any member of the Board of Directors or the Managing Director has, in any other manner, acted in violation of the Banking Companies Act, the Swedish Companies Act, the Act on Annual Accounts of Credit Institutions and Securities Companies or the Articles of Incorporation. We reckon that our audit gives us reasonable grounds for our opinions expressed below.

The Annual Report and the consolidated financial statements have been drawn up in compliance with the Act on Annual Accounts of Credit Institutions and Securities Companies and therefore present a true picture of the results and position of the company and the Group in accordance with generally accepted auditing standards in Sweden.

We therefore recommend that the Annual General Meeting adopt the profit and loss account and balance sheet of the Parent Company and the Group, distribute the profit in the Parent Company as proposed in the Board of Directors' Report and discharge the members of the Board of Directors and the Managing Director from personal liability for the financial year.

Stockholm, March 17, 2003

**Johan Bäckström**  
Authorized Public Accountant

**Lars Bonnevier**  
Authorized Public Accountant  
Auditor appointed by the Swedish  
Financial Supervisory Authority

## Five-year summary

Income statement (SEK M)	Group					Parent Company				
	2002	2001	2000	1999	1998	2002	2001	2000	1999	1998
Interest income	1,143.2	848.0	708.9	602.3	555.7	824.2	621.0	498.9	382.9	382.3
Interest expense	-605.4	-423.7	-364.0	-290.0	-302.7	-534.6	-387.5	-330.0	-243.6	-236.8
<b>Net interest income</b>	<b>537.8</b>	<b>424.3</b>	<b>344.9</b>	<b>312.3</b>	<b>253.0</b>	<b>289.6</b>	<b>233.5</b>	<b>168.9</b>	<b>139.3</b>	<b>145.5</b>
Commission revenue	27.6	47.9	53.5	49.8	27.4	-2.4	8.2	19.4	21.4	7.3
Dividends received	0.0	-	-	-	-	28.4	-	-	-	-
Net profit/loss from financial transactions	-0.2	6.2	28.5	-48.9	24.8	-0.2	6.2	28.5	-48.5	24.8
Other operating revenue	84.1	58.0	23.6	18.4	16.3	74.0	46.0	14.0	10.7	9.4
<b>Total operating revenue</b>	<b>649.3</b>	<b>536.4</b>	<b>450.5</b>	<b>331.6</b>	<b>321.5</b>	<b>389.4</b>	<b>293.9</b>	<b>230.8</b>	<b>122.9</b>	<b>187.0</b>
General administration expense	-594.7	-543.1	-423.6	-324.7	-256.0	-413.7	-369.5	-267.8	-212.3	-171.2
Depreciation/amortization and write-downs	-46.3	-38.2	-10.2	-7.3	-12.6	-47.4	-35.4	-7.7	-4.8	-8.3
<b>Total expense before loan losses</b>	<b>-641.0</b>	<b>-581.3</b>	<b>-433.8</b>	<b>-332.0</b>	<b>-268.6</b>	<b>-461.1</b>	<b>-404.9</b>	<b>-275.5</b>	<b>-217.1</b>	<b>-179.5</b>
<b>Profit/loss before loan losses</b>	<b>8.3</b>	<b>-44.9</b>	<b>16.7</b>	<b>-0.4</b>	<b>52.9</b>	<b>-71.7</b>	<b>-111.0</b>	<b>-44.7</b>	<b>-94.2</b>	<b>7.5</b>
Loan losses, net	-13.2	24.6	-0.6	-10.6	-21.1	-12.0	21.2	7.9	-21.6	-13.6
<b>Profit/loss from banking business</b>	<b>-4.9</b>	<b>-20.3</b>	<b>16.1</b>	<b>-11.0</b>	<b>31.8</b>	<b>-83.7</b>	<b>-89.8</b>	<b>-36.8</b>	<b>-115.8</b>	<b>-6.1</b>
<b>Profit/loss from insurance business</b>	<b>24.4</b>	<b>21.7</b>	<b>50.6</b>	<b>24.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit/loss generated before acquisitions	-	-	-	-	-47.1	-	-	-	-	-17.2
Deferred tax	-	-	-	-	-	0.4	-	-	-	-
Tax on the profit/loss for the year	0.4	-	-11.3	0.0	-11.2	32.3	22.9	18.6	37.2	-
<b>Net profit/loss for the year</b>	<b>19.9</b>	<b>1.4</b>	<b>55.4</b>	<b>13.4</b>	<b>-26.5</b>	<b>-51.0</b>	<b>-66.9</b>	<b>-18.2</b>	<b>-78.6</b>	<b>-23.3</b>
<b>Balance sheet (SEK M)</b>										
Cash and central bank account balances	68.8	25.1	40.4	18.0	11.3	68.8	25.1	40.4	18.1	11.3
Eligible treasury bills	-	-	415.3	445.0	836.7	-	-	415.3	445.0	836.7
Lending to credit institutes	1,408.0	1,152.9	462.2	364.4	433.4	13,081.4	7,563.3	5,687.3	4,909.4	3,736.6
Lending to the public	19,861.3	12,452.8	9,620.0	7,963.4	6,246.9	5,818.5	4,494.6	3,115.1	2,164.1	1,462.7
Shares and participations	0.5	0.5	0.5	0.5	1.3	807.4	614.7	614.7	549.7	386.5
Bonds and other interest-bearing securities	499.2	1,414.7	1,399.8	1,436.9	1,561.3	499.2	1,414.7	1,399.8	1,436.9	1,561.3
Assets in the insurance business	12.2	36.4	35.1	79.6	-	-	-	-	-	-
Intangible assets	108.5	90.6	85.3	19.0	3.4	108.5	90.6	85.3	19.0	3.4
Tangible assets	29.8	13.2	14.0	11.1	7.9	10.7	9.7	10.3	8.3	5.0
Other assets	235.5	243.1	197.8	131.7	123.4	74.1	87.6	68.3	30.1	18.6
Prepaid expenses and accrued income	77.9	94.2	115.3	107.4	94.2	50.8	67.0	100.0	94.4	81.9
<b>Total assets</b>	<b>22,301.7</b>	<b>15,523.5</b>	<b>12,385.7</b>	<b>10,577.0</b>	<b>9,319.8</b>	<b>20,519.4</b>	<b>14,367.3</b>	<b>11,536.5</b>	<b>9,675.0</b>	<b>8,104.0</b>
Liabilities to credit institutes	266.8	217.1	1,165.2	627.5	95.9	352.1	223.9	1,248.4	785.2	87.2
Deposits and borrowing from the public	16,377.9	13,292.5	9,206.5	8,148.9	7,564.5	14,831.6	12,449.1	8,639.2	7,386.8	6,578.3
Securities issued	3,705.5	417.5	470.8	469.1	287.3	3,705.5	417.5	470.8	469.1	287.3
Debt in the insurance business	5.4	14.8	47.3	41.1	-	-	-	-	-	-
Other liabilities	234.3	227.6	275.3	164.9	168.6	173.9	149.8	147.3	71.0	118.1
Accrued expenses and prepaid income	308.1	250.3	218.2	189.6	181.1	69.5	52.2	48.1	33.7	21.1
Provisions	18.0	17.9	17.9	13.5	13.5	-	-	8.0	-	-
Subordinated debt	180.0	80.0	80.0	80.0	180.0	180.0	80.0	80.0	80.0	180.0
Shareholders' equity	1,205.7	1,005.8	904.5	842.4	828.9	1,206.8	994.8	894.7	849.2	832.0
<b>Total liabilities, provisions and shareholders' equity</b>	<b>22,301.7</b>	<b>15,523.5</b>	<b>12,385.7</b>	<b>10,577.0</b>	<b>9,319.8</b>	<b>20,519.4</b>	<b>14,367.3</b>	<b>11,536.5</b>	<b>9,675.0</b>	<b>8,104.0</b>



## The Board of Directors and Auditors



*Tommy Persson*



*Bengt Gabrils*



*Tomas Johansson*



*Ulf Eriksson*



*Carl Dahlberg*



*Fredrik Waern*



*Göran Trobro*



*Lena Wahlgren*



*Urban Bergman*



*Katarina Timåker*



*Sven-Erik Martinell*

**Tommy Persson**, born 1948  
Chairman of the Board  
Managing Director, Länsförsäkringar AB  
Board member since 2000

**Bengt Gabrils**, born 1935  
Vice Chairman  
Board Chairman, Dalarnas Försäkringsbolag  
Board member since 1996

**Tomas Johansson**, born 1950  
Managing Director  
Länsförsäkringar Bank AB  
Board member since 2003

**Ulf Eriksson**, born 1952  
Managing Director Länsförsäkringar Värmland  
Board member since 1998

**Carl Dahlberg**, born 1955  
Managing Director Länsförsäkringar Stockholm  
Board member since 2002

**Fredrik Waern**, born 1943  
Board Chairman, Länsförsäkringar Älvsborg  
Board members since 2002

**Göran Trobro**, born 1946  
Board Chairman, Länsförsäkringar Kristianstad  
Board member since 1996

**Lena Wahlgren**, born 1948  
Vice Chairman, Länsförsäkringar Jönköping  
Board member since 2001

### Appointed by the employees

**Urban Bergman**, born 1954  
Swedish Confederation of Professional Associations (SACO)  
Board member since 2001

**Katarina Timåker**, born 1967  
Union of Insurance Employees (FTF)  
Board member since 2001

**Sven-Erik Martinell**, born 1943  
Union of Insurance Employees (FTF)  
Board member since 1996

### Regular auditor

**Johan Bäckström**  
KPMG

### Auditor appointed by the Swedish Financial Supervisory Authority

**Lars Bonnevier**  
Authorized Public Accountant

## Group Management

**Tomas Johansson**  
Managing Director

**Bengt Jerning**  
Manager, Lending

**Johan Nyman**  
Acting Manager, Savings and Payments

**Catharina Strömsten**  
Manager, Retail Banking

**Gösta Björklund**  
Manager, Business Control

**Håkan Carlsson**  
Manager, Retail Banking

**Olof Stjernberg**  
Managing Director, Wasa Kredit AB



*Tomas Johansson*



*Bengt Jerning*



*Johan Nyman*



*Catharina Strömsten*



*Gösta Björklund*



*Håkan Carlsson*



*Olof Stjernberg*

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