

Länsförsäkringar Bank

INTERIM REPORT, JANUARY–SEPTEMBER 2006

Summary

- Operating income amounted to SEK 172 M (150) before loan losses and to SEK 147 M (106) after loan losses.
- Income includes a nonrecurring gain of SEK 18.0 M resulting from the sale of receivables previously written off in Wasa Kredit.
- Revenue was up 6% to SEK 745 M (706) and administration expenses increased by 3% to SEK 573 M (556).
- Net interest income rose by 4% to SEK 676 M (650).
- The cost/income ratio declined to 0.77 (0.79).
- Loan losses remained low, amounting to SEK 25 M (44). The low loans losses are attributable to a certain extent to the nonrecurring item in Wasa Kredit
- An unconditional shareholder contributions totaling SEK 300 M was received.
- Return on equity after standard tax was 4.5% (3.8).
- Lending to the public increased by 16% to SEK 52 billion (45) and deposits from the public rose 14% to SEK 24 billion (21).
- Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 21% to SEK 35 billion (29).
- The number of customers increased to 604,000 (588,000)
- Länsförsäkringar continues to have highly satisfied bank customers in the private banking market, according to the 2006 edition of the Swedish Quality Index (SQI) for the banking industry.

Figures in parentheses pertain to January–September 2005.

Tomas Johansson, President of Länsförsäkringar Bank:

On a market with sharply increasing competition, we continue to grow in all areas. In addition, we are increasing earnings and profitability each quarter, fully according to our plan. Work with positioning Länsförsäkringar as the natural choice in banking and insurance on the Swedish market continues. We are now intensifying this work through increased customer orientation, improved accessibility and tools that release time for advisory service related to the customers' private economy.



Key figures

| Group | Jan. 1, 2006– Sept. 30, 2006 | Jan. 1, 2005– Sept. 30, 2005 | Full-year 2005 |
|---|---------------------------------|---------------------------------|-------------------|
| Return on equity, % | 4.54 | 3.83 | 4.12 |
| Return on total capital, % | 0.36 | 0.30 | 0.43 |
| Investment margin, % | 1.63 | 1.88 | 1.85 |
| Interest margin, average, % | 1.46 | 1.73 | 1.69 |
| Cost/income ratio before loan losses | 0.77 | 0.79 | 0.79 |
| Cost/income ratio after loan losses | 0.80 | 0.85 | 0.84 |
| Capital adequacy, % | 10.98 | 11.61 | 11.28 |
| Tier 1 ratio, % | 8.93 | 9.26 | 9.02 |
| Percentage of doubtful receivables, gross % | 0.57 | 0.64 | 0.55 |
| Percentage of doubtful receivables, net % | 0.05 | 0.11 | 0.08 |
| Provision ratio for doubtful receivables, % | 91.56 | 83.59 | 85.80 |

Parent Company

| | | | |
|---|-------|-------|-------|
| Return on equity, % | neg | neg | neg |
| Return on total capital, % | neg | neg | neg |
| Investment margin, % | 0.68 | 0.79 | 0.77 |
| Interest margin, average, % | 0.55 | 0.67 | 0.65 |
| Cost/income ratio before loan losses | 1.02 | 1.14 | 1.16 |
| Cost/income ratio after loan losses | 1.06 | 1.17 | 1.14 |
| Capital adequacy, % | 47.30 | 48.14 | 48.96 |
| Tier 1 ratio, % | 38.70 | 38.40 | 39.43 |
| Percentage of doubtful receivables, gross % | 0.19 | 0.21 | 0.19 |
| Percentage of doubtful receivables, net % | 0.01 | 0.01 | 0.00 |
| Provision ratio for doubtful receivables, % | 97.09 | 94.98 | 98.67 |

Quarterly development, Group

| SEK M | Q3 2006 | Q2 2006 | Q1 2006 | Q4 2005 | Q3 2005 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 232.9 | 223.7 | 219.7 | 223.5 | 215.2 |
| Net commission income | –8.6 | –3.8 | –1.1 | –12.3 | –18.0 |
| Other revenue | 27.6 | 29.3 | 25.0 | 36.3 | 36.7 |
| Total operating revenue | 251.9 | 249.2 | 243.6 | 247.5 | 233.9 |
| Personnel costs | –65.1 | –64.3 | –60.7 | –63.3 | –62.3 |
| Other costs | –126.0 | –127.2 | –129.3 | –131.4 | –124.3 |
| Total costs | –191.1 | –191.5 | –190.0 | –194.7 | –186.6 |
| Income before loan losses | 60.8 | 57.7 | 53.6 | 52.8 | 47.3 |
| Loan losses | 4.5 | –15.7 | –13.5 | –4.4 | –10.8 |
| Operating income | 65.3 | 42.0 | 40.1 | 48.4 | 36.5 |

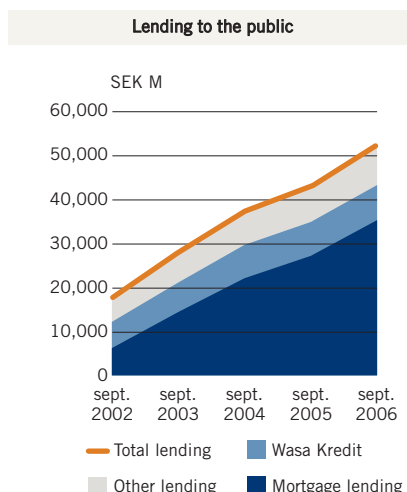
Group

Total assets

Total assets grew by 18.5%, amounting to SEK 58.0 billion (49.0).

Lending to the public increased by 16.1%, or SEK 7.3 billion, to SEK 52.4 billion (45.1).

Deposits from the public rose by 13.6%, or SEK 2.9 billion, to SEK 23.8 billion (20.9).



Diversified borrowing

Borrowing and securities issuance increased by 24.5% or SEK 5.6 billion to SEK 28.3 billion (22.7).

| | Limit | Exercised September 30, 2006 |
|---------------------------------|------------|------------------------------------|
| Commercial paper | SEK 15 bn | SEK 4 bn |
| ECP | EUR 1.5 bn | EUR 0 bn |
| MTN (Medium Term Note) | SEK 20 bn | SEK 10 bn |
| EMTN (Euro Medium Term Note) | EUR 2 bn | EUR 2 bn |

Capital adequacy

At September 30, 2006, the capital adequacy ratio was 10.98% (11.61) and the Tier 1 ratio 8.93% (9.26). Unconditional shareholders' contributions totaling SEK 300 M have been received during the year to date.

The target level for capital adequacy is 10.5% and for the Tier 1 ratio 8.5%. A deviation of ± 0.5 percentage points is allowed for both targets.

Rating

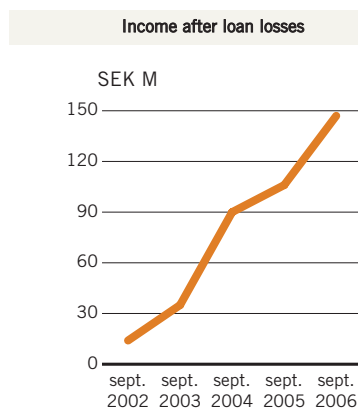
In January 2006, Standard & Poor's changed its outlook for Länsförsäkringar Bank from "stable" to "positive." Consequently, the rating for long-term borrowing is A- (positive) and the rating for short-term borrowing, A-2, were confirmed. Standard & Poor's referred to the strategic significance of the operations for the entire Länsförsäkringar Alliance and to the involvement of the owner. They also referred to the high capital adequacy and positive trend of banking transactions among the regional insurance companies.

The long-term credit rating from Moody's is A3/stable, and the short-term rating, P-2.

Earnings and profitability

Operating income before loan losses amounted to SEK 172.1 M (149.7), and after loan losses to SEK 147.5 M (105.6). This corresponds to a return on average equity of 4.5% (3.8). Income includes a nonrecurring gain of SEK 18.0 M attributable to the sale of receivables previously written off in Wasa Kredit.

Remuneration to the regional insurance companies, which was previously reported as general administration expenses, is reported as commission expense as from this interim report and is therefore included in net commission income. All comparative values are restated in the same manner.



Revenue

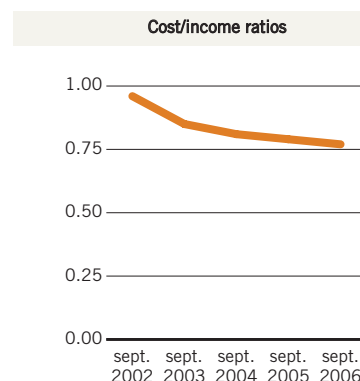
Net interest income rose by 4.1% to SEK 676.4 M (650.0). The increase is primarily attributable to higher volumes. The Group's investment margin amounted to 1.6% (1.9). The change is due mainly to a proportionally higher percentage of housing loans. Net commission income rose by 76.6% to negative SEK 13.5 M (neg: 57.6).

Other operating revenue amounted to SEK 81.8 M (103.9).

Expenses

Operating expenses rose by 3.0% or SEK 16.6 M to SEK 572.5 M (555.9).

The cost/income ratio amounted to 0.77 (0.79) before loan losses and 0.80 (0.85) after loan losses.



Loan losses

Depending on the product, provisions were mostly made after group-wise appraisal and only to a limited extent after individual review. The Group's net loan losses (both probable and confirmed) amounted to SEK 24.6 M (44.1). The item includes a positive nonrecurring entry of SEK 18.0 M attributable to the sale from the sale of receivables previously written off in Wasa Kredit.

Basel II

As of January 1, 2007, Länsförsäkringar Bank, with subsidiaries, following approval by the Swedish Financial Supervisory Authority (Finansinspektionen) will calculate capital adequacy for credit risks in accordance with the Internal Ratings-based Approach (the IRB approach) for household borrowings. Work on realizing this goal is progressing as planned.

Covered bonds

On September 27, 2006, Länsförsäkringar Bank's subsidiary, Länsförsäkringar Hypotek submitted an application to the Swedish Financial Supervisory Authority for permission to issue covered bonds in accordance with the Act on Issuance of Covered Bonds (2003:1223).

Provided the company is granted permission by the Financial Supervisory Authority, issuance of covered bonds will begin not earlier than the end of the second quarter or during the third quarter of 2007. This will secure the company's borrowing by means of covered bonds. The objective is to achieve a Triple A rating for its covered borrowings.

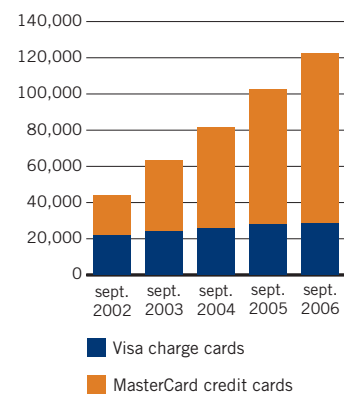
Länsförsäkringar Hypotek will invite holders of bonds issued under Länsförsäkringar Bank's MTN program and EMTN program and bonds issued under the basic prospectus pertaining to bond loans to exchange their holdings for equivalent bonds in Länsförsäkringar Hypotek. The exchange offer does not include securities issued under Länsförsäkringar Bank's certificate program. The company will provide information on when the exchange may take place on some later date.

Länsförsäkringar Hypotek will set up a benchmark program for ongoing issuance of covered bonds, MTN programs and EMTN programs. Länsförsäkringar Hypotek will use the same issuance technique for covered bonds as that which applies to other major mortgage institutes in the Swedish market.

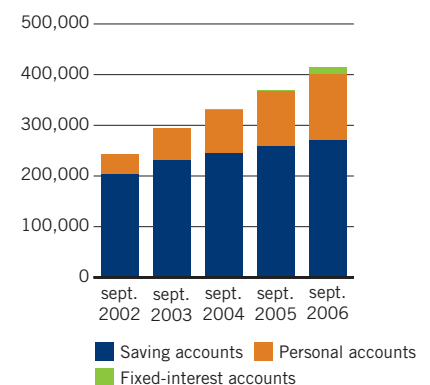
IFRS

As of 2007, Länsförsäkringar Bank will apply the International Financial Reporting Standards (IFRS) in its reporting. The transition involves mainly changes with regard to the reporting of financial instruments in accordance with IAS 39. The bank has documented and established a model for hedge accounting in accordance with IAS 39 and is developing system support for the requisite calculations. Restated comparable values for the opening balances and the quarterly figures are being continuously determined during 2006.

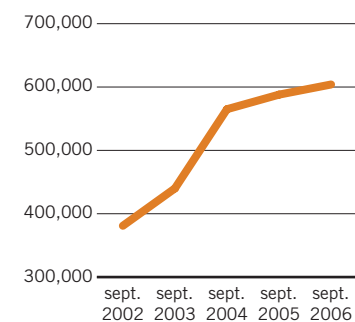
Number of cards



Number of accounts



Customer trend



Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public rose to SEK 9.2 billion (8.3). Deposits from the public rose to SEK 23.8 billion (20.9). Most of the Group's lending operations are conducted through Länsförsäkringar Hypotek and Wasa Kredit.

The major portion of the Bank Group's administration expenses is contained within the Parent Company.

Subsidiaries

Länsförsäkringar Hypotek AB

Residential lending increased by 21.2% or SEK 6.1 billion to SEK 35.2 billion (29.1). The market share in lending to households has increased and now amounts to 2.9%.

The number of mortgage customers increased from 79 000 to 89 000. Most of Länsförsäkringar's loans consist of loans for private homes. First-lien mortgages are carried by Länsförsäkringar Hypotek and second-lien mortgages by the Parent Company. Länsförsäkringar's operating income amounted to SEK 30.7 M (18.9).

| SEK M | September 30, 2006 | September 30, 2005 |
|-----------------------------------|--------------------|--------------------|
| Total assets | 35,466 | 29,174 |
| Lending volume | 35,247 | 29,092 |
| Operating profit | 30.7 | 18.9 |
| Return on shareholders' equity, % | 1.67 | 1.30 |

Wasa Kredit AB

Wasa Kredit is a finance company whose operations focus on car financing, computer financing, financing for heavy machinery, and unsecured loans. Wasa Kredit's operating income before appropriations and tax amounted to SEK 91.1 M (83.8). The lending volume totaled SEK 7.9 billion (7.7).

| SEK M | September 30, 2006 | September 30, 2005 |
|-----------------------------------|--------------------|--------------------|
| Total assets | 8,320 | 8,031 |
| Lending volume | 7,947 | 7,684 |
| Operating profit | 91.1 | 83.8 |
| Return on shareholders' equity, % | 15.7 | 15.7 |

Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning manages SEK 59 billion (51) in 31 (34) mutual funds with different investment orientations.

During the period, Morningstar upgraded seven of the funds, as a result of which the average rating rose to four stars from the previous three stars.

The funds that were upgraded are Pension 2020, Pension 2025 and Pension 2030, which rose from four to five stars, Pension 2010 and Total Fund from three to four stars, Europe Fund from two to three stars and Fund-in-Fund Low Risk, from one to two stars.

Income before tax and appropriations amounted to SEK 48.0 M (40.6).

| SEK M | September 30, 2006 | September 30, 2005 |
|-----------------------------------|--------------------|--------------------|
| Total assets | 188 | 166 |
| Assets under management | 58,531 | 50,635 |
| Net inflow | 2,874 | 2,409 |
| Operating profit | 48.0 | 40.6 |
| Return on shareholders' equity, % | 59.4 | 62.1 |

Key events after the close of the period

Bank customers give Länsförsäkringar record-high rating

The 2006 edition of the Swedish Quality Index (SQI) survey of the banking industry was presented on October 2. Länsförsäkringar continues to enjoy fully satisfied bank customers in the private-banking market. For the third straight year, satisfaction among Länsförsäkringar's bank customers is increasing, and is 4.6 percentage points better than the industry average – an increase of 0.4 percentage points since the preceding survey.

Länsförsäkringar is among the top in all categories – such as image, expectations, product quality, service quality and value for money. In other words, Länsförsäkringar is the bank that has the smallest gap between what customers expect and what they feel they receive.

New card supplier achieves lower costs and better customer offering

On October 9, Länsförsäkringar Bank AB and EDB Business Partner Sverige AB signed an agreement on services for card processing and collection of card transaction data. The agreement, which will come into effect in the second quarter of 2007, implies substantial cost reductions. It will also bring increased security for customers in that it will introduce the EMV card technology.

EMV is to ensure interoperability between chip cards and terminals and to reduce card fraud

Income statements

| SEK 000s | | Group | | | Parent Company | | |
|--|--------|---------------------------------|---------------------------------|-----------------|---------------------------------|---------------------------------|-----------------|
| | | Jan. 1, 2006– Sept. 30, 2006 | Jan. 1, 2005– Sept. 30, 2005 | Full-year 2005 | Jan. 1, 2006– Sept. 30, 2006 | Jan. 1, 2005– Sept. 30, 2005 | Full-year 2005 |
| Interest income | Note 2 | 1,812,214 | 1,586,026 | 2,105,806 | 1,105,371 | 964,398 | 1,273,335 |
| Interest expense | Note 3 | –1,135,854 | –936,066 | –1,232,365 | –827,118 | –699,918 | –918,198 |
| Net interest income | | 676,360 | 649,960 | 873,441 | 278,253 | 264,480 | 355,137 |
| Dividends received | | 65 | – | 3,422 | 65 | – | 39 |
| Commission revenue | | 586,373 | 499,987 | 683,086 | 83,774 | 73,943 | 99,466 |
| Commission expense | | –599,873 | –557,618 | –752,883 | –241,782 | –247,012 | –330,268 |
| Net income from financial transactions | | – | 9,430 | 10,335 | – | 4,830 | 4,830 |
| Other operating revenue | | 81,758 | 103,872 | 135,886 | 117,533 | 120,136 | 167,138 |
| Total operating revenue | | 744,683 | 705,631 | 953,287 | 237,843 | 216,377 | 296,342 |
| General administration expenses | | –516,012 | –497,710 | –663,525 | –224,090 | –217,402 | –298,934 |
| Depreciation/amortization and impairment of tangible and intangible fixed assets | | –22,864 | –24,237 | –33,378 | –15,279 | –16,018 | –22,270 |
| Other expenses | | –33,698 | –33,989 | –53,832 | –11,033 | –14,100 | –21,669 |
| Total expenses before loan losses | | –572,574 | –555,936 | –750,735 | –250,402 | –247,520 | –342,873 |
| Income before loan losses | | 172,109 | 149,695 | 202,552 | –12,559 | –31,143 | –46,531 |
| Loan losses, net | Note 4 | –24,639 | –44,130 | –48,545 | –9,729 | –6,558 | 3,686 |
| Operating income | | 147,470 | 105,565 | 154,007 | –22,288 | –37,701 | –42,845 |
| Tax on income for the period | | –41,291 | –29,558 | –44,672 | 6,241 | 10,556 | 11,242 |
| NET PROFIT/LOSS FOR THE PERIOD | | 106,179 | 76,007 | 109,335 | –16,047 | –27,145 | –31,603 |
| Earnings per share, SEK | | 11.12 | 7.96 | 11.45 | –1.68 | –2.84 | –3.31 |

Balance sheets

| SEK 000s | Group | | | Parent Company | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Sept. 30, 2006 | Sept. 30, 2005 | Dec. 31, 2005 | Sept. 30, 2006 | Sept. 30, 2005 | Dec. 31, 2005 |
| Assets | | | | | | |
| Cash and central bank account balances | 71,612 | 60,016 | 75,617 | 71,612 | 60,016 | 75,617 |
| Lending to credit institutions | 2,255,102 | 1,176,020 | 1,296,701 | 42,169,554 | 34,573,641 | 36,875,545 |
| Lending to the public Note 5 | 52,387,466 | 45,111,971 | 47,093,528 | 9,193,211 | 8,336,739 | 8,386,951 |
| Shares and participations | 7,969 | 5,234 | 7,469 | 7,969 | 5,234 | 7,469 |
| Shares and participations in Group companies | – | – | – | 2,444,400 | 2,181,400 | 2,444,400 |
| Bonds and other interest-bearing securities | 2,602,060 | 1,990,384 | 2,602,795 | 2,602,060 | 1,990,384 | 2,602,795 |
| Intangible assets | 122,065 | 93,489 | 101,367 | 108,231 | 79,735 | 86,843 |
| Tangible assets | 8,734 | 12,957 | 12,153 | 490 | 1,726 | 1,230 |
| Other assets | 345,133 | 347,818 | 283,260 | 110,214 | 125,692 | 73,693 |
| Prepaid expenses and accrued income | 288,601 | 162,404 | 188,282 | 222,360 | 209,568 | 241,861 |
| TOTAL ASSETS | 58,088,742 | 48,960,293 | 51,661,172 | 56,930,101 | 47,564,135 | 50,796,404 |
| Liabilities, provisions and shareholders' equity | | | | | | |
| Liabilities to credit institutions | 385,672 | 301,249 | 308,430 | 436,999 | 378,017 | 769,341 |
| Deposits and borrowing from the public | 24,212,653 | 21,706,695 | 21,534,743 | 23,791,950 | 20,910,350 | 20,772,309 |
| Securities issued | 27,797,177 | 21,890,565 | 24,849,788 | 27,797,177 | 21,890,565 | 24,849,788 |
| Other liabilities | 286,384 | 247,408 | 295,058 | 80,074 | 46,763 | 131,095 |
| Accrued expenses and prepaid income | 1,080,749 | 926,219 | 752,501 | 532,385 | 468,440 | 265,584 |
| Provisions | 18,995 | 20,614 | 19,719 | 3,611 | 5,230 | 4,335 |
| Subordinated debt | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 |
| Shareholders' equity Note 6 | | | | | | |
| Share capital | 954,871 | 954,871 | 954,871 | 954,871 | 954,871 | 954,871 |
| Restricted reserves | 58,039 | 58,039 | 58,039 | 18,380 | 18,380 | 18,380 |
| Profit brought forward | 2,138,023 | 1,728,626 | 1,728,688 | 2,280,701 | 1,868,664 | 2,012,304 |
| Net profit/loss for the period | 106,179 | 76,007 | 109,335 | –16,047 | –27,145 | –31,603 |
| Total shareholders' equity | 3,257,112 | 2,817,543 | 2,850,933 | 3,237,905 | 2,814,770 | 2,953,952 |
| TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY | 58,088,742 | 48,960,293 | 51,661,172 | 56,930,101 | 47,564,135 | 50,796,404 |
| Memorandum items | | | | | | |
| Assets pledged for own liabilities | 600,000 | 500,000 | 500,000 | 600,000 | 500,000 | 500,000 |
| Contingent liabilities | 52,281 | 55,665 | 55,547 | 52,281 | 55,665 | 55,547 |
| Commitments | | | | | | |
| Loans approved but not disbursed | 456,571 | 401,005 | 402,233 | 150,937 | 127,459 | 116,229 |
| Unutilized lines of credit | 927,541 | 804,675 | 902,148 | 7,244,415 | 3,642,949 | 6,736,825 |
| Interest swaps | 13,540,000 | 9,570,000 | 11,020,000 | 600,000 | 1,800,000 | 2,400,000 |
| Currency swaps | 15,201,490 | 10,001,240 | 11,428,490 | 15,201,490 | 10,001,240 | 11,428,490 |
| Total commitments | 30,125,602 | 20,776,920 | 23,752,871 | 23,196,842 | 15,571,648 | 20,681,544 |

Cash-flow statements

| SEK 000s | Group | | Parent Company | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Jan. 1, 2006– Sept. 30, 2006 | Jan. 1, 2005– Sept. 30, 2005 | Jan. 1, 2006– Sept. 30, 2006 | Jan. 1, 2005– Sept. 30, 2005 |
| Liquid funds, January 1 | 1,063,888 | 1,528,172 | 389,384 | 1,193,335 |
| Operating activities | | | | |
| Operating income | 147,470 | 105,565 | –22,288 | –37,701 |
| Adjustment for items not included in cash flow | | | | |
| Booked non-chargeable tax | –41,291 | –29,558 | 6,241 | 10,556 |
| Depreciation/amortization charged against earnings | 22,864 | 24,237 | 15,279 | 16,018 |
| | 129,043 | 100,244 | –768 | –11,127 |
| Increase/decrease in lending to the public | –5,293,938 | –5,685,513 | –806,260 | –331,018 |
| Increase/decrease in deposits and borrowing from the public | 2,677,910 | 1,658,915 | 3,019,641 | 1,800,922 |
| Increase in lending to subsidiaries | – | – | –4,318,304 | –5,010,466 |
| Change in other assets | –162,192 | 53,010 | –17,019 | 18,044 |
| Change in other liabilities | 318,850 | 68,067 | 215,056 | 84,653 |
| Cash flow from operating activities | –2,330,327 | –3,805,277 | –1,907,654 | –3,448,992 |
| Investing activities | | | | |
| Change in fixed assets | –39,408 | –824,044 | –35,192 | –819,041 |
| Increase in shares in subsidiaries | – | – | – | –270,000 |
| Increase in shares and participations | –500 | – | –500 | – |
| Liquidation of Wasa Garanti Försäkringsbolag | – | –62 | – | – |
| Cash flow from investing activities | –39,908 | –824,106 | –35,692 | –1,089,041 |
| Financing activities | | | | |
| Shareholders' contribution received | 300,000 | 300,000 | 300,000 | 300,000 |
| Change in securities issued | 2,947,389 | 3,735,998 | 2,947,389 | 3,735,998 |
| Cash flow from financing activities | 3,247,389 | 4,035,998 | 3,247,389 | 4,035,998 |
| CASH FLOW FOR THE PERIOD | 877,154 | –593,385 | 1,304,043 | –502,035 |
| Liquid funds, September 30 | 1,941,042 | 934,787 | 1,693,427 | 691,300 |
| Liquid funds include: | | | | |
| Cash and central bank account balances | 71,612 | 60,016 | 71,612 | 60,016 |
| Other lending to/deposits in credit institutions ¹⁾ | 2,255,102 | 1,176,020 | 2,058,814 | 1,009,301 |
| Liabilities to credit institutions | –385,672 | –301,249 | –436,999 | –378,017 |
| | 1,941,042 | 934,787 | 1,693,427 | 691,300 |
| Interest received amounted to | 1,698,042 | 1,672,513 | 1,121,933 | 986,688 |
| Interest paid amounted to | 852,398 | 797,526 | 607,844 | 488,171 |
| Gross investments during the year | 39,046 | 29,048 | 34,837 | 26,802 |

1) Excluding subsidiaries

Notes

NOTE 1 ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with the Swedish Annual Accounts (Credit Institutes and Securities Companies) Act, and the application of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2002:22) and with additions in accordance with the transition provisions to the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2005:53).

Remuneration to the regional insurance companies is now reported as commission expense instead of as general administration expenses as previously reported. The principle for the calculation of doubtful receivables has been adjusted in Länsförsäkringar Hypotek. The principle is now the same as in the rest of the bank group. The changed accounting principles are also applied to comparative figures. In all other respects, the accounting principles remain unchanged compared with the 2005 Annual Report.

NOTE 2 INTEREST INCOME

| SEK 000s | Group | | | Parent Company | | |
|--|------------------|------------------|------------------|------------------|----------------|------------------|
| | Jan. 1, 2006– | Jan. 1, 2005– | Full-year 2005 | Jan. 1, 2006– | Jan. 1, 2005– | Full-year 2005 |
| | Sept. 30, 2006 | Sept. 30, 2005 | | Sept. 30, 2006 | Sept. 30, 2005 | |
| Interest income, lending to credit institutions | 234,379 | 210,645 | 261,214 | 774,595 | 674,165 | 883,055 |
| Interest income, lending to the public | 1,530,786 | 1,350,691 | 1,807,723 | 283,771 | 265,547 | 353,458 |
| Interest income, interest-bearing securities | 47,005 | 24,690 | 34,887 | 47,005 | 24,686 | 34,887 |
| Other interest income | 44 | – | 1,982 | – | – | 1,935 |
| Total interest income | 1,812,214 | 1,586,026 | 2,105,806 | 1,105,371 | 964,398 | 1,273,335 |
| Average interest rate on lending to the public during the period | 4.1% | 4.3% | 4.0% | 4.4% | 4.6% | 4.3% |

NOTE 3 INTEREST EXPENSE

| SEK 000s | Group | | | Parent Company | | |
|---|------------------|----------------|------------------|----------------|----------------|----------------|
| | Jan. 1, 2006– | Jan. 1, 2005– | Full-year 2005 | Jan. 1, 2006– | Jan. 1, 2005– | Full-year 2005 |
| | Sept. 30, 2006 | Sept. 30, 2005 | | Sept. 30, 2006 | Sept. 30, 2005 | |
| Interest expense, liabilities to credit institutions | 308,138 | 282,008 | 361,019 | 25,669 | 82,788 | 93,983 |
| Interest expense, deposits and borrowing from the public | 285,737 | 230,897 | 301,635 | 259,470 | 193,962 | 254,576 |
| Interest expense, interest-bearing securities | 504,450 | 389,612 | 525,734 | 504,450 | 389,612 | 525,734 |
| Interest expense, subordinated debt | 27,971 | 26,395 | 34,432 | 27,971 | 26,452 | 34,432 |
| Other interest expense, including government deposit insurance | 9,558 | 7,154 | 9,545 | 9,558 | 7,104 | 9,473 |
| Total interest expense | 1,135,854 | 936,066 | 1,232,365 | 827,118 | 699,918 | 918,198 |
| Average rate of interest on lending to the public during the period | 1.5% | 1.3% | 1.2% | 1.5% | 1.3% | 1.2% |

NOTE 4 LOAN LOSSES, NET

| SEK 000s | Group | | | Parent Company | | |
|---|---------------------------------|---------------------------------|----------------|---------------------------------|---------------------------------|----------------|
| | Jan. 1, 2006– Sept. 30, 2006 | Jan. 1, 2005– Sept. 30, 2005 | Full-year 2005 | Jan. 1, 2006– Sept. 30, 2006 | Jan. 1, 2005– Sept. 30, 2005 | Full-year 2005 |
| Specific provision for individually appraised loan receivables | | | | | | |
| Write-off of confirmed loan losses during the period | 7,379 | 3,778 | 29,267 | 2,774 | 2,100 | 3,041 |
| Reversed provisions for probable loan losses reported in the interim accounts as confirmed losses | –4,819 | –2,675 | –3,115 | –591 | –1,299 | –1,739 |
| Provision for probable loan losses during the period | 38,133 | 37,337 | 23,376 | 225 | 720 | 973 |
| Payment received for prior confirmed loan losses | –30,752 | –13,081 | –25,352 | –2,880 | –1,215 | –10,921 |
| Reversed provisions no longer required for probable loan losses | –4,525 | –2,087 | –3,468 | –1,518 | –1,522 | –1,957 |
| Net expense during the period for individually appraised receivables | 5,416 | 23,272 | 20,708 | –1,990 | –1,216 | –10,603 |
| Group-wise provisions for individually appraised receivables | – | – | – | – | – | – |
| Groups, appraised by group, of loan receivables of limited value and similar credit risk | | | | | | |
| Write-off of confirmed loan losses during the period | 5,594 | 5,387 | 16,949 | 5,594 | 5,387 | 6,940 |
| Payment received for previously confirmed loan losses | –6,394 | –1,725 | –2,518 | – | –28 | –8 |
| Allocation/dissolution of provisions for loan losses | 20,964 | 19,585 | 16,887 | 7,066 | 4,804 | 3,466 |
| Net expense for the period for loan receivables appraised by group | 20,164 | 23,247 | 31,318 | 12,660 | 10,163 | 10,398 |
| Net expense for the period for fulfillment of guarantees | –941 | –2,389 | –3,481 | –941 | –2,389 | –3,481 |
| Net expense for the period for loan losses | 24,639 | 44,130 | 48,545 | 9,729 | 6,558 | –3,686 |

NOTE 5 LENDING TO THE PUBLIC

| SEK 000s | Group | | | Parent Company | | |
|---|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| | Sept. 30, 2006 | Sept. 30, 2005 | Dec. 31, 2005 | Sept. 30, 2006 | Sept. 30, 2005 | Dec. 31, 2005 |
| Loan receivables, gross | | | | | | |
| Public sector | 145,564 | 121,841 | 133,952 | – | – | – |
| Commercial sector | 4,321,681 | 3,996,746 | 4,114,259 | 482,019 | 464,446 | 453,529 |
| Household sector | 48,186,149 | 41,228,325 | 43,061,907 | 8,796,711 | 7,952,844 | 8,013,701 |
| Other | 6,698 | 8,036 | 8,109 | 3,824 | 3,286 | 3,385 |
| | 52,660,092 | 45,354,948 | 47,318,227 | 9,282,554 | 8,420,576 | 8,470,615 |
| Less: | | | | | | |
| Provisions for individually reserved loan receivables | | | | | | |
| Commercial sector | –54,301 | –48,218 | –36,988 | –241 | –246 | –246 |
| Household sector | –73,515 | –66,688 | –56,945 | –10,571 | –13,071 | –12,449 |
| | –127,816 | –114,906 | –93,933 | –10,812 | –13,317 | –12,695 |
| Provisions for group-wise reserved loan receivables | | | | | | |
| Commercial sector | –18,943 | –15,257 | –16,714 | –2,944 | –2,361 | –2,408 |
| Household sector | –125,867 | –112,814 | –114,052 | –75,587 | –68,159 | –68,561 |
| | –144,810 | –128,071 | –130,766 | –78,531 | –70,520 | –70,969 |
| Total provisions | –272,626 | –242,977 | –224,699 | –89,343 | –83,837 | –83,664 |
| Loan receivables, net | | | | | | |
| Public sector | 145,564 | 121,841 | 133,952 | – | – | – |
| Commercial sector | 4,248,437 | 3,933,271 | 4,060,557 | 478,834 | 461,839 | 450,875 |
| Household sector | 47,986,767 | 41,048,823 | 42,890,910 | 8,710,553 | 7,871,614 | 7,932,691 |
| Other | 6,698 | 8,036 | 8,109 | 3,824 | 3,286 | 3,385 |
| | 52,387,466 | 45,111,971 | 47,093,528 | 9,193,211 | 8,336,739 | 8,386,951 |
| Doubtful receivables | | | | | | |
| Commercial sector | 74,953 | 91,258 | 74,738 | 2,963 | 2,607 | 2,674 |
| Household sector | 222,769 | 199,413 | 187,136 | 89,062 | 85,662 | 82,120 |
| | 297,722 | 290,671 | 261,874 | 92,025 | 88,269 | 84,794 |
| Non-performing receivables included among doubtful receivables | | | | | | |
| Commercial sector | 61,921 | 47,991 | 46,122 | 261 | 246 | 266 |
| Household sector | 138,795 | 125,933 | 116,503 | 58,203 | 54,428 | 55,110 |
| | 200,716 | 173,924 | 162,625 | 58,464 | 54,674 | 55,376 |

Definitions:

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

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

NOTE 6 SHAREHOLDERS' EQUITY

| SEK 000s | Group | | | Parent Company | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | Sept. 30, 2006 | Sept. 30, 2005 | Dec. 31, 2005 | Sept. 30, 2006 | Sept. 30, 2005 | Dec. 31, 2005 |
| Restricted equity | | | | | | |
| Share capital | 954,871 | 954,871 | 954,871 | 954,871 | 954,871 | 954,871 |
| Statutory reserve | 18,480 | 8,779 | 18,480 | 18,380 | 8,679 | 18,380 |
| Share premium reserve | – | 9,701 | – | – | 9,701 | – |
| Other reserves | 39,559 | 39,559 | 39,559 | – | – | – |
| | 1,012,910 | 1,012,910 | 1,012,910 | 973,251 | 973,251 | 973,251 |
| Non-restricted equity | | | | | | |
| Profit brought forward | 2,138,023 | 1,728,626 | 1,728,688 | 2,280,701 | 1,868,664 | 2,012,304 |
| Net profit for the period | 106,179 | 76,007 | 109,335 | –16,047 | –27,145 | –31,603 |
| | 2,244,202 | 1,804,633 | 1,838,023 | 2,264,654 | 1,841,519 | 1,980,701 |
| Total shareholders' equity, | 3,257,112 | 2,817,543 | 2,850,933 | 3,237,905 | 2,814,770 | 2,953,952 |
| Change in shareholders' equity | | | | | | |
| Opening balance | 2,850,933 | 2,441,598 | 2,441,598 | 2,953,952 | 2,541,915 | 2,541,915 |
| Group contributions received | – | – | – | – | – | 199,500 |
| Tax effect of Group contributions received | – | – | – | – | – | –55,860 |
| Unconditional shareholders' contribution from Parent Company | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Changed Group structure | – | –62 | – | – | – | – |
| Net profit for the period | 106,179 | 76,007 | 109,335 | –16,047 | –27,145 | –31,603 |
| Closing balance | 3,257,112 | 2,817,543 | 2,850,933 | 3,237,905 | 2,814,770 | 2,953,952 |

NOTE 7 DERIVATIVE INSTRUMENTS

| SEK 000s | Nominal value | | Fair value | |
|---|---------------|----------------|------------|----------------|
| | Group | Parent Company | Group | Parent Company |
| Derivative instruments with positive value | | | | |
| Interest-rate derivatives | 9,450,000 | 600,000 | 118,539 | 12,693 |
| Currency derivatives | 10,001,240 | 10,001,240 | 199,159 | 199,159 |
| Derivative instruments with negative value | | | | |
| Interest-rate derivatives | 4,540,000 | – | 61,301 | – |
| Currency derivatives | 5,200,250 | 5,200,250 | 96,387 | 96,387 |

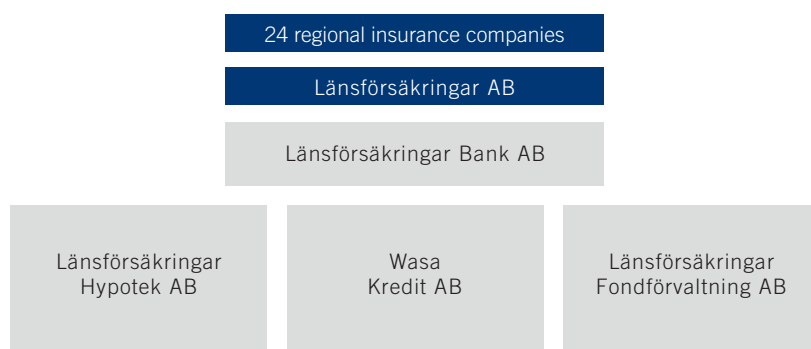
This interim report is unaudited.
Stockholm, October 23, 2006


Tomas Johansson
President and CEO

Reporting dates

Year-end report, 2006

February 20, 2007



The Länsförsäkringar Alliance organization is based on 24 local, independent and customer-owned regional insurance companies. The regional insurance companies jointly own Länsförsäkringar AB. In turn, Länsförsäkringar AB owns Länsförsäkringar Bank AB (Bank Group), with the Parent Company and the subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB. Customer contact always occurs at the regional insurance companies. There are more than 90 offices. From the customer's viewpoint, the regional insurance companies operate as local banks, in the same manner as with non-life insurance and life assurance.



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