

Länsförsäkringar Bank

INTERIM REPORT, JANUARY–JUNE 2006

Summary

- Operating income amounted to SEK 111 M (102) before loan losses and to SEK 82 M (69) after loan losses.
- Revenue was up 4% to SEK 493 M (472) and administration expenses increased by 3% to SEK 381 M (369).
- Net interest income rose by 2% to SEK 443 M (435).
- The cost/income ratio declined to 0.77 (0.78).
- Loan losses remained low, amounting to SEK 29 M (33).
- Unconditional shareholders' contributions totaling SEK 300 M have been received.
- Return on equity after standard tax was 3.9% (3.9).
- Lending to the public increased by 18% to SEK 51 billion (43) and deposits from the public rose 14% to SEK 23 billion (20).
- Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 25% to SEK 34 billion (27).
- The number of customers increased to 594,000 (584,000).

Figures in parentheses pertain to January–June 2005.

Tomas Johansson, President and CEO of Länsförsäkringar Bank:

“We are continuing to deliver growth and earnings. We are achieving this in a market with intense competition and depressed margins. This is strong evidence of our strength and sustainability. Operations are anchored on solid ground, but despite the positive development in recent years, we want to achieve more. We will continue to challenge by satisfying customers' entire needs for banking and insurance services.”



Key figures

Group	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005	Full-year 2005
Return on equity, %	3,87	3,86	4,12
Return on total capital, %	0,30	0,31	0,43
Investment margin, %	1,62	1,92	1,85
Interest margin, average, %	1,48	1,75	1,69
Cost/income ratio before loan losses	0,77	0,78	0,79
Cost/income ratio after loan losses	0,83	0,85	0,84
Capital adequacy, %	11,30	11,93	11,28
Tier 1 ratio, %	9,20	9,49	9,02
Percentage of doubtful receivables, gross, %	0,56	0,55	0,52
Percentage of doubtful receivables, net, %	0,05	0,02	0,05
Provision ratio for doubtful receivables, %	90,75	95,89	91,02

Parent Company

Return on equity, % ¹⁾	neg	neg	neg
Return on total capital, %	neg	neg	neg
Investment margin, %	0,67	0,80	0,77
Interest margin, average, %	0,55	0,67	0,65
Cost/income ratio before loan losses	1,06	1,16	1,16
Cost/income ratio after loan losses	1,09	1,20	1,14
Capital adequacy, %	48,48	49,04	48,96
Tier 1 ratio, %	39,69	39,12	39,43
Percentage of doubtful receivables, gross, %	0,18	0,21	0,19
Percentage of doubtful receivables, net, %	0,01	0,00	0,00
Provision ratio for doubtful receivables, %	95,35	99,23	98,67

Quarterly development, Group

SEK M	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Net interest income	223,7	219,7	223,5	215,2	215,8
Net commission income	–3,8	–1,1	–12,3	–18,0	–11,5
Other revenue	29,3	25,0	36,3	36,7	37,7
Total operating revenue	249,2	243,6	247,5	233,9	242,0
Personnel costs	–64,3	–60,7	–63,3	–62,3	–63,3
Other costs	–127,2	–129,3	–131,4	–124,3	–127,1
Total costs	–191,5	–190,0	–194,7	–186,6	–190,4
Income before loan losses	57,7	53,6	52,8	47,3	51,6
Loan losses	–15,7	–13,5	–4,4	–10,8	–16,9
Operating income	42	40,1	48,4	36,5	34,7

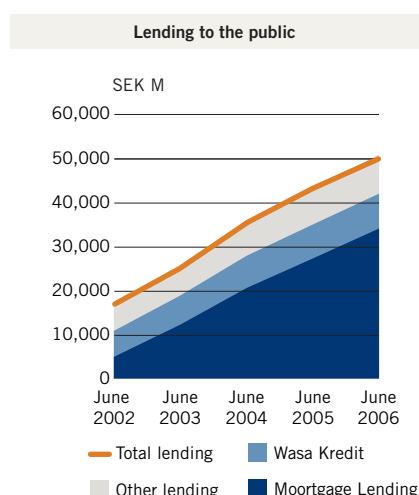
Group

Total assets

During the quarter, the Group's total assets grew by 20.9%, amounting at the end of the period to SEK 56.8 M billion (47.0).

Lending to the public increased by 17.8%, or SEK 7.7 billion, to SEK 50.7 billion (43.0).

Deposits from the public rose by 13.9%, or SEK 2.8 billion, to SEK 22.6 billion (19.8).



Borrowing

Borrowing and securities issuance increased by 26.6% or SEK 5.8 billion to SEK 27.8 billion (22.0).

	Limit	Exercised June 30, 2006
Commercial paper	15 Bn	3.1 Bn
MTN (Medium Term Note)	20 Bn	10.4 Bn
EMTN (Euro Medium Term Note)	2 Bn Euro	1.6 Bn Euro

Capital adequacy

At June 30, 2006, the capital adequacy ratio was 11.30% (11.93) and the Tier 1 ratio 9.20% (9.49). Unconditional shareholders' contributions totaling SEK 300 M have been received during the year to date.

The target level for capital adequacy is 10.5% (± 0.5) and for the Tier 1 ratio 8.5% (± 0.5). 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, was 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 favorable 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

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

Consolidated operating income before loan losses amounted to SEK 111.3 M (102.3), and after loan losses to SEK 82.1 M (69.1). This corresponds to a return on average equity of 3.9% (3.9).

Revenue

Net interest income rose by 2.0% to SEK 443.4 M (434.7). 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 lower margin in the housing loan operations.

Net commission income rose by 87.7% to negative SEK 4.9 M (neg: 39.7). Net profit from financial transactions amounted to SEK 0.0 M (9.4).

Other operating revenue amounted to SEK 54.3 M (67.2).

Expenses

Operating expenses rose by 3.3% or SEK 12.2 M to SEK 381.5 M (369.3).

The cost/income ratio amounted to 0.77 (0.78) before loan losses and 0.83 (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 29.2 M (33.2).

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 with realizing this goal is progressing as planned.

Covered bonds

As described in the preceding interim report, during the third quarter of 2006, Länsförsäkringar Bank's subsidiary, Länsförsäkringar Hypotek, will submit 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). Development activities to realize this issuance are proceeding according to plan.

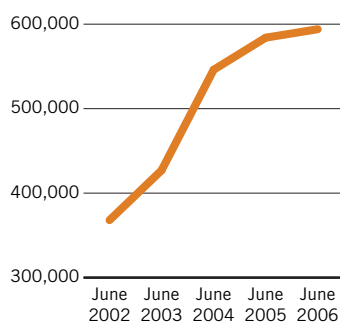
Provided the company is granted permission by the Swedish Financial Supervisory Authority (Finansinspektionen), future borrowings by means of bond issues will be in covered bonds. The goal is to achieve a triple A rating for the covered borrowing. When it files the application, the company will announce when the issuance of covered bonds may begin and how bonds and other debt instruments previously issued by the Parent Company, Länsförsäkringar Bank, will be handled.

The intention is that holders of previously issued bonds will be given the opportunity to exchange their holdings in order to participate in the subsidiary's secured debt.

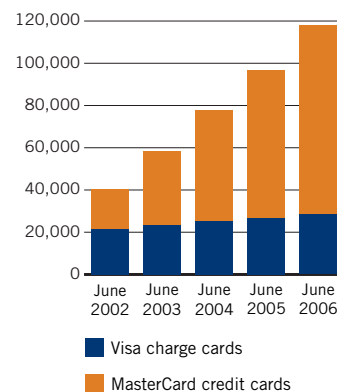
IFRS

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 company documented and established a model for hedge accounting in accordance with IAS 39 and is making necessary adjustments based on this model. Restated comparable values for the opening balances and the quarterly figures are being continuously determined during 2006.

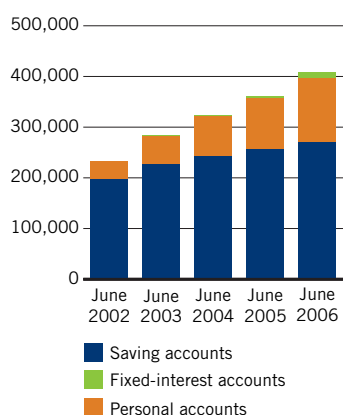
Customer trend



Number of cards



Number of accounts



Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public rose to SEK 8.9 billion (8.1). Deposits from the public rose to SEK 22.6 billion (19.8). 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 24.8% or SEK 6.8 billion to SEK 34.0 billion (27.2). Since June 2005, the company's market share (private homes and tenant-owned apartments) has increased by 0.2 percentage points and now amounted to 2.9%. The number of mortgage customers increased from 77,000 to 87,000. 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 18.4 M (16.4).

SEK M	June 30, 2006	June 30, 2005
Total assets	36,801	27,507
Lending volume	34,003	27,244
Operating profit	18.4	16.4
Return on shareholders' equity, %	1.5	1.8

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 45.5 M (55.5). The lending volume totaled SEK 7.9 billion (7.7).

SEK M	June 30, 2006	June 30, 2005
Total assets	8,304	8,077
Lending volume	7,886	7,738
Operating profit	46.5	55.5
Return on shareholders' equity, %	12.4	15.9

Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning manages SEK 55 billion (49) in 31 (32) mutual funds with different investment orientations.

The market share measured as net sales amounted to 6.2% as per June 30. The market share measured as assets under management was 4.0%.

Income before tax and appropriations amounted to SEK 31.7 M (25.5).

SEK M	June 30, 2006	June 30, 2005
Total assets	175	147
Assets under management	55,489	48,576
Net inflow	2,741	2,780
Operating profit	31.7	25.5
Return on shareholders' equity, %	62.8	68.9

Income statements

SEK 000s		Group			Parent Company		
		Jan. 1, 2006– June 30, 2006	Jan. 1, 2005– June 30, 2005	Full-year 2005	Jan. 1, 2006– June 30, 2006	Jan. 1, 2005– June 30, 2005	Full-year 2005
Interest income	Note 2	1,151,775	1,088,848	2,105,806	690,980	667,214	1,273,335
Interest expense	Note 3	–708,381	–654,117	–1,232,365	–510,588	–492,423	–918,198
Net interest income		443,394	434,731	873,441	180,392	174,791	355,137
Dividends received		38	–	3,422	38	–	39
Commission revenue		391,014	322,649	683,086	53,711	48,647	99,466
Commission expense		–395,882	–362,349	–752,883	–157,340	–163,262	–330,268
Net income from financial transactions		–	9,430	10,335	–	4,830	4,830
Other operating revenue		54,273	67,181	135,886	77,890	79,669	167,138
Total operating revenue		492,837	471,642	953,287	154,691	144,675	296,342
General administration expenses		–341,519	–330,131	–663,525	–145,712	–147,211	–298,934
Depreciation/amortization and impairment of tangible and intangible fixed assets		–15,128	–16,102	–33,378	–10,121	–10,525	–22,270
Other expenses		–24,844	–23,081	–53,832	–8,063	–9,845	–21,669
Total expenses before loan losses		–381,491	–369,314	–750,735	–163,896	–167,581	–342,873
Income before loan losses		111,346	102,328	202,552	–9,205	–22,906	–46,531
Loan losses, net	Note 4	–29,241	–33,245	–48,545	–5,248	–5,462	3,686
Operating income		82,105	69,083	154,007	–14,453	–28,368	–42,845
Tax on income for the period		–22,989	–19,343	–44,672	4,048	7,943	11,242
NET PROFIT/LOSS FOR THE PERIOD		59,116	49,740	109,335	–10,405	–20,425	–31,603
Earnings per share, SEK		6.19	5.21	11.45	–1.09	–2.14	–3.31

Balance sheets

SEK 000s	Group			Parent Company		
	June 30, 2006	June 30, 2005	Dec 31, 2005	June 30, 2006	June 30, 2005	Dec 31, 2005
Assets						
Cash and central bank account balances	74,055	58,040	75,617	74,055	58,040	75,617
Lending to credit institutions	1,691,850	1,554,757	1,296,701	42,950,806	33,275,507	36,875,545
Lending to the public	Note 5 50,740,899	43,086,316	47,093,528	8,852,191	8,104,610	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	3,696,714	1,694,455	2,602,795	3,696,714	1,694,455	2,602,795
Intangible assets	116,789	88,316	101,367	102,548	74,652	86,843
Tangible assets	9,975	14,769	12,153	621	2,222	1,230
Other assets	301,870	317,648	283,260	93,469	122,583	73,693
Prepaid expenses and accrued income	147,721	157,348	188,282	215,060	199,270	241,861
TOTAL ASSETS	56,787,842	46,976,883	51,661,172	58,437,833	45,717,973	50,796,404
Liabilities, provisions and shareholders' equity						
Liabilities to credit institutions	410,535	241,613	308,430	3,186,454	472,986	769,341
Deposits and borrowing from the public	23,066,073	20,793,512	21,534,743	22,644,585	19,889,401	20,772,309
Securities issued	27,810,568	21,025,226	24,849,788	27,810,568	21,025,226	24,849,788
Other liabilities	261,868	214,338	295,058	65,102	44,680	131,095
Accrued expenses and prepaid income	959,626	839,952	752,501	433,838	408,608	265,584
Provisions	19,123	20,966	19,719	3,739	5,582	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 for the period	59,116	49,740	109,335	–10,405	–20,425	–31,603
Total shareholders' equity	3,210,049	2,791,276	2,850,933	3,243,547	2,821,490	2,953,952
TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY	56,787,842	46,976,883	51,661,172	58,437,833	45,717,973	50,796,404
Memorandum items						
Assets pledged for own liabilities	600,000	500,000	500,000	600,000	500,000	500,000
Contingent liabilities	52,153	55,413	55,547	52,153	55,413	55,547
Commitments						
Loans approved but not disbursed	564,032	500,475	402,233	217,921	146,323	116,229
Unutilized lines of credit	913,626	843,645	902,148	5,839,435	5,468,089	6,736,825
Interest swaps	11,835,000	7,830,000	11,020,000	600,000	1,800,000	2,400,000
Currency swaps	15,201,490	10,000,850	11,428,490	15,201,490	10,000,850	11,428,490
Total commitments	28,514,148	19,174,970	23,752,871	21,858,846	17,415,262	20,681,544

Cash-flow statements

SEK 000s	Group		Parent Company	
	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005
Liquid funds, January 1	1,063,888	1,528,172	389,384	1,193,335
Operating activities				
Operating income	82,105	69,083	–14,453	–28,368
Adjustment for items not included in cash flow				
Booked non-chargeable tax	–22,989	–19,343	4,048	7,943
Depreciation/amortization charged against earnings	15,128	16,102	10,121	10,525
	74,244	65,842	–284	–9,900
Increase/decrease in lending to the public	–3,647,371	–3,659,858	–465,240	–98,889
Increase/decrease in deposits and borrowing from the public	1,531,330	745,732	1,872,276	779,974
Increase in lending to subsidiaries	–	–	–5,709,368	–3,324,896
Change in other assets	21,951	88,236	7,025	31,450
Change in other liabilities	173,339	–50,918	101,665	23,090
Cash flow from operating activities	–1,846,507	–2,810,966	–4,193,926	–2,599,171
Investing activities				
Change in fixed assets	–1,122,291	–516,619	–1,119,136	–513,032
Increase in shares in subsidiaries	–	–	–	–270,000
Increase in shares and participations	–500	–	–500	–
Liquidation of Wasa Garanti Försäkringsaktiebolag	–	–62	–	–
Cash flow from investing activities	–1,122,791	–516,681	–1,119,636	–783,032
Financing activities				
Shareholders' contribution received	300,000	300,000	300,000	300,000
Change in securities issued	2,960,780	2,870,659	2,960,780	2,870,659
Cash flow from financing activities	3,260,780	3,170,659	3,260,780	3,170,659
CASH FLOW FOR THE PERIOD	291,482	–156,988	–2,052,782	–211,544
Liquid funds, December 31	1,355,370	1,371,184	–1,663,398	981,791
Liquid funds include:				
Cash and central bank account balances	74,055	58,040	74,055	58,040
Other lending to/deposits in credit institutions ¹⁾	1,691,850	1,554,757	1,449,001	1,396,737
Liabilities to credit institutions	–410,535	–241,613	–3,186,454	–472,986
	1,355,370	1,371,184	–1,663,398	981,791
Interest received amounted to	1,183,343	1,180,193	712,616	701,647
Interest paid amounted to	533,796	686,399	377,285	343,423
Gross investments during the year	28,392	18,814	25,217	16,723

1) Excluding subsidiaries

Notes

NOTE 1 ACCOUNTING PRINCIPLES

(Credit Institutes and Securities Companies) Act, and the application of the Financial Accounting Standards Council's regulations and general guidelines (FFFS 2002:22) and with additions in accordance with the transition provisions to the Financial Accounting Standards Council'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 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– June 30, 2006	2005-01-01– June 30, 2005	Full-year 2005	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005	Full-year 2005
Interest income, lending to credit institutes	143,443	164,315	261,214	484,178	470,766	883,055
Interest income, lending to the public	980,518	906,548	1,807,723	179,032	178,507	353,458
Interest income, interest-bearing securities	27,770	17,945	34,887	27,770	17,941	34,887
Other interest income	44	40	1,982	–	–	1,935
Total interest income	1,151,775	1,088,848	2,105,806	690,980	667,214	1,273,335
Average interest rate on lending to the public (during the period)	4.0%	4.4%	4.0%	4.2%	4.7%	4.3%

NOTE 3 INTEREST EXPENSE

SEK 000s	Group			Parent Company		
	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005	Full-year 2005	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005	Full-year 2005
Interest expense, liabilities to credit institutions	196,936	208,239	361,019	19,842	71,451	93,983
Interest expense, deposits and borrowing from the public	174,661	162,579	301,635	153,962	137,722	254,576
Interest expense, interest-bearing securities	311,704	260,308	525,734	311,704	260,308	525,734
Interest expense, subordinated debt	18,080	18,206	34,432	18,080	18,206	34,432
Other interest expense, including government deposit insurance	7,000	4,785	9,545	7,000	4,736	9,473
Total interest expense	708,381	654,117	1,232,365	510,588	492,423	918,198
Average rate of interest on lending to the public (during the period)	1.4%	1.4%	1.2%	1.4%	1.4%	1.2%

NOTE 4 LOAN LOSSES, NET

SEK 000s	Group			Parent Company		
	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005	Full-year 2005	Jan. 1, 2006– June 30, 2006	2005-01-01– June 30, 2005	Full-year 2005
Specific provision for individually appraised loan receivables						
Write-off of confirmed loan losses during the period	5,079	2,564	29,267	2,216	1,165	3,041
Reversed provisions for probable loan losses reported in the interim accounts as confirmed losses	–3,251	–2,000	–3,115	–591	–624	–1,739
Provision for probable loan losses during the period	26,202	25,251	23,376	187	362	973
Payment received for prior confirmed loan losses	–9,811	–7,889	–25,352	–3,031	–698	–10,921
Reversed provisions no longer required for probable loan losses	–3,964	–1,233	–3,468	–1,170	–921	–1,957
Net expense during the period for individually appraised receivables	14,255	16,693	20,708	–2,389	–716	–10,603
Group-wise provisions for individually appraised receivables	–	–	–	–	–	–
Group-wise, appraised by group, of loan receivables of limited value and similar credit risk						
Write-off of confirmed loan losses during the period	4,093	4,494	16,949	4,093	4,494	6,940
Payment received for previously confirmed loan losses	–969	–1,247	–2,518	–	–7	–8
Allocation/dissolution of provisions for loan losses	12,479	15,417	16,887	4,161	3,803	3,466
Net expense for the period for loan receivables appraised by group	15,603	18,664	31,318	8,254	8,290	10,398
Net expense for the period for fulfillment of guarantees	–617	–2,112	–3,481	–617	–2,112	–3,481
Net expense for the period for loan losses	29,241	33,245	48,545	5,248	5,462	–3,686

NOTE 5 LENDING TO THE PUBLIC

SEK 000s	Group			Parent Company		
	June 30, 2006	June 30, 2005	Dec 31, 2005	June 30, 2006	June 30, 2005	Dec 31, 2005
Loan receivables, gross						
Public sector	146,136	126,661	133,952	–	–	–
Commercial sector	4,283,385	3,974,668	4,114,259	453,652	445,447	453,529
Household sector	46,563,925	39,206,322	43,061,907	8,481,416	7,738,300	8,013,701
Other	6,617	8,143	8,109	3,742	3,366	3,385
	51,000,063	43,315,794	47,318,227	8,938,810	8,187,113	8,470,615
Less:						
Provisions for individually reserved loan receivables						
Commercial sector	–54,028	–43,430	–36,988	–241	–246	–246
Household sector	–70,359	–61,095	–56,945	–10,880	–13,989	–12,449
	–124,387	–104,525	–93,933	–11,121	–14,235	–12,695
Provisions for group-wise reserved loan receivables						
Commercial sector	–15,746	–15,153	–16,714	–2,481	–2,259	–2,408
Household sector	–119,031	–109,800	–114,052	–73,017	–66,009	–68,561
	–134,777	–124,953	–130,766	–75,498	–68,268	–70,969
Total provisions	–259,164	–229,478	–224,699	–86,619	–82,503	–83,664
Loan receivables, net						
Public sector	146,136	126,661	133,952	–	–	–
Commercial sector	4,213,611	3,916,085	4,060,557	450,930	442,942	450,875
Household sector	46,374,535	39,035,427	42,890,910	8,397,519	7,658,302	7,932,691
Other	6,617	8,143	8,109	3,742	3,366	3,385
Total loan receivables, net	50,740,899	43,086,316	47,093,528	8,852,191	8,104,610	8,386,951
Doubtful loan receivables						
Commercial sector	91,762	65,042	74,738	2,742	2,505	2,674
Household sector	209,643	186,048	187,136	88,102	80,638	82,120
Total doubtful loan receivables	301,405	251,090	261,874	90,844	83,143	84,794
Non-performing loan receivables included among doubtful receivables						
Commercial sector	59,982	42,642	46,122	261	264	266
Household sector	134,764	116,335	116,503	56,521	50,552	55,110
Total non-performing receivables included among doubtful receivables	194,746	158,977	162,625	56,782	50,816	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		
	June 30, 2006	June 30, 2005	Dec 31, 2005	June 30, 2006	June 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	59,116	49,740	109,335	–10,405	–20,425	–31,603
	2,197,139	1,778,366	1,838,023	2,270,296	1,848,239	1,980,701
Total shareholders' equity	3,210,049	2,791,276	2,850,933	3,243,547	2,821,490	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	59,116	49,740	109,335	–10,405	–20,425	–31,603
Closing balance	3,210,049	2,791,276	2,850,933	3,243,547	2,821,490	2,953,952

NOTE 7 DERIVATIVE INSTRUMENTS

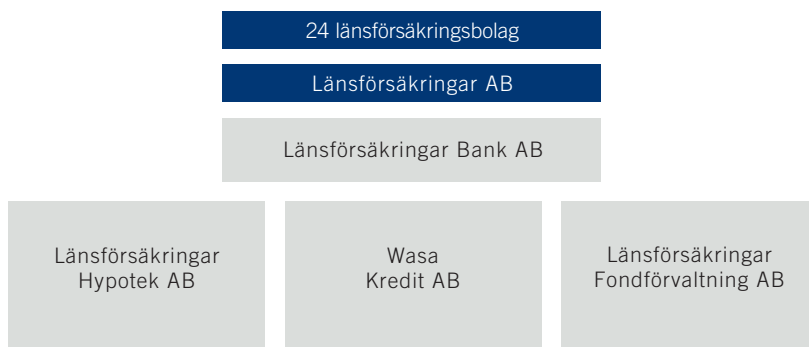
SEK 000s	Nominal value		Fair value	
	Group	Parent Company	Group	Parent Company
Derivative instruments with positive value				
Interest-rate derivatives	8,435,000	600,000	146,352	16,549
Currency derivatives	10,001,240	10,001,240	123,000	123,000
Derivative instruments with negative value				
Interest-rate derivatives	3,950,000	–	68,219	–
Currency derivatives	5,200,250	5,200,250	133,956	133,956

This interim report is unaudited.
Stockholm, August 29, 2006


Tomas Johansson
President and CEO

Reporting dates for 2006:

Interim report, January–September October 23, 2006



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 a total of 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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