

# Länsförsäkringar Bank

INTERIM REPORT, JANUARY – MARCH 2005

## Summary

- Operating income amounted to SEK 50.8 M (31.9) before loan losses and SEK 34.4 M (28.0) after loan losses.
- Revenue was up 13% to SEK 315.0 M (278.5). Administration expenses increased by 7% to SEK 264.3 M (246.6).
- Net interest income rose by 20% to SEK 218.9 M (182.9).
- Return on equity after standard tax was 4.0% (4.1).
- Lending to the public increased by 28% to SEK 40.9 billion (32.0). Deposits from the public rose by 5% to SEK 19.1 billion (18.1).
- Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 42% to SEK 25.4 billion (17.9).
- The bank received a capital contribution of SEK 150 M in the form of an unconditional shareholders' contribution.
- Capital adequacy was 11.54% (11.99) and the Tier 1 ratio 9.04% (9.11).
- Länsförsäkringar gained 40,000 new bank customers since March 2004, bringing the total number of bank customers to 579,000 (539,000).

### **Tomas Johansson, President and CEO, Länsförsäkringar Bank:**

I am pleased to state that operations are developing in accordance with our established strategy and earnings are at the anticipated level. We are continuing our efforts to achieve increased growth while maintaining a high level of cost efficiency. It is also worth mentioning that borrowing costs have declined as a result of our improved credit rating. Mortgage operations are growing and customers are broadening their dealings with the bank, primarily by opening salary accounts and ordering credit/debit cards. We are intensifying our efforts to develop mutual fund services as part of our banking offer, in parallel with improved growth in our funds. More than 10% of our mortgages are now sold via the Internet and we anticipate further growth in this sales channel. Länsförsäkringar is conducting a major advertising campaign during the spring, aimed at raising awareness of Länsförsäkringar as a bank.

Figures in parentheses pertain to January – March 2004.



## Key figures

Group	Jan. 1–Mar. 31, 2005	Jan. 1–Mar. 31, 2004	Full-year 2004
Return on equity, % <sup>1)</sup>	4.0	4.1	4.3
Return on total capital, %	0.3	0.3	0.3
Investment margin, %	1.98	2.12	2.18
Interest margin, %	1.82	1.91	2.02
Cost/income ratio before loan losses	0.84	0.89	0.86
Cost/income ratio after loan losses	0.89	0.90	0.90
Capital adequacy, %	11.54	11.99	11.37
Tier 1 ratio, %	9.04	9.11	9.00
Percentage of doubtful receivables, net, %	0.09	0.07	0.15
Provision ratio for doubtful receivables, %	85.92	88.68	76.33
<b>Parent Company</b>			
Return on equity, % <sup>1)</sup>	Neg.	Neg.	Neg.
Return on total capital, %	Neg.	Neg.	Neg.
Investment margin, %	0.83	0.96	1.01
Interest margin, %	0.73	0.78	0.86
Cost/income ratio before loan losses	1.07	1.06	1.07
Cost/income ratio after loan losses	1.08	1.06	1.08
Capital adequacy, %	42.72	45.21	45.64
Tier 1 ratio, %	33.37	34.37	36.45
Percentage of doubtful receivables, net, %	0.00	0.01	0.00
Provision ratio for doubtful receivables, %	101.26	97.86	98.47

<sup>1)</sup>For comparability reasons, the return at March 31, 2004 and December 31, 2004 has been adjusted for standard tax.

## Quarterly development, Group

SEK M	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Net interest income	218.9	225.3	211.4	210.0	182.9
Net commission income	57.2	54.6	57.2	48.9	53.1
Other revenue	38.9	45.0	38.8	43.9	42.5
<b>Total revenue</b>	<b>315.0</b>	<b>324.9</b>	<b>307.4</b>	<b>302.8</b>	<b>278.5</b>
Personnel costs	–55.3	–72.2	–52.0	–59.0	–53.3
Other costs	–208.9	–200.4	–210.0	–202.0	–193.3
<b>Total costs</b>	<b>–264.2</b>	<b>–272.6</b>	<b>–262.0</b>	<b>–261.0</b>	<b>–246.6</b>
<b>Income before loan losses</b>	<b>50.8</b>	<b>52.3</b>	<b>45.4</b>	<b>41.8</b>	<b>31.9</b>
Loan losses	–16.4	–16.2	–11.3	–13.4	–3.9
<b>Operating income</b>	<b>34.4</b>	<b>36.1</b>	<b>34.1</b>	<b>28.4</b>	<b>28.0</b>

## Group

### Total assets

The Group's total assets after the first quarter amounted to SEK 47.0 billion (35.8), an increase of 31%.

Lending to the public rose by 28%, or SEK 8.9 billion, to SEK 40.9 billion (32.0).

Deposits from the public rose by 5%, or SEK 0.9 billion, to SEK 19.1 billion (18.1).

### Lending portfolio

The table below shows lending broken down by segment. The share of housing loans rose from 64% to 69% during the period, while the share of installment plans and leasing declined.

Lending portfolio, Group				
SEK M	Mar. 31, 2005	%	Dec. 31, 2003	%
Mortgages	28,807	69	19,523	64
Installment plans	3,346	8	3,283	11
Unsecured loans	3,266	8	2,318	8
Leasing	2,764	7	2,629	9
Agriculture	2,526	6	2,033	6
Apartment buildings	233	1	243	1
Other	220	1	187	1
Lending to the public, gross	41,162	100	30,216	100
Provisions	-216		-172	
Lending to the public, net	40,946		30,044	

### Funding

Borrowing and issued securities increased by 83%, or SEK 10.3 billion, to SEK 22.6 billion (12.3).

	Limit	Utilized at Mar. 31, 2005
Commercial papers	SEK 15 billion	SEK 2.4 billion
MTN (Medium Term Note)	SEK 15 billion	SEK 10.1 billion
EMTN (Euro Medium Term Note)	EUR 1.5 billion	EUR 1 billion

A bond issue was executed in March in the Euro market. The bonds have a term of five years. Due to the high level of interest among investors, with the issue oversubscribed several times over, the issue limit was raised from the originally planned EUR 300 M to EUR 500 M. The issue enabled further diversification of the borrowing program.

### Capital adequacy

At March 31, 2005, the capital adequacy ratio amounted to 11.54% (11.99) and the

Tier 1 ratio was 9.04% (9.11). Länsförsäkringar Bank received an unconditional shareholders' contribution of SEK 150 M from Länsförsäkringar AB during the period.

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

### Rating

Standard & Poor's has granted the bank a credit rating of A- (stable) for long-term borrowing and A-2/K-1 for short-term borrowing. Moody's has granted a A3 (stable) rating for long-term borrowing and Prime-2 for short-term borrowing.

### Earnings and profitability

Consolidated operating income amounted to SEK 50.8 M (31.9) before loan losses and SEK 34.4 M (28.0) after loan losses. This corresponds to a return on average equity after standard tax of 4.0% (4.1).

### Revenue

Net interest income rose by 20% to SEK 218.9 M (182.9). The rise is primarily attributable to increased volumes. The Group's investment margin, that is, net interest income as a percentage of average total assets, amounted to 2.0% (2.1). The change is due to lower margins for mortgage operations and an altered product mix, with a greater share of mortgage lending and a lower share of deposits. Net commission income rose to SEK 57.2 M (53.1), largely due to higher

business volumes in Länsförsäkringar Fondförvaltning.

Net income from financial transactions amounted to SEK 4.8 M (8.6).

Other operating revenue amounted to SEK 34.1 M (33.9).

### Expenses

Operating expenses rose by SEK 17.7 M to SEK 264.3 M (246.6), mainly due to increased business volumes.

The cost/income ratio was 0.84 (0.89) before loan losses and 0.89 (0.90) after loan losses.

### Loan losses

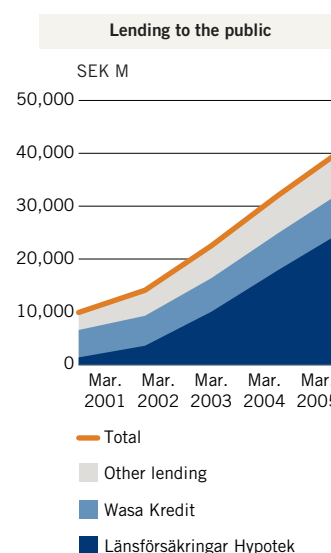
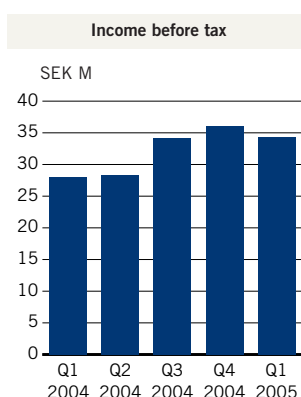
Depending on the product, provisions were mostly made after group-wise appraisal and only to a limited extent after individual review. The Group's net loan losses (both probable and confirmed) amounted to SEK 16.3 M (3.9).

### Interest-rate risk

A 1-percentage point rise in the market rate of interest at March 31, 2005 would have resulted in an increase of SEK 0.6 M in the value of Länsförsäkringar Bank's interest-bearing assets and liabilities, including derivatives.

### Satisfied mortgage customers

The Swedish Quality Index Survey for mortgage institutions, conducted annually by the Stockholm School of Economics, shows that customers are becoming increas-



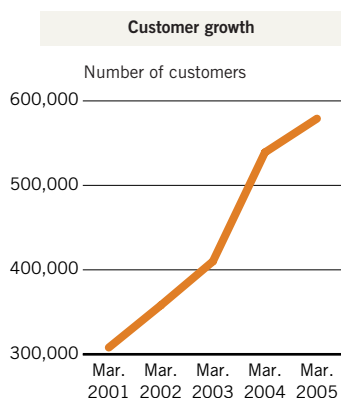
ingly satisfied. This year's survey produced the highest scores for the industry since measurements began in 2001. Länsförsäkringar Hypotek ranked third with a score of 76. This can be compared with SBAB, which was awarded the highest marks by customers, 78. The average score for the mortgage industry was 70. Länsförsäkringar was among the top three companies in all categories of the survey.

### Storm package

Länsförsäkringar decided to support those customers affected by the severe storms that hit mainly the south of Sweden during the beginning of the year. The Forest Storm Account is a high-interest account with favorable terms for customers affected by the storm. Länsförsäkringar offers a storm package comprising the following products: Forest Storm Account, Storm Damage Account and Storm Investment Account.

### Spring marketing campaign

At the end of March, Länsförsäkringar launched a marketing campaign that will continue until mid-May. The purpose of the campaign is to attract more full-service customers and raise awareness of Länsförsäkringar Bank. The aim is to broaden the Bank & Insurance brand by offering a combination of mortgage products, home insurance and pension solutions.



## Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public amounted to SEK 7.9 billion (7.1) during the period, while deposits from the public totaled SEK 19.1 billion (18.1). Most of the Group's lending operations are conducted through Länsförsäkringar Hypotek and Wasa Kredit. The major portion of the Banking Group's administration expenses is contained within the Parent Company.

## Subsidiaries

### Länsförsäkringar Hypotek AB

Mortgage lending rose by 42%, or SEK 7.5 billion, to SEK 25.4 billion (17.9). Market share in terms of loans for private homes and tenant-owned apartments rose from 2.1% in March 2004 to 2.6% in March 2005. The number of home mortgage customers increased from 56,000 to 73,000. The average size of loans amounts to approximately SEK 300,000. Most of the lending, 86%, relates to financing private homes. Financing of tenant-owned apartments accounts for 12%, with leisure homes and other financing accounting for the remaining 2%. First-lien mortgages are carried by Länsförsäkringar Hypotek and second-lien mortgages by the bank. Länsförsäkringar Hypotek's operating income amounted to SEK 5.9 M (10.1). The change is attributable to a new refinancing agreement with the Parent Company.

SEK M	Mar. 31, 2005	Mar. 31, 2004
Total assets	25,676.0	18,044.8
Lending volume	25,390.1	17,868.1
Operating income	5.9	10.1
Return on equity, %	1.36	3.77

### Wasa Kredit AB

Wasa Kredit is a finance company conducting leasing and financing operations as well as unsecured lending in the Swedish market. The leasing and financing operations focus primarily on the cars, compu-

ters and heavy machinery markets as well as the leisure segment, including trailers and boats. Wasa Kredit's operating income amounted to SEK 29.2 M (20.6) and the lending volume totaled SEK 7.6 billion (7.0).

New contracts during the period totaled SEK 1,188 M, representing a year-on-year increase of 7%. The increase in volume relates to leasing and installment plans, primarily for the financing of heavy machinery and small-scale computer and office equipment.

SEK M	Mar. 31, 2005	Mar. 31, 2004
Total assets	7,941.0	7,267.2
Lending volume	7,613.6	6,989.9
Operating income	29.2	20.6
Return on equity, %	18.50	14.86

### Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning manages SEK 43.0 billion (37.0) in 34 (36) mutual funds with different investment orientations.

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

Länsförsäkringar Fondförvaltning's operating income amounted to SEK 9.3 M (4.3).

SEK M	Mar. 31, 2005	Mar. 31, 2004
Total assets	165.1	103.9
Assets under management	43,067.0	36,913.2
Net inflow	2,694.9	2,775.8
Operating income	9.3	4.3
Return on equity, %	71.66	48.25

### WASA Garanti Försäkrings AB

The company was liquidated in March 2005.

## Income statements

SEK 000s		Group			Parent Company		
		Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004
Interest income	Note 2	544,014	471,630	2,051,056	318,498	316,364	1,284,119
Interest expense	Note 3	–325,091	–288,766	–1,221,319	–230,143	–236,963	–915,693
<b>Net interest income</b>		<b>218,923</b>	<b>182,864</b>	<b>829,737</b>	<b>88,355</b>	<b>79,401</b>	<b>368,426</b>
Dividends received		–	–	3,140	–	–	87
Commission revenue		151,590	136,745	556,238	20,537	27,913	91,404
Commission expense		–94,400	–83,669	–342,519	–23,477	–22,029	–99,530
Net income from financial transactions		4,830	8,611	14,811	4,830	8,611	14,811
Other operating revenue		34,094	33,914	152,245	40,472	33,065	147,939
<b>Total operating revenue</b>		<b>315,037</b>	<b>278,465</b>	<b>1,213,652</b>	<b>130,717</b>	<b>126,961</b>	<b>523,137</b>
General administration expenses		–245,265	–231,470	–976,005	–129,319	–125,852	–525,054
Depreciation/amortization and write-downs of tangible and intangible fixed assets		–7,785	–9,465	–37,074	–5,093	–6,759	–25,325
Other operating expenses		–11,211	–5,632	–29,153	–5,362	–1,888	–9,060
<b>Total expenses before loan losses</b>		<b>–264,261</b>	<b>–246,567</b>	<b>–1,042,232</b>	<b>–139,774</b>	<b>–134,499</b>	<b>–559,439</b>
<b>Income before loan losses</b>		<b>50,776</b>	<b>31,898</b>	<b>171,420</b>	<b>–9,057</b>	<b>–7,538</b>	<b>–36,302</b>
Loan losses, net	Note 4	–16,339	–3,861	–44,787	–927	545	–8,016
<b>Operating income</b>		<b>34,437</b>	<b>28,037</b>	<b>126,633</b>	<b>–9,984</b>	<b>–6,993</b>	<b>–44,318</b>
Tax on income for the period		–9,642	–	59,371	2,796	9,808	107,399
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>24,795</b>	<b>28,037</b>	<b>186,004</b>	<b>–7,188</b>	<b>2,815</b>	<b>63,081</b>
Earnings per share, SEK		2.60	2.94	19.48	–0.75	0.29	6.61

Conditions for receiving and paying Group contributions will exist at year-end. Accordingly, no current tax will be charged. The tax effect of Group contributions received has been taken into account as per March 31, 2005/March 31, 2004.

## Balance sheets

SEK 000s	Group			Parent Company		
	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004
<b>Assets</b>						
Cash and central bank account balances	58,913	133,827	146,399	58,913	83,431	72,253
Eligible Treasury bills	–	1,196,656	–	–	1,196,656	–
Lending to credit institutions	2,507,168	672,703	1,577,252	32,391,773	22,889,582	29,923,518
Lending to the public Note 5	40,946,001	32,003,902	39,426,458	7,986,280	7,145,937	8,005,721
Shares and participations	5,234	3,833	5,234	5,234	3,833	5,234
Shares and participations in Group companies	–	–	–	1,991,400	1,486,900	1,911,400
Bonds and other interest-bearing securities	2,849,702	1,297,934	1,197,721	2,849,702	1,297,934	1,197,721
Intangible assets	83,925	90,011	82,005	70,688	72,418	67,680
Tangible assets	15,999	23,377	17,297	2,934	6,738	3,421
Other assets	295,679	238,949	307,363	102,067	76,477	111,253
Prepaid expenses and accrued income	197,133	147,331	255,869	196,185	97,015	242,051
<b>ASSETS</b>	<b>46,959,754</b>	<b>35,808,523</b>	<b>43,015,598</b>	<b>45,655,176</b>	<b>34,356,921</b>	<b>41,540,252</b>
<b>Liabilities, provisions and shareholders' equity</b>						
Liabilities to credit institutions	597,959	1,303,090	705,489	877,223	1,452,060	758,572
Deposits and borrowing from the public	19,997,402	19,267,557	19,537,770	19,059,832	18,126,890	18,599,418
Securities issued	21,630,065	11,173,291	18,154,567	21,630,065	11,173,291	18,154,567
Other liabilities	167,317	268,219	375,765	39,404	168,501	198,651
Accrued expenses and prepaid income	879,427	738,454	728,603	308,057	323,827	230,707
Provisions	21,251	24,280	21,806	5,867	7,566	6,422
Subordinated debt	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
<b>Shareholders' equity Note 6</b>						
Share capital (9,548,708 shares, par value of SEK 100 each)	954,871	954,871	954,871	954,871	954,871	954,871
Restricted reserves	51,631	55,051	51,631	12,072	12,072	12,072
Profit brought forward	1,585,036	945,673	1,249,092	1,724,973	1,085,028	1,511,891
Net profit/loss for the period	24,795	28,037	186,004	–7,188	2,815	63,081
<b>Total shareholders' equity</b>	<b>2,616,333</b>	<b>1,983,632</b>	<b>2,441,598</b>	<b>2,684,728</b>	<b>2,054,786</b>	<b>2,541,915</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>	<b>46,959,754</b>	<b>35,808,523</b>	<b>43,015,598</b>	<b>45,655,176</b>	<b>34,356,921</b>	<b>41,540,252</b>
<b>Memorandum items</b>						
Assets pledged for own liabilities	1,000,000	500,000	500,000	1,000,000	500,000	500,000
Contingent liabilities	57,463	59,103	61,843	55,217	59,103	59,724
<b>Commitments</b>						
Loans approved but not disbursed	506,651	572,366	419,870	165,402	218,000	129,843
Unutilized overdraft facilities	805,377	734,242	715,417	7,239,735	2,721,573	8,666,357
Interest-rate swap agreements	13,300,000	9,950,000	13,050,000	4,450,000	6,450,000	4,650,000
Currency swap agreements	10,000,050	1,725,598	5,465,350	10,000,850	1,725,598	5,465,350
<b>Total commitments</b>	<b>24,612,078</b>	<b>12,982,206</b>	<b>19,650,637</b>	<b>21,855,987</b>	<b>11,115,171</b>	<b>18,911,550</b>

## Cash-flow statements

SEK 000s	Group		Parent Company	
	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004
<b>Liquid funds, January 1</b>	<b>1,018,162</b>	<b>–679,712</b>	<b>683,325</b>	<b>–814,459</b>
<b>Operating activities</b>				
Operating income	34,437	28,037	–9,984	–6,993
<b>Adjustment for items not included in cash flow</b>				
Booked non-chargeable tax	–9,642	–	2,796	9,808
Depreciation/amortization charged against earnings	7,785	9,465	5,093	6,759
	<b>32,580</b>	<b>37,502</b>	<b>–2,095</b>	<b>9,574</b>
Increase in lending to the public	–1,519,543	–1,960,178	19,441	–96,644
Increase in deposits and borrowing from the public	459,632	1,113,334	460,414	1,114,076
Increase in lending to subsidiaries	–	–	–1,502,682	–1,710,839
Change in other assets	70,420	–51,762	55,052	–41,919
Change in other liabilities	–58,179	243,814	–82,451	102,808
<b>Cash flow from operating activities</b>	<b>–1,015,090</b>	<b>–617,290</b>	<b>–1,052,321</b>	<b>–622,944</b>
<b>Investing activities</b>				
Change in fixed assets	–1,660,388	–74,400	–1,659,595	–55,287
Increase in shares in subsidiaries	–	–	–80,000	–235,000
Acquisition of Länsförsäkringar Fondförvaltning AB		–91,352		
Liquidation of Wasa Garanti Försäkringsaktiebolag	–60	–	–	–
Change in assets in insurance operations	–	21	–	–
Change in liabilities in insurance operations	–	–5,400	–	–
<b>Cash flow from investing activities</b>	<b>–1,660,448</b>	<b>–171,131</b>	<b>–1,739,595</b>	<b>–290,287</b>
<b>Financing activities</b>				
Shareholders' contribution received	150,000	–	150,000	–
New share issue	–	115,000	–	115,000
Change in securities issued	3,475,498	2,053,229	3,475,498	2,053,229
<b>Cash flow from financing activities</b>	<b>3,625,498</b>	<b>2,168,229</b>	<b>3,625,498</b>	<b>2,168,229</b>
<b>Cash flow for the period</b>	<b>949,960</b>	<b>1,379,808</b>	<b>833,582</b>	<b>1,254,998</b>
<b>Liquid funds, March 31</b>	<b>1,968,122</b>	<b>700,096</b>	<b>1,516,907</b>	<b>440,539</b>
<b>Liquid funds include:</b>				
Cash and central bank account balances	58,913	133,827	58,913	83,431
Eligible Treasury bills	–	1,196,656	–	1,196,656
Other lending to/deposits in credit institutions	2,507,168	672,703	2,335,217	612,512
Liabilities to credit institutions	–597,959	–1,303,090	–877,223	–1,452,060
	<b>1,968,122</b>	<b>700,096</b>	<b>1,516,907</b>	<b>440,539</b>
Interest received amounted to	589,740	436,064	351,879	284,531
Interest paid amounted to	199,607	52,942	174,245	69,868
Gross investments during the period	5,750	1,154	4,938	723

## Notes

### NOTE 1 ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council. In all other respects, the accounting principles and methods of computation remain unchanged compared with the 2004 Annual Report.

### NOTE 2 INTEREST INCOME

SEK 000s	Group			Parent Company		
	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004
Interest income, lending to credit institutions	35,570	63,868	340,325	224,878	213,361	884,256
Interest income, lending to the public	502,024	391,476	1,668,878	87,216	86,717	358,018
Interest income, interest-bearing securities	6,404	16,286	39,838	6,404	16,286	39,838
Other interest income	16	–	2,015	–	–	2,007
<b>Total interest income</b>	<b>544,014</b>	<b>471,630</b>	<b>2,051,056</b>	<b>318,498</b>	<b>316,364</b>	<b>1,284,119</b>
Average rate of interest on lending to the public during the period	4.8%	4.9%	4.7%	4.4%	4.9%	4.8%

### NOTE 3 INTEREST EXPENSE

SEK 000s	Group			Parent Company		
	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004
Interest expense, liabilities to credit institutions	110,542	72,783	411,341	27,910	36,046	159,689
Interest expense, deposits and borrowing from the public	80,606	106,980	347,342	68,339	92,049	293,368
Interest expense, interest-bearing securities	121,306	90,904	407,492	121,306	90,904	407,492
Interest expense, subordinated debt	9,207	15,099	47,406	9,207	14,964	47,406
Other interest expense, including government deposit insurance	3,430	3,000	7,738	3,381	3,000	7,738
<b>Total interest expense</b>	<b>325,091</b>	<b>288,766</b>	<b>1,221,319</b>	<b>230,143</b>	<b>236,963</b>	<b>915,693</b>
Average rate of interest on lending to the public during the period	1.4%	2.0%	1.5%	1.4%	2.0%	1.5%



**NOT 4 LOAN LOSSES, NET**

SEK 000s	Group			Parent Company		
	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004	Jan. 1–Mar. 31 2005	Jan. 1–Mar. 31 2004	Full-year 2004
<b>Specific provision for individually appraised loan receivables</b>						
Write-off of confirmed loan losses during the period	2,150	337	22,211	751	218	1,163
Reversed provisions for probable loan losses reported in the interim accounts as confirmed losses	–1,729	–125	–635	–353	–125	–635
Provision for probable loan losses during the period	12,410	5,263	7,676	119	385	1,541
Payment received for prior confirmed loan losses	–4,790	–2,754	–11,733	–1,697	–78	–644
Reversed provisions no longer required for probable loan losses	–560	–831	–4,904	–458	–578	–2,933
<b>Net expense during the period for individually appraised loan receivables</b>	<b>7,481</b>	<b>1,890</b>	<b>12,615</b>	<b>–1,638</b>	<b>–178</b>	<b>–1,508</b>
<b>Group-wise provisions for individually appraised receivables</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Homogenous groups, appraised by group, of loan receivables of limited value and similar credit risk</b>						
Write-off of confirmed loan losses during the period	1,340	620	23,830	1,340	620	5,765
Payment received for previously confirmed loan losses	–692	–600	–4,169	–	–7	–2
Allocation/dissolution of provisions for loan losses	8,704	3,850	16,214	1,719	919	7,464
<b>Net expense for the period for homogenous loan receivables appraised by group</b>	<b>9,352</b>	<b>3,870</b>	<b>35,875</b>	<b>3,059</b>	<b>1,532</b>	<b>13,227</b>
<b>Net expense for the period for fulfillment of guarantees</b>	<b>–494</b>	<b>–1,899</b>	<b>–3,703</b>	<b>–494</b>	<b>–1,899</b>	<b>–3,703</b>
<b>Net expense for the period for loan losses</b>	<b>16,339</b>	<b>3,861</b>	<b>44,787</b>	<b>927</b>	<b>–545</b>	<b>8,016</b>

**NOTE 5 LENDING TO THE PUBLIC**

SEK 000s	Group			Parent Company		
	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004
<b>Loan receivables, gross</b>						
Public sector	125,635	123,137	108,682	–	–	–
Commercial sector	3,853,626	3,698,228	3,912,000	468,297	317,771	433,531
Household sector	37,174,339	28,359,781	35,587,228	7,597,931	6,901,117	7,650,583
Other	7,979	8,225	8,309	3,176	3,333	3,479
<b>Total</b>	<b>41,161,579</b>	<b>32,189,371</b>	<b>39,616,219</b>	<b>8,069,404</b>	<b>7,222,221</b>	<b>8,087,593</b>
<b>Less:</b>						
<b>Specific provisions for individually reserved loan receivables</b>						
Commercial sector	–35,113	–34,808	–25,563	–247	–247	–247
Household sector	–53,781	–46,588	–39,028	–14,479	–16,879	–15,171
	<b>–88,894</b>	<b>–81,396</b>	<b>–64,591</b>	<b>–14,726</b>	<b>–17,126</b>	<b>–15,418</b>
<b>Provisions for group-wise reserved loan receivables</b>						
Commercial sector	–15,830	–12,881	–16,813	–2,112	–1,751	–2,188
Household sector	–110,854	–91,192	–108,357	–66,286	–57,407	–64,266
	<b>–126,684</b>	<b>–104,073</b>	<b>–125,170</b>	<b>–68,398</b>	<b>–59,158</b>	<b>–66,454</b>
<b>Total provisions</b>	<b>–215,578</b>	<b>–185,469</b>	<b>–189,761</b>	<b>–83,124</b>	<b>–76,284</b>	<b>–81,872</b>
<b>Loan receivables, net</b>						
Public sector	125,635	123,137	108,682	–	–	–
Commercial sector	3,802,683	3,650,539	3,869,624	465,938	315,773	431,096
Household sector	37,009,704	28,222,001	35,439,843	7,517,166	6,826,831	7,571,146
Other	7,979	8,225	8,309	3,176	3,333	3,479
	<b>40,946,001</b>	<b>32,003,902</b>	<b>39,426,458</b>	<b>7,986,280</b>	<b>7,145,937</b>	<b>8,005,721</b>
<b>Doubtful receivables</b>						
Commercial sector	79,969	61,285	75,266	2,359	1,998	2,618
Household sector	170,930	147,864	173,356	79,729	75,955	80,527
	<b>250,899</b>	<b>209,149</b>	<b>248,622</b>	<b>82,088</b>	<b>77,953</b>	<b>83,145</b>
<b>Non-performing receivables included among doubtful receivables</b>						
Företagssektor	34,906	36,612	21,560	426	479	430
Household sector	106,793	89,423	84,905	49,375	44,836	49,011
	<b>141,699</b>	<b>126,035</b>	<b>106,465</b>	<b>49,801</b>	<b>45,315</b>	<b>49,441</b>

**Definitions:**

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

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

## NOTE 6 SHAREHOLDERS' EQUITY

SEK 000s	Group			Parent Company		
	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004
<b>Restricted equity</b>						
Share capital	954,871	954,871	954,871	954,871	954,871	954,871
Statutory reserve	2,371	2,371	2,371	2,371	2,371	2,371
Share premium reserve	9,701	9,701	9,701	9,701	9,701	9,701
Other reserves	39,559	42,979	39,559	–	–	–
	<b>1,006,502</b>	<b>1,009,922</b>	<b>1,006,502</b>	<b>966,943</b>	<b>966,943</b>	<b>966,943</b>
<b>Non-restricted equity</b>						
Profit brought forward	1,585,036	945,673	1,249,092	1,724,973	1,085,028	1,511,891
Net profit/loss for the year	24,795	28,037	186,004	–7,188	2,815	63,081
	<b>1,609,831</b>	<b>973,710</b>	<b>1,435,096</b>	<b>1,717,785</b>	<b>1,087,843</b>	<b>1,574,972</b>
<b>Total shareholders' equity</b>	<b>2,616,333</b>	<b>1,983,632</b>	<b>2,441,598</b>	<b>2,684,728</b>	<b>2,054,786</b>	<b>2,541,915</b>
<b>Change in shareholders' equity</b>						
Shareholders' equity, opening balance	2,441,598	1,931,947	1,931,947	2,541,915	1,936,971	1,936,971
Group contribution received	–	–	–	–	–	176,200
Tax effect of Group contribution received	–	–	–	–	–	–49,337
Group contribution paid	–	–	–	–	–	–
Tax effect of Group contribution paid	–	–	–	–	–	–
Unconditional shareholders' contribution from Parent Company	150,000	–	300,000	150,000	–	300,000
New share issue in Länsförsäkringar Bank AB	–	115,000	115,000	–	115,000	115,000
Changed Group structure	–60	–91,352	–91,353	1	–	–
Net profit/loss for the period	24,795	28,037	186,004	–7,188	2,815	63,081
<b>Shareholders' equity, closing balance</b>	<b>2,616,333</b>	<b>1,983,632</b>	<b>2,441,598</b>	<b>2,684,728</b>	<b>2,054,786</b>	<b>2,541,915</b>

## NOTE 7 DERIVATIVE INSTRUMENT

SEK 000s	Nominal value		Fair value	
	Group	Parent Company	Group	Parent Company
<b>Derivative instruments with positive value</b>				
Interest-rate derivatives	3,700,000	4,450,000	37,714	60,036
Currency derivatives	6,336,450	6,336,450	72,388	72,388
<b>Derivative instruments with negative value</b>				
Interest-rate derivatives	10,150,000	–	205,133	–
Currency derivatives	3,664,400	3,664,400	2,996	2,996

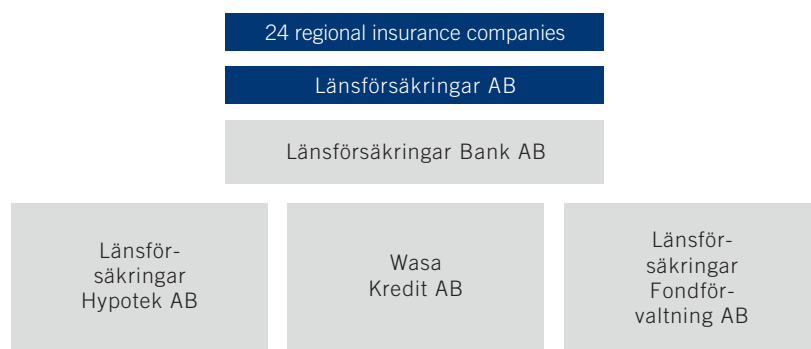
This interim report is unaudited.  
Stockholm, April 26, 2005.

**Tomas Johansson**  
*President and CEO*

**Reporting dates:**

Interim report, January–June: August 30, 2005

Interim report, January–September: October 25, 2005



Länsförsäkringar's organization is based on 24 independent and customer-owned regional insurance companies. The regional insurance companies jointly own Länsförsäkringar AB. In turn, Länsförsäkringar AB owns Länsförsäkringar Bank 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. 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.

**For further information, please contact**

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