

Länsförsäkringar Bank

INTERIM REPORT, JANUARY – JUNE 2004

Summary

- Operating income amounted to SEK 73.7 M (34.9) before loan losses and SEK 56.4 M (12.4) after loan losses.
- Mortgage loans by the subsidiary Länsförsäkringar Hypotek have more than quadrupled in two years and rose by 69% to SEK 20.5 billion (12.2) during the period.
- Lending to the public increased by 40% to SEK 35.4 billion (25.3). Deposits from the public rose by 9% to SEK 18.1 billion (16.6).
- Net interest income rose by 24% to SEK 392.9 M (315.7).
- The return on equity was 5.7% (1.8).
- Capital adequacy amounted to 10.98% (8.72) and the Tier 1 ratio was 8.40% (8.19).
- The number of bank customers increased by 28% to 546,000 (427,000).
- Standard & Poor's has raised the bank's credit rating from BBB+/stable to A-/stable for long-term borrowing. Moody's has awarded the bank a credit rating of A3/stable for long-term borrowing and Prime-2 for short-term borrowing.

Tomas Johansson, Managing Director, Länsförsäkringar Bank:

Länsförsäkringar's bank operations continue to perform very strongly and in line with Group strategy as a full-service bank for private individuals and farmers. Growth in earnings and volumes shows a highly positive trend. Mortgage loans have more than quadrupled during the past two years, which has also increased the bank's need for external funding. Accordingly, it is very positive that the bank now has an A rating from both Standard & Poor's and Moody's. This enhances the prospects for further strengthening our position in the Swedish mortgage market.

Figures in parentheses pertain to January – June 2003.



Key figures

Group	Jan. 1–June 30, 2004	Jan. 1–June 30, 2003	Full-year 2003
Return on equity, %	5.71	1.80	2.98
Investment margin, %	2.21	2.58	2.59
Interest margin, %	2.01	2.37	2.39
Cost/income ratio before loan losses	0.87	0.91	0.90
Cost/income ratio after loan losses	0.90	0.97	0.94
Capital adequacy, %	10.98	8.72	13.00
Tier 1 ratio, %	8.40	8.19	9.95
Percentage of doubtful receivables, gross, %	0.53	0.87 ¹⁾	0.69
Percentage of doubtful receivables, net, %	–0.03	0.19 ¹⁾	0.12
Provision ratio for doubtful receivables, %	105.47	78.13 ¹⁾	83.14
Parent Company			
Return on equity, %	0.38	neg	neg
Investment margin, %	1.02	1.31	1.33
Interest margin, %	0.85	1.13	1.16
Cost/income ratio before loan losses	1.05	1.18	1.12
Cost/income ratio after loan losses	1.06	1.21	1.14
Capital adequacy, %	41.11	28.44	45.23
Tier 1 ratio, %	31.63	26.69	34.62
Percentage of doubtful receivables, gross, %	0.25	0.36 ¹⁾	0.27
Percentage of doubtful receivables, net, %	0.01	0.04 ¹⁾	0.00
Provision ratio for doubtful receivables, %	96.23	88.12 ¹⁾	100.00

¹⁾ The comparative figures for the preceding year have been changed to show provisions for the bank's own lending and to no longer include the previous cooperation with SBAB.

Quarterly development, Group

SEK M	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Net interest income	210.0	182.9	202.9	182.1	168.6
Net commission revenue	48.9	53.1	9.1	8.4	3.8
Other revenues	43.9	42.5	22.7	22.6	26.2
Total revenues	302.8	278.5	234.7	213.1	198.6
Personnel costs	–59.0	–53.3	–58.5	–44.1	–46.7
Other costs	–202.0	–193.3	–155.4	–138.9	–131.6
Total costs	–261.0	–246.6	–213.9	–183.0	–178.3
Income before loan losses	41.8	31.9	20.8	30.1	20.3
Loan losses	–13.4	–3.9	–5.3	–9.1	–14.8
Income from banking operations	28.4	28.0	15.5	21.0	5.5
Income from insurance operations	0.0	0.0	14.8	1.2	1.0
Net profit	28.4	28.0	30.3	22.2	6.5

Group

Total assets

The Group's total assets at the end of the first six months of the year amounted to SEK 39.6 billion (26.7), representing an increase of 48%.

Lending to the public rose by 40%, or SEK 10.1 billion, to SEK 35.4 billion (25.3).

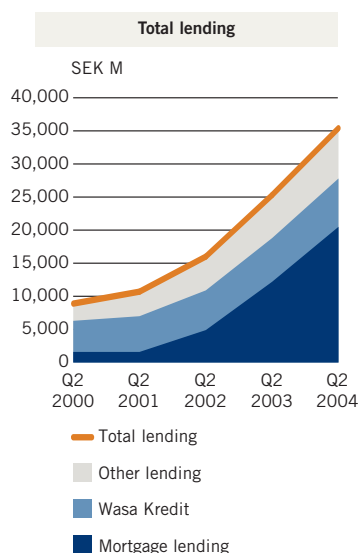
Deposits from the public rose by 9%, or SEK 1.5 billion, to SEK 18.1 billion (16.6).

Lending portfolio

The table below shows lending distributed by segments. The trend for the first six months of the year clearly shows the increase in the proportion attributable to mortgages.

Lending portfolio, Group

SEK M	June 30, 2004	%	Dec. 31, 2003	%
Mortgages	23,912	67	19,523	65
Installments	3,344	9	3,283	11
Unsecured loans	2,868	8	2,318	8
Leasing	2,750	8	2,629	9
Agriculture	2,284	6	2,033	7
Multi-family dwellings	234	1	243	1
Other	200	1	187	1
Lending to the public, gross	35,592	100	30,216	100
Allocations to reserve	-200		-172	
Lending to the public, net	35,392		30,044	



Funding

Borrowing and securities issued increased by 125.7%, or SEK 8.8 billion, to SEK 15.8 billion (7.0).

During the spring, an EMTN (Euro Medium Term Note) program of SEK 1.5 billion was established for long-term funding in the euro market. The program broadens the investor base by also enabling investors outside Sweden to invest. The program is listed on the Luxembourg Stock Exchange. The first issue totaled EUR 400 M, maturing in 2007. Demand for the bonds was so high that it was possible to increase the issue by EUR 100 M. The high demand was reflected in the price of the bond, which in turn will substantially improve the bank's future funding costs.

Other sources of funding include a national borrowing program, an MTN (Medium Term Note) program with a limit of SEK 15 billion, a commercial paper program with a limit of SEK 6 billion and a syndicated loan of EUR 150 M.

At June 30, 2004, borrowing via the MTN program totaled SEK 9.9 billion, borrowing via commercial paper totaled SEK 1.2 billion, the syndicated loan amounted to SEK 0.8 billion, and the EMTN program amounted to SEK 3.7 billion.

Capital adequacy

The bank's capital adequacy at June 30, 2004 was 10.98% (8.72) and the Tier 1 ratio was 8.40% (8.19).

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

Rating

During the spring, the rating agency Moody's assigned a rating to the bank's creditworthiness for the first time. The credit rating awarded was A3, with a stable outlook, for long-term borrowing and Prime-2 for short-term borrowing. Among Moody's motivations for the high rating is the bank's strategic role within the Länsförsäkringar Alliance. Additional factors are the bank's low risk profile and the reassur-

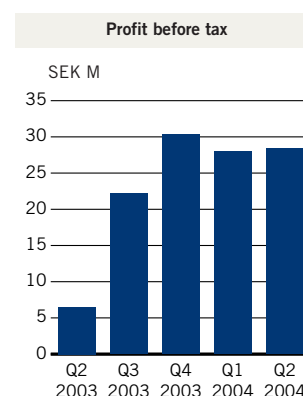
ing level of capital adequacy.

Standard & Poor's raised the bank's previous credit rating of BBB+ to A- with a stable outlook for long-term borrowing. For short-term borrowing, the rating is A2/K1. The bank's rating represents a high grade for its work and performance.

The Parent Company Länsförsäkringar AB retains its previous credit ratings of A- with a stable outlook from Standard & Poor's and A3 with a stable outlook from Moody's.

Earnings and profitability

Consolidated operating income amounted to SEK 73.7 M (34.9) before loan losses and SEK 56.4 M (12.4) after loan losses. This corresponds to a return on average equity of 5.7% (1.8).



Revenues

Net interest income rose by 24.5% to SEK 392.9 M (315.7). The rise is primarily attributable to increased volumes. The Group's investment margin, that is, net interest income as a percentage of average total assets, amounted to 2.2% (2.6). The change is mainly due to the changed mix in the refinancing portfolio. Net commission revenue increased to SEK 102.0 M (10.7), largely due to the fact that Länsförsäkringar Fondförvaltning has been included in the Group since the beginning of the year. The asset management company's share of net commission revenue amounted to 84%.

Net income from financial transactions amounted to SEK 14.1 M (0).

Other operating revenue rose by SEK 51% to SEK 72.3 M (47.9).

Expenses

Operating expenses rose by SEK 168.3 M to SEK 507.6 M (339.3). The rise is largely attributable to increased volumes but also to the fact that Länsförsäkringar Fondförvaltning has been included in the Group since the beginning of the year.

The cost/income ratio amounted to 0.87 (0.91) before loan losses and 0.90 (0.97) after loan losses.

Loan losses

Provisions were made after group-wise appraisal and, to a limited extent, after individual review. The Group's net loan losses (both probable and confirmed) amounted to SEK 17.3 M (24.5).

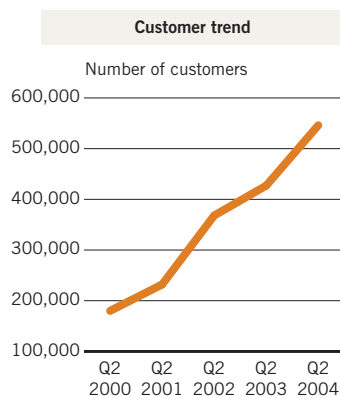
Loans on which repayment is more than 60 days overdue amount to 0.30% (0.50) of the total stock. Efforts to enhance the efficiency of the credit-management process are continuing.

Basel II

Within the banking group, a project has been under way for some time aimed at adapting the bank to the conditions set forth in the Basel project. The aim of the project – in line with the Basel II directive – is to adapt risk management and thereby enhance the effectiveness with which capital is allocated within the banking group.

Customers

Länsförsäkringar has acquired 119,000 new bank customers compared with the corresponding period 2003, and the bank now has a total of 546,000 customers, of whom 62,000 are mortgage customers. The aim is to offer customers a total solution comprising banking and insurance services. The bank is continuing its work with broadening customer commitment, and the number of customers who have their current account, cards, savings and loans with the bank has risen by 45% since June 2003. The bank has considerable potential in Länsförsäkringar's total customer base of approximately 3.1 million customers, and the figures clearly show that the proportion of Länsförsäkringar's private-homeowner insurance customers who are also bank customers – currently 9.5% – is increasing steadily.



Daily financial services on the Internet

The number of payments via the Internet increased by 66% compared with the year-earlier period. Of all payments handled by the bank, 68% are made via the Internet and the remainder by post via the giro system. Today, customers can check their auto-giro information and sign new consent forms electronically. Other services offered

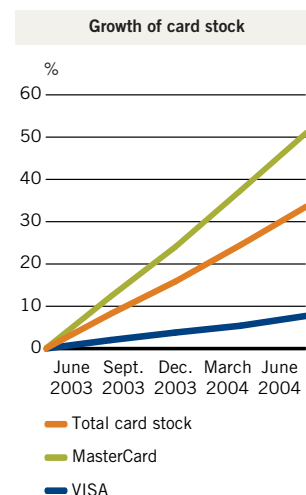
on the Internet include naming an account, opting not to receive statements and ordering a BankID.

The bank's project to launch e-giro and electronic invoicing via the Internet bank is continuing, and the service will be introduced as early as September. Customers will then be able to choose whether they wish to receive their invoices electronically instead of by mail.

The number of customers connected to the bank via the Internet has increased by 14% to 275,000 during the past 12 months.

Bank cards and credit/debit cards

At the close of the period, Länsförsäkringar had 77,988 credit/debit cards (58,439) in issue. The MasterCard bank card accounts for 67% of this total and also for the greatest increase. The card stock has increased by a total of 33% compared with the corresponding period in 2003.



The graph illustrates the accumulated growth of the card stock from June 2003.

Parent Company

Deposits, borrowing and some lending are conducted by the Parent Company. Lending to the public amounted to SEK 7.5 billion (6.6) during the period, while deposits from the public totaled SEK 18.1 billion (16.6). Most of the lending operations are conducted through the subsidiary Länsförsäkringar Hypotek AB. The major portion of the banking group's administration expenses is contained within the Parent Company.

Deferred tax claims

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

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

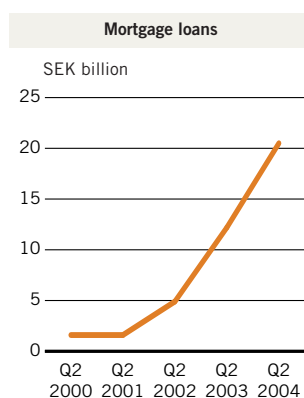
Subsidiaries

WASA Garanti Försäkring AB

Obligations and rights pertaining to WASA Garanti Försäkring AB have been transferred to the bank and the company will be liquidated during the year.

Länsförsäkringar Hypotek AB

Länsförsäkringar Hypotek launched first mortgages on its own behalf in 2001. Mortgage lending rose during the period by 69%, or SEK 8.3 billion, to SEK 20.5 billion (12.2) and the number of home mortgage customers increased from 44,000 to 62,000. The loans' average size amounts to approximately SEK 300,000. Most of the lending, equivalent to 85%, pertains to financing of single-family dwellings. Tenant-owner financing accounts for 11%, leisure home financing for 2% and other financing for the remaining 2%. First lien mortgages are carried by Länsförsäkringar Hypotek and second lien mortgages by the bank. Länsförsäkringar Hypotek's operating income amounted to SEK 16.4 M (23.8). The change is due to temporary effects of the company's refinancing agreement with the Parent Company and to altered allocation principles between the Parent Company and the subsidiary.



Wasa Kredit AB

Wasa Kredit is a finance company whose operations focus on loans for cars, computers and engineering machinery as well as unsecured loans. Wasa Kredit's operating income before appropriations and tax amounted to SEK 43.2 M (29.1) and the lending volume totaled SEK 7.3 M (6.6).

New contracts during the first six months of 2004 totaled SEK 2,497 M, distributed among 37,100 contracts, representing a year-on-year increase of 14% and 24%, respectively.

Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning manages SEK 38 billion (30) in 35 (36) mutual funds with different investment orientations.

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

Profit before tax and appropriations amounted to SEK 13.4 M (4.5).

Länsförsäkringar is the fifth largest player within unit-linked management in Sweden, and Länsförsäkringar Fondförvaltning AB holds a market share of 3.9% (3.9).

SEK M	June 30, 2004	June 30, 2003	June 30, 2002
Total number of mutual funds	35	36	36
– of which, equity funds	29	30	30
Assets under management	37,944	30,233	28,397
Net inflow	2,233	2,412	1,852
Income before appropriations and tax	13.4	4.5	4.8

Income statements

SEK 000s		Group			Parent Company		
		Jan. 1– June 30 2004	Jan. 1– June 30 2003	Full-year 2003	Jan. 1– June 30 2004	Jan. 1– June 30 2003	Full-year 2003
Interest income	Note 2	986,222	749,346	1,593,678	639,301	491,551	1,021,581
Interest expense	Note 3	–593,285	–433,668	–893,004	–466,142	–343,169	–685,242
Net interest income		392,937	315,678	700,674	173,159	148,382	336,339
Dividends received		–	–	2 418	–	–	138
Commission revenue		278,815	52,107	111,316	54,556	26,229	58,084
Commission expense		–176,853	–41,421	–83,132	–53,323	–28,893	–61,233
Net income from financial transactions		14,058	–	–399	14,058	–	–399
Other operating revenue		72,319	47,926	91,284	69,888	54,818	123,377
Total operating revenue		581,276	374,290	822,161	258,338	200,536	456,306
General administration expenses		–475,898	–299,736	–650,219	–254,122	–205,879	–448,586
Depreciation/amortization and write-downs of tangible and intangible fixed assets		–19,099	–27,317	–57,663	–13,550	–23,746	–49,777
Other operating expenses		–12,624	–12,288	–28,477	–3,593	–6,027	–12,755
Total expenses before loan losses		–507,621	–339,341	–736,359	–271,265	–235,652	–511,118
Income before loan losses		73,655	34,949	85,802	–12,927	–35,116	–54,812
Loan losses, net	Note 4	–17,273	–24,503	–38,871	–3,772	–7,404	–11,066
Income from banking operations		56,382	10,446	46,931	–16,699	–42,520	–65,878
Income from insurance operations		–	1,959	17,990	–	–	–
Total operating income		56,382	12,405	64,921	–16,699	–42,520	–65,878
Tax on income for the year		–	–	–18 611	20 464	15 378	18 224
NET PROFIT/LOSS FOR THE PERIOD		56,382	12,405	46,310	3,765	–27,142	–47,654
Earnings per share		5.90	1.48	5.51	0.39	–3.23	–5.67

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

Balance sheets

SEK 000s	Group			Parent Company		
	June 30, 2004	June 30, 2003	Dec. 31, 2003	June 30, 2004	June 30, 2003	Dec. 31, 2003
Assets						
Cash and central bank account balances	108,637	13,571	75,144	67,705	13,571	75,144
Lending to credit institutions	1,122,158	86,786	602,095	26,418,339	16,558,148	21,076,011
Lending to the public Note 5	35,392,308	25,344,223	30,043,724	7,536,480	6,565,326	7,049,293
Shares and participations	3,833	500	3,833	3,833	500	3,833
Shares and participations in Group companies	–	–	–	1,572,900	1,056,900	1,251,900
Bonds and other interest-bearing securities	2,409,082	798,488	1,243,145	2,409,082	798,488	1,243,145
Assets in insurance operations	–	6,763	21	–	–	–
Intangible assets	85,833	102,214	77,655	69,329	102,214	77,655
Tangible assets	21,949	29,213	25,587	6,423	9,357	7,762
Other assets	240,599	245,221	237,538	61,100	78,547	76,795
Prepaid expenses and accrued income	212,944	115,876	96,980	153,486	67,406	54,778
ASSETS	39,597,343	26,742,855	32,405,722	38,298,677	25,250,457	30,916,316
Liabilities, provisions and shareholders' equity						
Liabilities to credit institutions	1,519,963	495,213	1,356,951	1,626,517	518,468	1,399,382
Deposits and borrowing from the public	19,070,604	17,762,298	18,154,223	18,130,689	16,695,975	17,012,814
Securities issued	14,882,792	5,899,087	9,120,062	14,882,792	5,899,087	9,120,062
Liabilities in insurance operations	–	5,423	5,400	–	–	–
Other liabilities	192,780	141,263	307,500	115,770	36,883	262,866
Accrued expenses and prepaid income	845,260	640,452	458,629	429,920	357,362	129,925
Provisions	23,967	17,965	21,010	7,253	–	4,296
Subordinated debt	1,050,000	180,000	1,050,000	1,050,000	180,000	1,050,000
Shareholders' equity Note 6						
Share capital (9,548,708 shares, par value of SEK 100 each)	954,871	839,871	839,871	954,871	839,871	839,871
Restricted reserves	55,051	12,072	55,051	12,072	12,072	12,072
Profit brought forward	945,673	736,806	990,715	1,085,028	737,881	1,132,682
Net profit/loss for the period	56,382	12,405	46,310	3,765	–27,142	–47,654
Total shareholders' equity	2,011,977	1,601,154	1,931,947	2,055,736	1,562,682	1,936,971
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY	39,597,343	26,742,855	32,405,722	38,298,677	25,250,457	30,916,316
Memorandum items						
Assets on own debt	300,000	705,964	500,000	300,000	700,000	500,000
Contingent liabilities	63,016	24,647	29,412	60,865	20,101	29,949
Commitments						
Loans approved but not disbursed	701,193	693,194	457,983	279,520	212,885	179,696
Unutilized overdraft facilities	707,544	589,103	686,078	5,573,726	4,085,598	4,223,247
Interest swap agreements	13,350,000	4,000,000	5,600,000	6,050,000	300,000	2,500,000
Currency swap agreements	5,389,998	–	1,725,598	5,389,998	–	1,725,598
Total commitments	20,148,735	5,282,297	8,469,659	17,293,244	4,598,483	8,628,541

Cash-flow statements

SEK 000s	Group		Parent Company	
	Jan. 1 – June 30 2004	Jan. 1 – June 30 2003	Jan. 1 – June 30 2004	Jan. 1 – June 30 2003
Liquid funds, January 1	–679,712	1,210,049	–814,459	1,031,974
Operating activities				
Operating income	56,382	12,405	–16,699	–42,520
Adjustment for items not included in cash flow				
Booked non-chargeable tax	–	–	20,464	15,378
Depreciation/amortization charged against earnings	19,099	27,317	13,550	23,746
	75,481	39,722	17,315	–3,396
Increase in lending to the public	–5,348,584	–5,482,880	–487,187	–746,800
Increase in deposits and borrowing from the public	916,381	1,384,381	1,117,875	1,864,391
Increase in lending to subsidiaries	–	–	–4,804,701	–4,772,424
Change in other assets	–119,025	–47,669	–83,013	–21,127
Change in other liabilities	274,868	239,334	155,857	150,971
Cash flow from operating activities	–4,200,879	–3,867,112	–4,083,854	–3,528,385
Investing activities				
Change in fixed assets	–1,189,576	–319,808	–1,169,822	–315,406
Increase in shares in subsidiaries	–	–	–321,000	–250,000
Acquisition of Länsförsäkringar Fondförvaltning AB	–91,352	–	–	–
Change in assets in insurance operations	21	5,422	–	–
Change in liabilities in insurance operations	–5,400	29	–	–
Cash flow from investing activities	–1,286,307	–314,357	–1,490,822	–565,406
Financing activities				
Shareholders' contribution received	–	383,000	–	383,000
New share issue	115,000	–	115,000	–
Change in securities issued	5,762,730	2,193,564	5,762,730	2,193,564
Cash flow from financing activities	5,877,730	2,576,564	5,877,730	2,576,564
Cash flow for the period	390,544	–1,604,905	303,054	–1,517,227
Liquid funds at period-end	–289,168	–394,856	–511,405	–485,253
Liquid funds include::				
Cash and central bank account balances	108,637	13,571	67,705	13,571
Other lending to/deposits in credit institutions	1,122,158	86,786	1,047,407	19,644
Liabilities to credit institutions	–1,519,963	–495,213	–1,626,517	–518,468
	–289,168	–394,856	–511,405	–485,253
Interest received amounted to	924,258	722,122	562,077	483,987
Interest paid amounted to	304,125	131,935	207,441	80,410
Taxes paid amounted to	2,388	1,577	1,425	839
Gross investments during the period	6,491	17,919	5,420	17,072

Notes

NOTE 1 ACCOUNTING PRINCIPLES

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

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

NOTE 2 INTEREST INCOME

SEK 000s	Group			Parent Company		
	Jan. 1–June 30 2004	Jan. 1–June 30 2003	Full-year 2003	Jan. 1–June 30 2004	Jan. 1–June 30 2003	Full-year 2003
Interest income, lending to credit institutions	163,353	51,295	136,984	441,565	285,211	623,463
Interest income, lending to the public	797,635	677,738	1,428,079	172,510	186,126	369,544
Interest income, interest-bearing securities	25,226	19,221	26,504	25,226	19,221	26,504
Other interest income	8	1,092	2,111	–	993	2,070
Total interest income	986,222	749,346	1,593,678	639,301	491,551	1,021,581
Average interest rate, lending to the public	4.8%	5.9%	5.5%	4.8%	6.0%	5.7%

NOTE 3 INTEREST EXPENSE

SEK 000s	Group			Parent Company		
	Jan. 1–June 30 2004	Jan. 1–June 30 2003	Full-year 2003	Jan. 1–June 30 2004	Jan. 1–June 30 2003	Full-year 2003
Interest expense, liabilities to credit institutions	179,846	59,361	174,655	82,154	10,993	37,921
Interest expense, deposits and borrowing from the public	192,021	285,634	504,485	162,580	244,459	433,458
Interest expense, interest-bearing securities	188,727	79,194	195,360	188,727	79,194	195,360
Interest expense, subordinated debt	28,812	5,236	10,010	28,812	4,280	10,010
Other interest expense, including government deposit insurance	3,879	4,243	8,494	3,869	4,243	8,493
Total interest expense	593,285	433,668	893,004	466,142	343,169	685,242
Average rate of interest during the period, deposits from the public	1.8%	3.0%	2.6%	1.8%	3.0%	2.6%

NOT 4 LOAN LOSSES, NET

SEK 000s	Group			Parent Company		
	Jan. 1–June 30 2004	Jan. 1–June 30 2003	Full-year 2003	Jan. 1–June 30 2004	Jan. 1–June 30 2003	Full-year 2003
Specific provision for individually appraised loan receivables						
Write-off of confirmed loan losses during the period	1,065	2,037	15,186	620	2,037	1,349
Reversed provisions for probable loan losses reported in the interim accounts as confirmed losses	–389	–898	–992	–389	–687	–990
Provision for probable loan losses during the period	15,113	14,373	17,372	1,052	1,581	2,374
Payment received for prior confirmed loan losses	–6,874	–3,200	–14,977	–228	–310	–679
Reversed provisions no longer required for probable loan losses	–2,055	–2,118	–5,843	–1,149	–1,435	–3,396
Net expense during the period for individually appraised loan receivables	6,860	10,194	10,746	–94	1,186	–1,342
Group-wise provisions for individually appraised receivables	–	–	–	–	–	–
Homogenous groups, appraised by group, of loan receivables of limited value and similar credit risk						
Write-off of confirmed loan losses during the period	1,710	–	9,799	1,710	–	2,866
Payment received for previously confirmed loan losses	–1,489	–	–2,487	–22	–	–17
Allocation/dissolution of provisions for loan losses	12,235	14,309	20,813	4,221	6,218	9,559
Net expense for the period for homogenous loan receivables appraised by group	12,456	14,309	28,125	5,909	6,218	12,408
Net expense for period for fulfillment of guarantees	–2,043	–	–	–2,043	–	–
Net expense for the period for loan losses	17,273	24,503	38,871	3,772	7,404	11,066

NOTE 5 LENDING TO THE PUBLIC

SEK 000s	Group			Parent Company		
	Jun.30,2004	Jun.30,2003	Dec.31,2003	Jun.30,2004	Jun.30,2003	Dec.31,2003
Loan receivables, gross						
Public sector	122,219	130,306	130,774	–	–	–
Commercial sector	3,791,760	3,594,723	3,619,121	365,587	304,093	311,879
Household sector	31,669,689	21,792,728	26,458,102	7,247,212	6,337,457	6,809,759
Other	8,328	4,097	8,072	3,418	1,682	3,134
Total	35,591,996	25,521,854	30,216,069	7,616,217	6,643,232	7,124,772
Less:						
Specific provisions for individually reserved loan receivables						
Commercial sector	–36,478	–26,917	–28,589	–247	–247	–247
Household sector	–52,419	–53,357	–40,978	–16,712	–18,669	–17,198
	–88,897	–80,274	–69,567	–16,959	–18,916	–17,445
Provisions for group-wise reserved loan receivables						
Commercial sector	–13,096	–11,997	–13,243	–1,967	–1,736	–1,727
Household sector	–97,695	–85,360	–89,535	–60,811	–57,254	–56,307
	–110,791	–97,357	–102,778	–62,778	–58,990	–58,034
Total provisions	–199,688	–177,631	–172,345	–79,737	–77,906	–75,479
Loan receivables, net						
Public sector	122,219	130,306	130,774	–	–	–
Commercial sector	3,742,186	3,555,809	3,577,289	363,373	302,110	309,905
Household sector	31,519,575	21,654,011	26,327,589	7,169,689	6,261,534	6,736,254
Other	8,328	4,097	8,072	3,418	1,682	3,134
	35,392,308	25,344,223	30,043,724	7,536,480	6,565,326	7,049,293
Doubtful loan receivables						
Commercial sector	47,545	64,420	58,905	2,214	1,983	2,206
Household sector	141,793	156,662	148,383	80,643	80,864	73,272
	189,338	221,082	207,288	82,857	82,847	75,478
Non-performing loan receivables included among doubtful loan receivables						
Commercial sector	23,658	35,444	34,414	463	889	479
Household sector	81,860	92,760	82,245	48,885	42,874	40,185
	105,518	128,204	116,659	49,348	43,763	40,664

Definitions:

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

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

NOTE 6 SHAREHOLDERS' EQUITY

SEK 000s	Group			Parent Company		
	June 30 2004	June 30 2003	Dec. 31 2003	June 30 2004	June 30 2003	Dec. 31 2003
Restricted equity						
Share capital	954,871	839,871	839,871	954,871	839,871	839,871
Statutory reserve	2,371	2,371	2,371	2,371	2,371	2,371
Share premium reserve	9,701	9,701	9,701	9,701	9,701	9,701
Other reserves	42,979	–	42,979	–	–	–
	1,009,922	851,943	894,922	966,943	851,943	851,943
Non-restricted equity						
Profit brought forward	945,673	736,806	990,715	1,085,028	737,881	1,132,682
Net profit/loss for the year	56,382	12,405	46,310	3,765	–27,142	–47,654
	1,002,055	749,211	1,037,025	1,088,793	710,739	1,085,028
Total shareholders' equity	2,011,977	1,601,154	1,931,947	2,055,736	1,562,682	1,936,971
Change in shareholders' equity						
Opening balance	1,931,947	1,205,749	1,205,749	1,936,971	1,206,824	1,206,824
Group contribution received	–	–	–	–	–	66,390
Tax effect of Group contribution received	–	–	–	–	–	–18,589
Group contribution paid	–	–	–69,600	–	–	–
Tax effect of Group contribution paid	–	–	19,488	–	–	–
Unconditional shareholders' contribution from Parent Company	–	383,000	730,000	–	383,000	730,000
New issue of shares in Länsförsäkringar Bank AB	115,000	–	–	115,000	–	–
Changed Group structure	–91,352	–	–	–	–	–
Net profit/loss for the period	56,382	12,405	46,310	3,765	–27,142	–47,654
Closing balance	2,011,977	1,601,154	1,931,947	2,055,736	1,562,682	1,936,971

NOTE 7 DERIVATIVE INSTRUMENTS

SEK 000s	Nominal value		Fair value	
	Group	Parent Company	Group	Parent Company
Derivative instruments with positive values				
Interest-rate derivatives	4,625,000	1,400,000	9,860	31,660
Currency derivatives	1,725,598	1,725,598	12,820	12,820
Derivative instruments with negative values				
Interest-rate derivatives	9,350,000	4,650,000	77,778	29,375
Currency derivatives	3,664,400	3,664,400	6,505	6,505

Stockholm, August 30, 2004

Tomas Johansson

Managing Director

Review report

We have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Swedish Annual Accounts for Credit Institutions and Securities Companies Act.

Stockholm, August 30, 2004

Johan Bäckström

Authorized Public Accountant

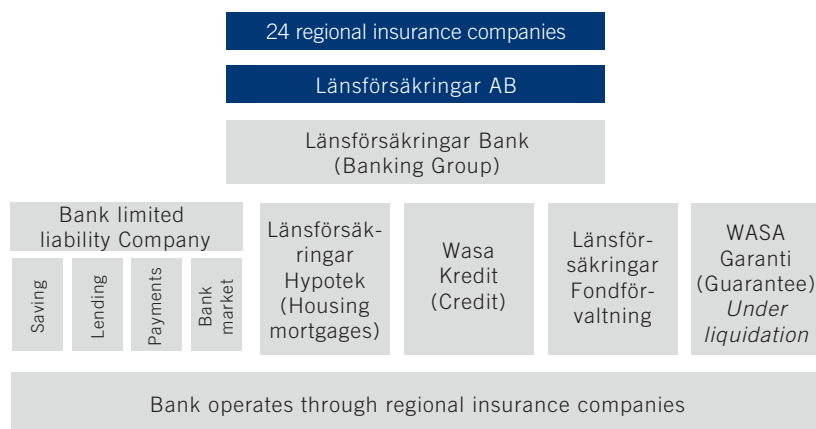
Lars-Ola Andersson

*Authorized Public Accountant
Appointed by Finansinspektionen*

Reporting dates:

Interim report, January – September 2004

October 26, 2004



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

**För further information, please contact**

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