

# Länsförsäkringar Bank

YEAR-END REPORT 2005

## Summary

- Operating income before loan losses amounted to SEK 203 M (171). Operating income after loan losses amounted to SEK 154 M (127).
- Revenue was up 7% to SEK 1,299 M (1,214) and administration expenses increased by 5% to SEK 1,097 M (1,042).
- Net interest income rose by 5% to SEK 873 M (830).
- Loan losses remained low, amounting to SEK 49 M (45).
- Return on equity before tax was 5.7% (5.9).
- Lending to the public increased by 19% to SEK 47 billion (39). Deposits from the public rose 9% to SEK 21 billion (19).
- Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 30% to SEK 31 billion (24).
- In January 2006, Standard & Poor's adjusted their outlook for the bank from "stable" to "positive," confirming the favorable trend and strategic significance of the bank's operations.
- For the second consecutive year, the Swedish Quality Index declared it had found Länsförsäkringar's retail customers to be more satisfied than customers of other banks.
- During the year, the yield on all mutual funds was positive.

Figures in parentheses pertain to 2004.

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

Given its rapid growth over the past few years, the bank is well prepared to meet the future. The strong growth, coupled with the most satisfied customers in the business, confirm that the long-term strategy we have chosen is correct. We have what it takes to create an even stronger core business, to the benefit of both our customers and of the LF Alliance as a whole. The bank operations shall continue to grow. We have a big inherent potential in our total customer offering, our brand and our customer base.



## Key figures

Group	2005	2004	2003	2002	2001
Return on equity, %	4.1	4.3	3.0	1.3	0.1
Return on total capital, %	0.4	0.3	0.2	0.1	0.0
Investment margin, %	1.85	2.18	2.59	3.01	3.08
Interest margin, %, average	1.69	2.02	2.37	2.82	2.86
Cost/income ratio before loan losses	0.84	0.86	0.90	0.99	1.09
Cost/income ratio after loan losses	0.88	0.90	0.94	1.01	1.04
Capital adequacy, %	11.28	11.37	13.00	8.08	9.12
Tier 1 ratio, %	9.02	9.00	9.95	7.45	8.45
Percentage of doubtful receivables, net %	0.05	0.15	0.12	0.18	0.47
Percentage of doubtful receivables, gross %	0.52	0.63	0.69	0.91	1.66
Provision ratio for doubtful receivables, %	91.02	76.33	83.14	83.35	86.29

### Parent Company

Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Return on total capital, %	Neg.	Neg.	Neg.	Neg.	Neg.
Investment margin, %	0.77	1.01	1.33	1.77	1.82
Interest margin, %, average	0.65	0.86	1.15	1.58	1.60
Cost/income ratio before loan losses	1.09	1.07	1.12	1.19	1.37
Cost/income ratio after loan losses	1.08	1.08	1.14	1.22	1.30
Capital adequacy, %	48.96	45.64	45.23	24.30	22.49
Tier 1 ratio, %	39.43	36.45	34.62	22.40	20.82
Percentage of doubtful receivables, net %	0.00	0.00	0.15	0.08	0.17
Percentage of doubtful receivables, gross %	0.19	0.23	0.27	0.45	0.68
Provision ratio for doubtful receivables, %	98.67	98.47	100.00	90.28	83.16

## Quarterly development, Group

SEK M	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Net interest income	223.5	215.2	215.8	218.9	225.3
Net commission income	76.1	69.8	73.3	57.2	54.6
Other revenue	36.3	36.7	37.7	38.9	45.0
<b>Total revenue</b>	<b>335.9</b>	<b>321.7</b>	<b>326.8</b>	<b>315.0</b>	<b>324.9</b>
Personnel costs	-63.3	-62.3	-63.3	-55.3	-72.2
Other costs	-219.8	-212.1	-211.9	-208.9	-200.4
<b>Total costs</b>	<b>-283.1</b>	<b>-274.4</b>	<b>-275.2</b>	<b>-264.2</b>	<b>-272.6</b>
<b>Income before loan losses</b>	<b>52.8</b>	<b>47.3</b>	<b>51.6</b>	<b>50.8</b>	<b>52.3</b>
Loan losses	-4.4	-10.8	-16.9	-16.4	-16.2
<b>Operating income</b>	<b>48.4</b>	<b>36.5</b>	<b>34.7</b>	<b>34.4</b>	<b>36.1</b>

## Group

### Total assets

In 2005, the Group's total assets grew by 20% and amounted to SEK 51,661 M. Lending to the public increased by 19%, or SEK 8 billion, to SEK 47,094 M (39,426). All lending was in Swedish kronor. Accordingly, lending accounted for 92% of the Group's total assets.

Deposits from the public rose by 9%, or SEK 1,630 M, to SEK 20,739 M (19,109). Borrowing and securities issued increased by 34%, or SEK 6,553 M, to SEK 25,646 M (19,093).

### Capital adequacy

The target level for capital adequacy is 10.5% (+/- 0.5) and for the Tier 1 ratio 8.5% (+/- 0.5).

Unconditional shareholders' contributions totaling SEK 300 M were received during the year from the Parent Company, Länsförsäkringar AB.

At year-end 2005, the capital adequacy ratio was 11.28% (11.37) and the Tier 1 ratio 9.02% (9.00).

### Rating

Standard & Poor's changed in January 2006 its outlook for the 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 LF Alliance as a whole 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 rating for long-term borrowing from Moody's is A3/stable and for short-term borrowing P-2.

### Earnings and profitability

Operating income amounted to SEK 154 M (127). Income after tax amounted to SEK 109 M (186), corresponding to a return on average equity of 4.1% (4.3).

### Revenue

Revenue rose by 7%. Net interest income rose by 5% to SEK 873 M (830). The increase in net interest income is primarily attributable to higher volumes of lending to the public. A total of SEK 9 M (8) for the obligatory government deposit insurance was charged to net interest income. The Group's investment margin, defined as net interest income as a percentage of average total assets, amounted to 1.85% (2.18).

Net commission income rose to SEK 276 M (214). Other operating revenue amounted to SEK 150 M (170).

### Expenses

Operating expenses rose by 5%, or SEK 55 M, to SEK 1,097 M (1,042). The increase is mainly attributable to the increase in lending and deposit volumes, which in turn caused an increase in marketing and selling expenses. The cost/income ratio – that is, costs in relation to revenue – amounted to 0.84 (0.86) before loan losses and 0.88 (0.90) after loan losses.

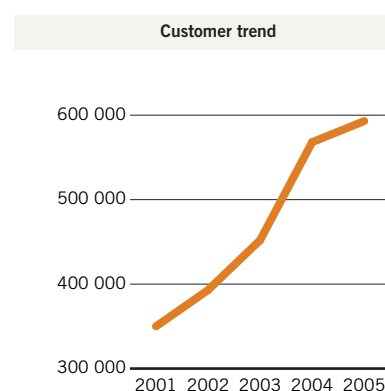
### Loan losses

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 amounted to SEK 49 M (45), largely as a result of segments involved high margins in Wasa Kredit. This is within calculations for these segments.

### Customer growth

The total number of customers grew to 593,000 (568,000). For the second consecutive year, the Swedish Quality Index (SQI) was able to report that Länsförsäkringar's retail banking customers are more satisfied than the customers of other banks.

Länsförsäkringar is among the front-runners in categories such as image, expectations, product quality, service quality and value for money. Länsförsäkringar is also the bank that has the least discrepancy between what its customers expect and what they feel they receive.



### Covered bonds

A study is currently under way in the banking group regarding the issuance of covered bonds. The study is intended to determine the conditions under which issues can be made and what this would mean for operations in terms of improved borrowing costs. The bank's position on this matter will be announced to the market during the second quarter of 2006. The use of covered bonds as a refinancing alternative could be a natural step given the strong growth and the very high quality of the assets in the bank's operations.

## Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public rose by 5% or SEK 0.4 billion, and amounted to SEK 8.4 billion (8.0). Deposits from the public rose by 9%, or SEK 1,663 M, to SEK 20,772 M (19,109). Funding and securities issued rose by 37% or SEK 6,695 M to SEK 24,850 M (18,155).

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

Mortgage lending by the bank's mortgage institute rose during the year by 30% to SEK 31 billion, up SEK 7 billion. Currently, 85% of Länsförsäkringar's loans consist of loans for private homes, 13% of loans for tenant-owned apartments, with the remaining 2% relating to loans for leisure homes and other financing. First-lien mortgages are carried by Länsförsäkringar Hypotek and second-lien mortgages by the bank.

The company's market share (private homes and tenant-owned apartments) increased by 16% since 2004, and amounted to 2.9% (2.5). The number of mortgage customers increased by 19% and amounted to 83,000 on December 31, 2005. Operating income amounted to SEK 23 M (27). The change is attributable to more intense competition.

(SEK M)	Dec. 31, 2005	Dec. 31, 2004
Total assets	31 419	23 843
Lending volume	30 964	23 746
Operating income	23	27
Return on equity, %	1.1	2.0

### Wasa Kredit AB

Wasa Kredit's operating income before appropriations and tax amounted to SEK 110 M (98). The lending volume totaled SEK 8 billion (8). Some 43% of lending pertains to car financing, 18% to unsecured loans, 16% to machinery financing and the remainder to supplier financing and lease.

(SEK M)	Dec. 31, 2005	Dec. 31, 2004
Total assets	8 161	8 116
Lending volume	7 743	7 674
Operating income	110	98
Return on equity, %	16.5	16.7

### Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning manages SEK 54 billion (40) in 32 (34) mutual funds with different investment orientations.

Länsförsäkringar's mutual funds are available both as direct fund saving and as various unit-linked products, such as premium, contractual and occupational pension plans.

Mutual funds are an increasingly important aspect of Länsförsäkringar's savings offering, regardless of whether the customer invests in funds directly or through unit-linked insurance.

During the year, Länsförsäkringar's funds generated returns of between 22 and 62%. The top performers were the Small Cap Fund, which grew 62%, and the Growth Market Fund, which also grew 62%.

Income before tax and appropriations amounted to SEK 64 M (46).

SEK M	Dec. 31, 2005	Dec. 31, 2004
Total assets	202	125
Assets under management	53 906	40 114
Net inflow	2 945	3 934
Operating income	64	46
Return on equity, %	68.3	102.0

## Income statements

SEK 000s		Group		Parent Company	
		2005	2004	2005	2004
Interest income	Note 2	2 105 806	2 051 056	1 273 335	1 284 119
Interest expense	Note 3	–1 232 365	–1 221 319	–918 198	–915 693
<b>NET INTEREST INCOME</b>		<b>873 441</b>	<b>829 737</b>	<b>355 137</b>	<b>368 426</b>
Dividends received		3 422	3 140	39	87
Commission revenue		683 086	556 238	99 466	91 404
Commission expense		–406 682	–342 519	–99 955	–99 530
Net income from financial transactions		10 335	14 811	4 830	14 811
Other operating revenue		135 886	152 245	167 138	147 939
<b>TOTAL OPERATING REVENUE</b>		<b>1 299 488</b>	<b>1 213 652</b>	<b>526 655</b>	<b>523 137</b>
General administration expenses		–1 009 726	–976 005	–529 247	–525 054
Depreciation/amortization and write-downs of tangible and intangible fixed assets		–33 378	–37 074	–22 270	–25 325
Other operating expenses		–53 832	–29 153	–21 669	–9 060
<b>TOTAL EXPENSES BEFORE LOAN LOSSES</b>		<b>–1 096 936</b>	<b>–1 042 232</b>	<b>–573 186</b>	<b>–559 439</b>
<b>INCOME BEFORE LOAN LOSSES</b>		<b>202 552</b>	<b>171 420</b>	<b>–46 531</b>	<b>–36 302</b>
Loan losses, net	Note 4	–48 545	–44 787	3 686	–8 016
<b>OPERATING INCOME</b>		<b>154 007</b>	<b>126 633</b>	<b>–42 845</b>	<b>–44 318</b>
Tax on income for the period		–44 672	59 371	11 242	107 399
<b>NET PROFIT/LOSS FOR THE PERIOD</b>		<b>109 335</b>	<b>186 004</b>	<b>–31 603</b>	<b>63 081</b>
Earnings per share, SEK (No. of shares: 9,548,708)		11.45	19.48	–3.31	6.61

## Balance sheets

SEK 000s	Group		Parent Company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
<b>Assets</b>				
Cash and central bank account balances	75 617	146 399	75 617	72 253
Lending to credit institutions	1 296 701	1 577 252	36 875 545	29 923 518
Lending to the public <span style="float: right;">Note 5</span>	47 093 528	39 426 458	8 386 951	8 005 721
Shares and participations	7 469	5 234	7 469	5 234
Shares and participations in Group companies			2 444 400	1 911 400
Bonds and other interest-bearing securities	2 602 795	1 197 721	2 602 795	1 197 721
Intangible assets	101 367	82 005	86 843	67 680
Tangible assets	12 153	17 297	1 230	3 421
Other assets	283 260	307 363	73 693	111 253
Prepaid expenses and accrued income	188 282	255 869	241 861	242 051
<b>ASSETS</b>	<b>51 661 172</b>	<b>43 015 598</b>	<b>50 796 404</b>	<b>41 540 252</b>
<b>Liabilities, provisions and shareholders' equity</b>				
Liabilities to credit institutions	308 430	195 479	769 341	248 562
Deposits and borrowing from the public	21 534 743	20 047 780	20 772 309	19 109 428
Securities issued	24 849 788	18 154 567	24 849 788	18 154 567
Other liabilities	295 058	375 765	131 095	198 651
Accrued expenses and prepaid income	752 501	728 603	265 584	230 707
Provisions	19 719	21 806	4 335	6 422
Subordinated debt	1 050 000	1 050 000	1 050 000	1 050 000
<b>Shareholders' equity <span style="float: right;">Note 6</span></b>				
Share capital (9,548,708 shares, par value of SEK 100 each)	954 871	954 871	954 871	954 871
Restricted reserves	58 039	51 631	18 380	12 072
Profit brought forward	1 728 688	1 249 092	2 012 304	1 511 891
Net profit/loss for the period	109 335	186 004	-31 603	63 081
<b>Total shareholders' equity</b>	<b>2 850 933</b>	<b>2 441 598</b>	<b>2 953 952</b>	<b>2 541 915</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>	<b>51 661 172</b>	<b>43 015 598</b>	<b>50 796 404</b>	<b>41 540 252</b>
<b>Memorandum items</b>				
Assets pledged	500 000	500 000	500 000	500 000
Contingent liabilities	55 547	61 843	55 547	59 724
Commitments	23 752 871	19 650 637	20 681 544	18 911 550

## Cash-flow statements

SEK 000s	Group		Parent Company	
	2005	2004	2005	2004
<b>Liquid funds, January 1</b>	<b>1 528 172</b>	<b>-318 156</b>	<b>1 193 335</b>	<b>-452 903</b>
<b>Operating activities</b>				
Operating income	154 007	126 633	-42 845	-44 318
<b>Adjustment for items not included in cash flow</b>				
Booked non-chargeable tax	-44 672	59 371	11 242	107 399
Depreciation/amortization charged against earnings	33 378	37 074	22 270	25 325
	<b>142 713</b>	<b>223 078</b>	<b>-9 333</b>	<b>88 406</b>
Increase in lending to the public	-7 667 070	-9 382 734	-381 230	-956 428
Increase in deposits and borrowing from the public	1 486 963	1 532 001	1 662 881	1 735 058
Increase in lending to subsidiaries	-	-	-7 238 563	-7 987 643
Change in other assets	91 690	-228 715	37 750	-221 730
Change in other liabilities	-58 896	339 035	-34 766	38 692
<b>Cash flow from operating activities</b>	<b>-6 004 600</b>	<b>-7 517 335</b>	<b>-5 963 261</b>	<b>-7 303 645</b>
<b>Investing activities</b>				
Change in fixed assets	-1 452 670	12 290	-1 444 316	34 415
Increase in shares in subsidiaries	-	-	-533 000	-659 500
Increase in shares and participations	-2 235	-1 401	-2 235	-1 401
Acquisition of Länsförsäkringar Fondförvaltning AB	-	-91 352	-	-
Change in assets in insurance operations	-	21	-	-
Change in liabilities in insurance operations	-	-5 400	-	-
<b>Cash flow from investing activities</b>	<b>-1 454 905</b>	<b>-85 842</b>	<b>-1 979 551</b>	<b>-626 486</b>
<b>Financing activities</b>				
Increase in corporate loans	-	-	-	-
Shareholders' contribution received	300 000	300 000	300 000	300 000
New share issue	-	115 000	-	115 000
Group contribution provided	-	-	-	-
Group contribution received	-	-	143 640	126 864
Change in securities issued	6 695 221	9 034 505	6 695 221	9 034 505
<b>Cash flow from financing activities</b>	<b>6 995 221</b>	<b>9 449 505</b>	<b>7 138 861</b>	<b>9 576 369</b>
<b>Cash flow for the year</b>	<b>-464 284</b>	<b>1 846 328</b>	<b>-803 951</b>	<b>1 646 238</b>
<b>Liquid funds, December 31</b>	<b>1 063 888</b>	<b>1 528 172</b>	<b>389 384</b>	<b>1 193 335</b>
<b>Liquid funds include:</b>				
Cash and central bank account balances	75 617	146 399	75 617	72 253
Other lending to/deposits in credit institutions <sup>1)</sup>	1 296 701	1 577 252	1 083 108	1 369 644
Liabilities to credit institutions	-308 430	-195 479	-769 341	-248 562
	<b>1 063 888</b>	<b>1 528 172</b>	<b>389 384</b>	<b>1 193 335</b>
Interest received amounted to	2 176 073	1 961 782	1 262 594	1 127 016
Interest paid amounted to	1 261 407	1 048 785	875 933	841 010
Gross investments during the year	48 039	15 652	39 666	12 186

1) Excluding subsidiaries

## Notes

### NOTE 1 ACCOUNTING PRINCIPLES

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

### NOTE 2 INTEREST INCOME

SEK 000s	Group		Parent Company	
	2005	2004	2005	2004
Interest income, lending to credit institutions	261 214	340 325	883 055	884 256
Interest income, lending to the public	1 807 723	1 668 878	353 458	358 018
Interest income, interest-bearing securities	34 887	39 838	34 887	39 838
Other interest income	1 982	2 015	1 935	2 007
<b>Total interest income</b>	<b>2 105 806</b>	<b>2 051 056</b>	<b>1 273 335</b>	<b>1 284 119</b>
Average rate of interest on lending to the public during the period	4.0%	4.7%	4.3%	4.8%

### NOTE 3 INTEREST EXPENSE

SEK 000s	Group		Parent Company	
	2005	2004	2005	2004
Interest expense, liabilities to credit institutions	361 019	402 240	93 983	150 588
Interest expense, deposits and borrowing from the public	301 635	356 443	254 576	302 469
Interest expense, subordinated debt	34 432	47 406	34 432	47 406
Interest expense, interest-bearing securities	525 734	407 492	525 734	407 492
Other interest expense, including government deposit insurance	9 545	7 738	9 473	7 738
<b>Total interest expense</b>	<b>1 232 365</b>	<b>1 221 319</b>	<b>918 198</b>	<b>915 693</b>
Average rate of interest on lending to the public during the period	1.2%	1.5%	1.2%	1.5%



**NOTE 4 LOAN LOSSES, NET**

SEK 000s	Group		Parent Company	
	2005	2004	2005	2004
<b>Specific provision for individually appraised loan receivables</b>				
Write-off of confirmed loan losses during the period	29 267	22 211	3 041	1 163
Reversed provisions for probable loan losses reported in the interim accounts as confirmed losses	-3 115	-635	-1 739	-635
Provision for probable loan losses during the period	23 376	7 676	973	1 541
Payment received for prior confirmed loan losses	-25 352	-11 733	-10 921	-644
Reversed provisions no longer required for probable loan losses	-3 468	-4 904	-1 957	-2 933
<b>Net expense during the period for individually appraised loan receivables</b>	<b>20 708</b>	<b>12 615</b>	<b>-10 603</b>	<b>-1 508</b>
<b>Group-wise provisions for individually appraised receivables</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	16 949	23 830	6 940	5 765
Payment received for previously confirmed loan losses	-2 518	-4 169	-8	-2
Allocation/dissolution of provisions for loan losses	16 887	16 214	3 466	7 464
<b>Net expense for the period for homogenous loan receivables appraised by group</b>	<b>31 318</b>	<b>35 875</b>	<b>10 398</b>	<b>13 227</b>
<b>Net expense for the period for fulfillment of guarantees</b>	<b>-3 481</b>	<b>-3 703</b>	<b>-3 481</b>	<b>-3 703</b>
<b>Net expense for the period for loan losses</b>	<b>48 545</b>	<b>44 787</b>	<b>-3 686</b>	<b>8 016</b>

All information refers to receivables from the public.

**NOTE 5 LENDING TO THE PUBLIC**

SEK 000s	Group		Parent Company	
	2005	2004	2005	2004
<b>Loan receivables, gross</b>				
Public sector	133 952	108 682	-	-
Commercial sector	4 114 259	3 912 000	453 529	433 531
Household sector	43 061 907	35 587 228	8 013 701	7 650 583
Other	8 109	8 309	3 385	3 479
	<b>47 318 227</b>	<b>39 616 219</b>	<b>8 470 615</b>	<b>8 087 593</b>
<b>Provisions for individually reserved loan receivables</b>				
Commercial sector	-36 988	-25 563	-246	-247
Household sector	-56 945	-39 028	-12 449	-15 171
	<b>-93 933</b>	<b>-64 591</b>	<b>-12 695</b>	<b>-15 418</b>
<b>Provisions for group-wise reserved loan receivables</b>				
Commercial sector	-16 714	-16 813	-2 408	-2 188
Household sector	-114 052	-108 357	-68 561	-64 266
	<b>-130 766</b>	<b>-125 170</b>	<b>-70 969</b>	<b>-66 454</b>
<b>Total provisions</b>	<b>-224 699</b>	<b>-189 761</b>	<b>-83 664</b>	<b>-81 872</b>
<b>Loan receivables, net</b>				
Public sector	133 952	108 682	-	-
Commercial sector	4 060 557	3 869 624	450 875	431 096
Household sector	42 890 910	35 439 843	7 932 691	7 571 146
Other	8 109	8 309	3 385	3 479
	<b>47 093 528</b>	<b>39 426 458</b>	<b>8 386 951</b>	<b>8 005 721</b>
<b>Doubtful receivables</b>				
Commercial sector	74 738	68 178	2 674	2 618
Household sector	172 128	164 184	82 120	80 527
	<b>246 866</b>	<b>232 362</b>	<b>84 794</b>	<b>83 145</b>
<b>Non-performing receivables included among doubtful receivables</b>				
Commercial sector	46 122	28 745	266	430
Household sector	116 503	94 194	55 110	49 011
	<b>162 625</b>	<b>122 939</b>	<b>55 376</b>	<b>49 441</b>

**Definitions:**

A **non-performing receivable** is a claim 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	
	2005	2004	2005	2004
<b>Restricted equity</b>				
Share capital	954 871	954 871	954 871	954 871
Statutory reserve	18 480	12 072	18 380	12 072
Other reserves	39 559	39 559	-	-
	<b>1 012 910</b>	<b>1 006 502</b>	<b>973 251</b>	<b>966 943</b>
<b>Non-restricted equity</b>				
Profit brought forward	1 728 688	1 249 092	2 012 304	1 511 891
Net profit/loss for the year	109 335	186 004	-31 603	63 081
	<b>1 838 023</b>	<b>1 435 096</b>	<b>1 980 701</b>	<b>1 574 972</b>
<b>Total shareholders' equity</b>	<b>2 850 933</b>	<b>2 441 598</b>	<b>2 953 952</b>	<b>2 541 915</b>

#### Change in shareholders' equity

(Group)	Share capital	Restricted reserves	Unrestricted reserves	Net profit/loss for the year	Total
<b>Opening balance</b>	<b>954 871</b>	<b>51 631</b>	<b>1 249 092</b>	<b>186 004</b>	<b>2 441 598</b>
As per decision by the Annual General Meeting		6 408	179 596	-186 004	0
Unconditional shareholders' contribution received from Parent Company			300 000		300 000
Net profit/loss for the year				109 335	109 335
<b>Closing balance</b>	<b>954 871</b>	<b>58 039</b>	<b>1 728 688</b>	<b>109 335</b>	<b>2 850 933</b>

#### Change in shareholders' equity

(Parent Company)	Share capital	Restricted reserves	Unrestricted reserves	Net profit/loss for the year	Total
<b>Opening balance</b>	<b>954 871</b>	<b>12 072</b>	<b>1 511 891</b>	<b>63 081</b>	<b>2 541 915</b>
As per decision by the Annual General Meeting		6308	56 773	-63 081	0
Unconditional shareholder contribution received			300 000		300 000
Group contribution received			199 500		199 500
Tax effect of Group contribution received			-55 860		-55 860
Net profit/loss for the year				-31 603	-31 603
<b>Closing balance</b>	<b>954 871</b>	<b>18 380</b>	<b>2 012 304</b>	<b>-31 603</b>	<b>2 953 952</b>

#### NOTE 7 DERIVATIVE INSTRUMENTS

SEK 000s	Nominal value		Fair value	
	Group	Parent Company	Group	Parent Company
Derivative instruments with positive value				
Interest-rate derivatives	5 520 000	1 500 000	31 781	4 934
Currency derivatives	10 001 240	10 001 240	318 687	318 667
Derivative instruments with negative value				
Interest-rate derivatives	6 150 000	900 000	140 139	1 725
Currency derivatives	1 427 250	1 427 250	18 290	18 290

This report is unaudited.

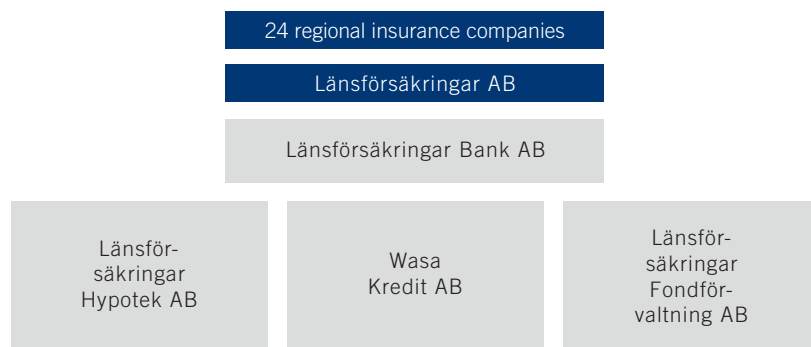
Stockholm, February 14, 2006



**Tomas Johansson**  
President and CEO

**Reporting dates:**

Interim report, January–March	April 25, 2006
Interim report, January–June	August 29, 2006
Interim report, January–September	October 23, 2006



The Länsförsäkringar Alliance 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. There are a total of 85 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.

**For further information, contact**

Tomas Johansson, President and CEO, Länsförsäkringar Bank AB, +46 8 588 419 82, +46 73 96 419 82

Anders Borgcrantz, Executive Vice President and CFO, Länsförsäkringar Bank AB, +46 8 588 412 51, +46 73 96 412 51

Christer Baldhagen, Senior Vice President Corporate Communications, Länsförsäkringar AB, +46 8 588 415 01, +46 70 579 70 66