

Länsförsäkringar Bank AB (publ)

Year-end report 2002

2002 in brief

- Sweden's most satisfied bank customers and Bank of the Year 2002.
- Lending to the public increased by 59% to SEK 19.9 billion and deposits by the public increased by 19% to SEK 14.7 billion.
- 43,000 new bank customers during 2002.
- Profits rose to SEK 19.9 M (1.4).
- Total earnings increased by 21%.
- Net interest income increased by 27%.
- Administration costs increased by 10%.
- Return amounted to 1.9% (0.2).
- Savings offering expanded with Internet share trading.
- Collaboration with Swedish Cashier Service/Sweden Post.



In 2000, Länsförsäkringar's bank operations changed strategy, from niche bank to full-service bank. During the past two years, operations have developed highly favorably and today comprise a complete bank for private individuals and farmers. Our broad efforts are yielding results. The Privata Affärer magazine named Länsförsäkringar 'Bank of the Year 2002,' and we have Sweden's most satisfied bank customers according to the Swedish Quality Index 2002. These honors are solid proof that Länsförsäkringar's bank operations have developed from a niche bank to a full-service bank," says Tomas Johansson, CEO, Länsförsäkringar Bank.

Substantial growth

During 2002, Länsförsäkringar gained 43,000 new bank customers, with the total number amounting to 393,000. Deposits by households increased by 19% and amounted to SEK 14.7 billion. Lending increased by 59% and amounted to SEK 19.9 billion (12.5). The total volume of business amounted to SEK 35 billion.

Improved profits

The Group's profits for 2002 increased to SEK 19.9 M (1.4). Return amounted to 1.9% (0.2).

Increased revenues

The Group's revenues for 2002 increased by 21% to SEK 649 M (536).

Net interest income improved by 27% to SEK 538 M (424).

The improvement is attributable to increased business volumes. Net commission revenues decreased by 42% to SEK 28 M (48). The change was primarily attributable to increased card costs. Other revenues increased by 31% to SEK 84 M (64).

Bank in growth phase

Total administration costs amounted to SEK 641 M (581), which represents an

increase of approximately 10%. The increase is largely related to improved business volumes. The bank is in a growth phase with high development and management costs. Personnel costs increased by 6% to SEK 162 M (153). The average number of employees increased by 16 to 251.

Loan losses amounted to SEK 13 M, compared with the recovery of SEK 25 M in 2001.

The proportion of doubtful receivables decreased and amounted to 0.15% (0.43).

The degree of provisions for doubtful receivables increased to 83.35% (74.35).

Homeowner drive

Lending through Länsförsäkringar Hypotek (mortgage operations) increased by SEK 5.5 billion, equivalent to 235%. The number of new housing loan customers was 20,000 and the total number of housing loan customers amounted to 30,000 at year-end. During the year, concerted efforts were made in home-ownership finance. An offer to customers that represented good value for money was launched. The principle components of this offering are mortgages, insurance protection for surviving relatives, home-

owners' insurance for single-family properties and everyday finance. Housing remains a priority area for 2003.

Wasa Kredit

The bank's lending is also conducted through the subsidiary Wasa Kredit. Wasa Kredit is a finance company whose operations are targeted at the markets for cars, computers and heavy machinery. Wasa Kredit's lending amounts to SEK 6.2 billion.

Capital cover and rating

The Group's capital adequacy at year-end was 8.08% (9.12). The tier 1 ratio was 7.45% (8.45).

In June 2002, Standard & Poor's assigned the bank a credit rating of BBB+ for long-term borrowing and K1 for short-term Swedish borrowing.

Financing

The considerable increase in lending resulted in the bank issuing a commercial paper program with a framework of SEK 4 billion. In January 2003, an MTN program with a framework of SEK 3 billion was announced.

Internet share trading

During 2002, the savings offering was complemented by the addition of Internet share trading. The service is simple and user-friendly and maintains the same competitive pricing philosophy as the bank's other services. In December 2002, approximately 1,000 share deposit accounts had been opened.

Collaboration with Swedish Cashier Service

The bank's collaboration with Swedish Cashier Service allows the bank's customers to use Swedish Cashier Service's counters and rural postal workers throughout Sweden to make deposits to their Länsförsäkringar accounts, to make cash withdrawals and to make foreign

payments. Accessibility is improving continuously and in 2002, the number of bank branches amounted to 80.

Stockholm February 20, 2003

Länsförsäkringar Bank AB

Tomas Johansson

CEO

Consolidated income statement in summary

SEK M	2002	2001	Change, %
Net interest income	537.8	424.3	26.7
Net commission revenue	27.6	47.9	-42.4
Other operating revenue	83.9	64.2	30.7
Total revenue	649.3	536.4	21.0
Personnel costs	-162.5	-152.9	6.3
Other costs	-478.5	-428.4	11.7
Total costs	-641.0	-581.3	10.3
Profit before loan losses	8.3	-44.9	
Loan losses, net	-13.2	24.6	
Profit/loss from banking business	-4.9	-20.3	75.9
Profit from insurance business	24.4	21.7	12.4
TOTAL OPERATING PROFIT	19.5	1.4	1,292.9
Tax on the year's profit/loss	0.4	-	
Net profit/loss for the year	19.9	1.4	1,321.4

Consolidated balance sheet in summary

SEK M	2002	2001	Change, %
Assets			
Lending to the public	19,861	12,453	59.5
Bonds	499	1,415	-64.7
Tangible and intangible assets	138	104	32.7
Assets in insurance business	12	36	-66.7
Other assets	1,792	1,515	18.3
Total assets	22,302	15,523	43.7
Liabilities, provision and shareholders' equity			
Lending and borrowing from the public	16,378	13,293	23.2
Securities issued	3,706	417	788.7
Debt in the insurance business	5	15	-66.7
Other liabilities	827	712	16.2
Subordinated debt	180	80	125.0
Shareholders' equity	1,206	1,006	19.9
Total liabilities, provision and shareholders' equity	22,302	15,523	43.7

For further information

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