

Länsförsäkringar Bank

ANNUAL REPORT 2003



Länsförsäkringar Bank

Länsförsäkringar Bank operates through 24 independent regional insurance companies that work close to customers in their own locally defined markets. This creates a unique local presence and knowledge of the market. There are a total of 82 advisory offices located throughout Sweden. Customers can also conduct their banking business via the Internet, by telephone and via Svensk Kassaservice (Swedish Cashier Service), pay for their purchases with credit/debit cards and use all ATMs throughout Sweden.



The bank directs its services to private individuals and farmers and is today a full-service bank where customers can conduct all their banking business. The many different service locations give customers substantial freedom to deal with and use the bank on their own terms.

Länsförsäkringar Bank is part of the Länsförsäkring Alliance. The Alliance comprises 24 regional insurance companies and the jointly owned Länsförsäkringar AB, which serves as a strong support and development organization. Combined, the companies comprise Sweden's only customer-owned and locally based banking and insurance group.

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Definitions

Percentage of doubtful receivables

Doubtful receivables, net, in relation to total lending to the public and to credit institutions (excluding banks).

Return on equity

Earnings for the period, after appropriations and taxes, in relation to average shareholders' equity, adjusted for new share issues and dividends.

Maturity

The average weighted term of future payment flows, expressed as the number of years.

Cost/income ratio before loan losses

Total costs in relation to total income.

Cost/income ratio after loan losses

Total costs plus loan losses in relation to total income.

Capital adequacy

The capital base in relation to risk-weighted amounts.

Investment margin

Net interest income in relation to average total assets.

Tier 1 ratio

Shareholders' equity less goodwill in relation to the risk-weighted amount.

Provision ratio for doubtful receivables

Provision for probable loan losses in relation to doubtful receivables.

Risk-weighted total assets

Total assets reported in balance sheet and off-balance-sheet commitments, valued in accordance with the Capital Adequacy and Large Exposures (Credit Institutions and Securities Companies) Act (SFS: 1994:2004).

Interest margin

The difference between the average interest rate on all assets and the average interest rate on all liabilities.

Earnings per share

Operating income after standard tax, divided by the number of shares.

2003 in brief

- Länsförsäkringar gained 59,000 new bank customers during the year. The number of customers that have their current account, cards, savings and loans with the bank increased by 63% in 2003.
- Operating income amounted to SEK 104 M (33) before loan losses and SEK 65 M (20) after loan losses. Loan losses remain at a low level. Probable and confirmed loan losses correspond to 0.13% (0.07) of the total lending volume.
- Mortgage loans by Länsförsäkringar Hypotek rose by 106% to SEK 16 billion. Länsförsäkringar captured 10% of the growth in the mortgage market during 2003.
- Total lending to the public increased by 51% to SEK 30 billion. Deposits from the public rose by 15% to SEK 17 billion.
- A growing number of customers are discovering the benefits of having all their banking and insurance with Länsförsäkringar. At year-end, 10% (8) of private home customers were also bank customers.
- Länsförsäkringar's bank customers are among the most satisfied in Sweden, according to the 2003 Swedish Quality Index. The bank has the highest ratings of all banks for the best-value banking services and the most loyal bank customers.
- Länsförsäkringar Bank acquired 10% of the share capital in Finansiell ID-teknik BID AB. From February 2004, Länsförsäkringar's bank customers are able to order an electronic BankID.
- During 2003, the bank supplemented its range of savings accounts with a Fixed-Interest Account offering fixed-term saving at fixed interest rates for one, two or three years.
- During the year, an MTN program was issued in addition to a syndicated term loan and revolving credit. The bank received a capital contribution of SEK 1,600 M from the Parent Company Länsförsäkringar AB during the year.
- The target level for total capital adequacy was raised at the end of the year from 9.25% to 10.5% (+/- 0.5 percentage points). A target level for the Tier 1 ratio was introduced at 8.5% (+/- 0.5 percentage points). At year-end, capital adequacy was 13.00% (8.08).



Key ratios	Group		Parent Company	
	2003	2002	2003	2002
Total assets, SEK M	32,406	22,302	30,916	20,519
Operating income, SEK M	65	20	-66	-84
Return on equity, %	2.98	1.90	Neg.	Neg.
Cost/income ratio before loan losses	0.90	0.99	1.12	1.19
Cost/income ratio after loan losses	0.94	1.01	1.14	1.22
Investment margin, %	2.59	3.01	1.33	1.77
Capital adequacy, %	13.00	8.08	45.23	24.30
Percentage of doubtful receivables, %	0.12	0.18	0.15	0.08

The best-value bank with the most loyal customers

Banking operations showed a highly favorable development during 2003. Volumes are increasing as a growing number of satisfied customers choose Länsförsäkringar as their main bank. During the year, the number of customers increased by 15%. The business volume rose by 36% to SEK 47 billion and total revenues rose by 27%. Länsförsäkringar no longer merely attracts customers for supplementary banking services. Today, it is a bank that customers switch to.



The year 2003 was eventful for Länsförsäkringar's banking operations. Focus during the year was on increasing profitability and raising awareness that the bank is a full-service bank in which private individuals and farmers can combine all their banking and insurance business.

A full-service bank with satisfied customers

Continued volume growth requires satisfied customers who perceive us as a full-service bank. We are now seeing evidence of this. Länsförsäkringar no longer merely attracts customers for supplementary banking services, but today is a bank that customers switch to. According to Sifo's Finansmonitor survey, 11% of those who switched bank during 2003 chose Länsförsäkringar. A gradual shift is taking place in the bank's customer base. New customers are to a greater extent utilizing several products from the bank's range compared with previously. Since 2001, the number of customers with their current account, card, savings and loans with the bank has increased fivefold.

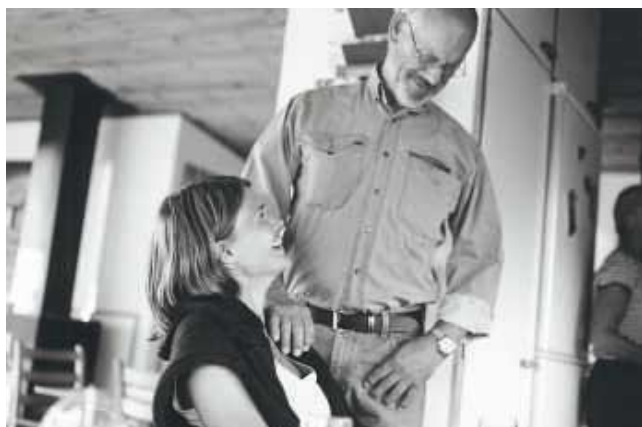
With a score of 71 on the 2003 Swedish Quality Index, Länsförsäkringar's bank customers are among the most satis-

fied in Sweden. According to the survey, more than 80% of bank customers would choose our bank again. As many as three out of four customers experience our products and services as being good value for money. Länsförsäkringar has the highest score of all banks in this respect.

Having satisfied customers requires committed and skilled employees and a positive corporate culture. I am therefore pleased to announce that the Employee Satisfaction Index in Länsförsäkringar Bank in the Banking Group rose from 74.8 to 76.8 during the year.

An established player in the mortgage market

During 2003, we continued to focus on mortgages and long-term saving for our customers. We took a huge leap forward in the mortgage market during the year, establishing ourselves as a significant player. The expansion was made possible thanks to extensive efforts to develop our mortgage operations and a high level of commitment on the part of the regional insurance companies. We now have around 2% of the mortgage market and we are continuing to grow. In 2003, Länsförsäkringar accounted for 10% of new mortgage loans to households. Since



December 2001, the number of Länsförsäkringar's private home customers that have become bank customers has more than doubled.

Continued strong growth

I am very pleased to state that banking operations continued to show favorable growth during 2003. The bank has 452,000 customers, an increase of 59,000. The business volume grew by an average of SEK 1 billion per month during the year. The number of customers with their current account, cards, savings and loans with the bank increased by 63% during the year.

Good investor relations

Our success in the mortgage market increases the bank's borrowing requirement. During the year, efforts to create strong investor relations were therefore intensified. One result of this work is the highly successful launch of the bank's MTN program.

Acquisition of Länsförsäkringar Fondförvaltning AB and a new organization

Effective January 1, 2004, Länsförsäkringar Fondförvaltning AB is included in the Banking Group. A positive earnings trend in Länsförsäkringar's mutual funds

contributes to strengthening the bank's earnings.

We commenced the year with organizational changes to equip the bank for the future. A reorganization of the bank limited liability company within the Banking Group was necessary since the bank has undergone a strategic change from a niche bank to a full-service bank. The bank now operates on a process basis, with the main processes being lending, saving, payments and bank market.

Development of bank services

During the year, the bank developed its processes and support systems, refined its customer offering and developed new products. Last spring, we supplemented our range of savings accounts with a Fixed-Interest Account. Terms and interest for the new account follow the same value-for-money profile as our other products and services. Since the launch of the Aktietjänst Internet share trading service in November 2002, approximately 2,600 share deposit accounts have been opened. We have also improved banking services in the Internet bank. The project to develop an electronic BankID service progressed well during the year. From February 2004, our bank customers are able to order

electronic identification in the form of a BankID from Bank via Internet, thus improving service and security for customers using services over the Internet. With growing volumes, cost control and continual investment in our customer offering, there is significant potential for further positive development of banking operations.

Länsförsäkringar's banking operations have strong development potential. With Sweden's strongest brand within non-life insurance and a customer base of more than 3 million insurance customers, there are significant opportunities for added sales. Our joint challenge for 2004 is to further increase volumes and profitability for banking operations, broaden our customer offering within non-life insurance, life assurance and banking and enhance the efficiency of our processes.

March 2004

Tomas Johansson
Managing Director

A full-service bank striding forward

Banking operations, combined with non-life insurance and life assurance, are one of Länsförsäkringar's core areas. Länsförsäkringar's bank customers are among the most satisfied in Sweden, according to the 2003 Swedish Quality Index. The bank has the highest ratings of all banks for the best-value banking services and the most loyal bank customers.

Länsförsäkringar is Sweden's only customer-owned and locally based banking and insurance group. Operations consist of 24 independent regional insurance companies and the jointly owned Länsförsäkringar AB. Länsförsäkringar enjoys a high degree of trust in the community and has Sweden's strongest brand in the insurance market. The regional insurance companies have a combined total of more than 3 million customers and are the market leader in non-life insurance, with a market share of 31%.

Within Länsförsäkringar AB, development and support functions are conducted through Länsförsäkringar Bank AB and the subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and WASA Garanti Försäkrings AB (scheduled for liquidation

during 2004). Länsförsäkringar Hypotek AB is a mortgage institution and Wasa Kredit AB offers various forms of leasing, unsecured loans and installment plans. WASA Garanti Försäkrings AB handles risk commitment run-off activities.

Effective January 1, 2004, Länsförsäkringar Fondförvaltning AB is included as a subsidiary of the bank.

A natural choice

During 2000, the banking business developed its strategy for growing from a niche bank to full-service bank. Today, the bank offers complete solutions in the areas of saving, lending and payments. This development has proved highly positive, and Länsförsäkringar today represents a full-service alternative for private individuals and farmers.

Länsförsäkringar's guiding principles are: customer-owned, locally based, accessible, and personal attention. The Group's strong financial position creates the necessary conditions for sustainability, development potential and good value. Homeowners and farmers, the strategic target groups for the banking operations, are offered a total customer concept with substantial customer benefits.

Bank and insurance – a strong combination

Although Länsförsäkringar has Sweden's strongest brand in the non-life insurance segment, still relatively few people are aware of the Group's banking services.

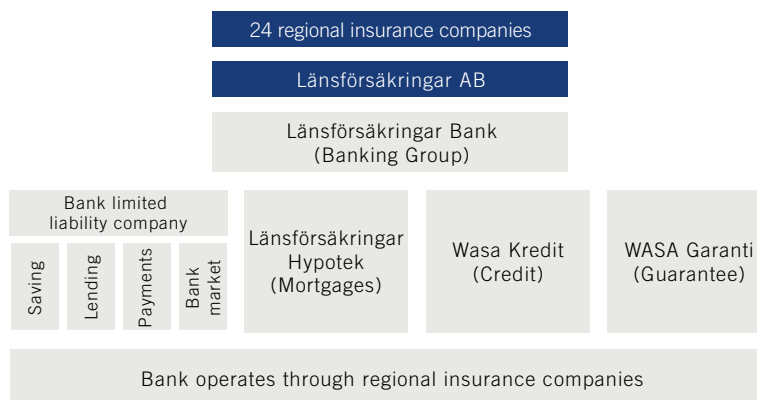
According to a brand awareness survey conducted in December 2003, 17% of the Swedish population and 30% of Länsförsäkringar's customers are aware that

Strong growth

A growing number of people are choosing Länsförsäkringar as their main bank. During the year, the number of customers increased by 15% to 452,000 and the bank is now the sixth largest bank in Sweden for private customers and farmers. Deposits from households rose by 15% to SEK 17 billion. Länsförsäkringar has 2.9% of the market for deposits from house-

holds. Lending grew by 51% to SEK 30 billion. Lending by Länsförsäkringar Hypotek increased by SEK 8 billion (106%) to SEK 16 billion. The number of housing loan customers rose by 70%, from 30,000 to 51,000. The market share in terms of lending to households was 2.3% and the market share for housing loans (first mortgages) amounted to approximately 2%.

Länsförsäkringar Bank – a part of Länsförsäkringar



Länsförsäkringar Hypotek AB

Länsförsäkringar Hypotek, the bank's own mortgage institution, finances private homes, tenant-owned apartments and leisure homes. Since its launch in 2001, Länsförsäkringar Hypotek has shown a very positive development. Housing loans increased by 106% to SEK 16 billion during the year, with the number of mortgages totaling about 40,000. Länsförsäkringar Hypotek generated operating income of SEK 50 M (36) and has a market share of about 2%. Housing loans and attractive offers for these customers will continue to be a priority area during 2004.

Wasa Kredit AB

Wasa Kredit is a finance company offering leasing, installment plans and unsecured loans. The primary markets are cars, computers and engineering machinery. Operating income for Wasa Kredit amounted to SEK 63 M (54). The lending volume at year-end amounted to SEK 7 billion and the company had 112,100 customers.

WASA Garanti Försäkrings AB

WASA Garanti Försäkrings AB (scheduled for liquidation during 2004) works with risk commitment run-off activities in the areas of credit guarantees and rental loss insurance. The company also handles claims that arose during the real estate crisis of the early 1990s. In addition, the company has a stock of leasing guarantees. These declined faster than expected during the year. Income before appropriations and tax amounted to SEK 18 M (24).

Länsförsäkringar also offers banking services. Of the Group's approximately 3 million insurance customers, 14% use one or more of Länsförsäkringar's banking services. This means that there is significant potential in the customer base, both for attracting more customers to the banking operations and for generating more business with existing customers. The long-term goal is for the majority of Länsförsäkringar's customers to also be bank customers.

A clear objective is to raise the level of awareness about Länsförsäkringar's banking operations. This is being achieved through a number of offers that clarify Länsförsäkringar's products and services

and make it attractive for customers to combine all their banking and insurance business at Länsförsäkringar. These efforts are producing results: 10% of Länsförsäkringar's private home customers are also bank customers. The corresponding figure in 2002 was 8%.

Profitability in focus

Operating income for 2003 amounted to SEK 65 M (20). Total revenues increased at a considerably higher rate (27%) than administration expenses (15%). Long-term profitability is being achieved through larger volumes. Net interest income improved by 30%. Net commission income was unchanged. Läns-

försäkringar Bank's capital adequacy at year-end 2003 was 13.00% (8.08). In December, the target level for total capital adequacy was raised from 9.25% to 10.50%. At the same time, the bank introduced a target level for the Tier 1 ratio at 8.50%. At year-end, the Tier 1 ratio was 9.95% (7.45). The permitted deviation range for both target levels is +/- 0.5 percentage points. The raise in target levels is a result of the bank's increased activity in the mortgage market and as an issuer of securities in the capital market. The intention is to further strengthen the bank's market position. The percentage of doubtful receivables declined during the year, from 0.18% to 0.12%. Loan losses amounted to SEK 39 M (13).

Growing number of customers choose Länsförsäkringar

Thanks to heavy investment in systems, products and channels, Länsförsäkringar's banking operations are well equipped to meet customers' expectations and demands. The products and services match the needs of the private and agricultural market.

The aim is for volumes to continue to grow and the bank to develop into an even stronger full-service bank, with substantially more customers than today.

Clear customer benefits

The results of the customer surveys that have been carried out are clear. Customers feel that it is practical, simple and time-saving to combine all their insurance and banking business under one roof. They have confidence in their regional insurance company and appreciate the local presence and market knowledge. The highly favorable terms (such as the Länsbonus bonus system for full-service customers) are also greatly appreciated. The consistently high quality of the services and products, combined with competitive prices, is an additional reason why an increasing number of

customers are choosing to transfer their banking business to Länsförsäkringar.

Broadening of customers' banking commitments

Customers who have chosen Länsförsäkringar as their main bank state their main reasons as being favorable rates of interest and low fees. According to the private customer survey conducted by Demoskop in 2003, Länsförsäkringar's banking customers rate the banking operations highly, with four out of five customers rating the bank in general as being good or very good. The aim is to broaden customer commitments by increasing the number of customers who have their current account, cards, savings and loans with the bank. New customers are to a greater extent utilizing several products from the bank's range compared with previously. Since 2001, the number of customers who have their current account, cards, savings and loans with the bank has increased fivefold.

Expertise in the agricultural segment

With 185,000 customers, Länsförsäkringar is the dominant player in the insurance market for the agricultural segment. These customers constitute the base for extending customer relationships within non-life insurance and banking. During 2003, the number of banking customers in agriculture increased to 19,000 (17,000).

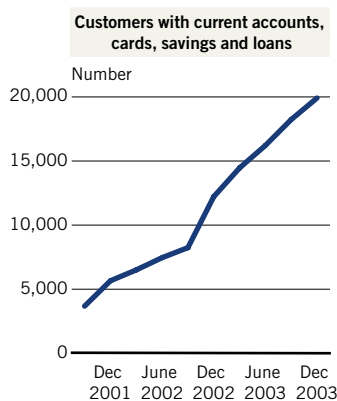
Farmers who choose Länsförsäkringar as their main bank appreciate the bank's

knowledge of the agricultural segment and the competitive prices. According to a customer survey in 2003, nearly 70% of agricultural customers consider it to be an advantage to combine their banking and insurance business at Länsförsäkringar. The partnership with Landshypotek (loans for agricultural and forestry properties) was strengthened further during the year. Länsförsäkringar and Landshypotek market each other's services, enabling them to offer a full-service alternative in banking and insurance services for farmers. The partnership with Landshypotek, combined with Länsförsäkringar's solid position within non-life insurance, offers continued strong potential for developing banking operations within the agricultural segment.

Personal attention and local presence

The essence of the regional insurance concept is that all business and customer contacts should be conducted locally. However, many customers prefer to conduct most of their day-to-day banking errands from home, at times that suit them. This is why the combination of local and digital customer interfaces is a key success factor for Länsförsäkringar, and one of the cornerstones of its banking operations.

Länsförsäkringar has a very strong local presence through the 24 regional insurance companies. In 2003, this market presence was strengthened further and our bank customers now have access to 82 local advisory offices nationwide, in addi-



Steady increase in the number of customers who have their current account, cards, savings and loans with the bank.



The best-value bank and the most loyal bank customers

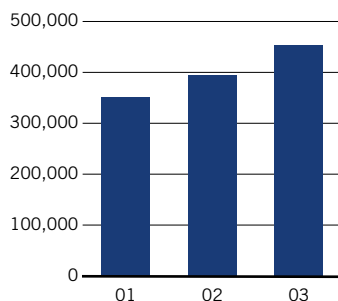
Länsförsäkringar's bank customers are among the most satisfied in Sweden, according to the 2003 Swedish Quality Index. Länsförsäkringar achieved a Customer Satisfaction Index of 71, compared with the average of 68 for all Swedish banks. The survey measures customers' satisfaction based on their overall experience of the bank, in relation both to their own expectations and to an "ideal bank". According to the survey, 82% of our bank customers would choose Länsförsäkringar again. Three out of four customers perceive Länsförsäkringar's products and services as being good value for money. Länsförsäkringar has the highest score of all banks in this respect. Satisfied customers are one of the most essential criteria for a successful bank.

tion to ATMs across Sweden, telephone banking and Internet services. Our bank customers can also make withdrawals, deposits and international payments at about 1,200 offices and via 2,500 rural mail carriers through our cooperation with Svensk Kassaservice (Swedish Cashier Service).

Customers require personal attention mainly when they are seeking advice about their personal finances and when they wish to take out a loan. In order for the advisor to have an understanding and knowledge of the customer's needs and the reality in which he/she lives and works, it is essential that operations focus on the local level. Customer

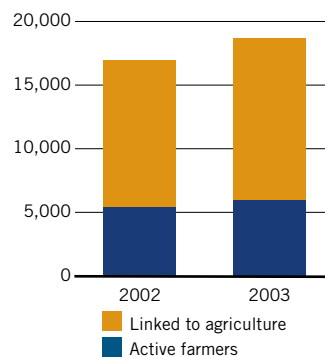
surveys show that customers trust their regional insurance company and appreciate the local involvement and market knowledge.

Number of customers



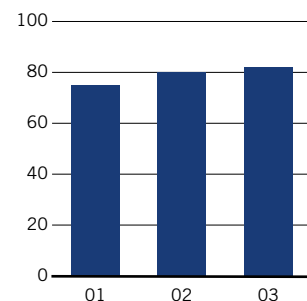
The number of customers increased by 15% in 2003.

Number of agricultural customers



The bank has approximately 19,000 agricultural customers.

Number of bank offices



82 bank offices throughout Sweden in 2003.

► EMPLOYEES

Central development and support functions

Länsförsäkringar Bank is owned by Länsförsäkringar AB, which in turn is owned by the 24 regional insurance companies. All business with customers is conducted at the local level, while development and business support functions are located centrally, this being the best way to utilize the advantages of an efficient and specialized organization to provide the best possible support to the local business operations.

Employees – the key to successful customer meetings

A total of 542 persons work with banking operations, half of them at the regional insur-

ance companies. Successful customer meetings are dependent on knowledge and understanding about the customer's situation, needs and possibilities, as well as about local market conditions. Our employees possess the necessary skills and apply a working method that always focuses on the customer, thus generating confidence in all of the bank's channels. The EttKUND (OneCustomer) sales support system is an important tool that facilitates contacts with customers. The bank's training package serves as a common platform for the 24 regional insurance companies. Länsförsäkringar has more than 750 certified advisors who give advice about mutual funds and other forms of saving. The certification verifies that the employees have

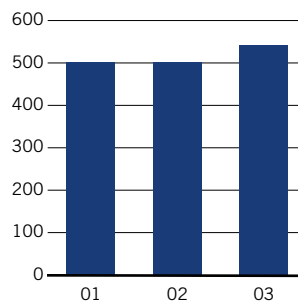
undergone a training program approved by the Swedish Investment Fund Association and designed in accordance with the competence requirements defined by the Association.

All employees in the bank company within the Banking Group have individual professional development plans, which were further developed into personal goal contracts during 2003. Efforts were also stepped up during the year to develop a positive corporate culture based on common values in the banking division. The response among employees was positive, and the Satisfied Employee Index rose from 74.8 in 2002 to 76.8 in 2003.

Environmental certification

Länsförsäkringar works systematically to reduce its environmental impact to help future generations satisfy their needs for clean air, land and water. Environmental efforts comprise a strategic area and permeate all business operations. To attract customers and new employees, it is essential that Länsförsäkringar is an environmentally-aware player since customers are becoming increasingly interested in and knowledgeable about the environment each year. Environmental certification takes place through a basic environmental investigation that highlights the environmental impact of the operations. Länsförsäkringar intends to reduce its environmental impact through continual improvements. In the autumn of 2003, the bank division initiated an environmental certification process, which is scheduled for completion in the summer of 2004. The entire banking operations at the regional insurance companies are environmentally certified.

Number of employees



Approximately 540 persons work in the bank, half of them at the regional insurance companies.



Ethical guidelines

One of the bank's most important business assets is the trust of customers, employees, partners, authorities and public opinion. If this trust is damaged, this poses a serious threat to Länsförsäkringar's relations. Länsförsäkringar's banking operations are conducted in accordance with a number of ethical guidelines that aim to create confidence in the financial market among customers and external stakeholders. There are ethical rules relating to financial advice, lending, marketing, confidentiality, side-line employment, trading on own account and gifts. All employees also have an active role in ensuring security. For example, no unauthorized person shall be given access to customer information. In all contacts with the bank, the customer shall be given correct information that is always linked to the customer's business relationship with the bank.

Everyday finances the key to long-term successful banking transactions

Customer surveys show that most of Länsförsäkringar's customers save and borrow at the bank where they conduct their everyday financial transactions. Länsförsäkringar offers a competitive solution for daily finances and a complete range of services and products within saving, lending and payments.



► SAVING

Länsförsäkringar's current savings offering comprises personal accounts, savings and fixed-interest accounts, Internet share trading and a broad range of mutual funds and endowment insurance. During the year, the bank supplemented its range of savings products with a Fixed-Interest Account with terms and interest that follow the same value-for-money profile as Länsförsäkringar's other products and services. In a customer survey in 2003 regarding customers' most desirable form of saving, it emerged that 60% of customers save in a bank account. About 20% of survey respondents save in mutual funds.

Internet share trading

In 2003, the Internet share trading service was expanded with the possibility to trade in

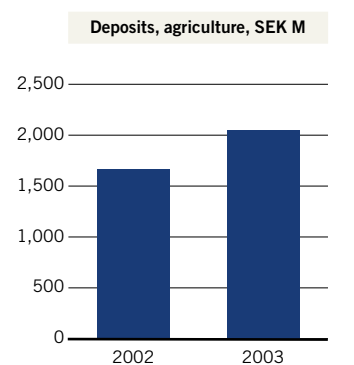
shares on the Aktietorget and New Markets lists and with trading in convertibles and subscription rights. In addition, price information was improved. During the year, 1,640 share deposit accounts were opened, bringing the total number of share accounts to approximately 2,600. Sales in 2003 amounted to SEK 516 M, and more than 15,000 trades were executed during the year. In a customer survey conducted by the *Privata Affärer* magazine, Länsförsäkringar's share trading service was awarded joint first place together with Stadshypotek Bank.

Volume growth

Despite falling market prices during the year, the volume growth was satisfactory. The total volume of deposits rose by 15% to SEK 17.0 billion (14.7). Länsförsäkringar has 2.9% (2.6) of the market for deposits from households.

Savings products for farmers

Farmers are offered a business account, investment account and a forestry account.



Deposits amounted to SEK 2,048 M, an increase of 23%.

Direct saving in mutual funds

The much awaited recovery of the global stock markets emerged in 2003. The global economy, led by the US, showed clear signs of recovery during the autumn of 2003. Stockholmsbörsen (Stockholm Exchange) rose by nearly 30% and the global index also rose considerably during the year. For Swedish investors, however, the sharp fall in the USD affected many foreign investments negatively.

In 2003, net saving in Swedish mutual funds amounted to almost SEK 70 billion. Savers returned to equity funds during the second half of the year after having placed a large portion of their regular savings in fixed-income funds for a period.

Länsförsäkringar's mutual funds are managed by Länsförsäkringar Fondförvaltning AB, which was a fellow subsidiary of

Länsförsäkringar Bank up until year-end. Effective January 1, 2004, the fund company is a wholly owned subsidiary of Länsförsäkringar Bank AB. Since June 2002, daily management of the funds has been handled by the global Dutch asset management firm ABN AMRO and its Swedish subsidiary Alfred Berg Kapitalförvaltning. Of Länsförsäkringar's 36 mutual funds, 34 yielded a positive return, although many failed to outperform their benchmark index.

Mutual funds comprise a growing part of Länsförsäkringar's savings offering, regardless of whether customers invest in funds directly or through unit-linked insurance. Länsförsäkringar aims to offer the customers straightforward, packaged mutual fund solutions, and is investing considerable efforts in developing the "fund-in-fund" concept. The three "fund-in-fund" mutual

funds have different risk levels – low, normal and high. From January 2004, the "fund-in-fund" mutual funds will be able to invest in a selection of ABN AMRO's funds, in addition to Länsförsäkringar's funds.

Until December 31, 2003, customers who have chosen Länsförsäkringar for their defined-contribution pension savings had free survivors' benefits covering the capital saved in Länsförsäkringar's funds through the defined-contribution pension plan. From January 2004, these survivors' benefits were replaced with a new offering. Customers who have both their occupational pension and their defined-contribution pension savings with Länsförsäkringar are given free survivors' benefits for their defined-contribution pension savings up until the end of 2006.



Since the launch of Länsförsäkringar Hypotek in 2001, housing has been an important growth area. Buying a house or apartment is a major financial decision, perhaps one of the largest we will make in our lives. Good financing is therefore essential, whether it concerns renovating a property, buying a new home or restructuring a loan.

Housing loans

Länsförsäkringar offers mortgage loans for private homes, tenant-owned apartments and leisure homes. The majority of the loan, up to 75% of the total value, is normally provided in the form of a first mortgage. Second mortgage loans are offered for 100% of the value of private homes and leisure homes, and 90% for tenant-owned apartments. Personal mortgage advice is offered at Länsförsäkringar's bank offices, although customers can also apply for mortgages over the Internet. Local cooperation with estate agents provides added value for customers. During the year, mortgage rates for tenant-owned apartments and leisure homes were brought in line with mortgage rates for private homes.

Personal loans

Länsförsäkringar also offers unsecured loans, known as personal loans. The maximum loan amount is SEK 250,000 and the loans have a floating rate of interest. Personal loans are primarily raised for financing investments in connection with renovations, car and boat purchases, etc.

Volume trend

First mortgages are placed in Länsförsäkringar's own mortgage institution, Länsförsäkringar Hypotek. Mortgage loans rose during the year by 106%, or SEK 8.4 billion, to SEK 16.2 billion. The number of housing loan customers increased by 70%, from 30,000 to 51,000.

Most of the lending, about 87%, pertains to private home financing. Second mortgages and personal loans rose during the year by 90%, or SEK 0.9 billion, to SEK 5.6 billion (4.7). Of the total lending volume, 30% related to the metropolitan regions of Stockholm, Gothenburg and Malmö. Länsförsäkringar's share of the housing loan market (first mortgages) has increased from approximately 1% to 2%.

Fast and efficient loan processing

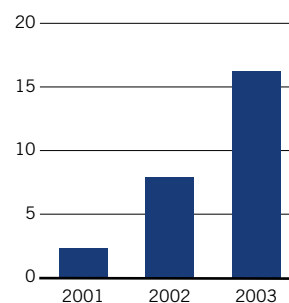
In order to be a competitive player in the credit market, secure, fast and efficient loan processing is essential. During 2003, the processing of loans was improved by integrating the customer register and introducing a new procedure for disbursing loan payments. In addition, the procedure for handling new loans was simplified.

The focus in 2004 will be on further simplifying and improving loan processing through developing more Internet and telephone services and introducing a combined annual statement and simpler routines for extending loans.

Loans for farmers

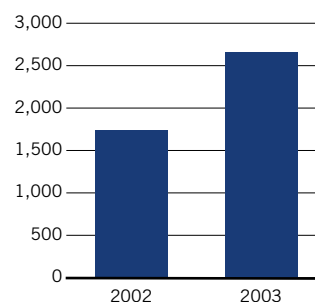
Farmers are offered a complete range of loan products, comprising first mortgages carried by Landshypotek as well as second mortgages and building loans. From 2004, the offering will be extended to include leasing guarantees. The loans are offered at Länsförsäkringar's bank offices.

Mortgage loans by Länsförsäkringar Hypotek, SEK billion



Mortgage loans by Länsförsäkringar Hypotek rose by 106%, or SEK 8.4 billion, in 2003.

Agricultural loans, SEK M



Loans rose by 53% to SEK 2,661 M.

Combined household finances with Länsförsäkringar

In 2003, Länsförsäkringar continued to focus on homeowners and on providing reassuring solutions for household finances. Länsförsäkringar's combined offering for households covers daily finances, mortgages, home content insurance and survivors' benefits. Länsförsäkringar's private financial advisers provide advice on personal and household finances, mainly via the household finances website. The website is adapted to each local market and provides numerous suggestions on household finances and home financing.



Länsförsäkringar's payment services serve as the hub for managing full-service customers' banking transactions and daily finances.

Internet payment services

Internet payments account for approximately 64% of payments, while the remaining 36% are conventional paper-based payments. During the year, an Internet Autogiro (direct debit) service was launched, allowing Internet bank customers to apply for new direct debit arrangements and make changes to existing arrangements. A project was initiated to launch an e-giro service with electronic

invoices in Bank via Internet. The new service is scheduled to be launched in the second quarter of 2004.

MasterCard and Visa

Länsförsäkringar's MasterCard and Visa debit/credit cards can be used in all ATMs, including the bank's own 57 (42) ATMs, as well as in stores that accept Visa and MasterCard.

At year-end, Länsförsäkringar had 67,641 (47,648) bank cards in issue, of which 64% (53) were MasterCards. The MasterCard bank card is the card type that is growing the fastest. MasterCard increased by about 70% in 2003, while the total stock of cards grew by 42%.

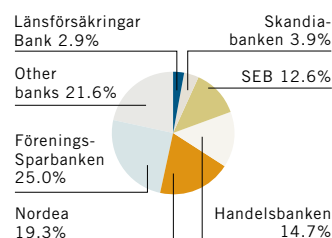
ATMs throughout Sweden

Länsförsäkringar has 47 (42) dedicated ATMs in Sweden. Total ATM withdrawals amounted to SEK 2,327,286,000 (1,723,166,000), based on 3,167,284 (2,427,129) withdrawal transactions. The average availability of ATMs was 97.0% (96.4).

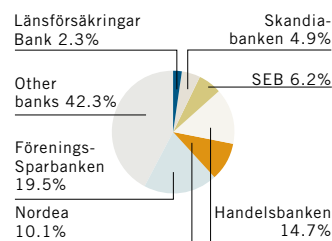
In 2003, WincorNixdorf took over the daily management of Länsförsäkringar's ATMs. The assignment involves service supervision, service, cash optimization and ordering banknotes. The cooperation has led to improved cost control and greater availability. During the year, all ATMs were upgraded and prepared for EMV cards.



Market share, deposits from households, December 2003



Market share, lending to households, December 2003



Total lending to households in the Banking Group amounted to SEK 30 billion in 2003. Deposits from households amounted to SEK 17 billion.

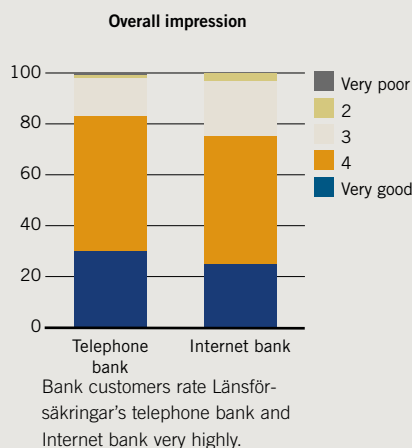
Process improvement and cost-efficiency

In 2003, efforts were focused on process improvement and cost-efficiency. For example, systems improvements in the administrative processes have reduced manual processing of faulty incoming payments by 75%. In addition, customers' paying-in forms have been switched from postal giro to bank giro, which has had a positive effect on profitability. Measures to improve the processes for blocking cards and handling refunds will in the longer term give customers access to more services directly via the Internet. A feasibility study has been conducted to determine if and, if so, how the bank will be able to offer international payments in 2004.

Development of the bank's daily financial services on the Internet

Internet payments today account for 64% of customer payments. The number of customers connected to Bank via Internet rose by 18% during the year to 259,000. Customers who use the Bank via Internet are satisfied with the service. According to a recently conducted survey, 90% of Bank via Internet customers have a positive overall impression. Three out of four have become more positive towards Länsförsäkringar since they started using the Internet bank service. In 2003, improvements were made in the banking services offered by the Bank via Internet. For example, customers can see their direct debit arrangements and can make new direct debit arrangements electronically. Customers can also assign names to

their accounts in the Bank via Internet and decide whether they wish to receive account statements and mutual fund annual reports by post. The Internet services for mutual funds and banking have been integrated in the Internet bank, making matters easier for customers. At the beginning of 2004, our bank customers will also be able to order an electronic BankID, thus improving service and security for customers using services over the Internet. The Internet share trading service was expanded with the possibility to trade in shares on the Aktietorget and New Markets lists and with trading in convertibles and subscription rights. In addition, price information was improved.



Success in the mortgage market increases the borrowing requirement

As the bank and mortgage lending grows, so does the need to raise funds by borrowing on the financial markets. Investor relations and financing are a priority for 2004.

Rating Länsförsäkringar Bank

Standard & Poor's has assigned Länsförsäkringar Bank a credit rating of K1 for short-term borrowing in the Swedish market and BBB+ for long-term borrowing. According to Standard & Poor's, the rating reflects the bank's strategic importance within Länsförsäkringar, the strong capital adequacy, the favourable quality of the loan portfolio and the solid financial base.

Borrowing

Borrowing by Länsförsäkringar Bank increased significantly in 2003. The increased issue volumes are mainly due to the sharp growth in lending to the public, primarily in the form of mortgages. Previously, the volume of deposits matched or

exceeded the total lending volume. However, a trend break occurred in 2002 and, consequently, the need to borrow capital grew continually throughout the year. This new trend continued unrelentlessly in 2003. Borrowing has taken place in various forms, with the maturity structure for borrowing normally matching the bank's fixed-interest periods for lending.

By acting in several markets, developing existing loan programs and entering into new loan programs and financing solutions, the bank aims to develop its external borrowing so that more players can invest in the bank's securities.

The bank's borrowing program comprises a commercial paper program, an MTN program and a syndicated credit

facility. The MTN program was issued in January 2003.

The syndicated credit facility, signed in July 2003, is divided into a term loan and a revolving credit. Länsförsäkringar Bank's MTN program in 2003 was a major success. At December 31, 2003, total borrowing via the MTN program amounted to SEK 5.3 billion, of which SEK 0.9 billion was borrowed in EUR. The bonds issued were FRNs (Floating Rate Notes) and fixed yield bonds.

In 2004, Länsförsäkringar Bank intends to continue to diversify its sources of financing by issuing an EMTN program (European Medium-Term Notes).



SEK M	2003
Deposits	17,013
Certificates	3,416
Bonds*	5,311
Other borrowing	1,141
Syndicated loans	817
Debenture loans	1,050
Shareholders' equity	1,932

*Included in the MTN program.

Länsförsäkringar Bank's capital adequacy

The Board of Directors of Länsförsäkringar Bank resolved in December 2003 to raise the target level for capital adequacy to 10.5%, with a permitted deviation range of ± 0.5 percentage points. In conjunction with raising the capital adequacy target, a target for the Tier 1 ratio was introduced at 8.5%, also with a permitted deviation range of ± 0.5 percentage points.

Capital base

The capital base was extended during the year in response to the raised capital adequacy target and the increased volume of assets, primarily from increased mortgage

lending. Capital contributions were made through an unconditional shareholders' contribution (+730), a perpetual debenture loan (+290) and a dated debenture loan (+580).

The Banking Group's capital base at December 31, 2003 totaled SEK 2,903 billion (1,307). Tier 1 capital increased by SEK 1,016 M to SEK 2,221 M. Tier 2 capital increased by SEK 580 M, amounting to SEK 760 M at year-end.

Risk-weighted assets

Risk-weighted assets and other off-balance-sheet commitments totaled SEK 22,329 billion (16,177) at year-end. The significant rise in risk-weighted assets is mainly due to increased lending to the public, but also to greater liquidity in the form of convertible assets and an increased use of derivatives.

Capital adequacy

Total capital adequacy at year-end amounted to 13.00% (8.08), a level which more than exceeded the statutory requirement of 8.00% and the raised target level. The Tier

1 ratio was 9.95% (7.45), which was also above the new target level.

Basel II

The European Commission and the Basel Committee on Banking Supervision are currently drawing up a new set of capital adequacy requirements, known as CAD III or Basel II. The work is in its final phase and the new rules are expected to become effective on December 31, 2006. The altered capital adequacy requirement entailed by the new rules aims to better reflect the actual level of risk-taking. The new proposal contains clear incentives rewarding the development of advanced internal methods for measuring credit risk and operational risk. During the year, Länsförsäkringar Bank conducted a feasibility study aimed at identifying the various requirements that the new rules will entail, depending on the choice of methods. Efforts will be broadened and intensified in 2004, focusing on efficient system support and data acquisition.



GROUP

Ownership and Group structure

Länsförsäkringar Bank is part of the Länsförsäkring Alliance. The Alliance comprises 24 independent regional insurance companies and the jointly owned Länsförsäkringar AB.

The bank is owned by the Parent Company Länsförsäkringar AB (publ) (556549-7020). Banking is a core operation of the Länsförsäkring Alliance.

The Banking Group comprises the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878) and the wholly owned subsidiaries Länsförsäkringar Hypotek AB (556244-1781), Wasa Kredit AB (556311-9204) and WASA Garanti Försäkrings AB (516401-7831).

Länsförsäkringar AB (publ), Stockholm, is the Parent Company of the largest and smallest group where Länsförsäkringar Bank AB (publ) is a subsidiary and the consolidated accounts are established.

Focus of operations

The Group conducts deposit operations in the bank by providing savings for private individuals, companies and farmers. It also carries out lending activities for private customers and farmers mainly through mortgages and unsecured credits, and for companies through its subsidiary Wasa Kredit in the form of leasing and installment plans. Länsförsäkringar Hypotek conducts mortgage operations and WASA Garanti mainly handles run-off activities, outstanding credit guarantees and claims settlement.

Customers of the bank can receive financial advice and services from any of the regional insurance companies' 82 offices (an increase of 2 offices during the

year) that conduct banking operations. The offices are located at, or adjacent to, offices of the regional insurance companies. The office staff are also employed by the bank. From January 2003, however, this set-up ceased when sales and certain administration of bank services were outsourced on contract to the respective regional insurance companies. Regional insurance companies are reimbursed for sales and administration through a reimbursement system based on volumes managed.

Total assets

The Group's total assets increased by 45% to SEK 32,406 M during 2003.

Lending to the public rose by 51%, or SEK 10,183 M, to SEK 30,044 M (19,861). All lending was conducted in SEK. Lending accounted for 93% of total assets.

Interest-bearing securities (bonds in the banking operations) rose during the year by 149%, or SEK 744 M, to SEK 1,243 M (499).

Deposits from the public rose by 15%, or SEK 2,277 M, to SEK 17,013 M (14,736).

Borrowing and securities issued increased by 92%, or SEK 4,914 M, to SEK 10,261 M (5,347).

The borrowing program started by the bank comprises a commercial paper program with a limit of SEK 6 billion and an MTN program with a limit that initially was SEK 3 billion. This limit was increased in stages to SEK 10 billion during the second half of the year. Additionally, during the summer the bank signed a syndicated credit facility divided into a term loan and a revolving credit in the international capital market. The limit amounts to EUR 150

million. At year-end, borrowing through certificates amounted to SEK 3.4 billion, while borrowing via the MTN program amounted to SEK 5.3 billion and the syndicated loan was SEK 0.8 billion.

Investments, Group, SEK M	Dec 31, 2003	Dec 31, 2002	Change in %
Interest-bearing securities	1,243	499	+149
Lending to the public ¹⁾	30,044	19,861	+51
Credit institutions	602	1,408	-57
Other	517	534	-3
Total investments	32,406	22,302	+45

¹⁾ Including leasing.

Financing, Group, SEK M	Dec 31, 2003	Dec 31, 2002	Change in %
Deposits from the public	17,013	14,736	+15
Credit institutions	1,357	267	+408
Borrowing and issued securities	10,261	5,347	+92
Other	793	566	+40
Debenture loans	1,050	180	+483
Shareholders' equity	1,932	1,206	+60
Total liabilities and shareholders' equity	32,406	22,302	+45

Capital adequacy and rating

The Board of Directors of the bank has set a capital adequacy target at 10.5% and a target for the Tier 1 ratio at 8.5%. The permitted deviation range for both targets is +/-0.5 percentage points.

During the year, the bank received SEK 730 M in the form of a shareholders' contribution from the Parent Company Länsförsäkringar AB and SEK 870 M in the form of debenture loans.

At the end of 2003, the Group's capital adequacy was 13.00% (8.08) and the Tier 1 ratio was 9.95% (7.45).

Standard & Poor's has issued Länsförsäkringar Bank a credit rating of BBB+

for long-term borrowing and K1 for short-term borrowing in the Swedish market.

Earnings and profitability

Consolidated operating income amounted to SEK 65 M (20), of which income from insurance operations amounted to SEK 18 M (24). Profit after tax amounted to SEK 46 M (20), corresponding to a return on average shareholders' equity of 2.98% (1.90). Revenues continue to grow faster than costs, albeit at a slightly slower rate (partly due to higher compensation to the regional insurance companies during 2003 compared with 2002). Revenues increased by 27% and costs by 15%.

The bank has for several years invested large sums in systems, products and channels and is now equipped to offer private individuals and farmers a complete banking solution. The profitability of the investments increases in line with growth in the number of customers and thereby volume. The growth trend in 2002 and 2003 was positive.

Revenues

Net interest income rose by 30% and amounted to SEK 701 M (538). The increase is attributable to higher lending volumes to the public. A sum of SEK 8 M (8) for mandatory government deposit insurance was charged against net interest income. The Group's investment margin, that is, net interest as a percentage of average total assets, amounted to 2.59% (3.01). Net commission revenue was unchanged at SEK 28 M (28). Other operating revenue amounted to SEK 91 M (82). Total revenue increased by 27% (21).

Expenses

Operating expenses rose by 15%, or SEK 95 M, to SEK 736 M (641). The increase is largely related to the growth in lending and deposit volumes, which triggered an increase in the cost of sales. The cost/income ratio was 0.90 (0.99) before loan losses and 0.94 (1.01) after loan losses.

Loan losses

Provisions were made after individual review and after group-wise appraisal. The Group's loan losses amounted, net, to SEK 39 M (13).

Transition to IAS/IFRS

Länsförsäkringar Bank is preparing for a transition to IAS/IFRS (International Financial Reporting Standards) by participating in Länsförsäkring Alliance's IAS project. This project monitors general developments in international accounting standards. At the end of 2003, the bank also initiated a project focusing on the reporting of financial instruments (IAS 32 and 39). The first phase of this project aims to increase awareness of IAS in the bank and to assess the effect of IAS on financial key ratios. The second phase of the project will involve closer investigation of changes in accounting principles, system support needs, reports and hedge documentation. The final phase of the project involves the implementation and possible translation of historical values.

The transition to international accounting standards (with the emphasis on IAS 39) will place entirely new demands on credit, finance and accounting systems.

PARENT COMPANY

Strategic cooperation

In early 1998, a strategic partnership was entered into with the government-owned mortgage lending company SBAB. This meant that from March 1998, the bank – via its branch network through Länsförsäkring Alliance – could gradually start acting as an intermediary for Länsförsäkringar's mortgage loans with one of the market's lowest rates.

The cooperation progressed very favourably. Since Länsförsäkringar now offers mortgages in its own right, the partnership with SBAB has been terminated.

The cooperation initiated with Landshypotek in 1997/1998 has continued. This involves the bank acting as an intermediary for Landhypotek's first mortgages, while Landshypotek acts as an intermediary for the bank's second mortgages for farmers.

During the summer of 2002, a strategic cooperation was initiated with Svensk Kassaservice (Swedish Cashier Service), allowing the bank's customers to make cash deposits and withdrawals at approximately 1,200 offices and with some 2,500 rural mail carriers.

A share trading service via the Internet was developed in cooperation with OM AB. This service began operating in November 2002.

During the year, the bank acquired 10% of the shares in Finansiell ID-teknik BID AB. Agreements were also signed to allow the bank's customers to order an electronic BankID from the beginning of 2004.

Earnings

The bank posted an operating loss of SEK 66 M (loss: 84). Group contribution paid by

the subsidiaries Wasa Kredit AB, Länsförsäkringar Hypotek AB and WASA Garanti Försäkrings AB amounted to SEK 48 M and SEK 18 M. The Group contributions are reported directly against shareholders' equity.

Operating revenues amounted to SEK 456 M (389), while expenses, excluding loan losses, amounted to SEK 511 M (461). Loans losses for the year totaled SEK 11 M (12).

The year was characterized by continued development, especially in terms of internal processes. The expansion of ATMs and offices continued.

The total number of bank customers increased by 59,000 to approximately 452,000. The number of Internet bank customers increased by about 18%, or slightly more than 40,000, to 259,000. The Bank via Internet has been in operation for slightly more than three years. The value of payments via Privatgiro amounted to about SEK 6.0 billion, which can be compared with SEK 3.7 billion in 2002.

Risks and risk management

The ultimate responsibility for the bank's risk exposure lies with the Board of Directors. The Board sets the guidelines for risk management through the credit policy and finance policy. The Board appoints a credit delegation and a credit committee in which decisions on loans within certain limits are made. In addition, the Board appoints a finance committee to handle the bank's financial activities.

Credit risk

Credit risk is the risk of incurring losses as a result of a counterparty not being able to fulfill its obligations toward the bank and the pledged collateral not covering the claim.

The primary risk-limiting factor is to ensure that the credit process in itself is conducted with the required level of quality.

The bank's credit risk covers receivables mainly from private individuals and farmers. Loans are granted after a thorough credit appraisal that, in the first instance, is based on the customer's ability to repay. All credit decisions in the bank are made by at least two persons or, for smaller loans, by one person with the support of an IT-based evaluation system. The commitments are followed up regularly, both in terms of the payment history and changes in the value of the collateral. Payments due and non-performing receivables are followed up regularly.

The bank currently has no trading stock of financial instruments. The bank manages its own capital and other liquidity reserves with low risk.

In the finance policy, the bank's counterparty risk is minimized by allowing investments only in certain specific instruments and with a stated limit for each counterparty. The bank is permitted to use derivatives to reduce interest-rate risks.

Market risk

Market risk in the bank is the risk of losses as a result of fluctuations in interest rates and exchange rates.

A new finance policy was adopted by the Board of Directors in December 2003. At year-end, interest-rate risk, expressed as the change in the value of the portfolio caused by a 1% shift in the yield curve, amounted to SEK 1.6 M (1.4).

The bank's assets normally have longer fixed-interest periods than its liabilities. When interest rates rise, this entails a reduction in net interest income. One factor that offsets this trend is that the bank has a larger

volume of interest-bearing assets than liabilities, which is primarily attributable to shareholders' equity. When interest rates rise, return on equity increases since this can gradually be reinvested at higher rates of interest.

To reduce interest-rate risk, the bank uses interest rate swaps, that is, contracts with a counterparty to transfer interest payments from floating to fixed interest rates, and vice versa, thus limiting the effect of changes in interest rates on earnings.

The exchange rate risk to which the bank is exposed through borrowing in foreign currency is reduced through currency swaps, that is, contracts with a counterparty to transfer interest and amortization payments from one currency to another.

Liquidity risk

Liquidity risk arises when assets and liabilities have different due dates, which means that payment obligations cannot be immediately fulfilled.

The bank's primary source of financing is account deposits. These deposits are continually followed up. The bank's objective is to maintain a liquidity level such that ongoing payment obligations can be met, while there is contingency for unforeseen events. Payment contingencies are managed by having a sufficient volume of liquid assets, such as eligible bonds, that can promptly be converted into liquid funds. The bank should always have a liquidity reserve that allows a certain fixed portion of account deposits and a certain portion of the interest due to be immediately available.

Operating risks

Operating risks are risks of losses that may arise due to external events (such as natural disasters and criminality) or due to internal factors (computer errors, fraud,

insufficient compliance with regulations and suchlike).

The best protection against these kinds of risks is to have good internal control. Internal control builds primarily on capable leadership, distinct rules and instructions and continuous training.

Directly answerable to the Board of Directors is internal audit, whose function is to examine and evaluate internal control within the bank. Internal audit is a review function independent from operational activities.

Sensitivity analysis

Based on the structure of the income statement and balance sheet for 2003, the analysis below describes the static effect of various changes in each respective item.

		Effect on operating Change income (SEK 000s)
Net interest income	+/-1%	+/-33,634
Investment margin	+/-0.1 percentage points	+/-25,376
Changes in personnel, average	+/-1 person	-/+682
Salary adjustments	+/-1%	-/+709
Other general administration expenses	+/-1%	-/+3,672

An adjustment in the market interest rate of one percentage point on all maturity dates affects the market value of interest-bearing securities by approximately SEK 7 M (5) as per the balance sheet date.

Significant events after year-end

On January 1, 2004, Länsförsäkringar Bank acquired Länsförsäkringar Fondförvaltning AB from Länsförsäkringar AB. The purchase sum amounted to SEK 115 M. The transaction was executed in the form of a non-cash issue, thus increasing Länsförsäkringar Bank's shareholders' equity by SEK 115 M.

Key ratios	2003	2002	2001	2000	1999
Group					
Return on equity, %	2.98	1.90	0.16	6.31	1.61,
Earnings per share, SEK	5.51	2.37	0.16	6.60	1.60
Investment margin, %	2.59	3.01	3.08	3.00	3.02
Interest margin, %	2.39	2.82	2.86	2.73	2.76
Cost/income ratio before loan losses	0.90	0.99	1.09	0.96	1.00
Cost/income ratio after loan losses	0.94	1.01	1.04	0.96	1.03
Capital adequacy, %	13.00	8.08	9.12	10.21	11.65 ¹⁾
Tier 1 ratio, %	9.95	7.45	8.45	9.37	10.63
Percentage of doubtful receivables, % ²⁾	0.12	0.18	0.47	0.68	0.72
Provision ratio for doubtful receivables, % ²⁾	83.14	80.30	71.38	71.32	84.07
Parent Company					
Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Earnings per share, SEK	Neg.	Neg.	Neg.	Neg.	Neg.
Investment margin, %	1.33	1.77	1.82	1.57	1.51
Interest margin, %	1.16	1.58	1.60	1.31,	1.26
Cost/income ratio before loan losses	1.12	1.19	1.37	1.19	1.75
Cost/income ratio after loan losses	1.14	1.22	1.30	1.16	1.96
Capital adequacy, %	45.23	24.30	22.49	27.76	36.77 ¹⁾
Tier 1 ratio, %	34.62	22.40	20.82	25.50	33.60
Percentage of doubtful receivables, % ²⁾	0.15	0.08	0.17	0.23	0.16
Provision ratio for doubtful receivables, % ²⁾	100.01	83.33	74.98	80.13	89.65

¹⁾ Debenture loans totaling SEK 100 M were repaid during 1999.

²⁾ Comparative figures for prior years were adjusted to apply to provisions for lending on own account and excluding earlier cooperation with SBAB.

Commitments and rights pertaining to WASA Garanti Försäkrings AB have been taken over by the bank and action has been initiated to liquidate the company.

Proposed distribution of the Parent Company's unappropriated earnings

Profit brought forward	354,880,669
Shareholders' contribution received	730,000,000
Group contribution received	47,800,922
Net loss for the year	-47,654,372
	1,085,027,219

The Board of Directors proposes that the following amount be carried forward SEK 1,085,027,219

The Group's unappropriated earnings amount to SEK 1,080,004,000. No transfer to restricted reserves is proposed.

For more information on the Group and the bank's reported earnings, financial position, average number of employees and capital adequacy, please refer to the following income statement, balance sheet, supplementary information and capital adequacy analysis.

All figures in the annual report are reported in SEK 000s unless specified otherwise.

► INCOME STATEMENTS

SEK 000s		Group		Parent Company	
		2003	2002	2003	2002
Interest revenue	Note 2	1,593,678	1,143,218	1,021,581	824,184
Interest expense	Note 3	-893,004	-605,399	-685,242	-534,632
Net interest income		700,674	537,819	336,339	289,552
Dividends received	Note 4	2,418	1,775	138	28,496
Commission revenue	Note 5	111,316	85,094	58,084	40,179
Commission expense	Note 6	-83,132	-57,508	-61,233	-42,608
Net income from financial transactions	Note 7	-399	-206	-399	-206
Other operating revenue	Note 8	91,284	82,356	123,377	73,994
Total operating revenue		822,161	649,330	456,306	389,407
General administration expenses	Note 9	-650,219	-563,859	-448,586	-395,402
Depreciation/amortization and write-downs of tangible and intangible assets	Note 10	-57,663	-46,327	-49,777	-47,350
Other operating expenses	Note 11	-28,477	-30,864	-12,755	-18,333
Total expenses before loan losses		-736,359	-641,050	-511,118	-461,085
Income before loan losses		85,802	8,280	-54,812	-71,678
Loan losses, net	Note 12	-38,871	-13,155	-11,066	-11,980
Income from banking operations		46,931	-4,875	-65,878	-83,658
Income from insurance operations	Note 13	17,990	24,386	-	-
Total operating income		64,921	19,511	-65,878	-83,658
Tax on income for the year	Note 14	-18,611	406	18,224	32,701
NET PROFIT/LOSS FOR THE YEAR		46,310	19,917	-47,654	-50,957
Earnings per share (number of shares: 8,398,708)		5.51	2.37	-5.67	-6.07

► BALANCE SHEETS

SEK 000s		Group		Parent Company	
		Dec 31, 2003	Dec 31, 2002	Dec 31, 2003	Dec 31, 2002
Assets					
Cash and central bank account balances		75,144	68,774	75,144	68,774
Lending to credit institutions	Note 15	602,095	1,408,026	21,076,011	13,081,425
Lending to the public	Note 16	30,043,724	19,861,343	7,049,293	5,818,526
Shares and participations	Note 17	3,833	500	3,833	500
Shares and participations in Group companies	Note 18	–	–	1,251,900	806,900
Bonds and other interest-bearing securities	Note 19	1,243,145	499,154	1,243,145	499,154
Assets in insurance operations	Note 20	21	12,185	–	–
Intangible assets	Note 21	77,655	108,518	77,655	108,518
Tangible assets	Note 22	25,587	29,752	7,762	10,727
Other assets	Note 23	237,538	235,507	76,795	74,065
Prepaid expenses and accrued income	Note 24	96,980	77,921	54,778	50,761
Total assets		32,405,722	22,301,680	30,916,316	20,519,350
Liabilities, provisions and shareholders' equity					
Liabilities to credit institutions	Note 25	1,356,951	266,751	1,399,382	352,145
Deposits and borrowing from the public	Note 26	18,154,223	16,377,917	17,012,814	14,831,584
Securities issued	Note 27	9,120,062	3,705,523	9,120,062	3,705,523
Liabilities in insurance operations	Note 28	5,400	5,394	–	–
Other liabilities	Note 29	307,500	234,265	262,866	173,785
Accrued expenses and prepaid income	Note 30	458,629	308,116	129,925	69,489
Provisions	Note 31	21,010	17,965	4,296	–
Subordinated debt	Note 32	1,050,000	180,000	1,050,000	180,000
Shareholders' equity					
Share capital (8,398,708 shares, par value of SEK 100 each)	Note 33	839,871	839,871	839,871	839,871
Restricted reserves	Note 33	55,051	12,072	12,072	12,072
Profit/loss brought forward	Note 33	990,715	333,889	1,132,682	405,838
Net profit/loss for the year	Note 33	46,310	19,917	–47,654	–50,957
Total shareholders' equity		1,931,947	1,205,749	1,936,971	1,206,824
Liabilities, provisions and shareholders' equity		32,405,722	22,301,680	30,916,316	20,519,350
Memorandum items					
	Note 34				
Pledged assets/collateral		500,000	500,915	500,000	490,000
Contingent liabilities		29,412	23,986	29,949	19,440
Commitments		8,469,659	2,902,213	8,628,541	4,445,249
Other notes					
Fixed-interest periods	Note 35				
Information on fair value	Note 36				
Capital adequacy analysis	Note 37				

► CASH-FLOW STATEMENTS

SEK 000s	Group		Parent Company	
	Dec 31, 2003	Dec 31, 2002	Dec 31, 2003	Dec 31, 2002
LIQUID FUNDS AT THE BEGINNING OF THE PERIOD	1,210,050	960,953	1,031,974	899,537
Operating activities				
Operating income	64,921	19,511	-65,878	-83,658
Adjustments for items not included in cash flow				
Booked non-chargeable tax	-18,611	406	18,224	32,701
Depreciation/amortization charged against earnings	57,663	46,327	49,777	47,350
	103,973	66,244	2,123	-3,607
Increase in lending to the public	-10,182,381	-7,408,536	-1,230,767	-1,323,941
Decrease in securities holdings	-	-	-	-
Increase in deposits and borrowing from the public	1,776,306	3,085,386	2,181,230	2,382,521
Increase in lending to subsidiaries	-	-	-8,800,151	-5,301,184
Change in other assets	-15,655	23,854	-6,750	-2,538
Change in other liabilities	221,357	64,568	153,816	41,314
Cash flow from operating activities	-8,096,400	-4,168,484	-7,700,499	-4,207,435
Investing activities				
Increase in debenture loans	870,000	100,000	870,000	100,000
Change in fixed assets	-766,626	834,727	-759,940	849,276
Increase in shares in subsidiaries	-	-	-445,000	-192,749
Increase in shares and participations	-3,333	-	-3,333	-
Change in assets in insurance operations	12,164	24,224	-	-
Change in liabilities in insurance operations	6	-9,395	-	-
Cash flow from investing activities	112,211	949,556	-338,273	756,527
Financing activities				
Shareholders' contribution received	730,000	180,000	730,000	180,000
Group contribution received	-	-	47,800	115,320
Group contribution paid	-50,112	-	-	-
Securities issued	5,414,539	3,288,025	5,414,539	3,288,025
Cash flow from financing activities	6,094,427	3,468,025	6,192,339	3,583,345
Cash flow for the period	-1,889,762	249,097	-1,846,433	132,437
LIQUID FUNDS AT END OF PERIOD	-679,712	1,210,050	-814,459	1,031,974
Liquid funds include:				
Cash and central bank account balances	75,144	68,774	75,144	68,774
Other lending to/deposits in credit institutions	602,095	1,408,027	509,779	1,315,345
Liabilities to credit institutions	-1,356,951	-266,751	-1,399,382	-352,145
	-679,712	1,210,050	-814,459	1,031,974
Interest received amounted to	1,399,039	1,162,953	1,023,016	847,874
Interest paid amounted to	784,593	585,983	641,340	531,311
Taxes paid amounted to	3,532	3,889	1,846	1,186
Gross investment during the year	24,862	87,148	18,050	65,340

► SUPPLEMENTARY INFORMATION

NOTE 1 ACCOUNTING PRINCIPLES

This Annual Report was prepared in accordance with the Swedish Annual Reports (Credit Institutions and Securities Companies) Act (SFS: 1995:1559) and the regulations of Finansinspektionen (Swedish Financial Advisory Authority).

Consolidated accounts

The consolidated accounts were prepared in accordance with Recommendation RR 1:00 issued by the Swedish Financial Accounting Standards Council, and include the Parent Company Länsförsäkringar Bank AB and those companies in which the bank, directly or indirectly, holds more than 50% of the voting rights. These companies, with the exception of WASA Garanti AB (acquired in 1999), have been included in the consolidated accounts by applying the purchase method. Wasa Garanti had been consolidated in accordance with the simplified method provided for insurance companies by Finansinspektionen in Chapter 7, Section 3 of FFFS 2002:22. In financial statements for the merger between Länsförsäkringar Bank and Wasa Bank on November 1, 1998, Länsförsäkringar Bank AB (acquiring company) used the fair values of the assets and liabilities that were noted in the purchase analysis made when establishing the consolidated accounts. Changes in values that arose thereafter are reported as shares in subsidiaries, deferred tax and goodwill.

Untaxed reserves

Untaxed reserves are divided into deferred tax liability and restricted equity. Changes in the deferred tax liability due to changes in untaxed reserves are reported as deferred tax in the consolidated income statement.

Group contribution and shareholders' contribution

Group contribution and shareholders' contribution are reported in accordance with the statements issued in 1998 by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, which means that Group contribution and shareholders' contribution are charged directly against unrestricted equity.

Fixed assets and current assets

Fixed assets are classified as those assets intended to be permanent until maturity, or held for long-term use in the operations. Other assets are defined as current assets.

The basic valuation principle is that acquisition value is applied to fixed assets and fair value to current assets, even when this exceeds the acquisition value.

Intangible assets

Development costs for computer programs that are assessed to hold significant financial values are capitalized during the year. Amortization/depreciation is applied after completion of the programs.

Reporting of business transactions

Business transactions on the money, bond and equity markets are reported in the balance sheet as per the trading day, that is, at the time when the significant risks and rights have transpired between the parties. Deposits and lending transactions are reported as per the settlement date.

Financial instruments

The bank's portfolio of bonds and other interest-bearing securities intended to be held until maturity are classified as fixed assets and carried at accrued acquisition value. Bonds that are not meant for long-term holding are classified as current assets and carried at fair value.

The fair value of the financial instrument on the balance sheet date corresponds to the most recent paid price.

The acquisition value of the instrument is defined as the accrued acquisition value, which means that any premium or discount on the price at the time of acquisition is distributed (according to the effective interest-rate method) over the remaining maturity.

Payments received and adjustments in the financial instrument's accrued acquisition value during the period are reported as interest revenue.

Unrealized and realized gains and losses on the financial instruments are reported as net income from financial transactions.

Hedge accounting

The bank uses interest-rate swaps to protect certain loan receivables with established payment flows from interest-rate risks. Hedged and protected positions have been identified individually and show a high correlation during changes in value, which means that unrealized gains and losses on hedged positions are offset by unrealized losses and gains on protected positions.

The bank applies hedge accounting with acquisition valuation, which means that the hedged and protected positions are reported in the income statement and balance sheet without taking into account unrealized changes in value.

Lending

Loan receivables are initially reported in the balance sheet at their acquisition value, that is, in the amount lent to the borrower. Thereafter, loan receivables are reported continuously at their acquisition value after deductions for write-offs and specific and Group-wise provisions for loan losses.

All loan receivables are classified as fixed assets and are reported at the highest value expected to be received.

Lending is reported in the balance sheet after deductions for confirmed and probable loan losses. Confirmed loan losses during the year and allocations to provisions for probable loan losses, less recoveries and reversals on previous confirmed and probable loan losses, are reported as loan losses, net.

Confirmed loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal or through other claim remissions. Non-performing receivables are loans for which interest payments, amortization or overdrafts are more than 60 days past due. A doubtful receivable is a non-performing receivable or a receivable for which payments are unlikely to be made in accordance with the terms of the claim, and for which the value of the collateral is not adequate to cover both the principal and accrued interest rates, including penalties for possible late payments.

As a provision for probable loan losses, the receivable is reported at an amount corresponding to the difference between its reported value and the amount that the bank expects to recover.

The bank applies either an individual or a group valuation of credits when deciding on a provision for probable loan losses. The group valuation is used for homogenous groups of loan receivables with similar credit risk. A standard provision is made, based on an assessment of a potential loss trend in the future. Group provisions of individually appraised loan receivables have not been deemed necessary.

Recovered funds for doubtful receivables on which provisions have been made are, in the first instance, settled against the principal and in the second, against the interest rate. Interest rates on doubtful receivables are reported according to the cash principle, which means they are not reported as income until payment has been received.

Depreciation/amortization

Intangible assets are amortized according to plan as specified below:

Goodwill	10 years
Other intangible assets	3–5 years

Tangible assets are depreciated according to plan as specified below:

Office equipment	5 years
Improvements to leased premises	5 years
Cars	5 years
Computer equipment	3–5 years

Goodwill pertaining to the acquisition of Wasa Banken is being amortized over a period of ten years, based on the long-term market significance that the company represents.

Leasing

The Group's leasing operations mainly comprise financial leasing. In reporting financial leasing transactions, the leasing item is reported as lending to the lessee.

Lease payments net of amortization are reported as interest revenue.

Income tax

Deferred tax shall be reported with reference to all temporary differences between the reported and tax values of assets and liabilities. The tax value of unutilized loss carry-forwards is capitalized only to the extent that it is likely these will entail lower tax payments in the near future.

► SUPPLEMENTARY INFORMATION

NOTE 2 INTEREST REVENUE

	Group		Parent Company	
	2003	2002	2003	2002
Interest revenue, lending to credit institutions	136,984	34,206	623,463 ¹⁾	432,071 ²⁾
Interest revenue, lending to the public	1,428,079	1,078,784	369,544	361,952
Interest revenue, interest-bearing securities	26,504	25,502	26,504	25,502
Other interest revenue	2,111	4,726	2,070	4,659
Total interest revenue	1,593,678	1,143,218	1,021,581	824,184
Average rate of interest on lending to the public	5.5%	6.6%	5.7%	6.9%

¹⁾ Of which, 597,227 is intra-Group interest revenue.

²⁾ Of which, 399,918 is intra-Group interest revenue.

Of interest revenue, 0 (4,033) is attributable to securities classified as current assets.

NOTE 3 INTEREST EXPENSE

	Group		Parent Company	
	2003	2002	2003	2002
Interest expense, liabilities to credit institutions	174,655	14,183	37,921 ¹⁾	13,546
Interest expense, deposits and lending from the public	504,485 ²⁾	535,833 ⁵⁾	433,458 ³⁾	465,714
Interest expense, subordinated liabilities	10,010 ⁴⁾	7,210 ⁶⁾	10,010 ⁴⁾	7,210 ⁶⁾
Interest expense, interest-bearing securities	195,360	40,598	195,360	40,598
Other interest expense, including government deposit insurance	8,494	7,575	8,493	7,564
Total interest expense	893,004	605,399	685,242	534,632
Average rate of interest on deposits from the public	2.6, %	3.4, %	2.6, %	3.4, %

¹⁾ Of which, 2,510 is intra-Group interest expense.

²⁾ Of which, 15,718 is intra-Group interest expense.

³⁾ Of which, 18,252 is intra-Group interest expense.

⁴⁾ Of which, 10,010 is intra-Group interest expense.

⁵⁾ Of which, 1,979 is intra-Group interest expense.

⁶⁾ Of which, 7,210 is intra-Group interest expense.

NOTE 4 DIVIDENDS RECEIVED

	Group		Parent Company	
	2003	2002	2003	2002
Dividends received on shares	2,418	1,775	138	28,496 ¹⁾
	2,418	1,775	138	28,496

¹⁾ Of which, 28,476 is intra-Group dividend.

NOTE 5 COMMISSION REVENUE

	Group		Parent Company	
	2003	2002	2003	2002
Payment commission	35,059	25,134	35,059	25,134
Lending commission	67,585	57,325	14,353	12,410
Deposit commission	1,316	41	1,316	41
Securities commission	1,623	92	1,623	92
Other commission	5,733	2,502	5,733	2,502
Total commission revenue	111,316	85,094	58,084	40,179

NOTE 6 COMMISSION EXPENSE

	Group		Parent Company	
	2003	2002	2003	2002
Payment commission	28,069	17,859	28,069	17,859
Securities commission	3,935	592	3,935	592
Other commission	51,128	39,057	29,229	24,157
Total commission expense	83,132	57,508	61,233	42,608

NOTE 7 NET INCOME FROM FINANCIAL TRANSACTIONS

	Group		Parent Company	
	2003	2002	2003	2002
Capital gain/loss				
Interest-rate related instruments	-399	-206	-399	-206
Capital gain/loss	-399	-206	-399	-206

NOTE 8 OTHER OPERATING REVENUE

	Group		Parent Company	
	2003	2002	2003	2002
Other revenue	91,284	82,356	123,377 ¹⁾	73,994 ²⁾
Other operating revenue	91,284	82,356	123,377	73,994

¹⁾ Of which, 46,820 in intra-Group sales.

²⁾ Of which, 19,500 in intra-Group sales.

NOTE 9 GENERAL ADMINISTRATION EXPENSES

	Group		Parent Company	
	2003	2002	2003	2002
Personnel costs	180,394	162,461	86,698	80,659
Costs for premises	23,935	22,463	12,357	10,380
IT costs	56,724	69,458	47,861	55,686
Consultant costs	36,770	32,893	34,197	24,756
Other administration expenses	352,396	276,584	267,473	223,921
Total administration expenses	650,219	563,859	448,586	395,402

Auditing fees

KPMG Bohlins				
– Audit	631	562	341	298
– For other assignments	129	218	53	147
Ernst & Young				
– Audit	124	106	65	62
– For other assignments	–	–	–	–

Personnel and salaries

The average number of employees in the Parent Company totaled 104 (106) persons, of whom 64 (66) are women. The average number of employees in the Group was 254 (251), of whom 134 (132) are women.

Salaries and remuneration amounted to

Directors' fees	546	573	546	573
Salaries and remuneration to the MD	1,948	1,925	1,948	1,925
<i>of which, bonus</i>	<i>162</i>	<i>130</i>	<i>162</i>	<i>130</i>
Salaries and remuneration to other senior executives	6,364	6,634	6,364	6,634
<i>of which, bonuses</i>	<i>665</i>	<i>284</i>	<i>665</i>	<i>284</i>
Salaries and remuneration to other employees	99,880	90,085	41,209	36,940
Total salaries and remuneration	108,738	99,217	50,067	46,072

NOTE 9 ADMINISTRATION EXPENSES, cont.

	Group		Parent Company	
	2003	2002	2003	2002
Social security costs	66,329	59,341	31,305	30,658
of which, pension expenses	22,587	20,063	11,436	12,044
of which, pension expense for MD	1,033	476	1,033	476
of which, pension expense for other senior executives	1,784	1,385	1,784	1,385

Principles governing Directors' fees

Directors' fees are payable in accordance with the decision of the Annual General Meeting. No fee is payable to Board members who are employed by Länsförsäkringar AB or who represent the employees.

Period of notice and severance pay for senior executives

Termination of employment by the Company entitles the Managing Director and the Deputy Managing Director to severance pay corresponding to 12 months' salary. If they resign on their own accord, they will be entitled to severance pay equivalent to six months' salary. For other executives, the Company applies the terms stipulated in the central agreements between the labor market parties.

Pension commitments

The Managing Director has an agreement to retire at age 60. His pension is payable in accordance with the FTP plan.

Board composition

The Board of Directors comprises 11 (11) members, of whom 3 (2) are women.

Composition of the management team

The bank's senior management team comprises 8 (7) members, of whom 1 (1) is a woman.

Loans to senior executives

The bank has issued loans to members of the Board of Directors totaling 1,079 (1,234). The terms and conditions of the loan correspond to those that apply for employees of Länsförsäkringar Bank AB.

Board members of Länsförsäkringar Bank AB have been granted loans by Länsförsäkringar Hypotek AB totaling 2,392 (2,923). The loans operate on market terms.

Other members of the Boards of Directors within the Länsförsäkring Alliance have also received loans from the bank in the amount of 10,916 (13,913). At Länsförsäkringar Hypotek AB, the loans amount to 11,567 (7,629). The terms and conditions of the loans are equivalent to those that apply for other employees of the Länsförsäkring Alliance.

Absence due to sickness, July 1 – December 31, 2003

	Group	Parent Company
Total absence due to sickness	4.8%	3.9%
Absence of more than 59 days as a percentage of total absence due to sickness	67.9%	61.1%
Absence due to sickness – men	2.8%	2.6%
Absence due to sickness – women	6.6%	4.6%
Age < 29 years	2.3%	2.1%
Age 30–49 years	6.0%	4.1%
Age 50 years +	2.6%	4.3%

NOTE 10 DEPRECIATION/AMORTIZATION AND WRITE-DOWNS OF TANGIBLE AND INTANGIBLE ASSETS

	Group		Parent Company	
	2003	2002	2003	2002
Depreciation of tangible assets	12,071	10,523	4,186	4,295
Amortization of intangible assets	45,592	35,804	45,591	35,804
Write-downs of shares in subsidiaries	–	–	–	7,251
Total depreciation/amortization and write-downs	57,663	46,327	49,777	47,350

NOTE 11 OTHER OPERATING EXPENSES

	Group		Parent Company	
	2003	2002	2003	2002
Marketing	28,477	30,864	12,755	18,333
Other operating expenses	28,477	30,864	12,755	18,333

NOTE 12 LOAN LOSSES, NET

	Group		Parent Company	
	2003	2002	2003	2002

Specific provision for individually appraised loan receivables

Write-off of confirmed loan losses during the year	15,186	2,899	1,349	3,117
Reversed provisions for probable loan losses reported in the year-end accounts as confirmed losses	–992	–1,861	–990	–2,079
Provision for probable loan losses during the year	17,372	10,253	2,374	3,892
Payment received for prior confirmed loan losses	–14,977	–10,337	–679	–407
Reversed provisions no longer required for probable loan losses	–5,843	–33,061	–3,396	–6,916
Net expense during the year for individually appraised receivables	10,746	–32,107	–1,342	–2,393

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 year	9,799	20,597	2,866	2,229
Payment received for previously confirmed loan losses	–2,487	–6,960	–17	–13
Allocation/dissolution of provisions for loan losses	20,813	31,625	9,559	12,157
Net expense for the year for loan receivables appraised by group	28,125	45,262	12,408	14,373
Net expense for the year for loan losses	38,871	13,155	11,066	11,980

All figures pertain to receivables from the general public.

NOTE 13 INCOME FROM INSURANCE OPERATIONS

	Group	
	2003	2002
Technical reporting of non-life insurance operations		
Premiums earned (after ceded reinsurance)	339	498
Investment income transferred from financial operations	173	383
Claims payments before ceded reinsurance	14,873	13,870
Change in provision for non-performing/non-recoverable claims (after ceded reinsurance)	–140	4,871
Total claims payment (after ceded reinsurance)	15,245	19,622
Other revenues/expenses	0	0
Operating expenses	–77	–128
Technical result, non-life insurance operations	15,168	19,494
Non-technical reporting		
Technical result, non-life insurance operations	15,168	19,494
Investment income	3,027	5,263
Unrealized gains on investment assets	–22	19
Investment expenses	–10	–7
Investment income transferred to non-life insurance operations	–173	–383
Income before appropriations and tax	17,990	24,386

► SUPPLEMENTARY INFORMATION

NOTE 14 TAX ON INCOME FOR THE YEAR

	Group		Parent Company	
	2003	2002	2003	2002
Current tax	18,245	–	–18,589	–32,290
Deferred tax	366	–406	365	–411
Total tax on income for the year	18,611	–406	–18,224	–32,701

Tax loss carryforwards amounting to SEK 352 M (353) as per the balance sheet date pertain to operations of the Parent Company. The merger carried out in 1998 has entailed that SEK 352 M cannot be utilized until the tax assessment in 2005, at the earliest. Deferred tax claims have not been reported for the aforementioned items.

Reconciliation of tax expense for the year

Reported pretax profit	64,920	19,511	–65,878	–83,658
Corporate income tax 28%	18,179	5,463	–18,446	–23,424
Non-tax-deductible costs	1,625	3,162	818	2,336
Non-taxable revenue	–742	–9,105	–88	–8,584
Increase in loss carryforwards without capitalizing deferred tax	61	–	–	–
Utilization of non-capitalized loss carryforwards	–512	–2,968	–508	–3,029
Other	–	3,042	–	–
Reported tax expense	18,611	–406	–18,224	–32,701
Applicable tax rate	28%	28%	28%	28%
Effective tax rate	29%	–2%	–28%	–39%

Tax items charged against shareholders' equity

Current tax in received/paid				
Group contribution	–19,488	–	18,589	32,290
	–19,488	–	18,589	32,290

The temporary difference between the reported and written-down value of the Parent Company's directly owned shares amounts to:

Participations in Group companies	107,870	112,520	112,894	112,894
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Deferred taxes relating to these shareholdings have not been reported. For Group companies, the Parent Company has control over when the tax liability is realized and this will not take place within the foreseeable future, while dividends received in Sweden are not taxable revenue.

NOTE 15 LENDING TO CREDIT INSTITUTIONS

	Group		Parent Company	
	2003	2002	2003	2002
Lending to subsidiaries	–	–	20,566,231	11,766,080
Deposits, Swedish banks	479,000	1,296,000	479,000	1,296,000
Other lending to credit institutions	123,095	112,026	30,780	19,345
	602,095	1,408,026	21,076,011	13,081,425

Information on maturity:

Payable on demand	92,315	92,681	–	–
Remaining maturity, maximum 3 months	508,644	1,315,345	557,044	1,406,346
Remaining maturity, 3 months to one year	1,136	–	20,263,967	11,465,079
Remaining maturity, 1–5 years	–	–	–	–
Remaining maturity, more than 5 years	–	–	255,000	210,000
	602,095	1,408,026	21,076,011	13,081,425
Average remaining maturity	0.1 years	0.1 years	1.1 years	1.0 years

For information on fixed-interest periods, please see Note 35.

NOTE 16 LENDING TO THE PUBLIC

	Group		Parent Company	
	2003	2002	2003	2002
Loan receivables, gross				
Public sector	130,774	91,645	–	–
Commercial sector	3,619,121	3,182,795	311,879	243,772
Household sector	26,458,102	16,735,067	6,809,759	5,645,609
Other	8,072	3,791	3,134	1,366
	30,216,069	20,013,298	7,124,772	5,890,747

Provisions for individually reserved loan receivables

Commercial sector	–28,589	–21,932	–247	–247
Household sector	–40,978	–37,457	–17,198	–19,204
	–69,567	–59,389	–17,445	–19,451

Provisions for group-wise reserved loan receivables

Commercial sector	–13,243	–12,494	–1,727	–1,138
Household sector	–89,535	–80,072	–56,307	–51,632
	–102,778	–92,566	–58,034	–52,770

Total provisions	–172,345	–151,955	–75,479	–72,221
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Loan receivables, net

Public sector	130,774	91,645	–	–
Commercial sector	3,577,289	3,143,078	309,905	242,387
Household sector	26,327,589	16,622,829	6,736,254	5,574,773
Other	8,072	3,791	3,134	1,366
	30,043,724	19,861,343	7,049,293	5,818,526

Doubtful loan receivables

Commercial sector	58,905	42,264	2,206	1,479
Household sector	148,383	140,056	73,272	78,520
	207,288	182,320	75,478	79,999

Non-performing loan receivables included among doubtful loan receivables

Commercial sector	34,414	18,919	479	247
Household sector	82,245	71,423	40,185	42,080
	116,659	90,342	40,664	42,327

NOTE 16 LENDING TO THE PUBLIC, cont.

	Group		Parent Company	
	2003	2002	2003	2002
Corporate loans by industry				
Agriculture	273,150	212,380	192,101	139,731
Fishing	2,015	1,006	1,273	1,006
Mining	11,417	340	260	340
Manufacturing	639,269	676,261	24,180	13,663
Electricity, gas, heating and water supply	5,220	540	895	540
Construction	330,271	315,657	15,345	15,077
Wholesale/retail	783,819	763,834	8,521	7,394
Hotel/restaurant	77,548	4,937	–	–
Transport, storage and communication	193,661	173,791	4,026	3,073
Financial services	17,096	14,884	10,604	14,884
Property/leasing operations	721,676	722,403	38,840	37,626
Education	21,262	561	270	561
Healthcare	45,965	3,145	3,715	888
Other social and personal services	80,823	5,495	3,699	5,495
Other	415,929	287,561	8,150	3,494
	3,619,121	3,182,795	311,879	243,772
Breakdown by collateral				
Single-family homes	17,016,259	9,206,578	2,642,896	2,263,697
Tenant-owned apartments	2,230,283	1,198,736	651,096	612,314
Apartment building	180,082	214,651	4,895	7,506
Agricultural/farm properties	68,646	69,465	68,646	69,465
Commercial properties	82,588	135,684	15,089	25,604
Industrial properties	16,075	32,257	89	6,050
Other guarantees	8,126	8,416	8,126	8,416
Other collateral	5,793,524	5,793,494	8,079	8,049
Unsecured credit	4,820,486	3,354,017	3,725,856	2,889,646
	30,216,069	20,013,298	7,124,772	5,890,747

NOTE 18 SHARES AND PARTICIPATIONS IN GROUP COMPANIES (PARENT COMPANY)

	2003			2002		
	No. of shares	Nominal value	Book value	No. of shares	Nominal value	Book value
Wasa Kredit AB	875,000	87,500	432,772	875,000	87,500	387,772
Länsförsäkringar Hypotek AB	70,335	70,335	741,128	70,335	70,335	341,128
WASA Garanti Försäkrings AB	650,000	65,000	78,000	650,000	65,000	78,000
Total shares and participations in Group companies			1,251,900			806,900

The bank has a total of three wholly-owned subsidiaries with registered offices in Stockholm. All shares are unlisted. Of the asset item, 1,173,900 (728,900) pertains to shares in credit institutions.

The subsidiaries Wasa Kredit AB and Länsförsäkringar Hypotek AB are operating credit market companies. Wasa Kredit's (556311-9204) shareholders' equity as of December 31, 2003 amounted to SEK 391 M and profit for the year was SEK 45 M. Länsförsäkringar Hypotek's (556244-1781) shareholders' equity amounted to SEK 735 M at December 31, 2002 and profit for the year was SEK 39 M. In the subsidiary WASA Garanti Försäkrings AB (516401-7831), shareholders' equity as of December 31, 2002 was SEK 78 M and profit for the year was SEK 13 M.

	Group		Parent Company	
	2003	2002	2003	2002
Information on maturity:				
Payable on demand	3,534	5,535	–	–
Remaining maturity, maximum 3 months	3,603,740	2,199,259	163,434	179,709
Remaining maturity, 3 months to one year	6,366,658	4,470,415	830,580	611,905
Remaining maturity 1–5 years	12,690,588	7,215,389	747,589	607,118
Remaining maturity more than 5 years	7,379,204	5,970,745	5,307,690	4,419,794
	30,043,724	19,861,343	7,049,293	5,818,526
Average remaining maturity	17.5 years	16.9 years	21.3 years	20.4 years

The loan receivables all relate to Sweden.

For the Parent Company, actual maturity has been reported, although Chapter 2, Section 19 of the Banking Business Act is applicable, in principle, to all lending, which means that termination may occur within one year.

Leasing assets in the subsidiary Wasa Kredit AB comprise SEK 2.6 billion (2.5) of the Group's lending to the public.

Leasing assets are classified as financial leasing. Car leasing comprises 41.7% (44.3) of total leasing.

For information on fixed-interest periods, please see Note 35.

NOTE 17 SHARES AND PARTICIPATIONS

	Group		Parent Company	
	2003	2002	2003	2002
Other shares and participations	3,333	0	3,333	0
Tenant-owned apartments	500	500	500	500
Total shares and participations	3,833	500	3,833	500

All shares are unlisted.

► SUPPLEMENTARY INFORMATION

NOTE 19 BONDS AND OTHER INTEREST-BEARING SECURITIES (GROUP AND PARENT COMPANY)

	2003				2002			
	Nominal value	Accrued acquisition value	Fair value	Book value	Nominal value	Accrued acquisition value	Fair value	Book value
Mortgage institutions	1,250,000	1,243,145	1,246,125	1,243,145	500,000	499,154	501,359	499,154
Total bonds and other interest-bearing securities	1,250,000	1,243,145	1,246,125	1,243,145	500,000	499,154	501,359	499,154
Of which, listed			1,243,145					499,154
Difference between book and nominal value:								
Higher/lower book value				-6,855				-846
				-6,855				-846
Information on maturity:								
Maximum 1 year			1,243,145					199,154
1–5 years				–				300,000
			1,243,145					499,154
Average remaining maturity			0.4 years					1.1 years

For information on fixed-interest periods, please see Note 35.

The item is appraised as a fixed asset since the intention is to retain the securities until they mature.

NOTE 20 ASSETS IN INSURANCE OPERATIONS

	Group	
	2003	2002
Investment assets		
Other financial investment assets	–	11,926
Total investment assets	0	11,926
Claims		
Claims relating to direct insurance	–	26
Other claims	–	14
Total claims	0	40
Other assets		
Cash and bank	21	219
Total other assets	21	219
Total assets	21	12,185

NOTE 21 INTANGIBLE ASSETS

	Group		Parent Company	
	2003	2002	2003	2002
Goodwill				
Opening acquisition value	2,683	2,683	2,683	2,683
Closing acquisition value	2,683	2,683	2,683	2,683
Opening accumulated amortization	-1,118	-850	-1,118	-850
Amortization during the year	-268	-268	-268	-268
Closing accumulated amortization	-1,386	-1,118	-1,386	-1,118
Closing residual value according to plan	1,297	1,565	1,297	1,565

NOTE 21 21 INTANGIBLE ASSETS, cont.

	Group		Parent Company	
	2003	2002	2003	2002
Other intangible assets				
Opening acquisition value	175,689	122,018	175,689	122,018
Purchases	14,728	53,671	14,728	53,671
Closing accumulated acquisition value	190,417	175,689	190,417	175,689
Opening amortization	-68,736	-33,200	-68,736	-33,200
Amortization during the year	-45,323	-35,536	-45,323	-35,536
Closing accumulated amortization	-114,059	-68,736	-114,059	-68,736
Closing residual value according to plan	76,358	106,953	76,358	106,953
Total intangible assets	77,655	108,518	77,655	108,518

The goodwill item pertains to the acquisition of WASA Banken AB (publ). Other intangible assets include capitalized expenditure for the development of the data system with a book value of 75,237 (106,637). Of this, 0 (34,470) comprises capitalized development costs for which write-off has yet to commence.

NOTE 22 TANGIBLE ASSETS

	Group		Parent Company	
	2003	2002	2003	2002
Equipment				
Opening acquisition value	68,232	51,404	29,043	33,766
Purchases	8,768	28,206	1,957	6,398
Sales/disposals	-4,609	-11,378	-3,886	-11,121
Closing acquisition value	72,391	68,232	27,114	29,043
Opening depreciation	-38,480	-38,252	-18,316	-24,067
Sales/disposals	3,747	10,295	3,150	10,046
Depreciation during the year	-12,071	-10,523	-4,186	-4,295
Closing accumulated depreciation	-46,804	-38,480	-19,352	-18,316
Closing residual value according to plan	25,587	29,752	7,762	10,727
Total tangible assets	25,587	29,752	7,762	10,727

NOTE 23 OTHER ASSETS

	Group		Parent Company	
	2003	2002	2003	2002
Accounts receivable	194,017 ¹⁾	184,245 ⁴⁾	19,330 ²⁾	6,522 ⁵⁾
Deferred tax claim	45	–	45	411
Other assets	43,476	51,262	57,420 ³⁾	67,132 ⁶⁾
Total other assets	237,538	235,507	76,795	74,065

¹⁾ Of which, 897 in receivables from Group companies.

²⁾ Of which, 14,351 in receivables from Group companies.

³⁾ Of which, 18,503 in receivables from Group companies.

⁴⁾ Of which, 1,307 in receivables from Group companies.

⁵⁾ Of which, 4,057 in receivables from Group companies.

⁶⁾ Of which, 24,473 in receivables from Group companies.

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2003	2002	2003	2002
Accrued interest income	42,094	46,024	22,867 ¹⁾	28,103 ²⁾
Accrued interest swap	17,811	2,477	4,305 ³⁾	503
Other accrued income	5,874	25,126	5,874	17,861
Prepaid expenses	31,201	4,294	21,732	4,294
Total prepaid expenses and accrued income	96,980	77,921	54,778	50,761

¹⁾ Of which, 288 in accrued interest income in Group companies.

²⁾ Of which, 1,081 in accrued interest income in Group companies.

³⁾ Of which, 2,473 in accrued interest income in Group companies.

NOTE 25 LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
	2003	2002	2003	2002
The Riksbank	–	–	–	–
Other Swedish credit institutions	1,356,951	266,751	1,399,382 ¹⁾	352,145 ²⁾
Total liabilities to credit institutions	1,356,951	266,751	1,399,382	352,145
Information on maturity:				
Payable on demand	1,356,951	266,751	1,399,382	352,145
Average remaining maturity	0 years	0 years	0 years	0 years

¹⁾ Of which, 42,431 in liabilities to Group companies.

²⁾ Of which, 85,393 in liabilities to Group companies.

For information on fixed-interest periods, please see Note 35.

NOTE 26 DEPOSITS AND BORROWING FROM THE PUBLIC

	Group		Parent Company	
	2003	2002	2003	2002
Borrowing from the public	1,141,409	1,641,931	–	–
Deposits from insurance companies	973,785 ¹⁾	879,698 ²⁾	973,785 ³⁾	975,296 ⁴⁾
Deposits from households	14,816,954	12,696,768	14,816,954	12,696,768
Deposits from other Swedish public	1,222,075	1,159,520	1,222,075	1,159,520
Total deposits from the public	18,154,223	16,377,917	17,012,814	14,831,584

NOTE 26 DEPOSITS AND BORROWING FROM THE PUBLIC, cont.

	Group		Parent Company	
	2003	2002	2003	2002
Information on maturity:				
Payable on demand	17,012,814	14,735,986	17,012,814	14,831,584
Remaining maturity, maximum 3 months	–	–	–	–
Remaining maturity, 3 months to one year	199,932	497,555	–	–
Remaining maturity 1–5 years	941,477	1,144,376	–	–
Remaining maturity, more than 5 years	–	–	–	–
	18,154,223	16,377,917	17,012,814	14,831,584
Average remaining maturity	0.2 years	0.3 years	0 years	0 years

¹⁾ Of which, 625,151 in liabilities to Group companies.

²⁾ Of which, 277,748 in liabilities to Group companies.

³⁾ Of which, 625,151 in liabilities to Group companies.

⁴⁾ Of which, 373,345 in liabilities to Group companies.

For information on fixed-interest periods, please see Note 35.

NOTE 27 SECURITIES ISSUED

	Group		Parent Company	
	2003	2002	2003	2002
Certificates of deposit	3,415,867	3,350,546	3,415,867	3,350,546
Bond loans	5,310,974	–	5,310,974	–
Cashiers' checks issued	393,221	354,977	393,221	354,977
Total securities issued, etc.	9,120,062	3,705,523	9,120,062	3,705,523
Information on maturity				
Remaining maturity, maximum 1 year	4,182,867	3,350,546	4,182,867	3,350,546
Remaining maturity, 1–5 years	4,543,974	–	4,543,974	–
Remaining maturity, 5–10 years	393,221	354,977	393,221	354,977
Remaining maturity, more than 10 years	–	–	–	–
	9,120,062	3,705,523	9,120,062	3,705,523
Remaining maturity	1.7 years	1.1 years	1.7 years	1.1 years

NOTE 28 LIABILITIES IN INSURANCE OPERATIONS

	Group	
	2003	2002
Technical reserves (before ceded reinsurance)		
Provisions for unsettled damage claims	5,163	5,006
Total technical reserves	5,163	5,006
Liabilities		
Other liabilities	171	327
Total liabilities	171	327
Accrued expenses and prepaid income		
Other accrued expenses and prepaid income	66	61
Total accrued expenses and prepaid income	66	61
Total liabilities in insurance operations	5,400	5,394

► SUPPLEMENTARY INFORMATION

NOTE 29 OTHER LIABILITIES

	Group		Parent Company	
	2003	2002	2003	2002
Accounts payable – trade	73 040 ¹⁾	72 090 ²⁾	31 681 ¹⁾	36 932 ²⁾
Withholding preliminary tax, customers	105,662	118,686	105,662	118,686
Other liabilities	128,798	43,489	125,523	18,167
Total other liabilities	307,500	234,265	262,866	173,785

¹⁾ Of which, 7,168 in liabilities to Group companies.

²⁾ Of which, 12,528 in liabilities to Group companies.

NOTE 30 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2003	2002	2003	2002
Accrued vacation pay	8,914	7,278	4,227	3,526
Accrued social security expenses	7,492	3,107	2,488	3,107
Accrued interest expenses	65,551	39,137	41 244 ¹⁾	–
Accrued interest swap	85,171	6,043	6 596 ²⁾	3,938
Other accrued expenses	101,022	77,942	74 507 ³⁾	56,782
Prepaid rent	189,614	172,473	–	–
Other prepaid income	865	2,136	863	2,136
Total accrued expenses and prepaid income	458,629	308,116	129,925	69,489

¹⁾ Of which, 288 in liability to Group companies.

²⁾ Of which, 4,175 in liability to Group companies.

³⁾ Of which, 857 in liability to Group companies.

NOTE 31 PROVISIONS

	Group		Parent Company	
	2003	2002	2003	2002
Deferred tax	16,714	17,965	–	–
Provisions for guarantees	4,296	–	4,296	–
	21,010	17,965	4,296	–

Tax loss carryforwards amounting to SEK 352 M (353) as per the balance sheet date pertain to operations of the Parent Company. The merger carried out in 1998 has entailed that SEK 352 M cannot be utilized until the tax assessment in 2005, at the earliest. Deferred tax claims have not been reported for the aforementioned items.

NOTE 32 SUBORDINATED DEBT

	Group		Parent Company	
	2003	2002	2003	2002
Debenture loans	1,050,000	180,000	1,050,000	180,000
	1,050,000	180,000	1,050,000	180,000

Specification of debenture loans from Länsförsäkringar AB

	Booked amount	Coupon rate
Debenture loan, 2002/2012 LFAB	180,000	variable
Debenture loan, 2003/2013 LFAB	580,000	6.95%
Debenture loan, perpetual LFAB ¹⁾	290,000	8.25%
	1,050,000	

¹⁾ The terms of the loan are such that the loan qualifies as a Tier 1 capital contribution, in accordance with the requirements of Finansinspektionen.

The debenture loans are subordinate to the bank's other liabilities, which means that they are liable for payment only once the other creditors have been repaid.

NOTE 33 SHAREHOLDERS' EQUITY

	Group		Parent Company	
	2003	2002	2003	2002
Restricted equity				
Share capital	839,871	839,871	839,871	839,871
Statutory reserve	2,371	2,371	2,371	2,371
Share premium reserve	9,701	9,701	9,701	9,701
Other reserves	42,979			
	894,922	851,943	851,943	851,943

Non-restricted equity

Profit/loss brought forward	990,715	333,889	1,132,682	405,838
Net profit/loss for the year	46,310	19,917	–47,654	–50,957
	1,037,025	353,806	1,085,028	354,881
Total shareholders' equity	1,931,947	1,205,749	1,936,971	1,206,824

Change in shareholders' equity, Group

	Share capital	Restricted reserves	Non-restricted reserves	Net profit/loss for the year	Total
Opening balance	839,871	12,072	333,889	19,917	1,205,749
According to decision of AGM			19,917	–19,917	
Transfer between non-restricted and restricted equity		42,979	–42,979		
Group contribution paid			–69,600		–69,600
Tax effect of Group contribution paid			19,488		19,488
Unconditional shareholders' contribution from Parent Company			730,000		730,000
Net profit/loss for the year				46,310	46,310
Closing balance	839,871	55,051	990,715	46,310	1,931,947

Change in shareholders' equity, Parent Company

	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Net profit/loss for the year	Total
Opening balance	839,871	2,371	9,701	405,838	–50,957	1,206,824
According to decision of AGM				–50,957	50,957	0
Received unconditional shareholders' contribution				730,000		730,000
Received Group contribution				66,390		66,390
Tax effect of received Group contribution				–18,589		–18,589
Net profit/loss for the year					–47,654	–47,654
Closing balance	839,871	2,371	9,701	1,132,682	–47,654	1,936,971

NOTE 34 MEMORANDUM ITEMS

	Group		Parent Company	
	2003	2002	2003	2002
Pledged assets/collateral				
Pledged securities in the Riksbank	495,000	490,000	495,000	490,000
Pledged securities in VPC	5,000	–	5,000	–
Registered assets for technical reserves	–	10,915	–	–
	500,000	500,915	500,000	490,000
Contingent liabilities				
Guarantees	25,250	23,986	25,787	19,440
Other contingent liabilities	4,162	–	4,162	–
	29,412	23,986	29,949	19,440

	Group		Parent Company	
	2003	2002	2003	2002
Commitments				
Granted, but undisbursed loans	457,983	553,425	179,696	136,541
Granted, but unutilized overdraft facilities	686,078	648,788	4,223,247	4,008,708
Exchange rate-related contracts	1,725,598	–	1,725,598	–
Interest rate-related contracts ¹⁾	5,600,000	1,700,000	2,500,000	300,000
	8,469,659	2,902,213	8,628,541	4,445,249

¹⁾ The counterparties involved in the interest swap agreements have high credit worthiness. A change in the market rate of one percentage point on all maturities will affect the market value of the interest swap agreements entered into at the balance sheet date by around +/- 87,863 (47,633) in the Group and approximately +/- 56,220 (19,111) in the Parent Company. Unrealized losses on these derivatives that have been deferred due to hedge accounting amount to -12,957 (-4,593) in the Group and to 19,562 (1,640) in the Parent Company at the balance sheet date.

NOTE 35 FIXED-INTEREST PERIODS

Fixed-interest period	<3 m	3–6 m	6–12 m	1–3 years	3–5 years	>5 years	Total	Average remaining fixed-interest term
Group								
Lending to credit institutions	602,095						602,095	
Lending to the public	14,297,356	6,859,958	2,071,342	4,219,404	2,169,603	426,061	30,043,724	1.3 years
Bonds and other interest-bearing securities	847,484	395,661					1,243,145	0.1 years
Other assets	516,758						516,758	
Total assets	16,263,693	7,255,619	2,071,342	4,219,404	2,169,603	426,061	32,405,722	
Liabilities to credit institutions	1,356,951						1,356,951	0 years
Deposits from the public	16,891,054	201,089	9,944	545,029	507,107		18,154,223	0.2 years
Securities issued, etc.	6,667,625	1,237,163		1,215,274			9,120,062	0.3 years
Subordinated liabilities	180,000				870,000		1,050,000	
Other liabilities and provisions	792,539						792,539	
Shareholders' equity	1,931,947						1,931,947	
Total liabilities and shareholders' equity	27,820,116	1,438,252	9,944	1,760,303	1,377,107	–	32,405,722	
The bank (Parent Company)								
Lending to credit institutions	21,076,011						21,076,011	
Lending to the public	7,035,961	4	17	86	2,045	11,180	7,049,293	0 years
Bonds and other interest-bearing securities	847,484	395,661					1,243,145	0.1 years
Other assets	1,547,867						1,547,867	0 years
Total assets	30,507,323	395,665	17	86	2,045	11,180	30,916,316	
Liabilities to credit institutions	1,399,382						1,399,382	
Deposits from the public	16,891,054	1,157	9,944	50,099	60,560		17,012,814	0 years
Securities issued, etc.	6,667,625	1,237,163		1,215,274			9,120,062	0.3 years
Subordinated liabilities	180,000				870,000		1,050,000	3.3 years
Other liabilities and provisions	397,087						397,087	
Shareholders' equity	1,936,971						1,936,971	
Total liabilities and shareholders' equity	27,472,119	1,238,320	9,944	1,265,373	930,560	–	30,916,316	

► SUPPLEMENTARY INFORMATION

NOTE 36 INFORMATION ON FAIR VALUE

	Group				Parent Company			
	Current assets Book value	Fair value	Fixed assets Book value	Fair value	Current assets Book value	Fair value	Fixed assets Book value	Fair value
Assets								
Cash and central bank account balances	75,144	75,144			75,144	75,144		
Lending to credit institutions			602,095	602,095			21,076,011	21,076,011
Lending to the public			30,043,724	30,327,371			7,049,293	7,049,293
Shares and participations			3,833	3,833			3,833	3,833
Shares and participations in Group companies							1,251,900	1,251,900
Bonds and other interest-bearing assets			1,243,145	1,246,125			1,243,145	1,246,125
Assets in insurance operations			21	21				
Intangible assets			77,655	77,655			77,655	77,655
Tangible assets			25,587	25,587			7,762	7,762
Other assets	237,538	237,538			76,795	76,795		
Prepaid expenses and accrued income	96,980	96,980			54,778	54,778		
Total assets	409,662	409,662	31,996,060	32,282,687	206,717	206,717	30,709,599	30,712,579
Liabilities								
Liabilities to credit institutions			1,356,951	1,356,951			1,399,382	1,399,382
Deposits and borrowing from the public			18,154,223	18,191,033			17,012,814	17,014,535
Securities issued, etc.			9,120,062	9,166,990			9,120,062	9,166,990
Liabilities in insurance operations			5,400	5,400				
Other liabilities			307,500	307,500			262,866	262,866
Accrued expenses and prepaid income			458,629	458,629			129,925	129,925
Provisions			21,010	21,010			4,296	4,296
Subordinated liabilities			1,050,000	1,050,000			1,050,000	1,050,000
Total liabilities			30,473,775	30,557,513			28,979,345	29,027,994
Positions not shown in the balance sheet								
Negative values				12,957				6,866
Positive values								26,428

The items where the book value is not the same as the fair value pertain to assets and liabilities with fixed-interest terms. For deposits and borrowing from the public with no fixed interest, the fair value is the same as the book value.

In calculating fair values for fixed deposits and borrowing, future agreed cash flows were discounted during the fixed-interest period.

Securities were valued at the current market price.

NOTE 37 CAPITAL ADEQUACY ANALYSIS, DEC 31, 2003

NOTE 37 CAPITAL ADEQUACY ANALYSIS, DECEMBER 31, 2009

				Group
Total capital base				2,902,586
of which, Tier 1 capital				2,220,586
Capital requirement for credit risk				
Risk class		Balance sheet items	Off-balance-sheet items	Risk-weighted amount
Group A	0%	298,461	5,083	0
Group B	20%	1,872,601	145,911	403,702
Group C	50%	17,073,404	180,358	8,626,881
Group D	100%	13,241,020	57,342	13,298,362
		32,485,486	388,694	22,328,945
Total risk-weighted amount for credit risk				22,328,945
Capital adequacy ratio, %				13.00
Group A – Cash on hand or receivable to or guaranteed by state/central bank within the EU or Swedish municipality.				
Group B – Receivable to or guaranteed by banks/credit institutions or municipalities within EU.				
Group C – Claim on collateral for mortgaging residential property or site leasehold.				
Group D – Other assets.				

Parent Company				
Total capital base		2,907,672		
of which, Tier 1 capital		2,225,672		
Capital requirement for credit risk				
Risk class		Balance sheet items	Off-balance-sheet items	Risk-weighted amount
Group A	0%	21,900,325	5,083	0
Group B	20%	1,762,339	121,984	376,865
Group C	50%	2,544,187	46,350	1,295,269
Group D	100%	4,709,464	47,660	4,757,124
		30,916,315	221,077	6,429,258
Total risk-weighted amount for credit risk		6,429,258		
Capital adequacy ratio, %		45.23		
Group A – Cash on hand or receivable to or guaranteed by state/central bank within the EU or Swedish municipality.				
Group B – Receivable to or guaranteed by banks/credit institutions or municipalities within EU.				
Group C – Claim on collateral for mortgaging residential property or site leasehold.				
Group D – Other assets.				

Stockholm, February 19, 2004

Tommy Persson
Chairman

Bengt Gabrils

Mats Ericsson

Carl Dahlberg

Fredrik Waern

Ann-Cathrin Bengtson

Lena Wahlgren

Tomas Johansson
Managing Director

Urban Bergman
Employee representative

Sven-Erik Martinell
Employee representative

Katarina Timåker
Employee representative

Our audit report was submitted on February 19, 2004

Johan Bäckström
Authorized Public Accountant

Lars Bonnevier
Authorized Public Accountant
Appointed by Finansinspektionen

► AUDIT REPORT

To the Annual General Meeting of shareholders of Länsförsäkringar Bank AB (publ)
Corporate reg. no. 516401-9878

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Bank AB (publ) for the year 2003. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we

examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the loss of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, February 19, 2004

Johan Bäckström
Authorized Public Accountant

Lars Bonnevier
Authorized Public Accountant
Auditor appointed by Finansinspektionen

► FIVE-YEAR SUMMARY

Income statement (SEK M)	Group					Parent Company				
	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
Interest revenue	1,593.7	1,143.2	848.0	708.9	602.3	1,021.6	824.2	621.0	498.9	382.9
Interest expense	-893.0	-605.4	-423.7	-364.0	-290.0	-685.3	-534.6	-387.5	-330.0	-243.6
Net interest income	700.7	537.8	424.3	344.9	312.3	336.3	289.6	233.5	168.9	139.3
Net commission income	28.2	27.6	47.9	53.5	49.8	-3.1	-2.4	8.2	19.4	21.4
Dividends received	2.4	0.0	-	-	-	0.1	28.4	-	-	-
Net income from financial transactions	-0.4	-0.2	6.2	28.5	-48.9	-0.4	-0.2	6.2	28.5	-48.5
Other operating income	91.3	84.1	58.0	23.6	18.4	123.4	74.0	46.0	14.0	10.7
Total operating income	822.2	649.3	536.4	450.5	331.6	456.3	389.4	293.9	230.8	122.9
General administration expenses	-678.7	-594.7	-543.1	-423.6	-324.7	-461.3	-413.7	-369.5	-267.8	-212.3
Depreciation/amortization	-57.7	-46.3	-38.2	-10.2	-7.3	-49.8	-47.4	-35.4	-7.7	-4.8
Total expenses before loan losses	-736.4	-641.0	-581.3	-433.8	-332.0	-511.1	-461.1	-404.9	-275.5	-217.1
Income before loan losses	85.8	8.3	-44.9	16.7	-0.4	-54.8	-71.7	-111.0	-44.7	-94.2
Loan losses, net	-38.9	-13.2	24.6	-0.6	-10.6	-11.1	-12.0	21.2	7.9	-21.6
Income from banking operations	46.9	-4.9	-20.3	16.1	-11.0	-65.9	-83.7	-89.8	-36.8	-115.8
Income from insurance operations	18.0	24.4	21.7	50.6	24.4	-	-	-	-	-
Deferred tax	-	-	-	-	-	-0.4	0.4	-	-	-
Tax on income for the year	-18.6	0.4	-	-11.3	0.0	18.6	32.3	22.9	18.6	37.2
Net profit/loss for the year	46.3	19.9	1.4	55.4	13.4	-47.7	-51.0	-66.9	-18.2	-78.6
Balance sheet (SEK M)										
Cash and central bank account balances	75.1	68.8	25.1	40.4	18.0	75.1	68.8	25.1	40.4	18.1
Eligible Treasury bills	-	-	-	415.3	445.0	-	-	-	415.3	445.0
Lending to credit institutions	602.1	1,408.0	1,152.9	462.2	364.4	21,076.0	13,081.4	7,563.3	5,687.3	4,909.4
Lending to the public	30,043.7	19,861.3	12,452.8	9,620.0	7,963.4	7,049.3	5,818.5	4,494.6	3,115.1	2,164.1
Shares and participations	3.8	0.5	0.5	0.5	0.5	1,243.1	807.4	614.7	614.7	549.7
Bonds and other interest-bearing securities	1,243.1	499.2	1,414.7	1,399.8	1,436.9	1,255.7	499.2	1,414.7	1,399.8	1,436.9
Assets in insurance operations	0.0	12.2	36.4	35.1	79.6	-	-	-	-	-
Intangible assets	77.7	108.5	90.6	85.3	19.0	77.7	108.5	90.6	85.3	19.0
Tangible assets	25.6	29.8	13.2	14.0	11.1	7.8	10.7	9.7	10.3	8.3
Other assets	237.6	235.5	243.1	197.8	131.7	76.8	74.1	87.6	68.3	30.1
Prepaid expenses and accrued income	97.0	77.9	94.2	115.3	107.4	54.8	50.8	67.0	100.0	94.4
Total assets	32,405.7	22,301.7	15,523.5	12,385.7	10,577.0	30,916.3	20,519.4	14,367.3	11,536.5	9,675.0
Liabilities to credit institutions	1,357.0	266.8	217.1	1,165.2	627.5	1,399.3	352.1	223.9	1,248.4	785.2
Deposits and borrowing from the public	18,154.2	16,377.9	13,292.5	9,206.5	8,148.9	17,012.8	14,831.6	12,449.1	8,639.2	7,386.8
Securities issued	9,120.1	3,705.5	417.5	470.8	469.1	9,120.1	3,705.5	417.5	470.8	469.1
Liabilities in insurance operations	5.4	5.4	14.8	47.3	41.1	-	-	-	-	-
Other liabilities	307.5	234.3	227.6	275.3	164.9	262.9	173.9	149.8	147.3	71.0
Accrued expenses and prepaid income	458.6	308.1	250.3	218.2	189.6	129.9	69.5	52.2	48.1	33.7
Provisions	21.0	18.0	17.9	17.9	13.5	4.3	-	-	8.0	-
Subordinated debt	1,050.0	180.0	80.0	80.0	80.0	1,050.0	180.0	80.0	80.0	80.0
Shareholders' equity	1,931.9	1,205.7	1,005.8	904.5	842.4	1,937.0	1,206.8	994.8	894.7	849.2
Total liabilities, provisions and shareholders' equity	32,405.7	22,301.7	15,523.5	12,385.7	10,577.0	30,916.3	20,519.4	14,367.3	11,536.5	9,675.0

► BOARD OF DIRECTORS, AUDITORS AND SENIOR EXECUTIVES



Tommy Persson



Bengt Gabrils



Tomas Johansson



Ann-Cathrin Bengtson



Carl Dahlberg



Fredrik Waern



Mats Ericsson



Lena Wahlgren



Urban Bergman



Katarina Timåker



Sven-Erik Martinell



Anders Borgcrantz



Bengt Jerning



Johan Nyman



Catharina Strömsten



Gösta Björklund



Håkan Carlsson



Olof Stjernberg

Board of Directors

Tommy Persson, born 1948
Chairman
CEO of Länsförsäkringar AB
Board member since 2000

Bengt Gabrils, born 1935
Vice Chairman
Board Chairman, Dalarnas Försäkringsbolag
Board member since 1996

Tomas Johansson, born 1950
Managing Director
Länsförsäkringar Bank AB
Board member since 2003

Ann-Cathrin Bengtson, born 1962
Managing Director, Aros Congress Center AB
Board member since 2003

Carl Dahlberg, born 1955
Managing Director, Länsförsäkringar Stockholm
Board member since 2002

Fredrik Waern, born 1943
Board Chairman, Länsförsäkringar Älvsborg
Board member since 2002

Mats Ericsson, born 1954
Managing Director, Länsförsäkringar Halland
Board member since 2003

Lena Wahlgren, born 1948
Vice Chairman, Länsförsäkringar Jönköping
Board member since 2001

Appointed by the employees

Urban Bergman, born 1954
Swedish Confederation of Professional Associations (SACO)
Board member since 2001

Katarina Timåker, born 1967
Union of Insurance Employees (FTF)
Board member since 2001

Sven-Erik Martinell, born 1943
Union of Insurance Employees (FTF)
Board member since 1996

Regular auditor

Johan Bäckström
KPMG

Auditor appointed by Finansinspektionen

Lars Bonnevier
Authorized Public Accountant

Senior Executives

Tomas Johansson
Managing Director

Anders Borgcrantz
Deputy Managing Director, Administration Manager.

Bengt Jerning
Manager, Lending
Managing Director, Länsförsäkringar Hypotek AB

Johan Nyman
Manager, Saving and Payments

Catharina Strömsten
Manager, Retail Banking

Gösta Björklund
Manager, Business Control

Håkan Carlsson
Manager, Retail Banking

Olof Stjernberg
Managing Director, Wasa Kredit AB

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► REPORTING DATES

Interim report, January–March 2004	April 23
Interim report, January–June 2004	August 30
Interim report, January–September 2004	October 26

