

Länsförsäkringar Hypotek

ANNUAL REPORT 2003



Länsförsäkringar Hypotek in brief

Länsförsäkringar Hypotek AB, a subsidiary of Länsförsäkringar Bank AB, is a mortgage institution that finances private homes, tenant-owned apartments and leisure homes. Private homeowners are a strategic target group within Länsförsäkringar and the development of attractive offerings for homeowners is a priority area.

Länsförsäkringar is Sweden's only customer-owned and locally based banking

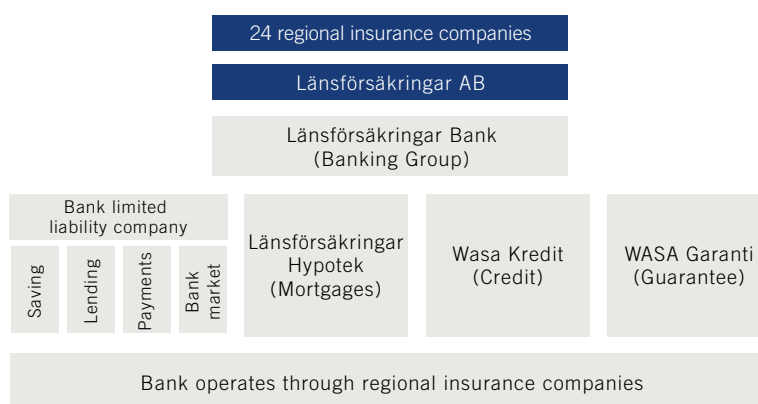


and insurance group. Operations are composed of 24 independent regional insurance companies, and jointly owned Länsförsäkringar AB. Development and support is conducted within Länsförsäkringar AB through Länsförsäkringar Bank AB, with subsidiaries Länsförsäkringar Hypotek AB and Wasa Kredit AB.

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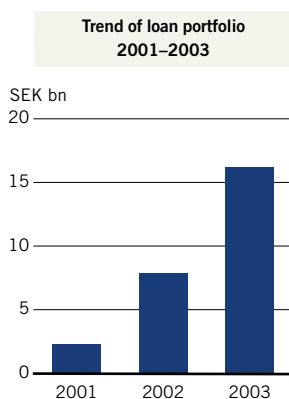
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Länsförsäkringar Hypotek – a part of Länsförsäkringar



2003 in brief

- Lending increased by SEK 8.4 billion to SEK 16.2 billion, up 106%.
- Operating income increased by 41% and amounted to SEK 50.1 M.
- The new-loan average per month was SEK 805 M.
- The market share for single-family dwellings and tenant-owned apartments increased from slightly more than 1% to about 2%.
- The loan system has developed in a number of areas, thereby bringing about an average processing time that is substantially shorter.
- The interest on loans for tenant-owned apartments and leisure homes was reduced to the same level as for private home loans.



Lending by Länsförsäkringar Hypotek increased by SEK 8.4 billion to SEK 16.2 billion during 2003.

Key figures	2003	2002
Lending	16,211	7,873
Total assets, SEK M	16,253	7,943
Operating income, SEK M	50.1	35.6
Return on equity, %	7.3	10.7
Cost/Income ratio before loan losses	0.64	0.59
Cost/Income ratio after loan losses	0.59	0.36
Capital adequacy ratio, %	8.68	8.75
Reservations for doubtful receivables, %	93.0	69.3
Percentage of doubtful receivables, %	0.10	0.16

New and forceful player in the mortgage market

Mortgage operations developed very favorably during 2003. The number of customers increased during the year by 70% to slightly more than 51,000. Lending was up 106% to SEK 16.2 billion, with market share amounting to about 2%.



Länsförsäkringar Hypotek began operations in 2001 with financing of home loans, first mortgages under its own auspices. The focus during the year was to establish Länsförsäkringar as a known player in the mortgage market, and to focus improvement on loan-application processing in order to deal more efficiently with the volume growth.

Private homeowners – a strategic target group for Länsförsäkringar

Private homeowners are a strategic target group and are offered a total customer concept that provides high customer benefit. Länsförsäkringar's combination offer for housing provides household financing, mortgage lending, homeowner insurance and survivor benefits. Länsförsäkringar's private economists render advice in the area of private- and housing-finance matters, mainly via the housing-finance website.

Länsförsäkringar enjoys considerable credibility within the community and has Sweden's strongest insurance brand. Länsförsäkringar companies have three million customers overall.

The guiding stars are: customer-ownership, locally based, accessibility and with customers being warmly and courteously received. The Länsförsäkring Alliance's strong financial position creates prerequisites for sustainability, development potential and value for the price.

Strong growth in residential lending in the Swedish banking market

The competition in the Swedish banking market continues to mount. The major banks are not allowing the small banks to grab too large a share of the market, but are reducing the margins in order to cope with the conditions imposed by the new players. This applies in particular to the increasingly hot mortgage market. For example, interest-rates on loans to tenant-owned apartments and private homes have been adjusted to the same level by many of the players, including Länsförsäkringar.

Lending for housing continues to increase. The low interest rate has resulted in residential financing having become an important, and increasing, income source for the banks. During 2003, a new bottom level was noted for the fixed mortgage interest rates. A weak economy and concern within the markets fueled the interest

rates' downward movement. In addition, floating mortgage rates reached record low levels when the Bank of Sweden reduced its repo rate to the lowest level since the implementation of the independent monetary policy.

In pace with rising housing prices, households are assuming more loans. The mortgage institutions lending during the year increased by more than 10%, while bank lending has practically stood still. At year-end 2003, the mortgage institutions lending amounted to SEK 1,295 billion, a 7% increase. Single-family dwellings and tenant-owned apartments accounted for 62%.

Strong growth in Länsförsäkringar Hypotek

Since the beginning of 2001, the lending volume in Länsförsäkringar Hypotek has risen sharply. The expansion was particularly marked during 2003. The company's lending averaged SEK 805 M per month, with volume reaching SEK 16 billion at year-end. Lending was up by SEK 8 billion, an increase of 106%. The market share for single-family dwellings and tenant-owned apartments increased from slightly more than 1% to about 2%.

A forceful player in the mortgage market

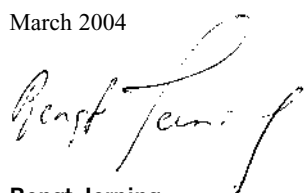
Länsförsäkringar has taken a major step forward in the mortgage market, and strengthened its market position. The

development took place based on local banking operations in which the customer meeting is a feature. We have established cooperation with a large number of real-estate brokers, who successfully mediate loans to us and, when loans are to be renegotiated, our competitive interest rates attract many new customers. An increasing number of mortgage customers are also discovering the utility of combining their involvement in Länsförsäkringar by also becoming insurance customers.

Increased efficiency

Considerable effort has been devoted to the further development of our support systems for loan processing. As the result of this work, we are pleased to note that the average loan-processing time has been cut to less than half, with the quality markedly improved. This provides increased customer benefit through rapid decision-making and attractive prices. During 2004, processing will be further simplified and improved.

March 2004



Bengt Jerning

Managing Director



► BOARD OF DIRECTORS' REPORT

Owner relationship

The company is a subsidiary of the Länsförsäkringar Bank AB (publ), (516401-9878) group of companies, whose Parent Company is Länsförsäkringar AB (publ), (556549-7020). All companies are registered in Stockholm.

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 Försäkring AB (516401-7831).

The Parent Companies in the largest and smallest group in which Länsförsäkringar Hypotek AB is a subsidiary and consolidated accounts are prepared, are Länsförsäkringar AB and Länsförsäkringar Bank AB.

As of January 1, 2002, the operations of Länsförsäkringar Hypotek are outsourced to Länsförsäkringar Bank AB. No personnel are employed by the company,

with administration handled in its entirety by Länsförsäkringar Bank AB.

Operations

The company conducts mortgage loan operations. Operations involve the granting of loans, against collateral in the form of private homes, tenant-owned apartments and leisure homes and, to some extent, multi-family buildings.

Under the secondary name, Cinnccinatus, run-off activities are being conducted with respect to remaining, non-performing loans from the financial crisis of the early 1990s. The administration is being handled by Wasa Kredit AB.

Growth during the fiscal year

It has been an eventful and intense year, characterized by very strong sales. The market share for lending from credit institutions increased from slightly more than 1% to about 2% (single-family dwellings and tenant-owned apartments). New lend-

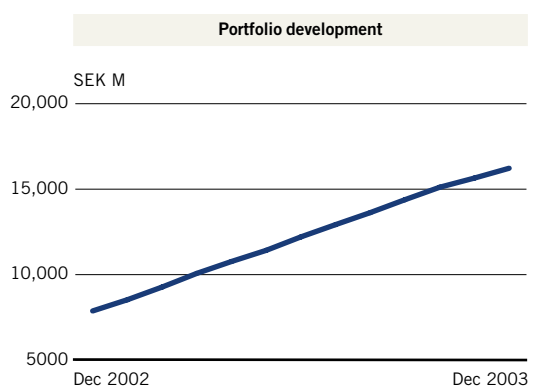
ing during the year amounted to an average of SEK 805 M per month, with the highest monthly figure achieved in March, with new lending of SEK 961 M. The outstanding volume at year-end amounted to SEK 16.2 billion.

Geographic dispersion

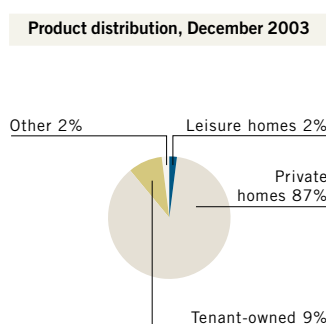
Thirty percent of the lending volume, about SEK 4.8 billion, pertains to the metropolitan regions, Stockholm, Göteborg and Malmö. The remainder has a good geographical dispersion throughout the country, with concentrations around population centers. A number of regional insurance companies enjoyed a very strong trend in relation to their customer base and the market in which they operate.

System support

The system support has improved in successive stages. For example, key parts of the loan-preparation system and sub-ledger system have been integrated which means



The rate of growth is very high. Lending increased during the year by 106%, from SEK 7.8 billion to SEK 16.2 billion.



The loan portfolio comprises mainly private homes and tenant-owned apartments, with only a minor share of leisure homes.

that information is exchanged electronically between systems.

The customer register has been integrated with the bank's sub-ledger system, resulting in simpler, more secure handling of customer information. External links to UC (business and credit information agency) for gathering personal data, and to the land-survey office to obtain property data, now enables the procurement and retention of customer information in a secure environment.

The handling of documents within the system has been simplified. During the year, focus also centered on process improvements in regard to manual routines. Additional measures were implemented that contribute to rationalizing the process as a whole. One result is that responses to customer are now considerably more rapid.

Measurement of the process key figures has demonstrated that the improvements delivered the desired results. For example, the effective time required for

loan processing has been cut to less than half, with a doubling of the number of loans approved per loan officer. Moreover, a measurement of the quality of loan documents indicated additional improvement.

Borrowing

The company is refinanced exclusively from the Parent Company in relation to the needs of the company with respect to volumes and maturities. The goal is to eliminate interest risk within the financial policy's risk mandate. To the extent that risk arise, interest-rate swaps are employed.

Risks and risk management

The ultimate responsibility for the company'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.

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 company 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 company'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 company 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.

DOUBTFUL RECEIVABLES

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Total receivables	16,211,222	7,872,735	2,371,676
Overdue >60 days	16,982	12,737	11,265
Of total receivables, %	0.10	0.16	0.48

Doubtful receivables, December 2001 to December 2003. The strong growth has been realized without a reduction in the quality of borrowers. Doubtful receivables have declined from 0.48% to 0.10%.

► BOARD OF DIRECTORS' REPORT

The company manages its own capital and other liquidity reserves with low risk.

Market risk

Market risk in the company is the risk of losses as a result of fluctuations in interest rates.

Liquidity risk

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

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 the internal audit, whose function is to examine and evaluate internal control within the company. Internal control is a review function independent from operational activities.

Income and financial position

Operating income amounted to SEK 50.1 M. A Group contribution was paid to Länsförsäkringar Bank AB in the amount of SEK 48.4 M, and to Länsförsäkringar AB in the amount of SEK 6.1 M.

Capital adequacy

The company's capital adequacy ratio in 2003 amounted to 8.68% (8.75). The Tier 1 ratio amounted to 8.2% (7.8).

Proposed disposition of earnings

The following funds have been placed at the disposal of the Annual General Meeting:

Income carried forward	250,101,765
Group contribution paid	-39,240,000
Shareholders' contribution received	400,000,000
Profit for the year	39,299,205
Funds to be allocated	650,160,970

The Board of Directors and the President propose that income be allocated as follows:

Carried forward in new account	650,160,970
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With respect to the company's reported income, financial position and capital adequacy, refer to the accompanying income statement, balance sheet, supplementary information and capital adequacy analysis.

In the Annual Report, all amounts are in SEK 000s, unless otherwise indicated.

KEY FIGURES

	2003	2002	2001	2000	1999
Return on equity, %	7.3	10.7	9.9	9.5	30.9
C/I ratio before loan losses	0.64	0.59	1.06	0.67	0.28
C/I ratio after loan losses	0.59	0.36	0.34	0.53	-
Capital adequacy ratio, %	8.68	8.75	13.87	20.7	16.8
Tier 1 ratio, %	8.2	7.8	10.8	16.0	13.0
Reservation ratio for doubtful receivables, %	93.0	69.3	56.5	56.4	81.9
Percentage of doubtful receivables, %	0.10	0.16	0.48	2.4	2.1

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.

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.

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.

► INCOME STATEMENT

INCOME STATEMENT (SEK 000s)

	Note	2003	2002
Interest income	2	704,471	280,125
Interest expense	3	-583,739	-224,846
Net interest		120,732	55,279
Commission income	4	1,008	772
Commission expense	5	-434	-224
Other operating revenue	6	169	338
Total operating revenue		121,475	56,165
General administration expenses	7	-77,242	-33,275
Other operating expenses	8	-16	-2
Total expenses before loan losses		-77,258	-33,277
Income before loan losses		44,217	22,888
Loan losses, net	9	5,894	12,744
Operating income		50,111	35,632
Change in tax allocation reserve		4,450	-
Tax on income for the year	10	-15,262	-9,940
PROFIT FOR THE YEAR		39,299	25,692

► BALANCE SHEET

BALANCE SHEET (SEK 000s)

	Note	Dec. 31, 2003	Dec. 31, 2002
ASSETS			
Lending to credit institutions	11	42,723	87,291
Lending to the public	12, 22, 23	16,177,756	7,841,436
Other assets	13	4,197	2,643
Prepaid expenses and accrued income	14	28,327	11,936
TOTAL ASSETS		16,253,003	7,943,306
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	15	14,188,456	5,866,219
Deposits from the public	16, 22	1,141,409	1,641,931
Other liabilities	17	23,534	4,333
Accrued expenses and prepaid income	18	120,291	47,119
Subordinated debt	19	40,000	40,000
Liabilities		15,513,690	7,599,602
Untaxed reserves	20	4,750	9,200
Share capital, 70,335 shares with a par value of SEK 1,000 per share	21	70,335	70,335
Premium reserve		12,965	12,965
Statutory reserve		1,102	1,102
Income balance carried forward		610,862	224,410
Income for the year		39,299	25,692
Shareholders' equity		734,563	334,504
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,253,003	7,943,306
Assets pledged		None	None
Contingent liabilities		None	None
Commitments			
– loans approved but not disbursed		102,717	252,990
– interest-rate swap agreement ¹⁾		5,900,000	1,400,000
		6,002,717	1,652,990

¹⁾ Länsförsäkringar Hypotek's counterparties in interest-rate swap agreements entered into have high credit rating. With market interest-rate movement of one (1) percentage point on all times to maturity, the market value of interest-rate swap agreements entered into is impacted by about SEK 144,083,000. Unrealized loss on these derivatives, which is postponed due to hedge accounting, is SEK 32,519,000 at the closing date.

► CASH-FLOW STATEMENT

CASH-FLOW STATEMENT (SEK 000s)

	2003	2002
Liquid funds, January 1	87,291	9,665
Operating activities		
Operating income	50,111	35,632
Adjustment for items not included in the cash flow:		
Booked non-chargeable tax	-15,262	-9,940
	34,849	25,692
Increase in lending to the public	-8,336,320	-5,504,090
Change in other assets	-17,945	-3,996
Change in other liabilities	107,633	29,606
Cash flow from operating activities	-8,211,783	-5,452,788
Investing activities		
Change in fixed assets *	-	-
Cash flow from investing activities	-	-
Financing activities		
Change in deposits from the public	-500,522	701,305
Change in other borrowing	8,322,237	4,664,609
Group contribution	-54,500	-35,500
Shareholders' contribution received	400,000	200,000
Cash flow from financing activities	8,167,215	5,530,414
Cash flow for the period	-44,568	77,626
Liquid funds, December 31	42,723	87,291
The Cash-Flow Statement is prepared in accordance with the indirect method.		
Interest received amounted to	688,078	275,814
Interest paid amounted to	519,005	207,816
Tax paid amounted to	2	1,675
Included in liquid funds:		
Lending to credit institutions	42,723	87,291

*) Gross investing amounts to zero.

The company's liquid assets are composed of bank funds.

► SUPPLEMENTARY INFORMATION

NOTE 1 ACCOUNTING PRINCIPLES

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

Group contributions 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 assets intended to be permanently, until depleted or long term, held and utilized in operations. Other assets are classified 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.

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.

Hedge accounting

The company 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 company 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 company expects to recover.

The company 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.

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.

NOTE 2 INTEREST INCOME

All interest income pertains to the Swedish market.

	2003	2002
Interest income, lending to the public	591,244	276,618
Interest income, Swedish credit institutions	113,186	3,440
Interest income, other	41	67
Total	704,471	280,125
Of which from Group companies	2,510	1,466
Average interest rate, lending to the public	4.77%	5.65%

NOTE 3 INTEREST EXPENSE

	2003	2002
Interest expense, borrowing from credit institutions	510,949	152,596
Interest expense, deposits from the public	71,027	70,118
Subordinated debt	1,763	2,132
Total	583,739	224,846
Of which, to Group companies	371,390	152,622

NOTE 4 COMMISSION REVENUE

	2003	2002
Lending commissions	1,008	772
Total	1,008	772

NOTE 5 COMMISSION EXPENSE

	2003	2002
Other commissions	434	224
Total	434	224

NOTE 6 OTHER OPERATING REVENUE

	2003	2002
Other operating revenue	169	338
Total	169	338

NOTE 7 ADMINISTRATION EXPENSES

	2003	2002
Personnel costs	–	50
Costs for premises	–	4
IT costs	741	1,721
Consultant costs	50	467
Other administration costs	76,451	31,033
Total	77,242	33,275

Auditors' fees

	2003	2002
KPMG		
Auditing	125	103
Consulting	–	–
Ernst & Young AB		
Auditing	29	16
Total	154	119

NOTE 7 ADMINISTRATION EXPENSES, cont.

Salaries and other remuneration amounted to:

	2003	2002
Board and President	90	76
Other employees	–	–
Total	90	76
Social-security costs	30	–
– of which, pension costs	–	–
– of which, pension costs, MD	–	–
Total	120	76

Effective January 1, 2002, no personnel are employed by the company, simultaneous with operations being outsourced to Länsförsäkringar Bank AB. The current MD receives no remuneration and has no claim on severance pay.

The Board consists of five male members.

Loans to senior executives

There are loans in Länsförsäkringar Hypotek AB granted to Board members totaling SEK 840,000. Loan terms and conditions correspond to those for Länsförsäkringar Bank AB employees. Board members of Länsförsäkringar Hypotek AB hold loans from Länsförsäkringar Bank AB totaling SEK 300,000. The loans are in accordance with market terms and conditions. Loans are also made to other Board members within the LFAB Group. Within Länsförsäkringar Hypotek AB, loans amount to SEK 13,120,000, and in Länsförsäkringar Bank AB, to SEK 11,696,000.

Loan terms and conditions correspond to those for other employees within the LFAB Group.

NOTE 8 OTHER OPERATING EXPENSES

	2003	2002
Other operating expenses	16	2
Total	16	2

NOTE 9 LOAN LOSSES

Specific reservation of individually appraised loan receivables	2003	2002
Write-off of confirmed loan losses during the year	2,032	218
Reversed provisions for probable loan losses reported in the year-end accounts as confirmed losses	–2	–218
Provision for probable loan losses during the year	1,367	6,361
Payment received for prior confirmed loan losses	–10,093	–9,930
Reversed provisions no longer required for probable loan losses	–2,446	–26,145
Net expense during the year for individually appraised receivables	–9,142	–29,714

Group provision for individually appraised receivables

Allocation/elimination of group-wise provisions	–	–
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Homogenous groups, appraised by group, of loan receivables of limited value and similar credit risk

Allocation/dissolution of provisions for loan losses	3,248	16,970
Net expense for the year for loan receivables appraised by group	3,248	16,970
Net expense for the year for loan losses	–5,894	–12,744

All data pertains to receivables from the general public.

During the year, the methods for allocating provisions for possible loan losses were streamlined. This resulted in a shift from individual to group appraisal.

► SUPPLEMENTARY INFORMATION

NOTE 10 TAX ON INCOME FOR THE YEAR

	2003	2002,
Current tax	-15,262	-9,940
Total	-15,262	-9,940

The taxable effect of the contribution paid is reported directly to shareholders' equity in accordance with the RR Emerging Issues Task Force's statement concerning Group contributions and shareholders' advances (URA7).

Specification of tax expense for the year	2003	2002
Reported income before tax	54,561	35,632
Corporate income tax, 28%	15,277	9,977
Non-tax-deductible costs	-	-
Non-taxable revenue	-11	-19
Utilization of previously uncapitalized loss carryforwards	-4	-18
Reported tax expense	15,262	9,940
Applicable tax rate	28%	28%

The effective tax rate is in agreement with the applicable tax rate.

Tax items charged against shareholders' equity

Current tax in Group contribution granted	-15,260	-9,940
	-15,260	-9,940

NOTE 11 LENDING TO CREDIT INSTITUTIONS

	Dec. 31, 2003	Dec. 31, 2002
Lending to credit institutions	42,723	87,291
Total	42,723	87,291
Of which, to Group companies	42,092	85,733

Information on maturity:

Payable on demand	42,723	87,291
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The asset item is classified as a current asset.

NOTE 12 LENDING TO THE PUBLIC

Loan receivables, gross	Dec. 31, 2003	Dec. 31, 2002
Commercial sector	185,139	262,212
Household sector	16,021,145	7,608,098
Other	4,938	2,425
Total	16,211,222	7,872,735

Provisions

Specific provisions for individually appraised receivables

Commercial sector	-9,378	-9,962
Household sector	-2,944	-3,441
Total individual reserves	-12,322	-13,403

Provisions for group-wide appraised homogenous groups of loans receivable

Commercial sector	-271	-1,680
Household sector	-20,873	-16,216
Total group-wise provisions	-21,144	-17,896
Total provisions	-33,466	-31,299

NOTE 12 LENDING TO THE PUBLIC, cont.

Loan receivables, net	Dec. 31, 2003	Dec. 31, 2002
Commercial sector	175,490	250,570
Household sector	15,997,328	7,588,441
Other	4,938	2,425
Total loans receivable, net	16,177,756	7,841,436

Specification of non-performing loans

Doubtful loans receivable

Commercial sector	14,078	15,524
Household sector	21,913	29,619
Total doubtful loans receivable	35,991	45,143

Non-performing receivables included among doubtful receivables

Commercial sector	5,815	3,087
Household sector	11,167	9,650

Total non-performing receivables included among doubtful receivables

	16,982	12,737
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Non-performing receivables not included among doubtful receivables and for which interest is recognized as income

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Commercial loans by industry

Agriculture/forestry	681	266
Manufacturing	1,827	2,033
Construction	3,125	3,987
Wholesale/retail/trading	1,404	1,456
Hotel/restaurant	3,363	4,937
Property/leasing operations	167,462	228,370
Healthcare	2,230	2,257
Other	5,047	18,906
Total	185,139	262,212

Lending to the public – by collateral type

Single-family dwellings	14,095,729	6,748,536
Leisure homes	277,634	194,345
Tenant-owned apartments	1,579,187	586,422
Apartment building	175,187	207,145
Office properties	67,499	110,080
Industrial properties	15,986	26,207
Total	16,211,222	7,872,735

Information on maturity

Payable on demand	3,534	5,535
Remaining maturity, maximum three months	3,385,645	1,973,789
Remaining maturity, three months to one year	4,942,491	2,548,807
Remaining maturity, 1–5 years	7,004,691	2,592,557
Remaining maturity, more than 5 years	841,395	720,748
Total	16,177,756	7,841,436
Average remaining maturity	1.84 years	1.87 years

For fixed-interest time, see Note 22.

All lending encompasses property loans and is geographically dispersed in Sweden.

The asset item is classified as a financial fixed assets.

For loan contracts that periodically shift between floating and fixed terms, the remaining maturity is calculated from the next change-in-terms date.

NOTE 13 OTHER ASSETS

	Dec. 31, 2003	Dec. 31, 2002
Tax asset	–	1,675
Other assets	4,197	968
Total	4,197	2,643
of which, to Group companies	584	341

The asset item is classified as a current asset.

NOTE 14 PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2003	Dec. 31, 2002
Accrued interest income	10,646	9,961
Accrued interest – interest-rate swap	17,681	1,974
Other prepaid expenses and accrued income	–	1
Total	28,327	11,936
of which, in Group companies	1,691	–

NOTE 15 LIABILITIES TO CREDIT INSTITUTIONS

	Dec. 31, 2003	Dec. 31, 2002
Liabilities to credit institutions	14,188,456	5,866,219
Total liabilities to credit institutions	14,188,456	5,866,219
of which, in Group companies	14,188,456	5,866,219

Information on maturity:

Remaining maturity maximum one year	14,188,456	5,866,219
Average remaining maturity	1 years	1 years
Approved line of credit in Länsförsäkringar Bank amounts to	17 bn	8 bn

For fixed-interest time, see Note 22.

NOTE 16 DEPOSITS FROM THE PUBLIC

	Dec. 31, 2003	Dec. 31, 2002
Deposits from the public	1,141,409	1,641,931
Total deposits from the public	1,141,409	1,641,931

Information on maturity:

	Dec. 31, 2003	Dec. 31, 2002
Remaining maturity, three months to one year	199,932	497,556
Remaining maturity, 1–5 years	941,477	1,144,375
Remaining maturity, more than 5 years	–	–

Total	1,141,409	1,641,931
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Average remaining maturity	2.5 years	2.2 years
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For fixed-interest time, see Note 22.

NOTE 17 OTHER LIABILITIES

	Dec. 31, 2003	Dec. 31, 2002
Accounts payable	4,170	2,714
Other liabilities	19,364	1,619
Total other liabilities	23,534	4,333
of which, to Group companies	20,385	2,872

NOTE 18 ACCRUED EXPENSES AND PREPAID INCOME

	Dec. 31, 2003	Dec. 31, 2002
Accrued interest expense	24,307	40,218
Accrued interest – interest-rate swap	82,750	2,105
Other	13,234	4,796
Total accrued expenses and prepaid income	120,291	47,119
of which, to Group companies	26,790	40,218
of which, other	8,925	3,634

NOTE 19 SUBORDINATED DEBT

	Dec. 31, 2003	Dec. 31, 2002
Debenture loan	40,000	40,000
Total subordinated debt	40,000	40,000

The debenture loan was assumed December 23, 2002. The loan is with STIBOR three-month interest, plus 1.00% through December 22, 2007, and with STIBOR three-month interest, plus 3.00% for the remaining time to maturity. The loan falls due for payment December 22, 2012, and is a liability to Group-companies.

NOTE 20 UNTAXED RESERVES

	Dec. 31, 2003	Dec. 31, 2002
Tax allocation reserve, '98 tax year	–	4,450
Tax allocation reserve, '99 tax year	4,750	4,750
Total tax allocation reserves	4,750	9,200

NOTE 21 SHAREHOLDERS' EQUITY

	Dec. 31, 2003	Dec. 31, 2002
Restricted equity		
Share capital	70,335	70,335
Premium reserve	12,965	12,965
Statutory reserve	1,102	1,102
	84,402	84,402
Non-restricted equity		
Balance carried forward	610,862	224,410
Income for the year	39,299	25,692
	650,161	250,102
Total shareholders' equity	734,563	334,504

Change in shareholders' equity

	Share capital	Premium reserve	Statutory- reserve	Profit brought forward	Net profit for the year
Opening balance	70,335	12,965	1,102	224,410	25,692
According to decision of AGM				25,692	–25,692
Shareholders' contribution received				400,000	
Group contribution paid				–54,500	
Tax effect of Group contribution paid				15,260	
Net profit for the year					39,299
Closing balance	70,335	12,965	1,102	610,862	39,299

► SUPPLEMENTARY INFORMATION

NOTE 22 FIXED-INTEREST TERM

Fixed-interest term shows the remaining fixed-interest period for lending/borrowing

Fixed-interest term	<3 m	3–6 m	6–12 m	1–3 yr	3–5 yr	> 5 yr	Total
Lending to credit institutions	42,723						42,723
Lending to the public	660,320	6,828,154	1,977,925	4,128,918	2,167,558	414,881	16,177,756
Other	32,524						32,524
Total assets	735,567	6,828,154	1,977,925	4,128,918	2,167,558	414,881	16,253,003
Liabilities to credit institutions	14,188,456						14,188,456
Deposits from the public		199,932		494,930	446,547		1,141,409
Subordinated debt	40,000						40,000
Shareholders' equity	734,563						734,563
Other	148,575						148,575
Total liabilities and shareholders' equity	15,111,594	199,932	–	494,930	446,547	–	16,253,003

NOTE 23 CREDIT RISK

	Balance sheet exposure	Value of collateral	Net exposure
Lending to the public	16,177,756	16,177,756	–
Lending to credit institutions	42,723	–	42,723
Other assets	4,197	–	4,197
Prepaid expenses and accrued income	28,327	–	28,327
Total	16,253,003	16,177,756	75,247

Most of the company's reserves are related to high-risk run-off loans and loans with collateral consisting of rental properties in marginal locations.

NOTE 24 FAIR VALUE

Assets	Current assets		Fixed assets	
	Book value	Fair value	Book value	Fair value
Lending to credit institutions	42,723	42,723		
Lending to the public			16,177,756	16,461,403
Other assets	4,197	4,197		
Prepaid expenses and accrued income	28,327	28,327		
Total assets	75,247	75,247	16,177,756	16,461,403

Liabilities

Liabilities to credit institutions		14,188,456	14,188,456
Deposits from the public		1,141,409	1,176,498
Other liabilities		23,534	23,534
Accrued expenses and prepaid income		120,291	120,291
Subordinated debt		40,000	40,000
Total liabilities		15,513,690	15,548,779

Positions not reported in the balance sheet

negative values		32,519
positive values		

Items in which the book value corresponds to the fair value pertains to assets and liabilities with fixed interest terms. For floating-rate lending, the fair value corresponds to the book value.

In calculating the fair value for fixed- and floating-rate borrowing, discounting has been applied for future contracted cash flow during the fixed-interest period.

The valuation was based on current market rates.

NOTE 25 INFORMATION CONCERNING PARENT COMPANY

The Parent Companies in the largest and smallest Group in which Länsförsäkringar Hypotek AB is a subsidiary and consolidated accounts are prepared, are Länsförsäkringar AB (556549-7020) and Länsförsäkringar Bank AB (516401-9878), respectively. All companies are registered in Stockholm

NOTE 26 CAPITAL ADEQUACY

The company shall have shareholders' equity at a certain minimum amount. This is determined in relationship to the company's balance sheet investments and off-the-balance sheet items (guarantees, etc.). The investments are subdivided into various risk classes, for which capital adequacy requirements vary between 0% and 100%. In addition to the capital requirements below for credit risks are also market risks. The company has no holdings with a capital requirement for market risks.

The company's capital base and the risk-weighted distribution of investments at year-end 2003 are specified below. The capital base is included in the Board's disposition of earnings.

Total capital base	777,983
– of which Tier 1	737,983

NOTE 26 CAPITAL ADEQUACY, cont.**Capital requirements for credit risks**

Risk classes	Balance sheet items	Off-balance sheet items	Risk-weighted amount
Group A, 0%	43,309	–	–
Group B, 20%	18,312	29,500	9,562
Group C, 50%	14,529,216	46,223	7,287,720
Group D, 100%	1,662,166	5,136	1,667,302
Total risk-weighted amounts for credit risks	16,253,003	80,859	8,964,584

Capital adequacy ratio	8.68%
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Group A	Cash on hand or receivable at or guaranteed by a state/central EU bank 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 10, 2004

Bengt Gabrils
Chairman

Gösta Björklund

Anders Borgcrantz

Tomas Johansson

Bengt Jerning
President

Our Auditors' report was submitted February 19, 2004

Johan Bäckström
Authorized Public Accountant

Lars Bonnevier
Authorized Public Accountant
Appointed by Finansinspektionen

► AUDITORS' REPORT

To the Annual General Meeting of shareholders of Länsförsäkringar Hypotek AB (publ)
Corporate reg. no. 556244-1781

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Hypotek AB 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 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 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. 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 (Credit Institutions and Securities Companies) or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act (Credit Institutions and Securities Companies) and, thereby give a true and fair view of the Company'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 be adopted, that the earnings 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
Appointed by Finansinspektionen

► FIVE-YEAR SUMMARY

OPERATING INCOME FOR LÄNSFÖRSÄKRINGAR HYPOTEK AB THE PAST FIVE FISCAL YEARS

	2003	2002	2001	2000	1999
Interest income	704,471	280,125	103,805	109,035	116,286
Interest expenses	-583,739	-224,846	-75,569	-74,583	-75,896
Net commission income	574	548	594	747	1,092
Other operating income	169	338	249	4,323	12,135
Total operating income	121,475	56,165	29,079	39,522	53,617
General administration expenses	-77,242	-33,275	-29,860	-26,477	-14,655
Depreciation/amortization	-	-	-	-	-111
Other operating expenses	-16	-2	-934	-16	-80
Total expenses	-77,258	-33,277	-30,794	-26,493	-14,846
Income before loan losses	44,217	22,888	-1,715	13,029	38,771
Loan losses, net	5,894	12,744	20,989	5,583	22,082
Operating income	50,111	35,632	19,274	18,612	60,853
Appropriations	4,450	-	-	-	-
Tax	-15,262	-9,940	-5,348	-5,211	-17,082
Profit for the year	39,299	25,692	13,926	13,401	43,771

BALANCE SHEET FOR LÄNSFÖRSÄKRINGAR HYPOTEK AB THE PAST FIVE FISCAL YEARS

Assets	2003	2002	2001	2000	1999
Lending to credit institutions	42,723	87,291	9,665	85,678	20,263
Lending to the public	16,177,756	7,841,436	2,337,346	1,398,614	1,631,549
Tangible fixed assets	-	-	-	-	360
Other assets	32,524	14,579	10,583	13,222	12,704
Total assets	16,253,003	7,943,306	2,357,594	1,497,514	1,664,876
Liabilities and shareholders' equity					
Liabilities to credit institutions	14,188,456	5,866,219	1,201,610	574,730	597,081
Deposits from the public	1,141,409	1,641,931	940,626	703,088	844,044
Other liabilities and accrued expenses	143,825	51,452	31,786	36,299	40,354
Subordinated debt	40,000	40,000	40,000	40,000	40,000
Untaxed reserves	4,750	9,200	9,200	9,200	9,200
Shareholders' equity	734,563	334,504	134,372	134,197	134,197
Total liabilities, provisions and shareholders' equity	16,253,003	7,943,306	2,357,594	1,497,514	1,664,876

► BOARD OF DIRECTORS, AUDITORS AND CORPORATE MANAGEMENT



Bengt Gabrils



Bengt Jerning



Tomas Johansson



Anders Borgcrantz



Gösta Björklund

Board of Directors

Bengt Gabrils, born 1935

Chairman

Chairman of Dalarnas Försäkringsbolag

Board member since 1998

Bengt Jerning, born 1953

Managing Director, Länsförsäkringar Hypotek AB

Board member since 1992

Tomas Johansson, born 1950

Managing Director, Länsförsäkringar Bank AB

Board member since 2000

Anders Borgcrantz, born 1961

Executive Vice President, Deputy Managing Director,

Administration Manager, Länsförsäkringar Bank AB

Board member since 2003

Gösta Björklund, born 1945

Head of Business Control, Länsförsäkringar Bank AB

Board member since 2002

Corporate management

Bengt Jerning

President

Auditors

Johan Bäckström

KPMG

**Appointed by the Swedish
Financial Supervisory Inspection**

Lars Bonnevier

Authorized Public Accountant

► ADDRESSES

Regional insurance companies

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