

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

**FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call**

Event Date/Time: Apr. 28. 2005 / 9:30AM ET

**THOMSON**  
★

[streetevents@thomson.com](mailto:streetevents@thomson.com)

617.603.7900

[www.streetevents.com](http://www.streetevents.com)

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

## CORPORATE PARTICIPANTS

### Jan Liden

*ForeningsSparbanken AB - President & CEO*

### Christer Westholm

*ForeningsSparbanken AB - Head of Accounting Department*

## CONFERENCE CALL PARTICIPANTS

### Unidentified Company Representative

### Unidentified Participant

### Unidentified Audience Member

### Operator

### Sigmund Hollan (ph)

*IBG - Analyst*

### Fred Ritzau (ph)

*Citigroup - Analyst*

### Resou Walta (ph)

*Nadia - Analyst*

### Christoffer Malmer

*Goldman Sachs - Analyst*

### Jonas Erikson

*CSFB - Analyst*

### Dennis (ph)

*Merrill Lynch - Analyst*

### Pheona Sophiot (ph)

*Execution - Analyst*

## PRESENTATION

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

Thank you very much. I thought we were going to start this presentation by giving you an update on one thing that has been very pleasant for us the last few months and that is the acquisition of the outstanding shares in Hansabank.

As per April 27, we now own 99% of the shares. The integration process has commenced together with the management group of Hansabank. We have started different working groups who will try to identify cross border business flows, synergies, and transfer of best practice. And we think that we'll be able to do this work until some time this summer. We expect to start the squeeze out process and hopefully finalize that also during the summer and then we will also delist Hansabank from the Tallinn Stock Exchange. One thing that is perhaps the most important and very good is that Hansabank continue to show very good result and this result for Q1 this year was again the best result they showed ever.

The financial effect of the acquisition is we have tried to explain a little bit on this slide and I want to stress that this is a preliminary description, a lot of things can change regarding the accounting rules. The purchasing price is 15.6b Swedish Krona, the excess value is 12.4b. And we have tried to distribute that so that 9 of those 12.4 will be goodwill and we'll write-up 3.4b Swedish Krona and attribute that to Hansabank's loan portfolio and amortize that write-up over seven years. As of March 31, if we are very

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

precise about what happened in the first quarter, the purchases amounted to 11.5b, and we have the goodwill of 5.8 and then the same write-up of the loan portfolio to approximately 3.4b Swedish Krona.

This acquisition will of course affect the capital adequacy. The goodwill will lead to a lower Tier 1 capital ratio. The de-consolidation of the minority share that was a minority share and the de-consolidation of that minority share will reduce the Tier 1 by 3.2b Swedish Krona. And the write-up of the loan portfolio will of course increase the risk-weighted assets.

The Tier 1 ratio -- if we look at that then you see the figures for 2000, 2001 until 2004, first quarter this year and then an example of what will happen in the next quarter. So, we ended last year by hitting 8.2% compared to our target of 7, the first quarter will give us or has given us 6.7% and we expect that to further decrease during the second quarter and so to say to book them out with 6.2%. And then we have based this example on the assumptions stated below that the net profit from the joint venture with Barclays will be included in the Q2 results and the Q2 underlying results are unchanged from quarter one, and that we'll have the same growth, same risk-weighted assets as we had in that quarter as we had in the first quarter.

Then if we move on to Barclays credit card joint venture, the transaction is expected to close at the end of June, the name will be EnterCard International, this is basically the same name as we have for the Norwegian company, who will be one important part of that new company. We'll appoint the management including the CEO shortly. The organization will be in place in the second quarter and the people employed by this new company will be the people employed in EnterCard in Norway and the people in Sweden dealing with this business as of now.

The net gain will approximately be 800m Swedish Krona in Q3, and EnterCard International results will be consolidated in the bank's results. Also, Copenhagen and Helsinki, we will open our first branch office in Copenhagen in the beginning of May. And we have planned that if all goes well that could be followed by even more branch offices in the next years. We will have an affiliate office in Helsinki catering to corporate customers and we will open that up in the second half of this year.

Now, if we move over to the Q1 results as of this year, it is very comforting to be able to report an increase of the operating profit by 17% to 2.9b Swedish Krona. The profit for the period rose by 13% and the return on shareholder's equity rose to 19.0% compared to 18.3 the same quarter last year. Shareholder's earnings of course increased as well and to 16%. And the total income, the good thing about this results, we think anyhow is that, it has come the right way in the sense that income has rose, in this case by 5%. Costs have decreased by 3% and loan losses have decreased by 30%. And, of course, we have also the very good result in Hansabank, whose operating profit has increased with 22%.

If we look at the figures again that is basically the same thing, it is in a little bit more detail level. The total income can be divided of course in the net interest income and the net commissions. The net interest income has increased and the net commissions are basically stable. The net gains and losses on financial items at fair value have decreased, but, I think, it is important to realize that you have to look at that figure together with a net interest income and compare the sum of those two first quarter last year and the first quarter this year.

Expenses, down as we said by 3%. Loan losses as well, and the ROE and earnings per share, we mentioned before. If you look at the lending, lending has risen by 2% to 711b Swedish Krona. The household lending in Spintab has risen to 306b Swedish Krona, and the Hansabank lending has increased to 61b Swedish Krona. Now, the difference between the Hansabank and Spintab is mostly the write-up of the lending portfolio in Hansabank, which I mentioned before by 3.4b Swedish Krona.

Savings and investments, household deposits have increased by 4%, which is a very comforting figure since we noticed that we had actually a very slow development of that last year, now, we have increased it in the first quarter due to more effort put into this specific product and also to more attractive offers to our customers. Market share for new savings, the way we define that is, mutual fund structure products and deposits have increased compared to the end of December last year to 20%.

Turns under management increased by 6% to 302b. And out of these 302, 296 with a Swedish Company, Rober; and the remaining is of course in Hansabank. The group P&L, as you see here, if we compare the different quarters, the first quarter this year and

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

the first quarter last year, you see that this is the figures behind the percentage figures we discussed earlier. Income 5% up to 6.3b Swedish Krona. Expenses down 3% to 3.3b, and losses down to 100m.

Tax is 571, which is a low tax rate depending on that we have been able to utilize earlier provisions for higher taxes in Hansabank. And the profit then attributable to the ForeningsSparbanken shareholders will be or are 21.35, compared to 18.94 the same period last year. Here you see a slide covering the different quarters for all of 2004 including the first quarter this year, and as you see, we have a very solid development and you can even argue that the first quarter this year is improving from that level.

The items affecting comparability is basically the profit-based staff costs and costs for personnel changes. Last year and this year, so, we have excluded them. That's how we calculated the figures or the result, excluding the one-off costs.

One interesting item here is the profit effect, or result effects of the IAS 39, which we warned could be substantial. Fortunately that has not happened in the first quarter, so, we have not seen this account driven volatility in the result as we were afraid off. So, this first quarter it only meant a difference of 5m Swedish Krona. And, that is - this is a split and detailed presentation of how that effect has occurred. And, I leave that for your analysis. The change in the net interest income is, as you have seen positive in Swedish retail operations that has increased, also in the markets operation, International banking operations continue increase to it, and also we have positive effects in the child services and group staffs.

If you look at it from and try to divide it into volume components and margin components, lending and deposits, you see that the lending volumes increased the interest net by 80 and unfortunately, the lower lending margins compensated, if you like, totally for that, so the net result is zero on the lending volume - on the lending - on the interest net based on the lending volumes. The increased deposit volume increased the interest net of course and the lower deposit margins decreased that result much more, and the shareholders equity and other based on other equity balance sheet items increased it by 171m Swedish Krona leading to 96m in the Swedish retail operation plus in the interest net.

Net commissions are basically stable. We have a very good development on payment processing commissions, which is among other things. So, we are mostly the card businesses, then we have decrease in the brokerage. Net profit on financial items had fair value in total, you see here a substantial decrease, but at the same time, please keep in mind the comment I had about, you have to look at this up value in relation to the value for the interest net and - but still here it is 300m decrease this quarter compared to first quarter, last year.

The cost income ratio, which is our second financial goal, which we have communicated is stable on 0.53, as you know, our target is to try to get down to 0.50 and we have succeed in gradually coming down the last few quarters, and now, we have a stable development here.

If you look at the income and costs in the different operations, you see here, first of all, and compare it with the last quarter, last year and the first quarter last year. You see a sound stability, when it comes to the revenues and also equally sound small decrease, when you compare costs with these different quarters, both when you look at the total costs and when you look at the Swedish operations costs for personnel changes and profit-based staff, and also, if you look at the International banking operations, we have increasing trend here, which is what we have stated and planned for.

Staff cost little bit lower than - or is it actually lower if you like in the Swedish operation and up in the International banking operations. The number of employees is consequently going down in the Swedish operation and it is now below 9,000.

The Hansabank, to comment that a little bit further, their first quarter is that they have actually increased their operating profit by 22% and is now above 500m Swedish Krona on a single quarter. The loan losses have decreased, lending increased by 17% to 61b Swedish Krona and we have as - of course, had concluded the transaction in buying their outstanding shares.

If you look at the results here, you see that the total income has increased considerably compared to the same quarter last year and the costs have also increased, but not as much leading to this operating profit development of plus 22%. If you look at the

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

interest net and the difference split up the same way as we did with the Swedish operations you see here that the volumes more than enough compensate for the lower margins. So when it comes to lending, when it comes to deposit, we don't have that situation. And this quarter we have a decrease because of the lower margins supersede the increased volumes. If we look at the total of the bank again and look at the different business units, you see that the Swedish retail operations is having a good result and increasing its part of the result by 17% and hitting a 22.1 return on equity, based on the allocated equity we have allocated. Swedbank markets had a very good quarter in the first quarter last year and more of a normal quarter this year. Still in our way of thinking a very good result of over 21% return on equity.

Asset management, little bit less than last year increasing costs a little bit and that is also due to the efforts we make on long-term saving and pension products. International banking, as we have said before increasing its result very well. Credit quality, doubtful claims decreased by 17%. Continuous very good development. Still we are very conservative and our provisions have continued and result leading to 151% provision ratio. And net net our loan losses have summarized to 99m Swedish Krona compared to the 142 in the same period last year.

And you see here a split out of how we arrived at those 99m Swedish Krona. The key figures at last is again good development in return on equity, earnings per share and equity per share. Cost income ratio is stable at the good level compared to last quarter and last year and compared to the first quarter it's quite an improvement. Loan loss ratio, continuous good development, as is the fact with doubtful claims and provision ratio for doubtful claims. Capital adequacy of 10.5 and primary capital ratio of 6.7. Yes I think we have concluded the different slides we have and we will be happy to try to answer some of your comments and questions.

---

## QUESTIONS AND ANSWERS

### Operator

[OPERATOR INSTRUCTIONS] Fred Ritzau, Citigroup.

---

### Fred Ritzau - Citigroup - Analyst

Hi, it's Fred Ritzau from Citigroup. I have got two questions. First I am wondering if you could discuss your net interest margins in terms of looking forward your expectation and specifically do you have any plans to mitigate some of the deposit margin pressure that you have been seeing in terms of whether it be commercial strategy and or hedges going forward? Second question relates specifically to your Swedish retail banking operations, and headcount declined for the fifth straight quarter in that unit. However, we really haven't seen the full benefit in terms of equipment cost improvements. Again looking forward, how much more headcount will be reduced in that unit and what are your expectations in terms of cost development evolution going forward?

---

### Jan Liden - ForeningsSparbanken AB - President & CEO

Well, thank you. When it comes to the net interest margins, we see in the future further compressed margins on the lending side. And one of the main areas there is of course the lending of housing. We expect that price pressure to continue and we see now lower margins coming there. And I guess we have also stated that our strategy is actually to keep market shares and we still remain as you have perhaps seen from the report that we are still at approximately 30, 31% market share in the Swedish market and we think that is an important goal to remain. And I have no calculations for you. Of course, we have made different calculations, but I don't think we really want to talk about them in the future. We will stay on having been -- having a large market share and we see truly a very difficult price competition situation. And the one thing that we are trying not to change is the line and to keep to our objectives when it comes to credit quality.

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

On the deposit side, well, I think it is equally important for a big bank like ours to have an attractive deposit offer for our customers and I think that what we have now succeeded this quarter to do is to turn around a negative trend we had during the last year and we certainly don't want to change that again. So, yes we will have also pressure on the margins when it comes to the deposit side. As for the headcount and the financial effects of the headcount in the business units in the Swedish retail operation, I expect it to maybe marginally continue to go down, but at the same time we are hiring people in this business unit and trying to focus as we have stated before for instance the areas with the highest economic activity in Sweden like the big citizens and so on. As for the financial gain on that one, well that comes gradually. There is a period of time before you see the financial effects, but I think they will come. But, at the same time one has to be aware of that we're probably going to hire some people. I don't expect the figure to up, but I think that the decrease perhaps will be slower.

---

**Fred Ritzau** - Citigroup - Analyst

Okay can I just follow up with regards to the net interest margin? You'd indicated both the pricing pressure on the lending side. Do you expect that to continue and on the deposit side. So, going forward with the assumption that you know you are happy with your market share. You are not going to do anything specific, say grow volumes to mitigate some of the pressure or you're just more or less waiting for an increase in interest rates to mitigate some of the pressure.

---

**Jan Liden** - ForeningsSparbanken AB - President & CEO

Well, maybe not quite such a defensive position. What we are trying to do is to actually increase our market shares, both on the deposit side and we will continue to do that on the lending side as well. And I think what -- I mean the result is a bit too early, because we don't have all the figures yet when it comes to the market take up, but I think we have definitely turned the trend when it comes to deposit side and I think we are fairly stable when it comes to the lending side.

---

**Operator**

Christoffer Malmer, Goldman Sachs.

---

**Christoffer Malmer** - Goldman Sachs - Analyst

Yes, this is Christoffer Malmer from Goldman Sachs. I had a question on the international banking and I am just trying to reconcile the Hansa accounts that you provide in the fact sheet with the international division and the major difference there as to why the profit growth. I look at this as a profit before loan losses. It is growing close to 20% in Hansa and only about 6%, just over 6% in the international division. And secondly related to that, the allocated capital in the international division obviously increased by about \$4b. This is result of what I guess the Hansa move. And you say that you obviously allocate interest on allocated capital to the respected divisions, which should have give quite a boost to the interest income in the division as a result of the increased allocated capital. Or is there something that you haven't done yet but you will be doing? Second question was just on the one-off gain in the other income in the consolidated or the tax affecting the consolidated income of 100m Krona just clarifying which division that has been booked. That will be helpful, thanks a lot.

---

**Jan Liden** - ForeningsSparbanken AB - President & CEO

Okay thank you. To answer your last question, that has been booked in the retail banking in Sweden in that unit, those \$100m. The first thing when it comes to the differences in result in the international banking and in Hansa, what also is in the international banking is holding of the shares in Aktia and in Sparbank in one group in Norway and that is in this P&L structure only a cost, an interest cost for, yes, for financing the holding. That is I think the basic differences.

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

**Christoffer Malmer** - *Goldman Sachs - Analyst*

And have you allocated, have you - should we be seeing that incremental net interest income on the increase in the allocated capital in Q1, the extra 4b?

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

Yes.

**Christoffer Malmer** - *Goldman Sachs - Analyst*

So, will you be able to give us then the underlying, I guess, the net interest income number what comes from Hansa? What the interest costs are Aktia and Sparbank and what the interest on the allocated capital is? Is that possible?

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

No, I don't have those figures right here. So, I can't give it to them, give you to them, I don't - that is the short answer for today, I am afraid.

**Christoffer Malmer** - *Goldman Sachs - Analyst*

Okay, you will be happy to provide it?

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

Yes, I think we can do that to you.

**Christoffer Malmer** - *Goldman Sachs - Analyst*

Okay, thanks a lot.

**Operator**

Pheona S o p h i o t, (ph) Execution.

**Pheona Sophiot** - *Execution - Analyst*

Hi, good afternoon. I have a number of questions. The first issue is your Tier 1 ratio. And I think you give a slide where you say 6.2% in the second quarter. Could you clarify what you have done on the risk-rated assets growth? Have you grown them another 4% versus the Q1 level? And could you also talk about risk-rated assets growth going forward because obviously it was quite strong, I presume that is because of the loans from Hansa. But in terms of buybacks, it looks like your capital seems to relatively tight, so, would I be right in saying that it is very unlikely that you are going to buy back during 2005? The second area with asset management, if you look at the asset management division, it does - the results going backwards and commissions are also falling, which doesn't reconcile with the mutual fund commissions or the asset management commissions within the c o m m i s i o n (ph) break down. Could you talk about what is going on in the asset management? Is there some margin pressure, or is there a different allocation between asset management and the retail bank? And the third area is just a hedge,

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

you have historically told us how much the hedge for a low cost deposit helped your net interest income, could you talk about whether it was more significant in 2005 and in 2004? Thanks.

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

Okay. Well, I try to answer your questions starting from the end and the hedge is - well, we started to communicate that because it almost becomes even more theoretical than is really useful. But, I mean, it is no big difference, it has the same effect, if you like, as it had the last quarter, last year. But, I mean, the compare - the reference point is going back quite sometime now. So, it becomes not so useful to use that anymore. When it comes to the Tier 1 ratio and the assumption we have made regarding the increasing risk-rated assets, yes, we have in this example used the same growth as we had the first quarter. I guess that is the simple --.

**Pheona Sophiot** - *Execution - Analyst*

First quarter versus the year-end?

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

Yes.

**Pheona Sophiot** - *Execution - Analyst*

Okay.

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

So, that is the simple answer to your question. Buyback, well, no, I mean, we have said that buyback program is merely an instrument for us to get close to the 7.0% primary capital ratio. And then as you see now, we are below that, so then, it is not really, not really the most acute thing to do is to continue to buy back shares. So, I guess, we don't do that for the next coming months. As for the asset management and the falling margins, I am not really sure to have to - I have to look at the figures here, perhaps and get some help, perhaps you have comment here? Yes, that is right. I got some help here. We have changed the model a little bit when it comes to the provisions for, or sorry, the commissions for the retail bank systems. So that is that our mutual fund company is giving away higher commissions to the retail bank unit than it did before. And that is partly being reflected in the figures.

**Pheona Sophiot** - *Execution - Analyst*

Is that as of the end of December or beginning of January?

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

I am not so sure. Actually, I thought that we started with that at least in the fourth quarter of last year.

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

**Pheona Sophiot** - Execution - Analyst

So, when I look at still the fourth quarter on the first quarter, the commission income and asset management fell significantly, I presume, I guess, the assets rose 5 or 6%.

**Jan Liden** - ForeningsSparbanken AB - President & CEO

Yes, but it's also -- I mean the commission is also based on new sales, so you have a split there. So, it takes maybe a quarter or two before it balances out.

**Sigmund Hollan** - IBG - Analyst

Two questions, one is relating to the Tier 1 ratio. In the report, it says that around 4.5b Krona is hybrid capital. Is that the same the number at the end of March? That's the first question. The other question is -- again back to Hansa and international banking and I am looking at the net interest income because on page 14 in the fact book on the international banking, the net interest income is down 10m from Q4 to Q1. And then on page 10, it says that the net interest income in Hansa is up by slightly more than 30m. And then I don't really understand that? Thanks.

**Jan Liden** - ForeningsSparbanken AB - President & CEO

I guess, it's the same response to as we have the question before, we have an interest cost for the holdings of the shares in Aktia and Sparbank one in the international banking unit in our bank. And Hansa bank interest net is a part of that only. As for the Tier 1, 4.5b hybrid capital, yes, that's the same figure as we had last quarter.

**Sigmund Hollan** - IBG - Analyst

Just a follow up on this Hansa and international banking. But I guess, you have still the same holdings in Aktia and savings bank one in the first quarter as you had in the fourth. So, I don't understand how the net interest income is affected?

**Jan Liden** - ForeningsSparbanken AB - President & CEO

Well, actually, I think we sold some shares in the last quarter, in the fourth quarter. But just hold on -- maybe we have a more talented comment to your question.

**Christer Westholm** - ForeningsSparbanken AB - Head of Accounting Department

I am Christer Westholm, I am Head of the Accounting Department in Swedbank. While we have a new -- I had to comment really is that there is a small decrease that's the way we understand it. But it is still a decrease of 10m Krona, but we have no other explanations.

**Sigmund Hollan** - IBG - Analyst

Okay.

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

**Christer Westholm** - *ForeningsSparbanken AB - Head of Accounting Department*

Perhaps we could add something -- we are also treating Hansa bank's interest income a bit different in this segment reporting in a way that we allocate interest income based on the allocated capital. On the other hand, we take away other interest income, local effects, so it's not really easy to compare these figures. The difference, really different principles are allocating interest income.

**Christoffer Malmer** - *Goldman Sachs - Analyst*

A quick follow-up question. First of all coming back to the share buybacks, you have about 14.9m shares in treasury right now. What are the plans for those shares that are there? And secondly, you talked a little bit about the Tier 1 ratio, what has been the commentary, what have been your discussions with the rating agencies, are they happy with how things are standing in, there is no need to keep those treasury shares, as they buffer, if you like, to improve your capital ratios, if that should be necessary? The second question would just be on the net interest income. Developments in the eliminations line, I am just curious why there is such a big fluctuation and how the elimination, group eliminations are affected, how net interest income through in that line, it is quite a significant change year-on-year in that line?

**Jan Liden** - *ForeningsSparbanken AB - President & CEO*

Okay. For the first two questions, I think I can respond on -- our immediate plans for those 15, almost 15m shares we have -- we will keep them. Second, the discussions we have had with the rating institutes, not forgoing there analysis and decisions is that our impression of that discussion is that they are happy with what we have presented them. As for your last question, I think I give word back to Mr. Westholm.

**Christer Westholm** - *ForeningsSparbanken AB - Head of Accounting Department*

Yes as we could see from this slide, there is some increase of the elimination with 151m. This is mainly due to the effort we have tried to make to divide interest income in two categories. In interest income we now account for -- the income on lendings and the deposits. And the trading assets and liabilities are -- the interest income on trading assets and liabilities are shown in net interest income -- are shown in net gains from -- net gains and losses. So it's in part -- mainly due to that change and some internal accounting procedures that make this elimination effect.

**Christoffer Malmer** - *Goldman Sachs - Analyst*

And what ends up in elimination? Was is it that ends up there -- is about 100m Krona in the quarter, compared to a negative 250 last year. What is it that ends up in the elimination because I guess the treasury and the LM as you mentioned I guess are -- is in the treasury division?

**Christer Westholm** - *ForeningsSparbanken AB - Head of Accounting Department*

That's in the treasury division right. But in eliminations we have the effect just of these three classifications.

**Christoffer Malmer** - *Goldman Sachs - Analyst*

Right. Okay, thank you.

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

**Operator**

Jonas Erikson, CSFB.

**Jonas Erikson - CSFB - Analyst**

Hi, Jonak Erikson, CSFB. I got a couple of questions. First of all, Hansabank's cost increased by roughly 15% year-on-year. Hansabank have communicated it only a couple of months ago that they are looking at sort of 10-ish% cost increase for this full year. Is this to be regarded as that they missed their target or that is some of the first quarter, and there might have been some extra investments in the first quarter mainly? Second question is regarding mortgage margins. You said after the Q4 report that the difference between back book and front book mortgage margins were between five and seven basis points. Now when you talk about it, you sound a bit more concerned. Is that me interpreting you are wrong or is that still sort of the difference between front and back book?

**Jan Liden - ForeningsSparbanken AB - President & CEO**

Well being wrong I guess, that happened before but -- no the difference is not that much big now. We have a slow decrease on the back book figures. And that is of course due to new sales with lower margins. What you can see though is that, what you saw in before is that we had this pressure very clearly in the big city areas and where you had most competition. And I think what you can see now is a pattern that is spreading all over the country of Sweden. So I think one has to be prepared that yes you do see pressure from different levels though. Because the levels are actually different -- in the different parts of Sweden. And it's more well spread now. So on a consolidated basis, yes I expect that to continue a little bit more. I don't think we should be sort of overly concerned because still there is a very big back book but there is an increased competition and one has to be aware of that. As for the costs development in Hansa --.

**Jonas Erikson - CSFB - Analyst**

Is it possible to get a figure of the difference between new lending margins and the average book margin or just get a figure of how much the average book margin has decreased over say the last quarter or last year?

**Jan Liden - ForeningsSparbanken AB - President & CEO**

I think that the -- the second thing I think we can answer and that is how much it has decreased over the quarter. I think it's two basis points or something like that. We will check figure for you Jonas so I am not giving you a wrong information. As for the figures in new sales and the book -- no I am not too sure I want to share that information with you because this is really the competitive information everybody is looking for, isn't it? As for the -- again coming back to the Hansabank cost development, you said okay now they are increasing their costs on year-on-year, that the first quarter's was 15% and how is that compared to the 10%. Well, I don't think that -- I am not really able to give you a fair forecast of the costs. So we don't give those forecasts. But we have not communicated anything else. When it comes to cost increases, so I guess we are in probably in the 10, 15% increase for Hansabank, 10%, 15% area.

**Operator**

(OPERATOR INSTRUCTIONS) Resou W a l t a , (ph) N a d i a (ph).

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

**Resou Walta** - Nadia - Analyst

Yes, good afternoon. I have two questions. One follow-up question on the commission. I think you said that you've changed the level -- the retail division gets from the asset management division. Does that mean that you are also paying more to the independent savings banks? Has that sort of agreement changed in anyway? That's the first question. The second question is in regards to costs. Could you tell us a little bit about the ambition on the cost side in the group, given that Sweden has perhaps not growing that quickly and Hansabank is growing? Thank you very much.

**Jan Liden** - ForeningsSparbanken AB - President & CEO

Sure. Well, commission -- that's an external affair so to say within the ForeningsSparbanken that we changed the commission system a bit for the mutual funds. So we have not changed the system when it comes to our corporation with the independent saving banks. And the system has changed a little bit within our Swedbank or ForeningsSparbanken, so that they get a premium if they increased their new sales, so it's in accordance of what I said before. That does not happen with the independent saving banks.

When it comes to costs, we are very reluctant to or at least I am very reluctant to give you a straightforward answer on how much the group's total costs will be at the end of the year. And that is because I don't -- I think a lot of things are happening and we really don't want to be caught in that kind of discussion. What we have said is -- we should probably arrive at basically the same cost level in total for the group as we've been last year. But then you have to take into consideration that there might be some extraordinary costs coming up which we haven't included in that. But, I see very stable slightly decreasing costs in the Swedish operations going on and increasing costs in Hansa.

**Resou Walta** - Nadia - Analyst

Okay, thank you very much.

**Operator**

D e n n i s , (ph) Merrill Lynch.

**Dennis** - Merrill Lynch - Analyst

Good afternoon. Just a short question on the market environment, you and we've also heard from your competitors who've reported, talk about ongoing pressure on margins, particularly in Sweden on mortgages and some other segments. So, I am wondering, do you see any pressure as well on commission in common, if so in which segments or products?

**Jan Liden** - ForeningsSparbanken AB - President & CEO

No. The straight answer is, not really. We don't see that. And again, I mean -- yes, we do see of course competition on margins and we have talked a lot about that. Still we are able to show a fairly good results. So, I mean, you have to keep everything in perspective. But we don't see that pressure on margins for instance in mutual funds and things like that.

**Dennis** - Merrill Lynch - Analyst

Okay. Thank you.

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

**Operator**

Follow-up question from Jonas Erikson.

**Jonas Erikson** - CSFB - Analyst

Yes, also just a lot of question, again on Spintab. Also after the Q4 results you talked a little bit about product development going on in Spintab. Could you give us an update of where you are and what your hopes are in terms of offsetting the margin pressure and/or slight market share loss that we saw last year with new products. What's going on?

**Jan Liden** - ForeningsSparbanken AB - President & CEO

Yes. Well, I can't confirm we are working on new product packages and things like that. We'll hopefully we'd be able to release some of it this fall. We did release a new total movable interest rate, which has been very popular in the sense that we've had quite some volumes attracted to that very competitive pricing. So -- and we are working on some things that we hope to be able to release also perhaps this summer. So we are working on many different things when it comes to that, which we hopefully will be able to release already this year.

**Jonas Erikson** - CSFB - Analyst

Can you give us any feeling for sort of earnings impact or revenue impacts?

**Jan Liden** - ForeningsSparbanken AB - President & CEO

No, I really can't do that. So, you will have to wait until we are ready.

**Operator**

Thank you. It appears there are no further questions at this time. Gentleman, I'd like to turn the conference back over to you for any additional or closing remarks.

**Jan Liden** - ForeningsSparbanken AB - President & CEO

Well, thank you very much. And please get back to us directly if you have any remaining questions. I guess, we don't have any more comments from here, so we wish you a happy second quarter and summer until we talk again. Bye.

Apr. 28. 2005 / 9:30AM, FSPA.ST - Q1 2005 ForeningsSparbanken AB Earnings Conference Call

**DISCLAIMER**

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2005, Thomson Financial. All Rights Reserved.