

FINAL TRANSCRIPT

Thomson StreetEventsSM

FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Event Date/Time: Aug. 18. 2005 / 9:30AM ET

THOMSON
★

streetevents@thomson.com

617.603.7900

www.streetevents.com

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

CORPORATE PARTICIPANTS

Jonas Blomberg

ForeningsSparbanken - Head, IR

Christer Westholm

ForeningsSparbanken - Head, Accounting

Jan Liden

ForeningsSparbanken - President, CEO

Erkki Raasuke

Hansabank - CEO

CONFERENCE CALL PARTICIPANTS

Julian Morsetra

Morgan Stanley - Analyst

Kim Bergoe

Fox-Pitt, Kelton - Analyst

Jonas Erikson

J.P. Morgan - Analyst

Daniel King

Lehman Brothers - Analyst

Denise Holle

Merrill Lynch - Analyst

Ronit Ghose

Citigroup - Analyst

Monica Kalia

Execution - Analyst

Christoffer Malmer

Goldman Sachs - Analyst

Eston Severson

ABG - Analyst

PRESENTATION

Jonas Blomberg - *ForeningsSparbanken - Head, IR*

Good afternoon and very welcome to this second-quarter result presentation by ForeningsSparbanken and Hansabank for the first time. Besides the persons mentioned, CEOs -- Mr. Liden and Raasuke -- we have with us today Christer Westholm, who is Chief Auditor at ForeningsSparbanken -- Head of Auditing, I should say --

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

Accounting.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jonas Blomberg - *ForeningsSparbanken - Head, IR*

Accounting, sorry -- sorry Christer -- and also Henrik Kolga, who is Head of Communications. I am Jonas Blomberg, Head of Investor Relations. Let's go.

Jan Liden - *ForeningsSparbanken - President, CEO*

Thank you. This is Jan Liden beginning then. And I'd like to show you a few slides and then at the end also introduce Erkki Raasuke to present Hansabank results.

First of all, we would like to -- the basic comment about the second quarter is that we are very happy to see a stable and very profitable development in the Swedish operation. And we have indeed a very continued and strong growth in both volumes and profits in the Hansabank group. And we have also been able to strengthen our performance in savings and deposits in the Swedish operations, which is a very important goal for us.

If we look at the results as such for the group, we can report an operating profit increase by 33% to just about 6.6 billion Swedish kronas. The return on the shareholders' equity has risen to 23%. Shareholders' earning per share rose by 37% to 10 kronas and 22 ore. This very good result, we think has been generated in a very good way.

First of all, we have increased our revenues in total by 15%. Costs has also risen but much more moderately by 3%, and it continues very good development when it comes to losses and provisions. This result though, it contains also things or items of a one-time nature, and I will be back to that. If we first show you the picture of where we compare the first 2 quarters, 2005 and 2004, you see that the net interest income has increased by on the group level by 11%, so has commissions.

We have a fairly similar figure when it comes to net gains and losses on financial items at fair value. But as you see, other income, we have an increase -- a rapid increase or a dramatic increase if you like -- from 728 last year to 1,572. And the main component in that increase is the sale of 40% of a company, which we have newly founded, which is consisting in credit card operations in Norway and in Sweden. And we have informed you earlier about that. And that it's only the credit cards; it is not the bank cards. It is not the acquiring business but the credit cards that has resulted in this report in 810 million net gain by selling 40% of that company to Barclays Card. And that joint venture is now in operation. And perhaps we will get back to that.

As for costs, you see staff costs has increased. We have excluded the profit-based staff costs, which is now considerably higher than last year. And what we have done in the Swedish operation among other things where we have what we have told you about this profit-sharing program called Copper Coin, we have increased the provisions for that considerably because we think that the return on equity is so high that it will generate the maximum provision, which is something around 60,000 Swedish kronas per employee in the Swedish operation.

Other expenses are basically the same leading to profit before losses, which is 38% higher. And then we had these loan losses, which is very good throughout the group -- extremely low in the Swedish operation and very acceptable in Hansabank, leading to this 33% increase over the last year. If we exclude all items affecting comparability, exclude all the one-time things, then we still have an increase in the group of 10%. And I will be back to only -- as I said before, this one-time event.

If you look at the quarters, you'll see here very clearly that this quarter is very good when it comes to revenue. Costs, we have talked about. And then you also see that the profit from continuing operations is very good. And the part, which is attributable to our shareholders, is just about 3 billion Swedish kronas this quarter compared with just about 2 billion Swedish kronas the first quarter.

Now, back to the subject of items affecting comparability. First of all, you see -- and on the top side of the slide, you see the upper part; you see the things affecting comparability this year. And on the lower part, you see the parts affecting comparability

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

last year -- first of all, the net gain on the sale of the shares in EnterCard. Then, we have profits-based staff costs, which is in total 627 million the first 2 quarters. And then we have the costs for personnel changes.

And then we have something, which is new. It was with us when we reported the first-quarter figures. But this quarter, it has had a considerable effect on our results; that is the effect due to the new accounting rules. And this is especially IAS 39. The first quarter, that was basically a neutral affect with -5 million Swedish kronas if compared with -- if we had used the older accounting rules.

Now with the new accounting rules, the effect on the second quarter is positive, and it is 444 million Swedish kronas, amounting then to the first 6 months of 439. And if we go down to the last year, we have taken away basically the profit-based staff costs and the costs of personnel changes. So if you include them in your analysis, you will see that perspective as well.

Now if we continue to talk about the IAS 39, which is at least to us a complicated subject, you see how on the upper part of the side slide, the net interest income -- which basically is of course on the upper part we see here -- things that we have changed the reporting of. It is actively the way -- actually the way we activate costs and revenues, which of course affects the result. And on the lower part, you see what has happened this year, in 2005, the upper part mainly belonging to the last year in 2004.

And again, the basic difference here is how you activate those revenues. And what you see here for example is the interest income compensation, the last figure here. We have a 359 million figure. That figure formally if we use the old accounting rules, we activated over a longer period of time. Now, the customers have actually paid those money to the bank, and then we have to account for them. And so it is situations like that that will have created this kind of volatility in the result.

In our example, this has of course been a very positive result for us, and still the money is there. The money has been paid and/or accounted for. And that account all sums up to the first 2 quarters to 439 million.

If we go on to talk about the different kinds of product groups, lending in the group has increased by 7% to 745 billion Swedish kronas compared to the 694 by year end. And that's basically three things that have changed during these first 6 months. First of all, Spintab's household lending in Sweden has increased by 15 billion Swedish kronas to 316 billion Swedish kronas.

Corporate lending all over the group -- in Swedish operations and of course in Hansabank -- has also increased considerable to 348 billion Swedish kronas. And Hansabank as a group has continued its rapid development in lending volumes. And they have increased their lending volumes with 12 billion Swedish kronas to 68 billion Swedish, if you translate into Swedish kronas from 53. So that's where we have this increased volume figure.

If we look at savings and investments, funds have continued to increase by 15% to 329 billion. 7 of those billions is attributable to Hansabank and the 322 in the Swedish operation. It is now an all-time high. We have now passed the figure we had almost 5 years ago.

Household -- and I should also say that all of these increase, it is about 8 or perhaps 9 billion Swedish kronas that is new sales. The rest of the increase is the value change of the portfolio. Household deposits have increased by 10%, and the market share of deposits have increased to 24% compared to 10 last year, which is something which we are very happy for.

So the market share in Sweden for new savings net -- that is including funds under management, the deposits and the structured products -- has increased now to 19% of the new sales compared with 17% last year -- oh sorry, that was year end last year.

Again back to net interest income. You see here what we see -- is I think -- is a very stable development and also some explanations to be made. First of all, in the Swedish operations, we have positive figures in the retail operations with 70 million Swedish kronas, which is extremely good to be able to report to you, since we have been discussing in detail the effect of the compressed margins. In Swedbank Markets operations, we have about the same negative variants. On the other hand, they had extremely good figures reported last year. So it is a fairly stable result.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

In international banking operation, Hansabank of course has continued due to both an impressive increase in lending but also in savings -- can report a figure of 12 than (ph) 54.

And then we have some minor posts, and then we come down to something we call "eliminations." And we have tried to explain that very shortly during the asterisk here. This is an effective change of accounting principles. Again, we're coming back to that in the reporting on net interest income from trading operations.

So what we see here is, we used to report it before in the trading. And now, we have changed that so that is reported in net financial transactions. And again, I am sure we will be back to discuss that in detail. But that is the result of the new accounting rules.

If we look at the Swedish retail operations, you see here the trend that we have been reporting before. We have increased lending volumes. You have a volume component here, which is of course has a positive effect. And we have a negative component, which is the lower margins. And then we also have other things at the balance sheet items and shareholders' equity. In this case, it is not so much the equity of course, but it is more the balance sheet items where we have the clearing volumes and the flow in our system, which has been considerably bigger this time than the 6 months 2004.

If we look at Hansabank, they have this even more positive development because their increased lending volumes gives them of course a positive effect. And even if they have a considerable pressure on their margins, they have been able to compensate that with the increased volumes.

Net commission income is also something, which we are happy to report a considerable increase. One of the main factors affecting that is the payment processing. And that is many things, but the biggest item is the continuous increasing card operations and the transaction revenues we see there. Both from the issuing side, issuing cards, but also of course from the acquiring side, where we have a continuous increased volumes -- increased number of transactions performed and also increased number of cards.

Lending commission is fairly stable. Brokerage somewhat increased due to the increased interest and increased value. Asset management, as we said because of the increased value of the portfolio, the figure goes up -- insurance commissions and other commissions in this time. And the main item affecting this is coming from the consolidation of First Securities. As we have stated in our report, we are consolidating First Securities in Norway from the middle of June. And they had some very interesting transactions going through the second half of June, meaning an 80 million net on the commission side here. This is net commission income. And I'm not going to go through that anymore.

Net profits on financial items at fair value, you see here there is considerable change if you look at it line by line. We have tried to explain that in the report as well. Net result ending up in basically almost the same figure as last year.

Costs, in this slide, we have tried to look at the costs in the Swedish operation and to analyze them a little bit further -- what we call underlying costs, which is fairly stable. Then, we have the costs for personnel changes and profit-based staff costs, which are then increasing -- moderately but still increasing.

We have international banking operations, which mainly is the Hansabank operation. And they are continuing their expansion on the markets in a controlled way.

The number of full-time positions in the Swedish operations are continuously going down, a little bit slower in the rate this quarter than before. Our estimation is basically the same. It will continue. We have in this figure excluded the First Securities in Norway. They are another 120 people, but they are not in this figure.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

The cost income ratio, where we have communicated a goal for the group of 50%, we have not yet reached. But for the quarter, we have a figure -- if we choose to include the capital gain on EnterCard, which is actually below our goal at 0.49 -- but if we don't do that, it is still on a fairly stable level of 0.54.

The credit quality then. We are happy to report that we have a continuous good development. The doubtful claims have continued to decrease to 2.5 billion Swedish kronas. The provision ratio throughout the group has -- because of our conservative provisioning -- increased to 259%. And the net losses have actually stayed to below 200 million Swedish kronas, representing a 5 basis point figure on the loan portfolio.

If you look at the next slide, you see how we divide that. Established provisions is 178, new provisions 325, and recoveries from formerly provisions is 307, ending up in the 196.

Retail operations in Sweden, strong development in lending for being this market and in deposits. Costs basically unchanged if you exclude the profit-based costs -- or the profit-based compensation. And the number of full-time employees have continued to decrease even more. Then you saw the slide representing the whole Swedish operations. We have a quarterly comparison there. I don't take too much more time there. You see there is a continuous very good result here.

EnterCard, we have established, as I have said, the new venture. We are now -- we have basically hired all the people. And the operation is not going on in Stockholm, Oslo and Trondheim. And that operation now contains basically 600,000 accounts and the credit volume of 4 billion Swedish kronas and something like 170 -- 150 people employed. We are also of course evaluating the possible options to enter into Denmark and Finland, as we explained earlier.

What we haven't included in the figures in this report but still published is that we sold our debt-collecting company, Kundinkasso, in short KIAB. That will mean -- and when that transaction go through in September, that will mean that we will be able to report a net gain of 1.4 billion Swedish kronas. We have a 5-year agreement with the buyer to continue to do business with them. So we are going to sell written-off claims at a reasonable market price.

Historically, we have some of the profit revenues we have had from that operation in KIAB. It has been included in the net loss figure, which means that -- and that cannot be maintained in the future. So the revenues we will get when we sell those to the new operator will land somewhere else in the P&L.

Non-life insurance, we also communicated that in Sweden, we will try to test a concept, which is much like the SpareBanken 1 group activities when it comes to non-life insurance in Norway. So they have SpareBanken 1. And Trygg-Hansa and Codan operation have formed a new insurance company in Sweden called Three Kronas (ph). They will produce non-life insurance products, and we will sell them in our system. This is a testing period, which will start at the end of the year. And an evaluation will be made not more than 12 months from the start. And we think that if this proves to be successful, it could be an interesting add-on product for our branch offices to sell.

Asset management and insurance, as we talked, asset under management reached its record level for the group, 329 billion. What we have said in the Swedish operation, which so far is of course the big majority of the funds, in Robur, their main objective is to achieve a high rating in terms of quality. And we are happy to report that 67% of their equity funds now have outperformed their indexes. And the Morningstar rating on Robur funds have further improved. We were happy to report to you at the end of the last year, they were the highest ever. And now, they have been able to keep to that level and even increase it marginally.

We have also some figures on next slide. It is under asset management and insurance. We have changed the compensation to the branch network a little bit. And that is why you see the profit level going down a little bit this year compared to last year.

Markets, Swedbank Markets, it is basically in line with previous year. First Securities, we talked about, we now have 51% of it. And of course, it was a very lucky beginning, since we had this very good result in June. And they now have a very continuous high return on their equity of course. These are the figures for Swedbank Markets. And as you see, they are -- this was also a

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

very good quarter for them. At First Securities, you see here, 165 million in revenues, 85 in costs -- meaning an operating profit of 80 million.

Hansabank, then. Before I leave over to Erkki, just a few things here is they have increased their profit by 27%, a very impressive result. Integration work, we have been starting to spend a few months in spring and beginning of summer dividing ourselves into a number of work groups that try to identify and define possible corporation areas and synergistic possibilities. We have concluded, and we will continue to conclude -- to make conclusions and to implement action plans based on that work in the ordinary organization.

Hansabank has also increased their share capital of the Russian subsidiary, Kvest Bank, with almost 80 million euro. And Erkki, whom you will hear from shortly, has been appointed the new CEO of Hansabank.

Then it is actually over to before we try to answer all your questions to Erkki to make a deeper analysis and presentation of Hansabank's results. So please, Erkki, go ahead.

Erkki Raasuke - Hansabank - CEO

Thank you, Jan. Good afternoon. So I will cover briefly then the results of Hansabank group in the Baltics as well as in the Russia. To start then, please note that we are also switching to currency now if the previous presentation was done in Swedish kronas. So we will talk now in the euros.

So going through the quarterly highlights, which is showing in most of the areas very strong growth. And I will go straight on further as we will cover them -- topics more in detail later on.

Quarterly highlights, yes, accelerating growth in all business units due to the low interest rate and strong credit demands. We had -- if we can say -- before entering to the European Union 1st of May 2004, we had a lot up conversion storing in the region in the Baltics. And many developments in the margins also were explained by that. What was somehow perhaps unexpected but which has now very much took in place after the entering into the European union. So there's not really too much of the conversion anymore. But it worries (ph) strongly. I think EU issues supported growth throughout the region. And this growth has been a bit of surprise to ourselves as well.

Net interest margin has been fairly stable in Latvia and Lithuania. The biggest drop has been in Estonia, where there is perhaps today the most fiercest competition in terms of the lending business in the Baltics. And also, which was quite significant transaction and it has also had its impact on our bottom line, was that when ForeningsSparbanken and Swedbank made a full bid to the minorities. And this transaction took place between March and June. Please next slide.

If we looked at the quarterly profit, then this has been continuously improving. The first 2 quarters or first 6 months of 2005 has been very strong. And currently, we see very much that we are continuing on the same pace. Next slide, please.

Regional distribution, so if you looking to the loans and deposits, then the business volumes are about 45% in Estonia, about a quarter in Latvia, slightly more than a quarter in Lithuania. And there are pretty small ones in Russia, where we are just starting up the businesses. And a fairly similar distribution is also about actually the revenues. But overall, I think expenses brining in some changes, as Estonia has been historically with pretty high efficiency. And we are still trying to gain and build efficiency in Lithuania.

So this all resulting that altos (ph) operating profit 51% is reached in Estonia, 23 in Latvia, 20 in Lithuania and 6% of Russia, which is actually bring very good result because of very short period of time we have been working there.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Net credit losses, we had in the second quarter one rochal (ph) credit issue in Lithuania. One of the clients because of the changed competitive environment has faced and is still facing some trouble, as we increased our provisioning. And that's why the Lithuanian contribution is here seen fairly high at 63%. Nevertheless, all and all, we are within our target in terms of the credit losses throughout our group.

Our net profit, yes, about 60% contributed by Estonia, 20 by Latvia, 14 by Lithuania and 5% by Russia. Next slide, please.

Looking to the net profit, then I should see also that the absolute amount of the growth has been mainly contributed by Estonia. But there is one thing to mention about it is just that the -- in connection to the full bid made over the Hansabank also then the dividend policy was changed. And Estonia is having currently 0 corporate income tax, and only the dividend payments are taxed then because there wasn't any dividend payments. There was not also a tax in Estonia. So this was something that we initially budgeted in, planned, and never took in place. And that was about in the size of 5 million Estonian kronas -- sorry, 5 million euros, yes, excuse me. Next slide, please.

Looking to the revenues, because of the very strong growth, there has been a stronger -- because of the strong growth in overall in the business, obviously there has been also a strong revenue growth following net interest income -- 23% net fee income, 28%, which is mostly or actually pretty much equally distributed between the fee income of loan origination, fee income out of the card business, most actually payment card business.

And also then, there has been a strong growth in trading income. This is actually a part -- if we look to that, to the trading income -- there was a very active financial markets. Local financial markets were very active. And the big contributor of that was also the full bid over Hansabank, which actually made a lot of traffic. This is going to be actually difficult to repeat in the future.

Next slide, please. Net interest margin has been continuously going down, which is also expected of changing environment and also increasing competition. Perhaps a bit of surprising has been that Estonia has been now quickly becoming the market with the lowest net interest margin. It is 2.71 now our operations in Estonia, 2.88 currently in Lithuania, and fairly high at 3.5% still in Latvia. What we do see is the net interest margin to continue to go down continuously as our new sales is conducted with the lower margins than now our current portfolios.

But perhaps this relatively dramatic slide that we have seen in Estonia is not going to continue. And we probably have some more flatter curves ahead. Next slide, please.

Looking to the expenses, then expense growth has been on the similar growth then also the revenues. Personnel expenses up by 23%, administrative expenses were 27%, data networks 26%. So total expense increase has been 21%. Next slide, please.

On a cost income ratio, Hansabank group internal target has been 45%. And we are at our target currently. And on the right hand, we can see that what has been the cost income in different business units first quarter -- sorry, second quarter 2004 against second quarter 2005. In Estonia, it has been slightly increasing. And we think that defendable or sustainable levels in Estonia business is around 40%. Latvia is between 45 and 50% subject to the speed of their growth.

But actually where we do see also the future improvement is in Lithuania, where cost income has been going down from 64 to 55%. And we do see room to improvement in there further. So that gives us a good feeling or confidence also to keep our group target -- subgroup target at the 45%.

Looking to the return on equity, the subgroup target has been at 20, which we have been beating lower number of quarter or so already in the row. And on the right hand, you will see a very different numbers. But our group capital adequacy is currently at 12.2%. But to the business units, we are signing to capital with the lower capital adequacy basis, and this is 9%. So this is why actually on the right hand side, the numbers are inflated. But they are consistent on a 12 to different -- between different periods.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

So Estonia has been -- yes, distributing really strongly to the results. And based on line percent capital adequacy, the return on equity was at 50%, 35 in Latvia and 22 in Lithuania. Next slide, please, going to the loans and deposits.

We have had a very equal, strong deposit growth throughout the region. 33% all and all and very much similar numbers in Estonia, Latvia, Lithuania. It was somehow surprised actually Estonia growth, and we should say that a big part of this growth also was contributed again of the full bid made by ForeningsSparbanken over minority shareholders of Hansabank. A lot of funds were released before they really had been for the longer term invested. They ended in the short-term deposits. So therefore, a similar growth probably we are not going to see in Estonia deposit base on the upcoming periods.

And looking on the lending growth, then yes -- most mature market of our work in Estonia. It is the lowest. But it is still very high, 35% year-on-year basis, 48 in Latvia and then 49 in Lithuania. Next slide, please.

Further information on the lending growth. Yes, despite the Estonia and lower proportional growth of 35%, its absolute amount is still our largest growth in Estonia. And looking on the right hand slide, there is also a split between a different businesses, which have been contributing to this growth. So a very strong growth from the mortgages, a strong growth also in Estonia in business lending and asset-based finance. And in Latvia and Lithuania, what you see there in the cream color are the student loans and also consumer finance. Next slide, please.

There is a split of our credit portfolio. So now 35% is private individuals. But this is still the highest growing area of -- annual growth of 61%, corporate lending annual growth of 34%. And then I also brought some numbers, what is the lending to the GDP in the region -- Estonia 67, Latvia 62 and Lithuania actually a surprisingly low 37 -- has been long weighted. But it's very much foreseen that the Lithuanian credit growth actually will remain very strong over the coming years because this difference is between the different countries are diminishing. Next slide, please.

We follow up to the retail lending, then the split, what is in of the retail lending. And then just clearly, the biggest contributor to the growth is the mortgage lending. And out of the current portfolio, 75% -- about 60% are the student loans and this 19% others comprises also very nicely growing consumer finance and also auto finance or car finance, mostly in the form of the leasing.

And before you take the next slide, asset quality. These numbers also should be looked in a perspectives of very high portfolio growth. Sorwurdos (ph) have been growing. If we compare it to the period of 6 and 9 months ago, non-performing loans also from first quarter, 19 to 31. But if we look to the net performing -- non-performing loans, the overall loans, so basically we are in the similar range between 0.3 to 0.4% of the portfolio. Our non-performing loan coverage ratio is standing at 2. And actually our real risk costs currently has been -- and we have had more of the recoveries than the write-offs on the second quarter of 2005.

With that, I would conclude my part. Thank you.

Jonas Blomberg - ForeningsSparbanken - Head, IR

Thank you very much, Erkki. And I guess that concluded our joint presentation. And what we will try to do now is to respond to your comments and questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Julian Morsetra (ph), Morgan Stanley.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Julian Morsetra - Morgan Stanley - Analyst

It is Julian Morsetra from Morgan Stanley. I have a three set of questions. The first is on the Swedish retail division. Here, we see a fourth consecutive quarter of declining net interest income despite the fact that the second-quarter results have hardly been affected by the interest rate cut, which intervened in June. So should we expect the same trend -- declining trend to continue in the coming quarters as the interest rates cut feeds through the interest rate base of the Swedish division? Or do you see a pickup already from third quarter? So if you can -- a bit of detail what actions you're taking to compensate for this type of pressure. And if you can also detail a bit what is the difference happening between the retail and the corporate side?

Second question still on margin but on the asset management side. If we see the evolution of the underlying assets, it extremely strong. But the margin, the calculating as commission and divided by assets, it continues to go down as well. So can you elaborate a bit in term of product mix and in terms of product strategy -- what are you going to do the next few quarters?

Third questions is on asset quality. And if you please could give us an indication of once you're through the cycles provisioning assumption that you had to find? Thank you.

Jan Liden - ForeningsSparbanken - President, CEO

Thank you. I will try to answer it as much as I can. First of all, to talk about the net interest. Well, our opinion is of course in the Swedish operation that we have basically been able in the retail operation, which includes corporates, to maintain an interest net, which is fairly stable. And that's why we think that it is in that respect a good result even if we want more. So the volume increase has compensated just for the continuous pressure in margins. There is of course a very interesting discussion when it comes to the coming interest or the coming competition when it comes to margins. And what we have seen in several market segments here is that the pressure on markets in the Swedish operations in the second quarter has not changed as much as they did the first quarter, which perhaps is a sign that we have a more stable situation.

But what really hits the Swedish operation then is of course that Swedbank Markets had a lower interest net. And then, well, that is a kind of natural variation that we have over the quarters -- both, that it is somewhat more volatile of course, the business we do with financial institutions, but also that somehow it is classified as net financial transactions rather than interest net. So my reaction to the Swedish interest net is actually fairly positive.

When it comes to asset management margins, as I have said, the basic reasons for that result in that business area in the Swedish operations is going down -- is that we changed the way we distribute the total income. So that we give more of commissions to the network -- to the branch offices. And that means something like 25 million Swedish kronas a quarter.

Asset quality, well, I think that this very good development has surprised us, positively that is, as it has been. We used to have -- I think is now 2 years ago -- we used to have an ambition to be below 50 basis points of the portfolios during a full economic cycle. We never hit that high a number if you exclude the deep financial crisis in Sweden in the beginning of the '90s. And so now we have avoided, really, to set a goal for that or even a forecast. We think that we are in a kind of an extreme situation. But the only thing we can say to that is we don't see any signs that that will increase.

On the contrary, we see a very stale, very controlled situation in all the different markets where we operate with a different set of conditions of course. But still -- so that would be my comments.

Operator

Kim Bergoe, Fox-Pitt, Kelton.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

It is Kim Bergoe from Fox-Pitt. Just first, one question about the IAS 39. Just to be clear -- and this would have been booked in Spintab and hence in the Swedish retail operations -- but just sort of going forward, is this something that we should expect to reverse over the -- just as an assumption, I know it's hard to predict. But would it be fair to assume that it might reverse over the second half? So that was it, where it is booked and if it were reversed?

And the next question, it was asked about the Robur and the commissions, and you are saying about 25 million per quarter. When did you change the commission structure? And what was the reasoning behind it?

And then two questions about the run rates. One is First Securities. Could you elaborate on that? Did I understand it right that about 80 million in the second half of June was sort of -- what sort of run rate should we be looking for? And what was the exceptional effect in the second half of June?

And also, if you could give us more of an idea -- we heard several times that your own bid for Hansa had actually created some additional business in the Estonian part. Could you give us an idea about the financial effect of that? Thank you.

Jan Liden - *ForeningsSparbanken - President, CEO*

Well, we will try. I think we start from the bottom and ask Erkki to comment a little bit about the financial effects. I think he did that. But maybe you have some further comments, Erkki, caused by the fact that we Swedbank -- ForeningsSparbanken made the bid and purchased 40% of the shares.

Erkki Raasuke - *Hansabank - CEO*

Thank you. It is rather difficult to now entirely isolate it. But I would say that if we -- probably the effect of that compared to the last year -- we can guess that this is to be somewhere around maybe 3 or 4 million euros, which we can contribute into that. Market was active; a lot of traffic was there. And it was good for the brokerage and for the fee business. Going anything further than that would be really high speculations.

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

But could I also just ask -- obviously, Hansa was the largest by far stock of the exchange. I take you did quite a bit of trading in your own stock. Could you give us any -- because that is obviously going to fall away. How much approximately would we be talking? Or I guess you generally been making money trading on clients' behalf the Hansabank stock.

Erkki Raasuke - *Hansabank - CEO*

Yes, you are right. I know actually these -- the volumes and then to volumes what we traded Hansabank was about -- basically between one-third to 40% or so in general of overall trading. But I don't know where exactly how much it was contributing to the bottom line. What I do know for surely is that the Hansabank because of being most liquid stock, it actually had the narrowest margins. It had the smallest fees on that. So again, another guess, sorry for not being more precise but probably less than one-third.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

Coming back to your other questions. First Securities, yes, it had an exceptional month this June. Previously, the result for First Securities has been something like 100 million Swedish kronas on an annual basis.

On the other hand, the business is expanding. Number two, in that figure, we did not include the whole of the fixed income and interest rate-based operations from Swedbank Markets. So it is hard to say. We will not see 80 million every month; I am afraid. We don't, as you know, give forecasts. But this what I said --

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

To get an ideas -- because obviously, if we start taking and times I guess it will be 24 --

Jan Liden - *ForeningsSparbanken - President, CEO*

I do. The basic thing -- if we start from last year, we had something like 100, 100-plus million in result. And I expect and hope that to grow. And we will also add other components to that result hopefully. On the other hand, it's equity brokerage and mergers and acquisitions, corporate finance activity, which have some considerable volatility in itself.

As far for the Robur commission, I think we started by -- was it July last year?

Unidentified Company Representative

Yes.

Jan Liden - *ForeningsSparbanken - President, CEO*

That the change in the commissions. And the basic reason for changing commissions was to try to motivate the branch offices even more to sell mutual funds. You must remember the situation in all the Nordic markets but also in Sweden of course was that we had a continuous drop in value of equity, which meant that many of our customers were disappointed from 2000 and forward. And therefore, we wanted them to try to persuade the branch officers to in spite of that, try to interest our customers for investing in mutual funds. So that is when we changed that. We will probably change it and manipulate that even more in the future.

As for the IAS 39 effects, yes, they are in Spintab, but they are definitely in the treasury operations as well. There will be a volatility. The first quarter, we were happy enough that that volatility net net meant virtually nothing or 5 million Swedish kronas. This quarter, we had 440 million in terms of volatility. And luckily for us, it was on the positive side. And you can't of course argue that if it is like I said a question of prioritization or activation of revenues and cost, of course, we will have to pay it back, so to say. And we will not have those revenues in the future.

But that is only partly true because the situation is never the same again. But I am afraid I cannot give you a forecast where this is going. And that is also our essential criticism to these new accounting rules because it hinders and makes the transparency much more difficult. So we can only report what is happening from time to time.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

It wasn't a forecast. It was more to try to understand because obviously business is more on some kind of an assumption saying if this is a hitch and it has just been a positive deviation than saying over a period if your hedge works, then it should end up being CRE (ph). Is that a fair assumption?

Jan Liden - *ForeningsSparbanken - President, CEO*

No, it's not really a fair assumption that this is something in its totality at least of 440 million. It is not a conscious thing that we did. It is the effect of these new accounting rules. So I can either say that we will have a couple of 100 millions in a positive effect in the future. And I can't exclude that we will have some negative effects in the future as well. So I'm sorry. It is hard also for us to predict.

Operator

Jonas Erikson, J.P. Morgan.

Jonas Erikson - *J.P. Morgan - Analyst*

It's Jonas Erikson from J.P. Morgan. A couple of questions. First of all, other commissions in the second quarter were 487 million I think, which is quite a big jump from Q1. What is going on there?

Second question is -- Hansabank, it seems like you are reporting different figures from different places. When I look at the international banking part of the actual report -- I think it is page 18 -- you mentioned that Hansabank has revenues of just above 2 billion. Whereas if I look in the fact book, it looks more like 2.2 or 2.25. If you can explain a little bit what that difference is? I expect it might have to do with the charge of capital that is tied up in Hansabank.

The third question is -- on Hansabank, the accrual of reevaluation of assets in the lending portfolio. Can you explain a little bit more how that works? Is that basically that when you took in the minorities and you revalued it and obviously equity was added on the group level? And now obviously, that earns less in terms of how you book the earning -- the revenues from it? Is that how it works? Or if you can take me through that.

Jan Liden - *ForeningsSparbanken - President, CEO*

I'm sorry; I was a little bit focused. But we will try to Jonas. First of all, the commissions and the change that from other, that is essentially First Securities, where we booked this fantastic few transactions I did, who had a very positive effect. So that is the main reason for that.

And then when we come back to the -- let's see here -- you talked about the revenues in Hansabank -- what the increase was.

Jonas Erikson - *J.P. Morgan - Analyst*

Well, I had two questions in regards to Hansabank. First of all, in different places in what you have disclosed today, on page 18 in the report, you say that the revenues for the first half of the year was 2.63 billion for Hansabank under the international banking section. And then in the fact book, it looks more like the revenues earned are 2.2 or slightly above 2.2 billion.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

Correct. Maybe Christer can answer that. He had an immediate answer.

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

There are different accounting principles really behind this. What we show in the fact book is the actual result that Hansabank presents. But in the international banking, we have different accounting principles. For example, interest income, we are allocating capital. And we take away interest income on the legal capital and we allocate, and we give them interest income on allocated capital, as well as they are charged with the interest expense under the allocated goodwill.

Jonas Erikson - *J.P. Morgan - Analyst*

How much is that?

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

There are some -- we have a schedule about that. A slide about that as well in the part of our presentation material.

Jonas Erikson - *J.P. Morgan - Analyst*

Okay. Let me look at that. You have got a lot of materials; I haven't gone through it all. And the other question was on the accrual of revaluation of assets in the lending portfolio?

Jan Liden - *ForeningsSparbanken - President, CEO*

Yes, right. We have a -- as you say -- a major reevaluation.

Jonas Erikson - *J.P. Morgan - Analyst*

Demonstratall (indiscernible), are you making fun of me?

Jan Liden - *ForeningsSparbanken - President, CEO*

We have, as you say, made a reevaluation of the assets and liabilities at Hansa or of 40.29% of these assets and liabilities. And we have then increased the value of the lending with 1.8 billion. And that is accrued for around the remaining term of the loans. And it is reported against the net interest income then. And there are also slide showing the amounts of these coming charges against net income.

Jonas Erikson - *J.P. Morgan - Analyst*

Just one last question on Hansabank perhaps. Perhaps Hansa themselves should answer this; I don't know. If I remember correctly, you used to have a target of 10% cost growth year on year in Hansabank. Is that no longer the case? Or is that a long-term goal that we shouldn't look at each year? How do you view the cost going forward?

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

Why don't you respond to that, Erkki?

Erkki Raasuke - *Hansabank - CEO*

Thank you. We have never had a cost growth target. We have had an operating profit growth target as well as cost income. So cost income currently is at 45. I also covered that. And still remaining, the growth target in terms of operating income is at 15% currently. Well, for a period of time, we used to have it at 10%. But it was lifted about 2 years ago. And these are basically current targets, but they have not been really discussed now in the new environment, where Hansabank became a fully subsidiary.

Jonas Erikson - *J.P. Morgan - Analyst*

When I arranged road show for you here in London in February and March, then we were talking about costs. Perhaps that was more of a guidance of roughly 10% per year. What do you expect from cost growth going forward?

Erkki Raasuke - *Hansabank - CEO*

I think that this is about in the range -- what you are mentioning.

Jonas Erikson - *J.P. Morgan - Analyst*

So roughly 10% is an annual growth level that you think you can stick to over the next 2 years?

Erkki Raasuke - *Hansabank - CEO*

Or actually, if we look currently, we just reported the numbers about 20 both on the revenue side as well as the cost side. So really what we do see is that the continuous relatively high growth in the Baltics. But we also are basically jump starting in Russia, which also will effect both as well as the cost and revenues. I think that basically 10%, that would be too modest. So broader I think that we would see over the next 18, 24 months' numbers in the range of 15, even up to 20%, both in the revenues as well as in the cost side.

Jan Liden - *ForeningsSparbanken - President, CEO*

Also one last comment about the question you had regarding the reevaluation. Please note that what we stated also in our report, that this is our preliminary acquisition analysis or calculation of Hansabank. We gave you some numbers a few months ago. Now, we changed the numbers a little bit. And we might change them again. So this is a moving target until year end.

Operator

Daniel King, Lehman Brothers.

Daniel King - *Lehman Brothers - Analyst*

I have got two questions. The first goes back I think to the last question on Hansabank and the international banking accounts. If I look at Q2 2005, you can see in the comments in the actual report on page 18, Hansabank's profits dropped from 492 to 398 according to this way of looking at things. And you seem to have a big swing on the net gains and losses on financial items in

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Q2, which isn't included in Hansa. Basically, you have got 384 million Swedish kronas going through there, which leads you to a profit for the international banking of 632 but just 398 for Hansabank. So it looks like there is a gain that is outside Hansa going through trading profit. I wonder if you can explain that?

The second question is going back to this net interest income point. Looking at the eliminations and what the eliminations column seems to be doing is switching revenues between net interest income and trading profit. Does that mean -- if the Group is getting a correct IFRS presentation of net interest income and trading profit, the divisions don't? And that that elimination is needed to bring them in line with IRS? I'm just trying to get an idea of which presentation gives a better idea of the drivers of NII going forward.

Jan Liden - *ForeningsSparbanken - President, CEO*

Thank you. I think I will try to persuade Christer Westholm, Head of Accounting, to try to respond to your questions. Or otherwise, we will have to come back to that.

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

I think we have to come back to that question about net gain and losses on financial items. I'll help you --

Daniel King - *Lehman Brothers - Analyst*

According to Lijam (ph), it is 384 million krona, and it is not in Hansabank. It just looked like it is in Hansabank.

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

No, it must be one of the adjustments we are making. But I have to look more closely on that before we can answer. I'm sorry.

Daniel King - *Lehman Brothers - Analyst*

And the second question?

Jan Liden - *ForeningsSparbanken - President, CEO*

Which was--?

Jonas Blomberg - *ForeningsSparbanken - Head, IR*

Just really that in your eliminations column, you are basically switching revenue between net interest income and what you speak of trading profit together in line with IFRS. Does that mean the way the divisions present is not according to IFRS in terms of the way you put trading that's related to NII?

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

What you have is actually the effect of the accounting principles in the reporting of net interest income from trading operations that it creates these rather high eliminations in 2004. I think one of the reasons is that we changed the method of accounting

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

for trading assets and liabilities. And that made some problems for us in the accounting in 2004 because it wasn't preferred for that kind of accounting.

Erkki Raasuke - *Hansabank - CEO*

But in 2005, you are still switching quite a number between net interest income and trading profit using the eliminations column. Does that mean the way the divisions report is not compliant with the correct presentation really of net interest income related to trading?

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

No, it's more the effect of -- an effect, really, of our internal interest accounting.

Jan Liden - *ForeningsSparbanken - President, CEO*

So I understood your former question being -- is there a consistency between the difference business areas and the group accounting for the IFRS effect. And the answer to that is yes.

Unidentified Company Representative

Yes, absolutely.

Operator

Denise Holle, Merrill Lynch.

Denise Holle - *Merrill Lynch - Analyst*

I had a few questions, and one of them was actually similar to Daniel's question. Just trying to understand, in the eliminations, you have had quite a reversal of the previous signs for the net interest income and the trading. And if you could just explain that? What's going on there?

And then on the amortization -- also sort of a net interest income question -- the amortization of the revalued Hansabank assets. Is that an amortization expense just running through net interest income? Is that running in the divisionals? Is that running through Hansabank? And how much is it? Or maybe you can just direct me to the slide that has that on -- or tell us what is the remaining term on the asset so we can calculate it?

And finally on Hansabank, could you comment at all on FX effects? Although I guess now that you given us some data in euro, we can make some assumptions there. So if you have something else offhand on the Swedish translations, otherwise, again, since you have given us the euro number, that's okay.

But then on Russia, this number, the profit number, it does look quite good. Is it a fairly normal result, would you say, for the Russian subsidiary?

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

I will pass the last question to Erkki again. I hope definitely that it will improve over the future. But we are happy that they can show so quickly a positive results. But I guess Erkki is the one who should comment on that.

Erkki Raasuke - *Hansabank - CEO*

Yes, the startup in Russia is not really entirely greenfield startup in respect that we actually start the business there to do some asset-based financing dolt (ph) to Russia almost 3 years ago now. And initially, it was organized out of Estonia. And once basically we established the Russian business unit entity -- also because of the very same people also moved over there and also this part of the previous, who already conducted. And early Russian-related business also was moved over there.

So what you do see is currently is really small. But currently, extremely efficient, full corporate bank there with its own cost income in the range of around 20%. And it is quite clear that this is not sustainable because our long-term strategy is actually built of broader universal type of banking operations in there.

So I am sorry for the long answer. In shortly to say that this unit had somehow also a headstart.

Jan Liden - *ForeningsSparbanken - President, CEO*

You talked about where do we allocate the costs for amortizing the revaluation. And that we will -- in the group reports, we will allocate to international banking. Yes, in Hansabank there as well. So that will hit them.

Denise Holle - *Merrill Lynch - Analyst*

Slide has that data on? Is that in the 100 and whatever number?

Jan Liden - *ForeningsSparbanken - President, CEO*

Well, we have to come back -- again, that is why I made my comment about the acquisition calculation analysis. Because we want to leave that open. In the figures you see in front of you, we have taken that into account with something like 180 million Swedish kronas when it comes to the loan book.

Denise Holle - *Merrill Lynch - Analyst*

So for the quarter, you mean, or is that an annualized--?

Jan Liden - *ForeningsSparbanken - President, CEO*

Sorry? Yes, 118 we have taken for the second quarter.

Denise Holle - *Merrill Lynch - Analyst*

118.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

Yes. But again, please listen to my comment.

Denise Holle - *Merrill Lynch - Analyst*

You think it is changing; it is moving.

Jan Liden - *ForeningsSparbanken - President, CEO*

It is a moving target. And then you asked me a question, which I really didn't understand. You talked about the FX Hansabank, the euros, different currencies in--?

Denise Holle - *Merrill Lynch - Analyst*

That's okay. I think you can disregard that one because you gave us the euro trends as well -- the data on euro. I was wondering if there was any significant currency impact on the fact that Hansabank had about 50% year-over-year growth in loans in Swedish krone.

Erkki Raasuke - *Hansabank - CEO*

No.

Jan Liden - *ForeningsSparbanken - President, CEO*

That is not my understanding. What do you say, Erkki?

Erkki Raasuke - *Hansabank - CEO*

Absolutely, this is not the case. It's euro/Swedish krone, there has been just a minor exchange rate changes, so this is not contributing at all.

Denise Holle - *Merrill Lynch - Analyst*

And then the last question was on again, the eliminations -- just trying to understand what is in there and why there was such a positive contribution to the NII in a negative to the trading this quarter?

Jan Liden - *ForeningsSparbanken - President, CEO*

Again, I am sorry we can't be more clear about it. But again, the shortest explanation is the effect of the reporting on net interest income from the trading operations, which previously has been reportings as the net interest income and now partly is reported as the effect of net financial. And it is hard for us to also to explain in any other way. It is a complicated matrix behind it and what we are doing -- we have reevaluated it that way. And the best way we could describe it or the best terminology we could use is actually eliminations. So that is the change of classification.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Denise Holle - Merrill Lynch - Analyst

And is that a change for classification under IFRS versus Swedish GAAP or the new IFRS versus IFRS that was in effect last year?

Jan Liden - ForeningsSparbanken - President, CEO

It's the new for the Swedish GAAP.

Denise Holle - Merrill Lynch - Analyst

For the Swedish GAAP.

Jan Liden - ForeningsSparbanken - President, CEO

So it's a try to adapting to the new accounting rules, IAS 39 and the others in the Swedish situation, which unfortunately results in this kind of volatility. This time, we were lucky and had a positive effect of it. First quarter, it was neutral.

Christer Westholm - ForeningsSparbanken - Head, Accounting

This is Christer Westholm. May I come back to that question we had about the net gain and losses of financial items in Hansabank in the second quarter or in international banking, rather? Because that mainly, that increase doesn't refer to Hansa at all. If you look on slide 7, where we can see the profit effect of IAS 39, you could see in the second quarter, a devaluation of assets at fair value. We had a rather positive effect of shares of 209 million Swedish kronas. That is mainly related to shares in international banking or shares in the Norwegian savings banks, which has had a more positive market value increase during the second quarter. Thank you.

Operator

Ronit Ghose, Citigroup.

Ronit Ghose - Citigroup - Analyst

It's Ronit Ghose from Citigroup. Can I just go back to the very first question asked on this conference call on the retail division? The NII number, I heard what you said about you feel very comfortable about it. But when I look at the NII number quarter on quarter, that's down 4%, and it is also down year on year. Can you tell us -- are there any hedging effects that are in any way affecting that comparison? As far as I understood, the hedging effects are basically neutral quarter on quarter. So there is an underlying decline here of 4%, and your lending volumes have gone up very nicely as of your deposits. So you've clearly seen a big decline in margins. I'm still struggling to see why you are so comfortable about that.

Jan Liden - ForeningsSparbanken - President, CEO

Now while we are comfortable about that was what I said. I see a stabilization in the margins when it comes to lending volumes or to lending. That is the positive thing.

When it comes to deposit volumes, it is still a very difficult situation. But what is positive is that we are able to not only maintain but also increase our market shares in terms of new savings, which I think is a strategically very important things. And the cost is limited.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

The lower interest rates all in all of course hits us but not as bad as one perhaps could expect when we discussed this a quarter ago. And the reason for the hit is of course the decrease in interest and where we already had very low interest rates on the deposit accounts.

Also one thing, which is good, is if we look at the balance sheet you have, you see an effect of our large flows of cash going through the system in clearing volumes and things like that is increasing, which is a clear indication that we are actually increasing our market shares in different payment if you like -- payment products. And that is the positive sides.

There are still the basic negative components in this, which is basically to them, increased competition and a low interest rate as such.

Ronit Ghose - Citigroup - Analyst

Just to follow-up on that, I mean you first went about lending margins stabilizing or they looking better -- is that a comment quarter on quarter or is that intra-quarter you could see better trends in the lending margin? Also I can see the volumes are doing fine, particularly as you said in lending. But I just wondered if you look out into the second half and without having to get into the realm of exact forecasts, you sound quite comfortable or confident that we shouldn't expect this decline you saw in the second quarter to recur in the second half. Am I reading you correctly?

Jan Liden - ForeningsSparbanken - President, CEO

No, probably I expressed myself not clear enough. What I said was that the development we saw in the first quarter was very abrupt I think when it came to margin pressure, especially on the lending side in the Swedish operation when it came to housing finances, Spintab. Erkki told you about the pressure in -- most of all in Estonia earlier.

Now what we have seen in the Swedish operation during the second quarter is that that continues decrease and where increased compression of margins have not continued. And that is in this world full of bad news. It's somewhat comforting that perhaps this is a sign that we have stabilized on a lower level, but still it is not decreasing anymore.

Ronit Ghose - Citigroup - Analyst

Maybe I'm missing something. But you're saying that you saw stabilization of margins and volumes are good, but your Swedish retail division, your retail division NII, is down substantially. What am I missing?

Jan Liden - ForeningsSparbanken - President, CEO

Are you referring to the figure, 222?

Ronit Ghose - Citigroup - Analyst

I'm looking at basically your NII in Q1 was 3119. This is page 14 of your interim report. And then it went from 3119 to 2996, the Swedish retail division. So unless I'm looking at -- instead of page 14 of their interim report, which I looked at to be a 4% decline quarter on quarter. And the hedging effect is basically, I understand, pretty neutral quarter on quarter. So you are down about 4 or 5% Q and Q, and your volumes are up very nicely, particularly in lending. So I am missing something here in your -- your commentary is very positive.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

Yes. I understand you. I apologize. I think that the reason for what you see here is what is included that third parties, both Spintab and treasury. But what you see here is the effect -- the effect of the compressed margins from new sales in the first quarter is of course hitting the figures in the second quarter. And what I am saying is that what we see from the new sales in the second quarter that continues decrease have not continued. And hopefully, that will mean that the figures we will report to you will not have or continue that development.

But there is a lag in the effect on the interest net of course. Because if we sign up the credit in the middle of 1 quarter, it has limited effect that first quarter, and it hits us fully the second quarter of its life. My only point and comment is that we see some positive signs in that the new credits did not continue to represent that continued decrease in margins. Nothing else.

Operator

Monica Kalia, Execution.

Monica Kalia - *Execution - Analyst*

It's Monica Kalia from Execution. I have got a few more questions. You're being very helpful in helping us on the impact on the lending margin in terms of new lending. Could we just talk a bit more about the deposit margin? Because obviously, you'll have the impact of the rate cover took place earlier this year. And you haven't really quantified what you think that would be in terms of the negative.

The other issue is that on the profit-based compensation, I'm just looking at page 9 of your quarterly development of underlying profit. If you took out the non-recurring items -- and obviously, there was a big swing in the profit-based compensation as a result of the gain on EnterCard -- but I just wanted to know whether there was also an underlying increase in the profit-based comp. Because you go from 183 in Q1 to 404 in Q2. And it looks like on that basis, the share that the stocks to the callback gain was either very significant or there is something else going on.

And then the other issue is that on the accrual you are accounting on the loan reevaluation, can you give us a time period for the maturity of those loans? Because that will presumably run off once the loans mature?

Jan Liden - *ForeningsSparbanken - President, CEO*

If we start with the last question, the loan reevaluation. We amortize them according to the life of the loans. And I think what have we so far, is best to say, have calculated was something like 7 years?

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

13.

Jan Liden - *ForeningsSparbanken - President, CEO*

13 on the loans (multiple speakers) It is not linear. I was wrong. Now, Mr. Westholm will correct me.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

We have a slide, number 45, that will show this plan, both for the lending and the material asset based on the deposits, where you can see the numbers.

Monica Kalia - *Execution - Analyst*

So basically, you would expect most of it to run off by '08, where the whole total period is 13 years. Okay.

Jan Liden - *ForeningsSparbanken - President, CEO*

We have reached a -- well, I can't say that.

Monica Kalia - *Execution - Analyst*

Okay.

Jan Liden - *ForeningsSparbanken - President, CEO*

But you see the table there. So I think you can deduct it from that, don't you?

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

If you find our reference slides on our webpage, it is slide number 55.

Monica Kalia - *Execution - Analyst*

The thing is that that houses are 259 on the lending budgeted. But it is for '05 -- relate to the 118 that you took this quarter? I'm just trying to put in my numbers what we should assume for the future quarters of this year and for '06.

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

For the coming quarters and this year, in 2005, you could calculate it with perhaps around 70 each quarter for the lending.

Monica Kalia - *Execution - Analyst*

7 to each quarter for the lending, right? And then on deposits?

Jan Liden - *ForeningsSparbanken - President, CEO*

Again, I must remind you about our comment that this acquisition calculation is preliminary, and that will be a moving target throughout this year. So the 118 was basically a -- you can't always use that as a reference here in forecasting the future, the future allocations.

Now coming back to your -- they way I understood your question is -- what happens in the Swedish operation due to the cut in interest rates? And what we did after that was we made that calculation. And that means basically something like 300 million

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

for a 6-month period at this 150 million per quarter in negative effect -- 400 basis points, yes. So that means we have this 50 basis point reduction. So that means it is 75 million a quarter and 150 million for 6 months.

And in addition to that, we have the way we have positioned our balance sheet, and that will be further -- the net effect will be less than that because it will help us in the end. And I don't think we have communicated totally how much that will hit us. But it is in total -- the 150 million for the remaining 6 months starting in the 1st of July will be considerably less as a net effect.

When it came to your comment or question how I should -- regarding the profit-based costs -- I think Hansa made a point in how much they allocated on their part, which is an increase due to the increased result of course. We have made further allocations in some parts of the Swedish organization when it comes to markets' operations and funds under management.

And finally, the Copper Coin and the reason for that increasing so much is that by first -- quarter 1, we allocated 30,000 kronas per full-time employee, and now we increased that to 60,000. And of course, we then had to compensate for the lack of provisioning in the first quarter as well.

Monica Kalia - Execution - Analyst

So there's basically some that would relate to Q1, which is similar to what you did I think last year (technical difficulty)?

Jan Liden - ForeningsSparbanken - President, CEO

Okay?

Monica Kalia - Execution - Analyst

Thank you.

Operator

Christoffer Malmer, Goldman Sachs.

Christoffer Malmer - Goldman Sachs - Analyst

This is Christoffer Malmer from Goldman Sachs. Can I come back to the net interest income? Just a few questions on that. First of all, you're saying that the swing in partly in eliminations is due to the accounting standards. Now on slide 7, you show that between Q1 and Q2, the impact on net interest income from IAS 39 is actually more favorable in Q1 than it is in Q2. Yet, eliminations swaying positively by 300 million from Q1 to Q2. So it looks like it's not just the accounting standards. There may be something else in there -- just trying to understand or maybe I just got this the wrong way.

And secondly, also related to the net interest income, you show on slide 51 in the additional package that the net interest income in Swedish retail operations are benefiting by 130 million Swedish krona from shareholders' equity and other balance sheet items. The shareholders' equity seems to be up around 2 billion year on year and making 130 million in 6 months from that seems to be not just the return on incremental equity there, but there seems to be something else. So just trying to understand where that extra 130 million is coming from.

The third question was just on Hansabank and the margins that you are showing on slide 39. And you were referring to the new business margins as obviously being lower than these averages -- just wondering if there's a possible -- we can possibly get an idea of where the new business that is written in Hansa in Estonia in particular where the fullest and the most dramatic?

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

And if possible, slide 44, any idea of the margins by segment there, so we can get an idea of how the possible business mix shift can help the margins perhaps going forward?

Jan Liden - *ForeningsSparbanken - President, CEO*

Okay, thank you. I guess we will follow our routine and ask Erkki to try to respond to the comments about Hansa. And then we will come back to your questions regarding the group in Sweden. So please, Erkki.

Erkki Raasuke - *Hansabank - CEO*

Firstly to clarify the question, was the question -- what are the exactly margins of currently the new businesses is written or was it--?

Christoffer Malmer - *Goldman Sachs - Analyst*

Yes, you show now it's 288 from what I understand is the average in Estonia right now -- just wondering where the new business is being written roughly.

Erkki Raasuke - *Hansabank - CEO*

Actually, it's difficult because of this net interest margin. This is a ratio having many things in there. If we come to the simple terms and then talk about what the real actual lending, where it's done, then most of the mortgages we are currently issuing in Estonia, then the average is about the new Euribor plus 100, 128. This is about the range, where -- as an average, the new business is issued. The rest of it goes to the plus 53. And then obviously, there is a widen as well.

If you talk about the consumer finance, which has not been brought out separately, but it actually contributes quite significantly to the interest income. Its portfolio itself is about 7, 8 times smaller than the mortgage portfolio. But nevertheless, it contributes a lot to the interest income because of lower credit losses. But the portfolio itself yielding close to the 16%. But this is Estonia again.

If you talk about the corporate, then the corporate average is slightly difficult to say. It is probably in the range of 150 to 175 over the Euribor, where the average corporate businesses is issued. The numbers differ a bit in terms of the other countries. Mortgages is more rich in Latvia, which is obviously clear also from the slide because net interest income or net interest margin is wider there. So Latvian mortgage business is about 150 and 200, where the new business is issued. Lithuania is about the same level as in Estonia in every sense. And the corporates actually in the Latvia also becoming very close to the same as Estonia and Lithuania businesses. I hope that helps.

Jan Liden - *ForeningsSparbanken - President, CEO*

And coming back to the questions you had about the IAS 39 on the slide 7. I will ask Christer to try to guide you through your question there.

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

Yes, on slide 7, there are these effects from repurchase differences and interest income compensation. There are fewer interest income items, and they are not at all related to our problems with the eliminations. That problem arise from the new accounting for trading assets and liabilities, as we said. But it had nothing to do with these effects since winter.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Christoffer Malmer - *Goldman Sachs - Analyst*

So this swing in 300 million was effectively 7% of your net interest income in 1 quarter. There is no way for us to get an idea as to what this number is going to be going forward?

Jan Liden - *ForeningsSparbanken - President, CEO*

I'm sorry, we cannot say anymore than what is related to these new accounting procedures for reporting of a net interest income from trading operations.

Christoffer Malmer - *Goldman Sachs - Analyst*

And no idea as to whether it is good or bad if interest rates go up or down or any other indications that we can look at to try and assess whether this is going to be a big or small number up or down?

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

No, I'm sorry. We cannot do that. We do not have that. From a general point of view, if the interest rates continues to go down, we would -- if we were in the same situation as this when it happened -- benefit from it. But again, take that as a very general statement. So I'm sorry; we are learning.

Christoffer Malmer - *Goldman Sachs - Analyst*

Actually, they missed one of my questions. The equity, 130 million in retail.

Jan Liden - *ForeningsSparbanken - President, CEO*

Yes, equity, as we said -- sorry, I forgot that -- the equity, no, it's not due to the equity that we make that much more money. It's due to the other balance sheet post. And as I mentioned, those posts are basically because we have a larger cash flow in our organization, which of course means -- on the balance day that we have to put them in the balance sheet.

And therefore, that represents that due to that we have a larger sum of money within our bank for a longer period of time, there's of course an interest net component in that. So we do more clearing and settlement. We have larger cash flows than we had before.

Operator

Eston Severson, ABG.

Eston Severson - *ABG - Analyst*

Eston Severson from ABG. As all the other ones, I am obviously struggling with the net interest income. What we are observing is if you adjust for the acquisition on Hansa, the amortization of the intangibles and the funding -- you're talking about the 6% jump in net interest income. And you see us mention it several times that the Swedish branch is being 75% of the overall net interest income is actually down 4%. There is a big kind of missing link here. I don't think you have explained it. Just a question -- have you invested some of your free equity into longer term bonds?

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

Sorry, I did not get the last thing.

Eston Severson - *ABG - Analyst*

Have you invested some of your free equity into longer term bonds and therefore benefited from the sharp fall in the bond missed (ph) in Sweden?

Jan Liden - *ForeningsSparbanken - President, CEO*

Not that it really affects our situation like this, no. Again, coming back to the interest net, looking at it for a moment. We have had a continuous pressure on margins. And that remains, unfortunately. We had a continuous situation in the first quarter, where the new sales we added into our balance sheet also had a lower price than the new credits we had the quarters before. So that was a continuous trend.

Now the effect on the net interest income of course has a sustained effect, and a full effect hits us the next coming quarters. The only comment I made was that of course we are not happy with that. What we are happy with are two things -- number one, we have continued to increase volumes, meaning that we are still competitive. Number two, the observation that we make on the new credits signed up during the second quarter does not reflect a further decrease on margins.

Now the effect of that we haven't, of course, seen yet because it's only marginal this first quarter of the life of that specific credit. We will see in the future if this is a change of trend or if this was just things that happened during the second quarter. So take it for what it is. The effect on the figures -- on the consolidated figures in the interest income is a continuous margin pressure, which is partly compensated with the increase in volumes.

Eston Severson - *ABG - Analyst*

The one thing I am struggling with is that should I take the net interest income in Q2 as a starting point for going forward? Or is this number really inflated by some one-offs or some IFRS effects?

Jan Liden - *ForeningsSparbanken - President, CEO*

No, it is not inflated by one-offs from the IFRS -- if we talk about the same thing that is the Swedish business.

Eston Severson - *ABG - Analyst*

No, I'm talking about the overall net interest income, the 4 billion. Is that a representative number as a starting point?

Jan Liden - *ForeningsSparbanken - President, CEO*

No, the 4 billion (Swedish).

Eston Severson - *ABG - Analyst*

No, the overall.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

That is a group. The 4 billion group -- no, the group interest net income do have a -- so I say the correct thing here -- there we have some effects of this included.

Eston Severson - *ABG - Analyst*

Was that 144 million?

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

The effect on the net interest income from IAS 39, for example, that's really not material. It's around 60 million.

Jan Liden - *ForeningsSparbanken - President, CEO*

The difference between 261 and 198.

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

Right.

Jan Liden - *ForeningsSparbanken - President, CEO*

So again, to your question -- to try to answer it in a responsible way. I think you can use that as a starting point to the best of my knowledge, yes.

Eston Severson - *ABG - Analyst*

And just one more question on your mortgage book in Sweden. Even though you are not seeing additional margin pressure on new lending, I guess the new loans are coming in at lower margins. What is the underlying margin pressure in the book, given that you have a stable margin development on new lending?

Jan Liden - *ForeningsSparbanken - President, CEO*

Well, the new loans are still coming in at the margin, which is lower than the ones we have in the book. But my point was that the new margins, the second quarter, was not less than the margins in the first quarter.

Now we can go into details, and sometimes we do that. I don't have those figures with me -- what the actual margin is within the portfolio and what the new sales represent. But we still have a kind of a sliding effect there, which is so far partly compensated by the increase in volume.

Operator

Jonas Erikson, J.P. Morgan.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jonas Erikson - *J.P. Morgan - Analyst*

Actually, a couple of my questions have been answered already. Just on the mortgages -- I to some extent agree with some of the people who have said here -- it's very hard to try to get a feeling for how to model your revenues going forward. So it would be good if you perhaps could get back to us with the mortgages margins -- new lending compared to back book. So then we can work it from there probably.

Just one other question -- if I look at the cost developments -- look at the total group costs and exclude international operations and exclude profit-sharing and bonuses, it looks like the rest of the group is down roughly 2% year on year. Is that a development that you think you can continue?

Jan Liden - *ForeningsSparbanken - President, CEO*

Jonas, going back to the front end in the back book, right now, I think the situation is that we are somewhere just about 80 basis points for new credits 85 -- 84, 82, 84 basis points in the front book that is in new credits. And the back book, we have something like 89 in the Spintab thing. So that should give you an idea where we are.

As for your second question, I'm sorry, maybe I didn't -- you talked about the costs and the -- for the group?

Jonas Erikson - *J.P. Morgan - Analyst*

Total costs for the second quarter and then I exclude the costs for profit-sharing and bonuses, and I exclude international operations. And I compare it the same way with the Q2 last year, then I get to roughly 2% decrease.

Jan Liden - *ForeningsSparbanken - President, CEO*

Isn't that what we -- do I misunderstand you now? Isn't that what we showed in 16?

Jonas Erikson - *J.P. Morgan - Analyst*

Do you think that's sort of roughly where we want to be from an ambition standpoint (multiple speakers)?

Jan Liden - *ForeningsSparbanken - President, CEO*

Okay, I see. Now I get your question.

Jonas Erikson - *J.P. Morgan - Analyst*

A continued decrease realistic for the non-international operations, so to speak, as an underlying cost structure?

Jan Liden - *ForeningsSparbanken - President, CEO*

I understand what you mean. Now we're back to our continuous discussion about giving out forecasts about costs. But all and all, I would say that that is not an unfair assumption.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Operator

Kim Bergoe, Fox-Pitt, Kelton.

Kim Bergoe - Fox-Pitt, Kelton - Analyst

It's Kim Bergoe again. A couple of the questions have actually been answered. Just one additional -- if you could give us a little bit of flavor for -- first, what's happening in your interest rate risk? It has gone up quite a bit.

And also, if you just elaborate on how that works? You are saying that interest rate increase would reduce the asset-bearing assets and liability by a certain amount, which I understand. Then you go on to say an interest rate increase would have raised the group's net gain and losses on the items of fair value by again a big increase. If you could give us an idea of what is happening there and what -- that calculation.

And then also, I am not sure I understood this right. Did you sort of hint that the negative effect that we should expect to see on deposit margins and on your liquidity would be lower than we would have sort of suggested earlier? And if that is correct, correctly understood, why the change? What has changed and made you less sensitive to this?

Jan Liden - ForeningsSparbanken - President, CEO

No, there is a second thing. No, I do not think so. You should -- it's only the hedge effect there.

As for the interest rate risk there, I think when I read it, I'm a little bit confused. I will give the comment back to Christer here. When I spontaneously read it again, I wonder if it's correctly cited there.

Kim Bergoe - Fox-Pitt, Kelton - Analyst

It does look a little bit like alchemy, doesn't it?

Jan Liden - ForeningsSparbanken - President, CEO

Yes. But I will leave it to the expert, So I do not say anything wrong.

Christer Westholm - ForeningsSparbanken - Head, Accounting

Well, as you say, we have two comments. At first, we say, making calculation while we apply on the market interest rates increase of 1%. And then, we apply it on all interest-bearing assets and liabilities. Independently, if we evaluate them through fair value or not and then we have one result, that is -- the other calculation is what happens immediately with our assets and liabilities that are evaluated to fair value.

Kim Bergoe - Fox-Pitt, Kelton - Analyst

This is the P&L effect, right?

Christer Westholm - ForeningsSparbanken - Head, Accounting

That is the P&L effect in the net gain and losses.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

It just seems to me that that would be positive in this scenario just a --

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

I'm sorry, but that must be a translation error. It should be d --

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

It must be reduced.

Christer Westholm - *ForeningsSparbanken - Head, Accounting*

Oh, it is decreasing, really. I'm sorry, it shouldn't been raised. It shouldn't be decreased (Multiple speakers)

Jan Liden - *ForeningsSparbanken - President, CEO*

Our only excuse is that it is correct in the Swedish version. But it is definitely wrong in the English version. Our apologies.

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

I thought you had come up with some ingenious product. I just wanted to know how it worked.

Jan Liden - *ForeningsSparbanken - President, CEO*

That was a good observation. That is wrong again. In the Swedish version, it is correct. In the English version, it is wrong -- the last pair graph, interest rate risk.

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

I will use the Swedish next time.

Operator

Christoffer Malmer, Goldman Sachs.

Christoffer Malmer - *Goldman Sachs - Analyst*

It's Christoffer Malmer here again. Look, really sorry to come back to this net interest income, but I'm a little bit confused. I understand that you cannot guide on the eliminations. It is volatile by nature. At the same time, you're confidently saying that your Q1 net interest income for the group around about 4 billion is a starting point for growth going forward. Are you referring to maybe the operational divisions excluding eliminations? Because it's such a big part of 7% of net interest income. I am just trying to understand where we should start our calculations. Or if we should not read too much into that?

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jan Liden - *ForeningsSparbanken - President, CEO*

That is almost a rhetoric statement, isn't it? Well, again, to the best of my knowledge that is a good -- what you do have is the continuous negative effect of the new credits entering the portfolio, the back book. That is one thing that is negative. On the other hand, you have the continuous positive effect coming from the increased volumes. And again, I think it is hard to state anything else. So far I have -- we have been positively surprised in the way we have been able to defend market shares. And I have a positive observation, which I don't know if that is a trend or not. But if it is a trend and if we can continue that development, it would be a positive thing.

We have for instance -- just to give you one example -- we have gone through the portfolio of Spintab in Sweden, which is a large part of the group, of course. And compare the volume element and the price component. And I think I have told some of you that before, we did that a year ago, and we could see that all and all we had a positive net effect. That is the volume compensated fully for the compressed margin.

We did the same calculation based on the year-end figures of 2004. And then we saw the reverse, that it actually had a net negative development that we actually decreased the interest net if you looked at the new sales of Spintab.

And then again, now when we look at the second-quarter figures and looked at it, we see that in all parts of Sweden, we see actually a positive effect that is that again the volume component overrides the negative component in terms of compressed margins. So it is a changing market. And I just make that observation, that this quarter, it changed again to the positive side.

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

No, absolutely, I think that's fair. I'm just trying to understand what you're saying. So when you are saying that Q2 is the representative starting point, it is more on the operational net interest income, rather than the eliminations, which you are saying are very difficult obviously to forecast. And they're swinging from minus 100 to plus 200.

Jan Liden - *ForeningsSparbanken - President, CEO*

If we have been unclear about that, that is very good that you asked that question. Yes, I am just talking about the operational part of it. As for the other things, I'm sorry, I cannot give you a clue. Because well, at least I do not know it. And perhaps not so many other people do too.

Kim Bergoe - *Fox-Pitt, Kelton - Analyst*

That's fair enough. Do you also want to clarify as you mentioned earlier that the 4 billion starting point for the group was -- but that obviously we would have to deduct the eliminations. Thank you very much.

Operator

For your information, gentleman, we have no further questions at this time. I would like to turn the conference back over to Mr. Blomberg for any additional comments.

Aug. 18. 2005 / 9:30AM, FSPA.ST - Q2 2005 ForeningsSparbanken AB Earnings Conference Call

Jonas Blomberg - *ForeningsSparbanken - Head, IR*

Well, thank you very much. This is one of the longest conference calls in recent history for us. Please get back to us if you have more questions. We will try to answer them as well as we can. Thank you and look forward to seeing you in Tallinn on September 8th -- very welcome to our Capital Markets Day there. Thank you and good evening.

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.