

# Länsförsäkringar Hypotek

INTERIM REPORT JANUARY-SEPTEMBER 2008

## Summary

- Operating profit increased to SEK 82 M (43).
- Net interest income rose by 37% to SEK 235 M (171).
- The capital adequacy ratio was 10.2% and the Tier 1 ratio was 8.4%.
- Lending increased by 18% to SEK 52 billion (44).
- Credit quality remained favorable and the mortgage operations have overall a low risk profile
- The number of customers rose to 111,000 (100,000).

Figures in parentheses pertain to January-September 2007.

### **Anders Borgcrantz, President Länsförsäkringar Hypotek:**

– Once again, we have Sweden's most satisfied retail bank customers according to the Swedish Quality Index (SQI), and this is gratifying since mortgage transactions are so important to our customers. Lending growth remained in line with the most recent quarters and our margins improved, generating a higher return. Our liquidity situation is very strong and our borrowing operations have functioned well. The quality of our credit portfolio remained very high, while the level of loan losses was extremely low. Our operations were characterized by low risk in all areas, thereby ensuring that our liquidity portfolio was of the highest possible quality.



## Key figures

	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
Return on shareholders' equity, %	3.49	2.00	1.98
Return on total capital, %	0.20	0.14	0.13
Investment margin, %	0.58	0.54	0.53
Cost/income ratio before loan losses	0.36	0.50	0.49
Cost/income ratio after loan losses	0.36	0.46	0.47
Capital adequacy ratio, %	10.2	10.6	10.5
Tier 1 ratio, %	8.4	9.2	8.6
Percentage of doubtful receivables, gross, %	0.11	0.10	0.09
Percentage of doubtful receivables, net, %	0.02	0.01	0.01
Provision ratio for doubtful receivables, %	80.79	91.57	92.02

## Quarterly development

SEK 000s	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	87,079	72,943	74,946	65,217	64,330
Net profit/loss from financial items at fair value	10,751	874	1,792	189	-616
Net commission	-42,971	-40,059	-37,728	-36,429	-32,446
Other operating income	33	9	37	27	23
<b>Total operating income</b>	<b>54,892</b>	<b>33,767</b>	<b>39,047</b>	<b>29,004</b>	<b>31,291</b>
Personnel costs	-2,857	-2,849	-2,745	-3,159	-2,094
Other administration expenses	-13,565	-12,009	-12,157	-10,478	-10,219
<b>Total expenses before loan losses</b>	<b>-16,422</b>	<b>-14,858</b>	<b>-14,902</b>	<b>-13,637</b>	<b>-12,313</b>
<b>Profit before loan losses</b>	<b>38,470</b>	<b>18,909</b>	<b>24,145</b>	<b>15,367</b>	<b>18,978</b>
Loan losses, net	365	339	-360	-470	365
<b>Operating profit</b>	<b>38,835</b>	<b>19,248</b>	<b>23,785</b>	<b>14,897</b>	<b>19,343</b>

## Market commentary

At the end of the third quarter, the financial turmoil, that began in the capital market slightly more than a year ago, entered an extremely turbulent phase, rendering normal market functionality out of order. Several international players were hit hard and national governments and central banks implemented massive support measures to dampen this negative trend. These measures can be expected to take effect during the coming 12-month period. The financial crisis is also having consequences on the real economy, which are already evident in statistics on growth and unemployment.

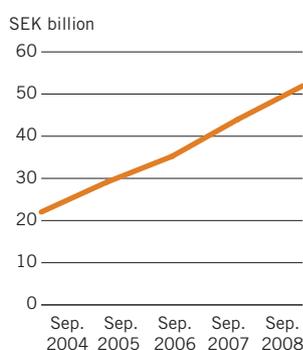
## Total assets

Total assets amounted to SEK 53 billion (45), an increase of 18%.

Lending to the public rose by 18%, or SEK 8 billion, to SEK 52 billion (44). From year-end, the increase amounted to 9% or SEK 4 billion.

Long-term borrowing with covered bonds increased by 16% to SEK 42 billion (36).

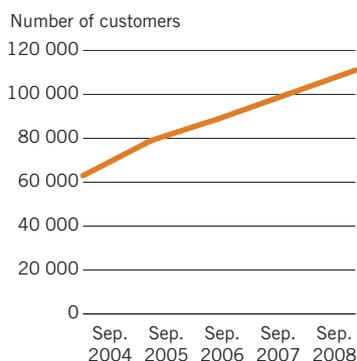
### Lending to the public



## Continued growth

Customer meetings occur through the more than 110 branches of the 24 regional insurance companies. This creates favorable conditions for stable growth. In the third quarter of 2008, two new branches were opened and the number of bank advisors rose by 14. Mortgage volumes continued to increase, making this area of operations an increasingly significant source of income for the regional insurance companies

### Customer trend



## Credit portfolio

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies to be included in the company's covered-bond operations, known as the cover pool, in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223). The loan portfolio primarily comprises loans secured by collateral in private homes and tenant-owned apartments, and only a small portion of leisure homes. The quality of the portfolio remains extremely high and has not been affected by the slow down of the real economy. The geographic spread in Sweden is highly favorable and collateral mainly comprises private homes.

Cover pool	Sep. 30, 2008
Volume:	SEK 51 billion
Collateral:	Private homes
OC, minimum level:	5%
OC, actual level:	28.5%
Weighted average LTV:	LTV 57%
Seasoning:	30 months
Number of properties:	70,169
Average commitment:	729,000
Average loan:	339,000
Geographic spread in Sweden:	Excellent
Interest-rate type:	variable 47%* fast 53%

\*Pertains to loans with a fixed-interest period of less than 12 months.

## Borrowing and liquidity

Securities issued within the covered-bond operations increased by SEK 3.4 billion during the third quarter. Liquidity, which is managed for the entire Group by the Parent Company, remained highly favorable.

## Rating

The company's covered bonds have been assigned the highest credit rating, AAA, from Standard & Poor's and the highest credit rating, Aaa, from Moody's. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

### RATING

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Hypotek*	Standard & Poor's	AAA	-
Länsförsäkringar Hypotek*	Moody's	Aaa	-

\* Refers to the company's covered bonds.

## Capital adequacy

Länsförsäkringar applies the Internal Ratings-based Approach (IRB Approach). The aim of the new rules is to achieve enhanced transparency and, thereby, greater stability in the financial system. The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all household exposure. The Standardized Approach is currently applied to other exposures to calculate the capital requirement for credit risk. Changes in the capital requirement will emerge gradually since the transition rules involve a three-year adaptation period. In accordance with the transition rules, the capital requirement was reduced by 5% in 2008. In accordance with the applicable transition rules, the company's capital adequacy ratio amounted to 10.2% and the Tier 1 ratio was 8.4%.

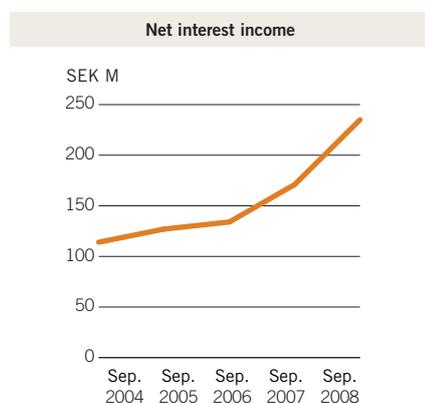
The target level is 10.5% for the capital adequacy ratio and 8.5% for the Tier 1 ratio. A deviation of +/- 0.5 percentage points is permitted for both targets. In accordance with Pillar 1 of the new rules, the capital requirement, excluding transition rules, amounted to SEK 753 M on September 30, 2008, a decrease of 69% compared with SEK 2,421 M according to earlier regulations. For more information on the calculation of capital adequacy, refer to note 10.

### Earnings and profitability

Profit before loan losses rose to SEK 82 M (40) and operating profit to SEK 82 M (43). This rise was attributable to increased volumes and improved margins. Return on shareholders' equity improved to 3.5% (2.0).

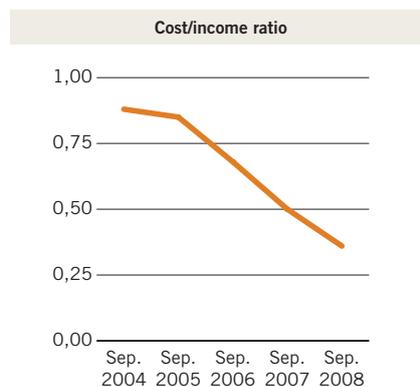
### Income

Net interest income rose by 37% and amounted to SEK 235 M (171). This increase was attributable to a higher volume of lending and an improved margin. The investment margin was 0.58% (0.54).



### Expenses

Operating expenses increased by SEK 6 M to SEK 46 M (40). The cost/income ratio was 0.36 (0.50) before loan losses and 0.36 (0.46) after loan losses. These improved cost/income ratios are attributable to the company's increase in income.



### Loan losses

Provisions have been established based on the appraisal of groups of loans. The level of probable and confirmed loan losses remained extremely low, amounting to SEK 0 M (pos: 3), net.

### Interest-rate risk

On September 30, 2008, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 14 M (24).

### Risks and uncertainties

The prevailing market turbulence has had a major effect on the global financial sector and has also had an impact in terms of the real economy.

The company is primarily exposed to credit risks and financial risks. The operations are characterized by a low risk profile that has not changed appreciably despite the financial crisis.

A detailed description of risks and risk control is available in the 2007 Annual Report.

### Key events during the period

On September 1, Anders Borgcrantz resumed his position as President of Länsförsäkringar Hypotek and Göran Laurén returned as Executive Vice President and Chief Financial Officer of Länsförsäkringar Hypotek. At the same time, Mats Ericsson assumed the position of President of the Parent Company Länsförsäkringar Bank.

In August, the Länsförsäkringar AB Group announced plans of a reorganization to enhance competitiveness and improve the use of joint resources. The new organization will come into effect on January 1, 2009. Within the Länsförsäkringar AB Group, the goal is to reduce operating expenses by a total of 20%.

## Income statement

SEK 000s	Note	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
Interest income	2	3,722,654	2,071,185	3,102,513
Interest expense	3	-3,487,686	-1,899,951	-2,866,062
<b>Net interest income</b>		<b>234,968</b>	<b>171,234</b>	<b>236,451</b>
Commission revenue	4	1,421	1,124	1,561
Net interest expense	5	-122,179	-92,288	-129,154
Net profit/loss from financial items at fair value	6	13,417	-246	-57
Other operating income		79	267	294
<b>Total operating income</b>		<b>127,706</b>	<b>80,091</b>	<b>109,095</b>
Personnel costs		-8,451	-5,244	-8,403
Other administration expenses		-37,731	-34,690	-45,168
<b>Total interest expense</b>		<b>-46,182</b>	<b>-39,934</b>	<b>-53,571</b>
<b>Profit before loan losses</b>		<b>81,524</b>	<b>40,157</b>	<b>55,524</b>
Loan losses, net	7	344	3,034	2,564
<b>Operating profit</b>		<b>81,868</b>	<b>43,191</b>	<b>58,088</b>
Tax		-22,923	-12,094	-16,415
<b>NET PROFIT FOR THE PERIOD</b>		<b>58,945</b>	<b>31,097</b>	<b>41,673</b>

## Balance sheet

SEK 000s	Note	Sep. 30, 2008	Sep. 30, 2007	Dec. 31, 2007
<b>ASSETS</b>				
Lending to credit institutions		274	100,364	-
Lending to the public	8	51,925,422	44,172,562	47,555,199
Derivatives	9	629,846	360,105	467,259
Fair value changes of hedged items in portfolio hedge of interest-rate risk		-162,881	-245,988	-247,174
Deferred tax assets		45	-	45
Other assets		8,172	25,252	11,517
Prepaid expenses and accrued income		435,549	335,064	545,405
<b>TOTAL ASSETS</b>		<b>52,836,427</b>	<b>44,747,359</b>	<b>48,332,251</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>				
Liabilities to credit institutions		7,285,422	5,394,901	6,067,564
Issued securities		41,588,849	35,728,636	37,013,276
Derivatives	9	382,335	377,194	307,703
Fair value changes of hedged items in portfolio hedge of interest-rate risk		-255,634	-188,483	-215,459
Other liabilities		34,742	28,574	1,270,318
Accrued expenses and deferred income		1,002,588	847,894	1,149,668
Provisions		160	-	160
Subordinated debt		512,614	362,614	512,614
<b>TOTAL LIABILITIES AND PROVISIONS</b>		<b>50,551,076</b>	<b>42,551,330</b>	<b>46,105,844</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital, 70,335 shares		70,335	70,335	70,335
Statutory reserve		14,067	14,067	14,067
Profit brought forward		2,142,004	2,080,530	2,100,332
Net profit for the period		58,945	31,097	41,673
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,285,351</b>	<b>2,196,029</b>	<b>2,226,407</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>52,836,427</b>	<b>44,747,359</b>	<b>48,332,251</b>
<b>MEMORANDUM ITEMS</b>				
Pledged assets		NONE	NONE	NONE
Contingent liabilities		640	NONE	640
Commitments				
Loans approved but not disbursed		152,700	144,884	98,284
Interest-rate agreements		55,592,500	41,822,500	45,762,500
Currency agreements		5,112,596	7,116,535	7,272,314
<b>Total commitments</b>		<b>60,857,796</b>	<b>49,083,919</b>	<b>53,133,098</b>
<b>Other notes</b>				
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## Cash-flow statement, indirect method

SEK 000s	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007
<b>Cash and cash equivalents, January 1, 2008</b>	-	<b>174,456</b>
<b>Operating activities</b>		
Operating profit	81,868	43,191
Adjustment of non-cash items	-149,502	102,120
<b>Change in assets of operating activities</b>		
Change in lending to the public	-4,374,701	-7,629,454
Change in derivatives	-193,223	-217,071
Change in other assets	3,345	-25,201
<b>Change in liabilities of operating activities</b>		
Change in liabilities to credit institutions	1,217,858	-28,147,442
Change in deposits and borrowing from the public	-	-437,281
Change in securities issued	4,575,573	35,728,636
Change in other liabilities	-1,235,576	4,322
Change in derivatives	74,632	304,088
<b>Cash flow from operating activities</b>	<b>274</b>	<b>-274,092</b>
<b>Cash flow from investing activities</b>	-	-
<b>Financing activities</b>		
Shareholders' contributions received	-	200,000
<b>Cash flow from financing activities</b>	-	<b>200,000</b>
<b>NET CASH FLOW FOR THE PERIOD</b>	<b>274</b>	<b>-74,092</b>
<b>Cash and cash equivalents, September 30</b>	<b>274</b>	<b>100,364</b>
<b>Non-cash items</b>		
Unrealized portion of net profit from financial items	30,636	-2,037
Loan losses, excluding recoveries	4,478	6,487
Change in accrued expenses/income	-37,225	108,081
Income tax	-22,923	-12,094
Fair value changes of hedged items in portfolio hedge of interest-rate risk	-124,468	1,683
	<b>-149,502</b>	<b>102,120</b>
<b>Cash and cash equivalents comprise:</b>		
Lending to credit institutions, terms of up to 3 months	274	100,364

## Change in shareholders' equity

SEK 000s	Share capital	Restricted reserves	Profit brought forward	Net profit for the period	Total
<b>Opening balance, January 1, 2007</b>	<b>70,335</b>	<b>14,067</b>	<b>1,854,804</b>	<b>25,726</b>	<b>1,964,932</b>
Net profit/loss for the preceding year			25,726	-25,726	
Net profit for the period				31,097	31,097
<b>Total change before transactions with shareholders</b>			<b>25,726</b>	<b>5,371</b>	<b>31,097</b>
Shareholders' contribution received from Parent Company			200,000		200,000
<b>Closing balance, September 30, 2007</b>	<b>70,335</b>	<b>14,067</b>	<b>2,080,530</b>	<b>31,097</b>	<b>2,196,029</b>
<b>Opening balance, October 1, 2007</b>	<b>70,335</b>	<b>14,067</b>	<b>2,080,530</b>	<b>31,097</b>	<b>2,196,029</b>
Net profit for the period				10,576	10,576
<b>Total change before transactions with shareholders</b>				<b>10,576</b>	<b>10,576</b>
Conditional shareholders' contribution received from Parent Company			75,000		75,000
Group contributions paid			-76,664		-76,664
Tax effect of Group contributions paid			21,466		21,466
<b>Closing balance, December 31, 2007</b>	<b>70,335</b>	<b>14,067</b>	<b>2,100,332</b>	<b>41,673</b>	<b>2,226,407</b>
<b>Opening balance, January 1, 2008</b>	<b>70,335</b>	<b>14,067</b>	<b>2,100,332</b>	<b>41,673</b>	<b>2,226,407</b>
Net profit/loss for the preceding year			41,673	-41,673	
Net profit for the period				58,945	58,945
<b>Total change before transactions with shareholders</b>			<b>41,673</b>	<b>17,272</b>	<b>58,945</b>
<b>Closing balance, September 30, 2008</b>	<b>70,335</b>	<b>14,067</b>	<b>2,142,005</b>	<b>58,945</b>	<b>2,285,352</b>

## Notes

### NOTE 1 ACCOUNTING PRINCIPLES

Länsförsäkringar Hypotek prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528) the regulations and general advice of the Swedish Financial Supervisory Authority (FFS 2006:16) and the Swedish Financial Accounting Standards Council's recommendation RR 32:06. The accounting principles applied in the interim report comply with the accounting principles that were applied in the preparation of the 2007 Annual Report.

The business of the company is viewed as a homogeneous segment.

### NOTE 2 INTEREST INCOME

SEK 000s	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
Interest income on lending to credit institutions	105,833	39,014	92,181
Interest income on lending to the public	1,827,719	1,224,528	1,739,166
Interest income on derivatives	1,788,832	807,641	1,271,163
Other interest income	270	2	3
<b>Total interest income</b>	<b>3,722,654</b>	<b>2,071,185</b>	<b>3,102,513</b>
Average interest rate on lending to the public during the period, %	4.9	4.1	4.2

### NOTE 3 INTEREST EXPENSE

SEK 000s	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
Interest expense, liabilities to credit institutions	364,218	725,770	843,277
Interest expense, deposits from the public	-	10,382	10,382
Interest expense, interest-bearing securities	1,305,669	352,988	741,313
Interest expense, subordinated debt	23,160	12,345	17,539
Interest expense, derivatives	1,794,635	798,465	1,253,551
Other interest expense	4	1	-
<b>Total interest expense</b>	<b>3,487,686</b>	<b>1,899,951</b>	<b>2,866,062</b>

### NOTE 4 COMMISSION REVENUE

SEK 000s	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
Commission on lending	1,421	1,124	1,561
<b>Total commission revenue</b>	<b>1,421</b>	<b>1,124</b>	<b>1,561</b>

### NOTE 5 COMMISSION EXPENSE

SEK 000s	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
Remuneration to regional insurance companies	120,417	91,694	128,311
Other commission	1,762	594	843
<b>Total commission expense</b>	<b>122,179</b>	<b>92,288</b>	<b>129,154</b>

**NOTE 6 NET PROFIT/LOSS FROM FINANCIAL ITEMS AT FAIR VALUE**

SEK 000s	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
<b>Change in fair value</b>			
Interest-related instruments	-115,809	1,096	-27,882
Currency-related instruments	-14,007	714	2,972
Change in fair value of hedged item	124,468	-1,684	24,107
Interest compensation	1,546	1,419	1,614
<b>Capital gain/loss</b>			
Interest-related instruments	17,219	-1,791	-868
<b>Total net profit/loss from financial items at fair value</b>	<b>13,417</b>	<b>-246</b>	<b>-57</b>

**NOTE 7 LOAN LOSSES, NET**

SEK 000s	Jan. 1, 2008– Sep. 30, 2008	Jan. 1, 2007– Sep. 30, 2007	Full-year 2007
<b>Specific provisions for individually appraised loan receivables</b>			
Write-off of confirmed loan losses during the period	820	660	676
Reversed earlier impairment of loan losses recognized in the interim accounts as confirmed losses	-	-	-
Impairment of loan losses during the period	166	73	140
Payment received for prior confirmed loan losses	-4,822	-9,521	-10,663
Reversed impairment of loan losses no longer required	-751	-122	-147
<b>Net expense for the period for individually appraised loan receivables</b>	<b>-4,587</b>	<b>-8,910</b>	<b>-9,994</b>
<b>Group-wise appraisal of homogenous groups of loan receivables</b>			
<b>Group-wise appraisal of homogenous groups of loan receivables with limited value and similar credit risk</b>			
Provision/reversal of impairment of loan losses	4,243	5,876	7,430
<b>Net expense for the period for group-wise appraised homogenous loan receivables</b>	<b>4,243</b>	<b>5,876</b>	<b>7,430</b>
<b>Net expense of loan losses for the period</b>	<b>-344</b>	<b>-3,034</b>	<b>-2,564</b>

All information pertains to receivables from the public.

**NOTE 8 LENDING TO THE PUBLIC**

SEK 000s	Sep. 30, 2008	Sep. 30, 2007	Dec. 31, 2007
<b>Loan receivables, gross</b>			
Commercial sector	311,459	207,198	277,660
Household sector	51,658,809	44,002,529	47,318,854
Other	236	2,733	-
<b>Total loan receivables, gross</b>	<b>51,970,504</b>	<b>44,212,460</b>	<b>47,596,514</b>
<b>Less:</b>			
<b>Provision for individually appraised loan receivables</b>			
Commercial sector	-	-	-
Household sector	-1,610	-1,828	-1,870
<b>Total individual provisions</b>	<b>-1,610</b>	<b>-1,828</b>	<b>-1,870</b>
<b>Provision for group-wise appraised loan receivables</b>			
Commercial sector	-16	-14	-15
Household sector	-43,456	-38,056	-39,430
<b>Total group-wise provisions</b>	<b>-43,472</b>	<b>-38,070</b>	<b>-39,445</b>
<b>Total provisions</b>	<b>-45,082</b>	<b>-39,898</b>	<b>-41,315</b>
<b>Loan receivables, net</b>			
Commercial sector	311,443	207,184	277,645
Household sector	51,613,743	43,962,645	47,277,554
Other	236	2,733	-
<b>Total loan receivables, net</b>	<b>51,925,422</b>	<b>44,172,562</b>	<b>47,555,199</b>
<b>Doubtful loan receivables</b>			
Commercial sector	914	900	900
Household sector	54,890	42,673	44,000
<b>Total doubtful loan receivables</b>	<b>55,804</b>	<b>43,573</b>	<b>44,900</b>
<b>Non-performing loan receivables included in doubtful loan receivables</b>			
Commercial sector	914	900	900
Household sector	49,947	25,133	24,576
<b>Total non-performing loan receivables included in doubtful loan receivables</b>	<b>50,861</b>	<b>26,033</b>	<b>25,476</b>

**Definitions:**

A non-performing receivable is a claim for which interest payment, amortization or overdrafts are more than 60 days past due.

A doubtful receivable is a receivable for which payment is unlikely to be made in accordance with the terms of the claim and for which the value of the collateral is not adequate, with a secure margin, to cover both the principal and accrued interest, including penalties for possible late payments.

**NOTE 9 DERIVATIVE INSTRUMENTS**

SEK 000s	Par value	Fair value
<b>Derivative instruments with positive values</b>		
Interest-rate derivatives	21,475,000	262,546
Currency derivatives	5,020,916	367,300
<b>Derivative instruments with negative values</b>		
Interest-rate derivatives	34,117,500	376,198
Currency derivatives	91,680	6,137

**NOTE 10 CAPITAL-ADEQUACY ANALYSIS**

The company's statutory capital requirement according to Pillar 1 of the new capital-adequacy rules can be summarized in the following manner, with specifications according to the following sections:

SEK 000s	Sep. 30, 2008	Sep. 30, 2007	Dec. 31, 2007
Tier 1 capital, gross	2,257,345	2,182,102	2,226,451
Less IRB deficit	-23,076	-28,868	-21,518
<b>Tier 1 capital, net</b>	<b>2,234,269</b>	<b>2,153,234</b>	<b>2,204,933</b>
Tier 2 capital	512,614	362,614	512,614
Deductions for Tier 2 capital	-23,076	-28,868	-29,518
<b>Total capital base</b>	<b>2,723,807</b>	<b>2,486,980</b>	<b>2,688,029</b>
<b>Risk-weighted assets excluding transition rules</b>	<b>9,409,400</b>	<b>9,382,438</b>	<b>9,314,563</b>
<b>Risk-weighted assets including transition rules</b>	<b>26,659,213</b>	<b>23,419,000</b>	<b>25,655,725</b>
<b>Total capital requirement for credit risk</b>			
Capital requirement for credit risk in accordance with Standardized Approach	66,413	69,328	114,309
Capital requirement for credit risk in accordance with IRB Approach	676,023	672,534	622,123
Capital requirement for operational risk	10,316	8,733	8,733
<b>Capital requirement</b>	<b>752,752</b>	<b>750,595</b>	<b>745,165</b>
Adjustment according to transition rules	1,379,985	1,122,925	1,307,293
<b>Total capital requirement</b>	<b>2,132,737</b>	<b>1,873,520</b>	<b>2,052,458</b>
Tier 1 ratio as a percentage before adjustment according to transition rules, %	23.75	22.95	23.67
Capital adequacy ratio as a percentage before adjustment to transition rules, %	28.95	26.51	28.86
Leverage ratio excluding transition rules *	3.62	3.31	3.61
Tier 1 ratio as a percentage after adjustment according to transition rules, %	8.38	9.19	8.59
Capital adequacy ratio as a percentage after adjustment to transition rules, %	10.22	10.62	10.48
Leverage ratio including transition rules *	1.28	1.33	1.31
<b>Special disclosures</b>			
<b>IRB provisions surplus (+)/deficit (-)</b>	<b>-46,152</b>	<b>-57,736</b>	<b>-43,036</b>
IRB total provisions (+)	41,128	35,087	36,686
IRB anticipated loss amount (-)	-87,280	-92,823	-79,722
<b>Capital requirement</b>			
<b>Capital according to Standardized Approach</b>			
Institutional exposure	11,022	9,772	11,432
Commercial exposure	1,929	5,838	5,351
Household exposure	572	494	459
Exposure secured by collateral in property	48,669	49,816	91,342
Unsettled items	449	893	890
Other items	3,772	2,515	4,835
<b>Total capital requirement for credit risk in accordance with Standardized Approach</b>	<b>66,413</b>	<b>69,328</b>	<b>114,309</b>
<b>Credit risk according to IRB Approach</b>			
<b>Household exposure</b>			
Property credits	672,854	665,696	619,244
Other household exposure	3,169	6,838	2,879
<b>Total capital requirement for credit risk in accordance with IRB Approach</b>	<b>676,023</b>	<b>672,534</b>	<b>622,123</b>
<b>Operational risk</b>			
Standardized Approach	10,316	8,733	8,733
<b>Total capital requirement for operational risk</b>	<b>10,316</b>	<b>8,733</b>	<b>8,733</b>

**NOTE 10 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK 000s	Sep. 30, 2008	Sep. 30, 2007	Dec. 31, 2007
<b>Capital-adequacy analysis according to earlier rules</b>			
Tier 1 capital	2,257,346	2,182,103	2,226,362
Tier 2 capital	512,614	362,614	504,614
<b>Total capital base</b>	<b>2,769,960</b>	<b>2,544,717</b>	<b>2,730,976</b>
Risk-weighted assets	30,262,327	25,411,263	27,572,299
Capital requirement for credit risk	2,420,986	2,032,901	2,205,784
Tier 1 ratio, %	7.46	8.59	8.07
Capital adequacy ratio, %	9.15	10.01	9.90
Leverage ratio	1.14	1.25	1.24

\* Leverage ratio = total capital base / total capital requirement

In addition to the Parent Company Länsförsäkringar Bank AB publ (556401-9878), the financial corporate group includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB publ (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB publ (556364-2783).

**NOTE 11 DISCLOSURE ON RELATED PARTIES, PRICING AND AGREEMENTS**

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice and the 24 regional insurance companies with subsidiaries.

Since December 31, 2007, no significant changes have occurred in the company's agreements with these related legal entities. The company's compensation to the regional insurance companies in accordance with prevailing outsourcing agreements is presented in note 5 Commission expense.

Related key persons are Board members and senior managers and their close family members. Since December 31, 2007, no significant changes have occurred in the company's agreements with these persons.

This interim report is unaudited.

Stockholm, October 27, 2008

Anders Borgcrantz  
President

**Reporting dates:**

Year-end report 2008

February 16, 2009

Interim report, January-March

April 22, 2009



The Länsförsäkringar Alliance comprises 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is based on a strong belief in local presence and customer contacts are made at the regional insurance companies. The regional insurance companies offer a wide range of insurance, banking services and other financial solutions for private individuals, farmers and corporate customers. The number of customers amounts to slightly more than 3.2 million and the Länsförsäkringar Alliance has a joint total of 5,500 employees.

**For further information, contact:**

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