

# Länsförsäkringar Hypotek

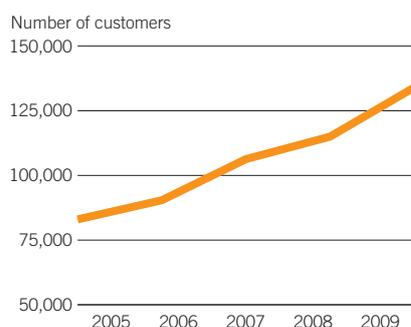
## Year-end report 2009

### The period in brief

- Operating profit increased 9% to SEK 141 M (129).
- Net interest income declined 21% to SEK 285 M (361).
- Net profit from financial transactions rose to SEK 77 M (9).
- Lending increased 26% to SEK 68 billion (54).
- Credit quality was highly favourable and the operations maintained a low risk profile.
- Loan losses amounted to positive SEK 5 M (0), net.
- The Tier 1 ratio according to Basel II was 20.3% (21.6) and the capital adequacy ratio was 24.2% (27.6).
- According to the 2009 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the sixth time.
- The number of customers rose to 134,000 (115,000).

Figures in parentheses pertain to 2008.

#### CUSTOMER TREND



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

“Our mortgage offering remained successful in the market. Our volumes increased and we strengthened our market share. I am also very pleased that we have Sweden's most satisfied retail mortgage customers for the sixth time and the fifth consecutive year, according to the Swedish Quality Index. This shows that Länsförsäkringar has an excellent relationship with the customers in a highly competitive market. Our credit quality was favourable and our loan portfolio mainly comprised private homes with a good geographic spread in Sweden. We have a favourable level of capitalisation to enable continued growth and our financial situation is strong.”



## Key figures

	Jan-Dec 2009	Jan-Dec 2008	Q4 2009	Q4 2008
Return on shareholders' equity, %	4.1	4.1	3.1	5.9
Return on total capital, %	0.19	0.23	0.15	0.31
Investment margin, %	0.38	0.65	0.27	0.83
Cost/income ratio before loan losses	0.33	0.34	0.39	0.29
Cost/income ratio after loan losses	0.30	0.34	0.38	0.30
Tier 1 ratio according to Basel II, %	20.3	21.6	20.3	21.6
Tier 1 ratio according to transition rules, %	9.0	8.2	9.0	8.2
Capital adequacy ratio according to Basel II, %	24.2	27.6	24.2	27.6
Capital adequacy ratio according to transition rules, %	10.7	10.5	10.7	10.5
Percentage of bad debts, net, %	0	0	0	0
Provision ratio in relation to lending, %	0.05	0.07	0.05	0.07
Loan losses, %	0	0	0	0

## Quarterly development

SEK M	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Net interest income	55.5	58.9	81.9	89.1	126.1
Net commission	-27.4	-33.6	-38.3	-61.5	-54.0
Net profit/loss from financial transactions	19.3	16.4	19.3	21.8	-5.0
Other operating income	0.1	0	0	0	-
<b>Total operating income</b>	<b>47.5</b>	<b>41.7</b>	<b>62.9</b>	<b>49.4</b>	<b>67.1</b>
Staff costs	-3.2	-2.1	-2.9	-2.5	-2.6
Other administrative expenses	-15.4	-13.7	-13.3	-13.0	-16.8
<b>Total operating expenses</b>	<b>-18.6</b>	<b>-15.8</b>	<b>-16.2</b>	<b>-15.5</b>	<b>-19.4</b>
<b>Profit before loan losses</b>	<b>28.9</b>	<b>25.9</b>	<b>46.7</b>	<b>33.9</b>	<b>47.7</b>
Loan losses, net	0.6	-0.3	1.9	3.2	-0.5
<b>Operating profit</b>	<b>29.5</b>	<b>25.6</b>	<b>48.6</b>	<b>37.1</b>	<b>47.2</b>

## Market commentary

Toward the end of the year market growth for retail mortgage loans was accelerating and Länsförsäkringar strengthened its market position in the fourth quarter.

Prices for single-family homes levelled out toward the end of the year and rose 1% during the fourth quarter. The total increase in prices for single-family homes was 5%. Throughout much of Sweden, particularly in major cities, housing prices are at the same level as before the financial crisis. Länsförsäkringar Hypotek has a favourable position and its loan portfolio had a good geographic spread.

Household indebtedness continued to rise and the largest increase in indebtedness was among those with large disposable incomes. Households generally experienced a more favourable situation as a result of lower taxes and interest rates.

Continued stabilisation was experienced in the capital market during the fourth quarter and monetary incentives continued. Swedish short-term interest rates remained relatively unchanged compared with the preceding quarter and credit spreads remained high compared with the period before the financial crisis. Länsförsäkringar Hypotek's borrowing operations functioned well during the year.

## Sweden's most satisfied retail mortgage customers

According to the Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied retail mortgage customers for the sixth time and the fifth consecutive year. Länsförsäkringar received a top ranking in all of the criteria measured, including product quality, service and value-for-money, and was the mortgage institution that best met with customers' expectations. During the year, the number of retail mortgage customers rose by 19,000, or 17%, to 134,000 (115,000).

## Continued growth

Retail mortgage loan volumes increased to SEK 68 billion (54) on December 31, 2009. Sales, advisory services and customer services are carried out through the 116 branches of the 24 regional insurance companies and via the Internet and telephone. The offering also includes the approximately 100 branches

of Länsförsäkringar Fastighetsförmedling (formerly Länshem Fastighetsförmedling) located throughout Sweden.

### Full-year 2009 compared with full-year 2008

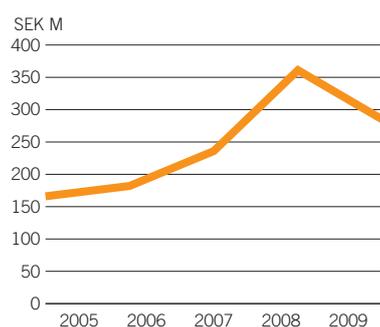
#### Earnings and profitability

Profit before loan losses rose 5% to SEK 135 M (129) and operating profit increased 9% to SEK 141 M (129). The increase was attributable to higher volumes and increased net profit from financial transactions. The return on average shareholders' equity remained unchanged at 4.1% (4.1).

#### Income

Operating income rose a total of SEK 7 M, or 3%, to SEK 202 M (195). Net interest income declined SEK 76 M, or 21%, to SEK 285 M (361) and the investment margin fell to 0.38% (0.65). Lower market interest rates resulted in a lower yield on shareholders' equity. The change in market rates compared with the preceding year had a SEK 84 M impact on the shareholders' equity yield. Net interest income was charged with a provision totalling SEK 10 M (0) for stability fund fees. Net interest income was also impacted by costs for a higher liquidity reserve and an extension of the duration of liabilities. Increased lending volumes strengthened the company's net interest income. A change of SEK 1 billion in lending volumes would impact net interest income by SEK 5 M on an annual basis. Commission expense declined to SEK 163 M (177) due to lower market interest rates, which explained the lower net commission of negative SEK 161 M (neg: 175). Net profit from financial transactions boosted income by SEK 68 M to SEK 77 M (9), primarily as a result of interest compensation in conjunction with loan conversions from fixed interest to loans with floating interest rates.

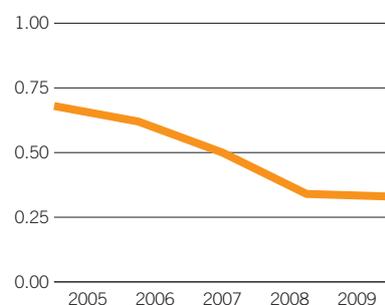
#### NET INTEREST INCOME



#### Expenses

Operating expenses remained unchanged and amounted to SEK 66 M (66). The cost/income ratio strengthened to 0.33 (0.34) before loan losses and to 0.30 (0.34) after loan losses.

#### COST/INCOME RATIO



#### Loan losses

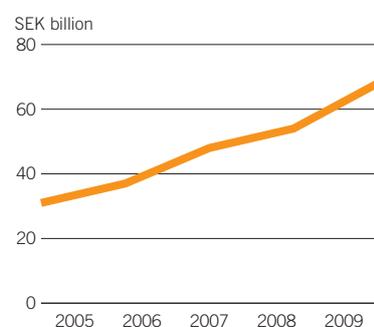
Loan losses amounted to positive SEK 5 M (0), net, since recoveries exceeded loan losses. Bad debts totalled SEK 3 M (0), corresponding to an unchanged share of bad debts of 0% (0). For more information regarding bad debts, provisions and loan losses, refer to Notes 8 and 10.

#### Lending

Lending to the public rose SEK 14 billion, or 26%, to SEK 68 billion (54). Growth was achieved at the same time as credit granting became stricter. The credit quality, already favourable, was further strengthened during the year.

Länsförsäkringar's market share for retail mortgage lending to households amounted to 3.8% (3.4) on December 31, 2009 and the share of market growth during the year was more than 7%.

#### LENDING



#### Cover pool

Essentially all of Länsförsäkringar Hypotek's lending 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 term "covered bonds" refers to bonds with preferential rights to the sections of the issuing institution's assets that are approved by legislation (cover pool).

The average loan-to-value ratio (LTV) was 59% (58) and the average commitment per borrower was SEK 793,000 (733,000). The quality of the loan portfolio remains extremely high and has not been significantly affected by the decline in the real economy. The geographic distribution in Sweden is favourable and collateral comprises private homes, including single-family homes, tenant-owned apartments and, to a small extent, leisure homes. The market value of all single-family homes, tenant-owned apartments and leisure homes was updated on November 20, 2009.

Cover pool	Dec. 31, 2009	Dec. 31, 2008
Volume, SEK billion	65	52
Collateral	Private homes	Private homes
Weighted average LTV <sup>1)</sup> , %	59	58
Seasoning, months	50	48
Number of properties	83,003	71,477
Average commitment, SEK 000s	793	733
Average loan, SEK 000s	366	341
Interest-rate type, up equal to 12 months, %	67	49
Interest-rate type, more than 12 months, %	33	51
OC <sup>2)</sup> , minimum level, %	9	5
OC <sup>2)</sup> , actual level, %	18.0	23.7
Special account <sup>3)</sup> , SEK billion	9.1	9.7
Percentage of special account in cover pool, %	11.9	15.7
Substitute collateral, SEK billion	2.0	0

<sup>1)</sup> According to the "Maximum LTV (loan-to-value) per property" calculation method.

<sup>2)</sup> OC indicates the relationship between the assets (lending) and liabilities (borrowing) in relation to the liabilities. High OC indicates that the operations have a large surplus of assets and a favourable margin in the event of, for example, a price drop in the value of the assets.

<sup>3)</sup> The special account comprises cash and cash equivalents pertaining to the covered bond operations that are deposited with the Parent Company.

During a stress test of the cover pool based on a 20% price drop in the market value of the loan portfolio, the average LTV increased to 67% compared with an actual weighted average LTV of 59% on December 31, 2009. OC<sup>2)</sup> amounted to 9.1%, compared with 18.0% prior to the stress test.

Programme	Limit, Nominal	Issued, Nominal Jan-Dec 2009 SEK billion	Issued, Nominal Jan-Dec 2008 SEK billion	Outstanding, Nominal Dec. 31, 2009 SEK billion	Outstanding, Nominal Dec. 31, 2008 SEK billion	Remaining term, Dec. 31, 2009 Years	Remaining term, Dec. 31, 2008 Years
Benchmark	Unlimited	21.5	9.3	35.5	29.3	2.8	2.1
Medium Term Covered Note	SEK 20 billion	11.4	6.8	13.6	7.1	1.1	1.4
Euro Medium Term Covered Note	EUR 2 billion	-	1.4	4.6	4.9	1.1	2.0
<b>Total</b>		<b>32.9</b>	<b>17.5</b>	<b>53.7</b>	<b>41.3</b>		

## Borrowing and liquidity

Debt securities in issue rose SEK 13 billion, or 29%, to SEK 55 billion (42). Long-term borrowing takes place on the basis of covered bonds. Debt securities in issue during the year amounted to a nominal SEK 32.9 billion (17.5). Repurchased securities totalled a nominal SEK 17.2 billion (5.7) and matured securities amounted to a nominal SEK 3.4 billion (7.4). Liquidity, which is managed for the entire Group by the Parent Company, remained favourable. A total of SEK 9.1 billion (9.7) was deposited in a special account with the Parent Company. Substitute collateral, which comprised Swedish covered bonds, amounted to SEK 2.0 billion (0).

## Rating

Länsförsäkringar's covered bonds have been assigned the highest credit rating, AAA, by Standard & Poor's and the highest credit rating, Aaa, by Moody's. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies. In mid-December, Standard & Poor's introduced a new rating method for covered bonds. In conjunction with this new method, the programmes of essentially all international and Swedish issuers of covered bonds were added to a watchlist and given negative forecasts, including Länsförsäkringar Hypotek's programmes.

The Parent Company's, Länsförsäkringar Bank, credit rating remains unchanged with a stable outlook. Länsförsäkringar Bank has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The bank's short-term rating from Standard & Poor's is A-1. Moody's short-term rating is P-1 and Länsförsäkringar Bank's Financial Strength Rating is C.

## Capital adequacy

Länsförsäkringar applies the Internal Ratings-based Approach (IRB Approach).

The aim is to achieve enhanced transparency and valuation of risks to determine appropriate capital. The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The Standardised Approach is currently applied to other exposures to calculate the capital requirement for credit risk. Changes in the capital requirement will emerge gradually through transition rules. In accordance with the transition rules, the capital requirement was reduced to 80% of the Basel I rules in 2009. In December 2009, the Swedish Financial Supervisory Authority issued general guidelines for the continued application of transition rules for capital base requirements through 2011.

On December 31, 2009, the Tier 1 ratio according to Basel II was 20.3% (21.6) and the capital adequacy ratio according to Basel II was 24.2% (27.6). According to the applicable transition rules, the Tier 1 was 9.0% (8.2) and the capital adequacy ratio was 10.7% (10.5). In accordance with Pillar I of the new rules, the capital requirement, excluding transition rules, amounted to SEK 1,117 M on December 31, 2009, down 66% compared with SEK 3,253 M according to the Basel I regulations. For more information on the calculation of capital adequacy, refer to Note 13.

## Interest-rate risk

On December 31, 2009, 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 26 M (10).

## Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily credit risks and financial risks. The operations are characterised by a low risk profile, which has been valuable to the company during the

financial crisis and the downturn in the economy. Loan losses remain low and the refinancing of business activities were satisfactory throughout the turbulent period in the capital market.

A detailed description of risks is available in the 2008 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

Fourth quarter of 2009 compared with fourth quarter of 2008

Profit before loan losses fell to SEK 29 M (48) and operating profit to SEK 30 M (47). The change was primarily attributable to lower net interest income. The return amounted to 3.1% (5.9). Operating income declined a total of SEK 19 M to SEK 48 M (67), due to lower net interest income. Net interest income declined SEK 70 M to SEK 56 M (126) and the investment margin fell to 0.27% (0.83). The lower net interest income was attributable to a lower yield on shareholders' equity as a result of lower market interest rates. Lower market interest rates resulting from repo rate cuts in the preceding had a significant positive impact on net interest income. A provision totalling SEK 2 M (0) was posted for stability fund fees. Expenses remained unchanged at SEK 19 M (19) and the cost/income ratio amounted to 0.39 (0.29) before loan losses and 0.38 (0.30) after loan losses. Loan losses during the quarter amounted to positive SEK 1 M (1), since recoveries exceeded loan losses.

## Events after the close of the year

No significant events took place after the close of the year.

## Income statement

SEK M	Note	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
Interest income	3	3,641.8	5,146.8		782.4	1,424.1	
Interest expenses	4	-3,356.4	-4,785.8		-726.9	-1,298.1	
<b>Net interest income</b>		<b>285.4</b>	<b>361.0</b>	<b>-20.9%</b>	<b>55.5</b>	<b>126.0</b>	<b>-56.0%</b>
Commission income	5	2.0	1.9		0.5	0.5	
Commission expense	6	-162.8	-176.7		-27.9	-54.5	
Net profit/loss from financial transactions	7	76.8	8.5		19.3	-4.9	
Other operating income		0.1	0.1		0.1	0	
<b>Total operating income</b>		<b>201.5</b>	<b>194.8</b>	<b>3.4%</b>	<b>47.5</b>	<b>67.1</b>	<b>-29.2%</b>
Staff costs		-10.7	-11.1	-3.6%	-3.3	-2.6	26.9%
Other administrative expenses		-55.4	-54.5	1.7%	-15.3	-16.8	-8.9%
<b>Total operating expenses</b>		<b>-66.1</b>	<b>-65.6</b>	<b>0.8%</b>	<b>-18.6</b>	<b>-19.4</b>	<b>-4.1%</b>
<b>Profit before loan losses</b>		<b>135.4</b>	<b>129.2</b>	<b>4.8%</b>	<b>28.9</b>	<b>47.7</b>	<b>-39.4%</b>
Loan losses, net	8	5.4	-0.2		0.6	-0.5	
<b>Operating profit</b>		<b>140.8</b>	<b>129.0</b>	<b>9.1%</b>	<b>29.5</b>	<b>47.2</b>	<b>-37.5%</b>
Tax		-40.9	-36.2		-11.6	-13.3	
<b>PROFIT FOR THE PERIOD</b>		<b>99.9</b>	<b>92.8</b>	<b>7.7%</b>	<b>17.9</b>	<b>33.9</b>	<b>-47.2%</b>

## Statement of comprehensive income

SEK M	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
<b>Profit for the period</b>	<b>99.9</b>	<b>92.8</b>	<b>7.7%</b>	<b>17.9</b>	<b>33.9</b>	<b>-47.2%</b>
<b>Other comprehensive income</b>						
Change in financial assets available for sale	14.3	-		-7.8	-	
Tax on financial assets available for sale	-3.8	-		2.0	-	
<b>Total other comprehensive income for the period, net after tax</b>	<b>10.5</b>	<b>-</b>		<b>-5.8</b>	<b>-</b>	
<b>Total comprehensive income for the period</b>	<b>110.4</b>	<b>92.8</b>	<b>19.0%</b>	<b>12.1</b>	<b>33.9</b>	<b>-64.3%</b>

## Balance sheet

SEK M	Note	Dec. 31, 2009	Dec. 31, 2008
<b>ASSETS</b>			
Lending to credit institutions	9	9,389.0	9,723.0
Lending to the public	10	67,535.9	53,592.4
Bonds and other interest-bearing securities		2,056.7	-
Derivatives	11	1,416.8	2,167.5
Fair value adjustment of interest-rate hedged items in portfolio hedge		706.6	1,044.0
Deferred tax assets		-	0
Other assets		0.1	4.0
Prepaid expenses and accrued income		644.9	653.1
<b>TOTAL ASSETS</b>		<b>81,750.0</b>	<b>67,184.0</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>			
Liabilities to credit institutions	9	20,476.2	18,221.0
Debt securities in issue		54,679.5	42,284.8
Derivatives	11	842.8	1,188.8
Fair value adjustment of interest-rate hedged items in portfolio hedge		754.0	991.8
Deferred tax liabilities		3.7	-
Other liabilities		127.6	142.8
Accrued expenses and deferred income		1,406.6	1,340.9
Provisions		0.2	0.2
Subordinated liabilities		575.0	662.6
<b>TOTAL LIABILITIES AND PROVISIONS</b>		<b>78,865.6</b>	<b>64,832.9</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital, 70,335 shares		70.3	70.3
Statutory reserve		14.1	14.1
Fair value reserve		10.5	-
Retained earnings		2,689.6	2,173.9
Profit for the period		99.9	92.8
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,884.4</b>	<b>2,351.1</b>
<b>TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>		<b>81,750.0</b>	<b>67,184.0</b>
Memorandum items	12		
<b>Other notes</b>			
Accounting policies	1		
Segment reporting	2		
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## Cash-flow statement, indirect method

SEK M	Jan-Dec 2009	Jan-Dec 2008
<b>Cash and cash equivalents, January 1</b>	<b>0.3</b>	<b>-</b>
Cash flow from operating activities	2.2	0.3
Cash flow from investing activities	-	-
Cash flow from financing activities	144.4	-
<b>NET CASH FLOW FOR THE PERIOD</b>	<b>146.6</b>	<b>0.3</b>
Exchange-rate differences in cash and cash equivalents	-	-
<b>Cash and cash equivalents, December 31</b>	<b>146.9</b>	<b>0.3</b>

Cash and cash equivalents at the end of the period is defined as cash and balances at central banks and lending and liabilities to credit institutions payable on demand.

Changes to the cash flow from operating activities are largely attributable to lending to the public.

## Report on changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the period	Total
<b>Opening balance, January 1, 2008</b>	<b>70.3</b>	<b>14.1</b>	<b>-</b>	<b>2,100.3</b>	<b>41.7</b>	<b>2,226.4</b>
Total comprehensive income for the period					92.8	92.8
Resolution by Annual General Meeting				41.7	-41.7	-
Group contribution paid				-129.3		-129.3
Tax on Group contribution paid				36.2		36.2
Conditional shareholders' contribution received				125.0		125.0
<b>Closing balance, December 31, 2008</b>	<b>70.3</b>	<b>14.1</b>	<b>-</b>	<b>2,173.9</b>	<b>92.8</b>	<b>2,351.1</b>
<b>Opening balance, January 1, 2009</b>	<b>70.3</b>	<b>14.1</b>	<b>-</b>	<b>2,173.9</b>	<b>92.8</b>	<b>2,351.1</b>
Total comprehensive income for the period			10.5		99.9	110.4
Resolution by Annual General Meeting				92.8	-92.8	-
Group contribution paid				-155.6		-155.6
Tax on Group contribution paid				40.9		40.9
Conditional shareholders' contribution received				537.6		537.6
<b>Closing balance, December 31, 2009</b>	<b>70.3</b>	<b>14.1</b>	<b>10.5</b>	<b>2,689.6</b>	<b>99.9</b>	<b>2,884.4</b>

## Notes

### NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Hypotek prepared its report 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 guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25), and the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities.

### NOTE 2 SEGMENT REPORTING

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

### NOTE 3 INTEREST INCOME

SEK M	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
Interest income on lending to credit institutions	74.1	163.0	-54.5%	9.6	57.2	-83.2%
Interest income on lending to the public	1,974.8	2,522.3	-21.7%	436.8	694.6	-37.1%
Interest income on interest-bearing securities	33.7	-		18.0	-	
<i>Interest income on derivatives</i>						
Hedge accounting	1,520.2	2,329.2	-34.7%	316.3	639.7	-50.6%
Non-hedge accounting	39.0	127.6	-69.4%	1.7	27.9	-93.9%
Other interest income	-	4.7	-100.0%	-	4.7	-100.0%
<b>Total interest income</b>	<b>3,641.8</b>	<b>5,146.8</b>	<b>-29.2%</b>	<b>782.4</b>	<b>1,424.1</b>	<b>-45.1%</b>
of which interest income on bad debts	3.9	1.9		3.2	0.8	
of which interest income from financial items not valued at fair value	2,048.9	2,690.1		446.4	756.6	
Average interest rate on lending to the public during the period, %	3.3	5.0		2.7	5.3	

### NOTE 4 INTEREST EXPENSE

SEK M	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
Interest expense on liabilities to credit institutions	180.9	529.5	-65.8%	20.8	165.3	-87.4%
Interest expense, interest-bearing securities	1,625.1	1,770.2	-8.2%	400.1	464.6	-13.9%
Interest expense, subordinated liabilities	21.5	33.3	-35.4%	4.6	10.1	-54.5%
<i>Interest expense on derivatives</i>						
Hedge accounting	1,480.6	2,327.5	-36.4%	297.7	630.9	-52.8%
Non-hedge accounting	38.1	125.2	-69.6%	1.4	27.1	-94.8%
Other interest expense	10.2	0.1		2.3	0.1	
<b>Total interest expense</b>	<b>3,356.4</b>	<b>4,785.8</b>	<b>-29.9%</b>	<b>726.9</b>	<b>1,298.1</b>	<b>-44.0%</b>
of which interest income from financial items not valued at fair value	1,837.7	2,333.2		427.8	640.2	

### NOTE 5 COMMISSION INCOME

SEK M	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
Lending commission	2.0	1.9	5.3%	0.5	0.5	0%
<b>Total commission income</b>	<b>2.0</b>	<b>1.9</b>	<b>5.3%</b>	<b>0.5</b>	<b>0.5</b>	<b>0%</b>

**NOTE 6 COMMISSION EXPENSE**

SEK M	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
Remuneration to regional insurance companies	161.3	174.6	-7.6%	27.7	54.2	-48.9%
Other commission	1.5	2.1	-28.6%	0.2	0.3	-33.3%
<b>Total commission expense</b>	<b>162.8</b>	<b>176.7</b>	<b>-7.9%</b>	<b>27.9</b>	<b>54.5</b>	<b>-48.8%</b>

**NOTE 7 NET PROFIT/LOSS FROM FINANCIAL TRANSACTIONS**

SEK M	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
<b>Change in fair value</b>						
Interest-related instruments	103.1	-158.9		153.5	-43.1	
Currency-related instruments	-5.3	69.6		-4.0	83.6	
Change in fair value of hedged item	-94.8	84.0		-148.8	-40.5	
<b>Capital gain/loss</b>						
Interest-related instruments	-4.1	4.6		0.7	-12.6	
Profit from other financial assets	-	1.2		-	1.2	
Interest compensation	77.9	8.0		17.9	6.5	
<b>Total net profit from financial transactions</b>	<b>76.8</b>	<b>8.5</b>	<b>803.5%</b>	<b>19.3</b>	<b>-4.9</b>	<b>-493.9%</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Jan-Dec 2009	Jan-Dec 2008	Change	Q4 2009	Q4 2008	Change
<b>Specific reserve for individually assessed loan receivables</b>						
Write-off of confirmed loan losses during the period	2.6	0.9		0.6	0.1	
Reversed earlier impairment of loan losses recognised as confirmed losses	-0.2	-		-0.2	-	
Impairment of loan losses during the period	2.5	0.5		1.3	0.3	
Payment received for prior confirmed loan losses	-5.1	-6.3		-1.2	-1.6	
Reversed impairment of loan losses no longer required	-1.6	-0.8		-0.6	0	
<b>Net income/expense for the period for individually appraised loan receivables</b>	<b>-1.8</b>	<b>-5.7</b>	<b>-68.4%</b>	<b>-0.1</b>	<b>-1.2</b>	<b>-91.7%</b>
<b>Collective reserves for individually assessed receivables</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
<b>Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk</b>						
Provision/reversal of impairment of loan losses	-3.6	5.9		-0.5	1.7	
<b>Net income/expense for the period for collectively assessed homogenous loan receivables</b>	<b>-3.6</b>	<b>5.9</b>	<b>-161.0%</b>	<b>-0.5</b>	<b>1.7</b>	<b>-130.2%</b>
<b>Net income/expense of loan losses for the period</b>	<b>-5.4</b>	<b>0.2</b>	<b>-2,800.0%</b>	<b>-0.6</b>	<b>0.5</b>	<b>-231.3%</b>

All information pertains to receivables from the public.

**NOTE 9 LENDING/LIABILITIES TO CREDIT INSTITUTIONS**

Lending to credit institutions includes investments of SEK 9,228.4 M (9,965.9) in the Parent Company. Lending to credit institutions includes borrowing of SEK 19,957.0 M (18,111.0) from the Parent Company.

Balances in the Parent Company's bank accounts pertaining to the covered bond operations are recognised as "Lending to credit institutions."

**NOTE 10 LENDING TO THE PUBLIC**

SEK M	Dec. 31, 2009	Dec. 31, 2008
<b>Loan receivables, gross</b>		
Corporate sector	936.7	345.5
Retail sector	66,640.8	53,289.6
<b>Total loan receivables, gross</b>	<b>67,577.5</b>	<b>53,635.1</b>
<b>Impairment of individually reserved loan receivables</b>		
Retail sector	-1.0	-0.2
<b>Total individual reserves</b>	<b>-1.0</b>	<b>-0.2</b>
<b>Impairment of collectively reserved loan receivables</b>		
Corporate sector	-0.7	0
Retail sector	-39.9	-42.5
<b>Total collective reserves</b>	<b>-40.6</b>	<b>-42.5</b>
<b>Total reserves</b>	<b>-41.6</b>	<b>-42.7</b>
<b>Loan receivables, net</b>		
Corporate sector	936.0	345.5
Retail sector	66,599.9	53,246.9
<b>Total loan receivables, net</b>	<b>67,535.9</b>	<b>53,592.4</b>
<b>Bad debts</b>		
Retail sector	3.4	0.4
<b>Total bad debts</b>	<b>3.4</b>	<b>0.4</b>

Loan receivables are geographically attributable in their entirety to Sweden.

**Definitions:**

A loan receivable is considered bad if a payment is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. A loan receivable whose unsettled interest, fees and capital are covered by collateral is not considered a bad debt.

**NOTE 11 DERIVATIVES**

SEK M	Dec 31, 2009		Dec 31, 2008	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>				
<i>Derivatives in hedge accounting</i>				
Interest-rate derivatives	37,814.5	814.6	30,647.5	1,000.5
Foreign-exchange derivatives	1,394.4	332.4	1,394.4	427.4
<i>Other derivatives</i>				
Interest-rate derivatives	-	-	875.0	17.7
Foreign-exchange derivatives	3,267.6	427.6	3,626.5	721.9
Collateral received, CSA	-	-157.8	-	-
<b>Total derivatives with positive values</b>	<b>42,476.5</b>	<b>1,416.8</b>	<b>36,543.4</b>	<b>2,167.5</b>
<b>Derivatives with negative values</b>				
<i>Derivatives in hedge accounting</i>				
Interest-rate derivatives	22,500.0	831.9	27,165.0	1,154.0
<i>Other derivatives</i>				
Interest-rate derivatives	-	-	875.0	17.7
Foreign-exchange derivatives	91.7	10.9	91.7	17.1
<b>Total derivatives with negative values</b>	<b>22,591.7</b>	<b>842.8</b>	<b>28,131.7</b>	<b>1,188.8</b>

**NOTE 12 MEMORANDUM ITEMS**

SEK M	Dec. 31, 2009	Dec. 31, 2008
<b>For own liabilities, pledged assets/collateral</b>		
Collateral paid due to repurchase agreement	10,076.9	7,953.8
Loan receivables, covered bonds	65,111.6	51,983.6
<b>Total for own liabilities, pledged assets/collateral</b>	<b>75,188.5</b>	<b>59,937.4</b>
<b>Other pledged assets/collateral</b>	NONE	NONE
<b>Contingent liabilities</b>		
Early retirement at age 62 in accordance with pension agreement, 80%	0.7	0.7
<b>Commitments</b>		
Loans approved but not disbursed	221.9	162.7

**NOTE 13 CAPITAL-ADEQUACY ANALYSIS**

SEK M	Dec. 31, 2009	Dec. 31, 2008
Tier 1 capital, gross	2,873.9	2,351.0
Less IRB deficit	-37.4	-25.8
<b>Tier 1 capital, net</b>	<b>2,836.5</b>	<b>2,325.2</b>
Tier 2 capital	575.0	662.6
Deductions for Tier 2 capital	-37.4	-25.9
<b>Total capital base</b>	<b>3,374.1</b>	<b>2,961.9</b>
<b>Risk-weighted assets according to Basel II</b>	<b>13,963.0</b>	<b>10,737.3</b>
<b>Risk-weighted assets according to transition rules</b>	<b>31,599.2</b>	<b>28,292.3</b>
<b>Capital requirement for credit risk</b>		
Capital requirement for credit risk according to Standardised Approach	145.4	93.6
Capital requirement for credit risk according to IRB Approach	955.8	755.1
Capital requirement for operational risk	15.8	10.3
<b>Capital requirement</b>	<b>1,117.0</b>	<b>859.0</b>
Adjustment according to transition rules	1,410.9	1,404.4
<b>Total capital requirement</b>	<b>2,527.9</b>	<b>2,263.4</b>
Tier 1 ratio according to Basel II, %	20.31	21.65
Capital adequacy ratio according to Basel II, %	24.16	27.58
Capital ratio according to Basel II	3.02	3.45
Tier 1 ratio according to transition rules, %	8.98	8.22
Capital adequacy ratio according to transition rules, %	10.68	10.47
Capital ratio according to transition rules	1.33	1.31
<b>Special disclosures</b>		
<b>IRB reserves surplus (+)/deficit (-)</b>	<b>-74.8</b>	<b>-50.5</b>
IRB Total reserves (+)	39.1	42.4
IRB expected loss amount (-)	-113.9	-92.9
<b>Capital requirement</b>		
<b>Credit risk according to Standardised Approach</b>		
Exposures to institutions	28.5	33.4
Exposures to corporates	12.5	2.8
Exposures secured on residential property	85.3	53.8
Past due items	0.6	0.5
Covered bonds	16.9	-
Other items	1.6	3.1
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>145.4</b>	<b>93.6</b>

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Dec. 31, 2009	Dec. 31, 2008
<b>Credit risk according to IRB Approach</b>		
<b>Retail exposures</b>		
Exposures secured by real estate	953.4	751.8
Other retail exposures	2.4	3.3
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>955.8</b>	<b>755.1</b>
<b>Operational risk</b>		
Standardised Approach	15.8	10.3
<b>Total capital requirement for operational risks</b>	<b>15.8</b>	<b>10.3</b>
<b>Capital-adequacy analysis according to Basel I</b>		
Tier 1 capital	2,873.9	2,351.1
Tier 2 capital	575.0	662.6
<b>Total capital base</b>	<b>3,448.9</b>	<b>3,013.7</b>
Risk-weighted assets	40,667.2	32,136.6
Capital requirement for credit risk	3,253.4	2,570.9
Tier 1 ratio, %	7.07	7.32
Capital adequacy ratio, %	8.48	9.38
Capital ratio	1.06	1.17

Capital ratio = total capital base/total capital requirement  
 Capital base includes the Board's proposed appropriation of earnings.

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).

This year-end report is unaudited.

Stockholm, February 16, 2010

Anders Borgcrantz  
 President

## Financial calendar

Annual report.....	<b>Week 12, 2010</b>
Interim report, January – March.....	<b>April 27, 2010</b>
Interim report, January – June.....	<b>August 24, 2010</b>
Interim report, January – September.....	<b>October 26, 2010</b>



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, corporate customers and agricultural customers. The number of customers amounts to 3.3 million and the Länsförsäkringar Alliance has a joint total of 5,800 employees.

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