

# Länsförsäkringar Bank

INTERIM REPORT, JANUARY – SEPTEMBER 2007

## Summary

- Income before loan losses amounted to SEK 209 M (171) and operating income amounted to SEK 172 M (146) after loan losses, an increase of 18%.
- Revenue was up 8% to SEK 805 M (743).
- Net interest income rose by 9% to SEK 739 M (680).
- Operating expenses increased by 4% to SEK 595 M (573).
- The cost/income ratio declined to 0.74 (0.77).
- Loan losses remained low, amounting to SEK 38 M (25).
- Return on equity after standard tax was 4.9% (4.5).
- Länsförsäkringar has the most satisfied bank customers in the retail market according to the Swedish Quality Index (SKI).
- Lending to the public increased 21% to SEK 63 billion (52) and deposits from the public rose 17% to SEK 28 billion (24).
- Fund volumes in the subsidiary Länsförsäkringar Fondförvaltning rose by 14% to SEK 67 billion (59).
- Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 25% to SEK 44 billion (35).
- The number of customers rose to 660,000 (604,000).

Figures in parentheses pertain to January – September 2006.

All comparative figures have been restated in accordance with IFRS.

### **Tomas Johansson, President of Länsförsäkringar Bank:**

– I am very proud of the fact that Länsförsäkringar has Sweden's most satisfied bank customers in the retail market. This is the best confirmation that we know what our customers really want and that our offering is strong and in demand in the market. Business volumes grew substantially and we increased our market share of mortgage loans. There was a great unrest in the capital market during the third quarter. Our operations are characterized by a low level of risk both in lending and the liquidity portfolios. I can state that our refinancing operations functioned well and that the bank's liquidity situation is highly favorable.



## Key figures

Group	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
Return on equity, %	4.85	4.46	4.53
Return on total capital, %	0.34	0.29	0.35
Investment margin, %	1.45	1.63	1.62
Cost/income ratio before loan losses	0.74	0.77	0.77
Cost/income ratio after loan losses	0.79	0.80	0.81
Capital adequacy, % <sup>1)</sup>	10.05	-	-
Tier 1 ratio, <sup>1)</sup>	8.33	-	-
Percentage of doubtful receivables, gross %	0.45	0.57	0.46
Percentage of doubtful receivables, net %	-0.01	0.05	0.07
Provision ratio for doubtful receivables, %	101.72	91.56	84.72

### Parent Company

Return on equity, %	0.06	neg	neg
Return on total capital, %	0.01	neg	neg
Investment margin, %	0.77	0.63	0.68
Cost/income ratio before loan losses	0.97	1.05	1.05
Cost/income ratio after loan losses	0.99	1.09	1.09
Capital adequacy, % <sup>1)</sup>	41.00	-	-
Tier 1 ratio, % <sup>1)</sup>	33.84	-	-
Percentage of doubtful receivables, gross, %	0.33	0.19	0.18
Percentage of doubtful receivables, net, %	0.00	0.01	0.00
Provision ratio for doubtful receivables, %	100.00	97.09	98.98

1) According to Basel II transitional rules

## Quarterly development, Group

SEK M	Q 3 2007	Q 2 2007	Q 1 2007	Q 4 2006	Q 3 2006
Net interest income	258.9	246.2	234.1	247.4	234.4
Net income from financial transactions	-2.0	0.4	1.9	3.6	2.0
Net commission income	-10.6	-11.8	-7.7	-3.8	-14.1
Other revenue	31.6	33.2	30.7	32.7	27.6
<b>Total revenue</b>	<b>277.9</b>	<b>268.0</b>	<b>259.0</b>	<b>279.9</b>	<b>249.9</b>
Personnel costs	-68.6	-65.3	-61.7	-83.1	-65.1
Other operating expenses	-132.8	-135.8	-131.2	-131.5	-126.1
<b>Total expenses</b>	<b>-201.4</b>	<b>-201.1</b>	<b>-192.9</b>	<b>-214.6</b>	<b>-191.2</b>
<b>Income before loan losses</b>	<b>76.5</b>	<b>66.9</b>	<b>66.1</b>	<b>65.3</b>	<b>58.7</b>
Loan losses	-16.3	-9.2	-12.1	-13.1	4.6
<b>Operating income</b>	<b>60.2</b>	<b>57.7</b>	<b>54.0</b>	<b>52.2</b>	<b>63.3</b>

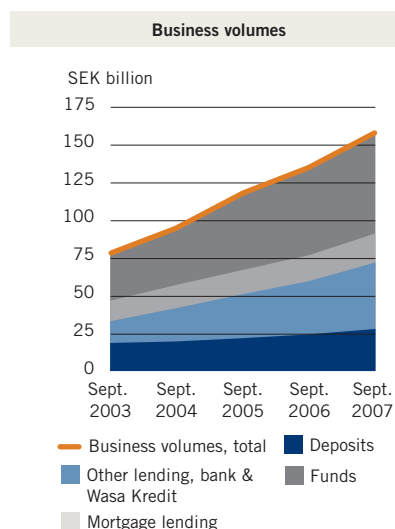
## Group

### Total assets

Total assets amounted to SEK 77.1 billion (58.4), an increase of 31.9%.

Lending to the public rose by 20.6%, or SEK 10.8 billion to SEK 63.1 billion (52.4).

Deposits from the public rose by 17.0%, or SEK 4.0 billion to SEK 27.8 billion (23.8).



### Borrowing

Issued securities increased by 49.1% or SEK 13.7 billion to SEK 41.6 billion (27.9). SEK 35.5 billion of this amount refers to covered bonds. The primary financing in the capital market takes place through the subsidiary Länsförsäkringar Hypotek.

### Capital adequacy

As of February 1, 2007, the capital requirements and capital base are reported in accordance with the Basel II provisions. The changes in the capital base will emerge gradually since the transition rules involve a three-year adaptation period. In the first year, the Group is permitted a 5% reduction. In accordance with the applicable transition rules, the Group's capital adequacy ratio amounted to 10.05%, while the Tier 1 ratio amounted to 8.33%. The capital requirements, for the portion of the portfolio that is now calculated in accordance with the Internal Ratings-based Approach (IRB approach) when the Basel II provisions are fully implemented, declined by 54%, from SEK 3 042 M to SEK 1 647 M.

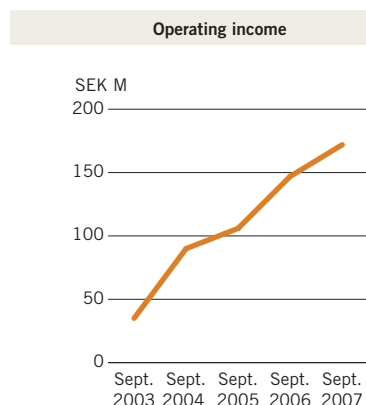
For more information on the calculation of capital adequacy, refer to Note 8.

During the year, SEK 200 M was received as an unconditional shareholders' contribution which corresponds to the Group contribution provided for the full-year 2006.

The target level for capital adequacy is 10.5% and for the Tier 1 ratio 8.5%. A deviation of  $\pm 0.5$  percentage points is allowed for both targets.

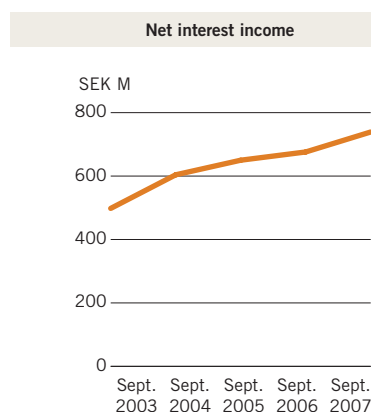
### Earnings and profitability

Income before loan losses amounted to SEK 209.5 M (170.5) and operating income to SEK 171.9 M (145.9). This corresponds to a return on average equity of 4.9% (4.5).



### Revenue

Net interest income rose by 8.8% to SEK 739.1 M (679.7). The increase is attributable to higher volumes. The investment margin amounted to 1.5% (1.6). The decline is primarily attributable to a higher proportion of mortgage loans.



Net commission income declined by 2.8% to negative SEK 30.1 M (neg: 29.2), due to the higher compensation to the regional insurance companies. The compensation is volume dependent.

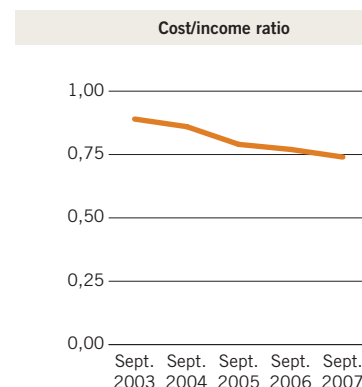
Net income from financial transactions amounted to SEK 0.3 M (10.9).

Other operating revenues amounted to SEK 95.2 M (81.8).

### Expenses

Operating expenses rose by 4.0% or SEK 22.9 M to SEK 595.5 M (572.6).

The cost/income ratio amounted to 0.74 (0.77) before loan losses and 0.79 (0.80) after loan losses.



### Loan losses

Depending on the product, provisions were mostly made after group-wise appraisal and only to a limited extent after individual review. The Group's net loan losses, both probable and confirmed, amounted to SEK 37.6 M (24.7). The third quarter 2006 included a positive nonrecurring item of SEK 18.0 M attributable to the sale of receivables previously written off.

### Sweden's most satisfied bank customers

The Swedish Quality Index survey revealed that Länsförsäkringar has the most highly satisfied bank customers in the retail market. The Swedish Quality Index surveys and analyses a large number of aspects associated with customer relations to the bank. Image, expectations, product quality, service quality and value for money are surveyed. Länsförsäkringar is ranked number one for most of these aspects.

## Risks

On September 30, 2007, an increase of market interest rates by 1 percentage point would have caused an increase in the value of interest-bearing assets and liabilities, including derivatives, of SEK 22.0 M (22.2). In addition to the information presented in this interim report, a detailed description of risks and risk control is provided in the 2006 Annual Report. Risks and risk classification have not changed significantly during the reporting period.

## Rating

In February 2007, Standard & Poor's raised Länsförsäkringar Bank's credit rating from A- to A. Accordingly, the rating for long-term borrowing is A (stable). The rating for short-term borrowing was raised from A-2 to A-1. Standard & Poor's referred to the strategic significance of the banking operations for the entire Länsförsäkringar Alliance and to the involvement of the owner. They also referred to the high capital adequacy, high credit quality and continued positive improvements in the performance of the banking operations.

In February 2007, Moody's also upgraded Länsförsäkringar Bank's long-term credit rating from A3 (stable) to A2 (stable). The rating for short-term borrowing was raised from P-2 to P-1.

At the end of May, the subsidiary Länsförsäkringar Hypotek's covered bonds received the credit rating Aaa from Moody's. At the beginning of June, Standard & Poor's announced that it had also given Länsförsäkringar Hypotek's covered bonds the highest possible credit rating, AAA.

### RATING

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A2/stable	P-1
Länsförsäkringar Hypotek*	Standard & Poor's	AAA	-
Länsförsäkringar Hypotek*	Moody's	Aaa	-

\* Refers to the company's covered bonds.

## Covered bonds

On June 18, Länsförsäkringar Hypotek began issuing covered bonds. Borrowing with the covered bonds has been successful. There was a great unrest in the capital market during the third quarter. Issued securities in the covered bonds operations during the third quarter rose by SEK 4.4 billion. The remaining volume at the end of the period was SEK 35.5 billion. Operations are characterized by a low level of risk both in lending and the liquidity portfolios. Liquidity is highly favorable.

## IFRS

As of 2007, Länsförsäkringar Bank prepares its consolidated accounts in accordance with International Financial Reporting Standards (IFRS) adopted by the EU. As a result of the application of IFRS, comparative figures for the full-year 2006 and the third quarter of 2006 have been restated.

The interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. This means that reporting is not as complete as the reporting of the annual accounts, rather it is a summary. Restated values for the full-year 2006 and the opening balance 2007 are found in the bank's 2006 Annual Report, while restated values for the third quarter of 2006 are presented in Note 10. The effects of the changed accounting principles to shareholders' equity are detailed in the statement on changes in shareholders' equity.

The Parent Company prepares its financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, Finansinspektionen's (Swedish Financial Supervisory Authority) regulations and regulatory code (FFFS 2006:16) and Recommendation RR32:06 issued by the Swedish Financial Accounting Standards Council.

Other than the principles described below, the accounting principles have not changed since the 2006 Annual Report.

## Financial instruments

Financial instruments covered by IAS 39 are valued at either fair value or accrued acquisition value, depending on the classification of the instrument.

All derivatives instruments are reported at fair value. Lending and financial liabilities are reported at accrued acquisition value, with the exception of those to which hedge accounting is applied.

## Hedge accounting

In accordance with IAS 39, all derivatives shall be reported at fair value. Hedge accounting at fair value entails that both the hedged item and the hedge instrument are valued at fair value. The change in fair value is recognized in the income statement.

The effectiveness of the hedge relationship is measured and evaluated and any ineffectiveness in the hedge affects the "Net gains/losses on financial items at fair value."

## Interest compensation

The compensation customers pay in conjunction with the premature redemption of fixed-period lending was previously reported as interest income allocated over the remaining term of the loan. This compensation is recognized as income in its entirety as "Net gains/losses on financial items at fair value" when payment is received.

## Allocation of fees

Certain fees charged to customers in conjunction with credit issuing will be reported as interest income instead of commission revenues, as previously.

Fees charged in conjunction with borrowing, classified as transaction costs, will be reported as interest expenses over the life of the issued security.

## Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public amounted to SEK 10.8 billion (9.2). Deposits from the public amounted to SEK 27.8 billion (23.8). Most of the Group's lending operations are conducted through Länsförsäkringar Hypotek and Wasa Kredit.

## Subsidiaries

### Länsförsäkringar Hypotek

Mortgage lending increased by 24.7% or SEK 8.7 billion to SEK 43.9 billion (35.2). The market share for lending for private homes and tenant-owned apartments increased to 3.3% on August 31. The number of mortgage customers rose from 89,000 to 105,000. The main portion of lending pertains to private homes. First-lien mortgages are carried by Länsförsäkringar Hypotek and second-lien mortgages by the Parent Company. Operating income amounted to SEK 43.2 M (27.4).

SEK M	Sept. 30, 2007	Sept. 30, 2006
Total assets	50,962	35,536
Lending volume	43,927	35,220
Net interest income	171	134
Operating income	43.2	27.4
Return on shareholders' equity, %	2.0	1.5

### Wasa Kredit

Wasa Kredit is a finance company whose operations focus on car financing, computer financing, financing for heavy machinery, and unsecured loans. Operating income before appropriations and tax amounted to SEK 72.8 M (92.2). The lending volume totaled SEK 8.4 billion (7.9).

SEK M	Sept. 30, 2007	Sept. 30, 2006
Total assets	8,773	8,323
Lending volume	8,370	7,947
Net interest income	246	264
Operating income	72.8	92.2
Return on shareholders' equity, %	12.7	15.8

### Länsförsäkringar Fondförvaltning

Länsförsäkringar Fondförvaltning manages SEK 67 billion (59) in 31 (31) mutual funds with different investment orientations.

The market share measured as net sales amounted to 13% on September 30. The market share measured as assets managed amounted to 4% on August 31.

Operating income before appropriations and tax amounted to SEK 53.7 M (48.0).

SEK M	Sept. 30, 2007	Sept. 30, 2006
Total assets	235	188
Assets under management	66,545	58,531
Net commission income	205	193
Net inflow	1,328	2,874
Operating income	53.7	48.0
Return on shareholders' equity, %	57.2	59.4

## Income statement

SEK 000s		Group			Parent Company		
		Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
Interest income	Note 1	3,097,366	1,816,334	2,579,160	1,624,309	1,108,532	1,598,280
Interest expenses	Note 2	-2,358,248	-1,136,677	-1,652,060	-1,306,087	-827,940	-1,210,497
<b>Net interest income</b>		<b>739,118</b>	<b>679,657</b>	<b>927,100</b>	<b>318,222</b>	<b>280,592</b>	<b>387,783</b>
Dividends received		341	65	3,395	341	65	87
Commission revenue	Note 3	685,738	569,830	775,345	111,657	81,028	114,020
Commission expenses	Note 4	-715,764	-599,051	-808,383	-270,867	-240,960	-328,056
Net gains/losses on financial items at fair value	Note 5	341	10,857	14,480	205	828	4,576
Other operating revenue		95,156	81,758	111,221	120,748	117,533	158,520
<b>Total operating revenue</b>		<b>804,930</b>	<b>743,116</b>	<b>1,023,158</b>	<b>280,306</b>	<b>239,086</b>	<b>336,930</b>
Personnel costs		-195,629	-190,138	-273,234	-70,897	-64,446	-98,576
General administration expenses		-352,507	-325,874	-437,959	-175,508	-159,644	-217,319
Depreciation/amortization and impairment of tangible and intangible fixed assets		-23,038	-22,864	-30,879	-16,656	-15,279	-20,527
Other operating expenses		-24,280	-33,698	-45,096	-8,142	-11,033	-15,718
<b>Total expenses before loan losses</b>		<b>-595,454</b>	<b>-572,574</b>	<b>-787,168</b>	<b>-271,203</b>	<b>-250,402</b>	<b>-352,140</b>
<b>Income before loan losses</b>		<b>209,476</b>	<b>170,542</b>	<b>235,990</b>	<b>9,103</b>	<b>-11,316</b>	<b>-15,210</b>
Loan losses, net	Note 6	-37,606	-24,672	-37,796	-6,886	-10,361	-15,181
<b>Total operating income</b>		<b>171,870</b>	<b>145,870</b>	<b>198,194</b>	<b>2,217</b>	<b>-21,677</b>	<b>-30,391</b>
Tax		-48,124	-40,843	-59,409	-621	6,070	7,081
<b>NET PROFIT FOR THE PERIOD</b>		<b>123,746</b>	<b>105,027</b>	<b>138,785</b>	<b>1,596</b>	<b>-15,607</b>	<b>-23,310</b>
Earnings per share, SEK		12.96	11.00	14.53	0.17	-1.63	-2.44

## Balance sheet

SEK 000s	Group			Parent Company		
	Sept. 30, 2007	Sept. 30, 2006	Dec. 31, 2006	Sept. 30, 2007	Sept. 30, 2006	Dec. 31, 2006
<b>ASSETS</b>						
Cash and central bank account balances	55,850	71,612	72,631	55,850	71,612	72,631
Eligible treasury bills	4,474,732	-	-	4,474,732	-	-
Lending to credit institutions	5,195,021	2,255,102	2,113,474	24,614,617	42,169,554	43,293,302
Lending to the public Note 7	63,133,313	52,360,949	53,782,268	10,836,664	9,193,211	9,264,185
Shares and participations	9,489	7,969	9,489	9,489	7,969	9,489
Shares and participations in Group companies	-	-	-	2,861,400	2,444,400	2,646,400
Bonds and other interest-bearing securities	2,607,753	2,589,956	5,607,382	2,607,753	2,589,955	5,607,381
Intangible assets	212,295	122,065	143,619	168,103	108,231	123,173
Tangible assets	15,585	8,734	7,610	9,356	490	165
Derivatives Note 9	382,317	311,332	168,329	218,298	211,852	24,368
Other assets	424,437	345,132	310,255	148,103	111,984	46,951
Prepaid expenses and accrued income	549,993	336,262	322,587	298,554	270,021	435,690
<b>TOTAL ASSETS</b>	<b>77,060,785</b>	<b>58,409,113</b>	<b>62,537,644</b>	<b>46,302,919</b>	<b>57,179,279</b>	<b>61,523,735</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>						
Liabilities to credit institutions	419,445	385,672	350,818	6,637,455	436,999	526,417
Deposits and borrowing from the public	27,807,664	24,212,653	24,379,388	27,843,361	23,791,950	24,035,387
Issued securities	41,617,372	27,906,855	31,589,052	6,077,219	27,906,855	31,634,611
Derivatives Note 9	379,667	164,307	425,954	201,973	96,388	352,847
Other liabilities	422,660	292,620	491,867	179,145	80,074	171,620
Accrued expenses and deferred income	1,826,539	1,107,685	1,037,144	823,130	580,046	463,513
Provisions	29,580	18,995	29,309	7,055	3,611	7,355
Subordinated debt	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
<b>TOTAL LIABILITIES AND PROVISIONS</b>	<b>73,552,927</b>	<b>55,138,787</b>	<b>59,353,532</b>	<b>42,819,338</b>	<b>53,945,923</b>	<b>58,241,750</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital (9,548,708 shares at a par value of SEK 100 per share)	954,871	954,871	954,871	954,871	954,871	954,871
Other reserves	58,039	58,039	58,039	18,380	18,380	18,380
Profit brought forward	2,371,202	2,152,389	2,032,417	2,508,734	2,275,712	2,332,044
Net profit/loss for the period	123,746	105,027	138,785	1,596	-15,607	-23,310
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,507,858</b>	<b>3,270,326</b>	<b>3,184,112</b>	<b>3,483,581</b>	<b>3,233,356</b>	<b>3,281,985</b>
<b>TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>	<b>77,060,785</b>	<b>58,409,113</b>	<b>62,537,644</b>	<b>46,302,919</b>	<b>57,179,279</b>	<b>61,523,735</b>
<b>MEMORANDUM ITEMS</b>						
For own liabilities, assets pledged	1,605,000	600,000	605,000	1,605,000	600,000	605,000
Contingent liabilities	94,103	52,281	93,421	67,823	52,281	67,141
Commitments loans approved but not disbursed	567,326	456,571	396,942	211,507	150,937	112,499
unutilized overdraft facilities	1,147,468	927,541	1,163,035	38,079,555	7,244,415	6,886,712
interest-rate swap agreements	40,747,500	13,540,000	19,940,000	4,625,000	600,000	1,600,000
currency swap agreements	9,206,140	15,201,490	14,297,790	15,604,763	15,201,490	14,297,790
<b>TOTAL COMMITMENTS</b>	<b>51,668,434</b>	<b>30,125,602</b>	<b>35,797,767</b>	<b>58,520,825</b>	<b>23,196,842</b>	<b>22,897,001</b>

## Cash-flow statement

SEK 000s	Group		Parent Company	
	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006
<b>Liquid funds, January 1</b>	<b>1,835,287</b>	<b>1,063,888</b>	<b>1,551,564</b>	<b>389,384</b>
<b>Operating activities</b>				
Operating income	171,870	145,870	2,217	-21,677
<b>Adjustment for items not included in cash flow</b>				
Booked non-chargeable tax	-48,124	-40,843	-621	6 070
Depreciation/amortization charged against earnings	23,038	22,864	16,656	15,279
	<b>146,784</b>	<b>127,891</b>	<b>18,252</b>	<b>-328</b>
Increase/decrease in lending to the public	-9,351,045	-5,151,645	-1,572,479	-806,260
Increase/decrease in deposits and borrowing from the public	3,428,276	2,677,910	3,807,974	3,019,641
Increase in lending to subsidiaries	-	-	21,591,900	-4,318,303
Change in other assets	-555,576	-155,150	-157,946	61,104
Change in other liabilities	674,172	361,157	215,968	325,257
<b>Cash flow from operating activities</b>	<b>-5,657,389</b>	<b>-2,139,837</b>	<b>23,903,669</b>	<b>-1,718,889</b>
<b>Investing activities</b>				
Change in tangible and intangible assets	-99,689	-43,598	-70,777	-35,927
Change in investments in bonds	2,999,629	12,839	2,999,628	9,384
Change in investments in Swedish treasury bills	-4,474,732	-	-4,474,732	-
Increase in shares in subsidiaries	-	-	-215,000	-
Increase in shares and participations	-	-500	-	-500
<b>Cash flow from investing activities</b>	<b>-1,574,792</b>	<b>-31,259</b>	<b>-1,760,881</b>	<b>-27,043</b>
<b>Financing activities</b>				
Shareholders' contribution received	200,000	300,000	200,000	300,000
Change in issued securities	10,028,320	2,748,250	-25,557,392	2,749,975
<b>Cash flow from financing activities</b>	<b>10,228,320</b>	<b>3,048,250</b>	<b>-25,357,392</b>	<b>3,049,975</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>2,996,139</b>	<b>877,154</b>	<b>-3,214,604</b>	<b>1,304,043</b>
<b>Liquid funds, September 30</b>	<b>4,831,426</b>	<b>1,941,042</b>	<b>-1,663,040</b>	<b>1,693,427</b>
<b>Liquid funds include:</b>				
Cash and central bank account balances	55,850	71,612	55,850	71,612
Other lending to/deposits in credit institutions <sup>1)</sup>	5,195,021	2,255,102	4,918,565	2,058,814
Liabilities to credit institutions	-419,445	-385,672	-6,637,455	-436,999
	<b>4,831,426</b>	<b>1,941,042</b>	<b>-1,663,040</b>	<b>1,693,427</b>
Interest received amounted to	2,890,838	1,698,042	1,736,211	712,616
Interest paid amounted to	1,612,735	852,398	1,019,301	377,285
Gross investments during the year	99,785	39,046	70,778	25,217

1) Excluding subsidiaries.



## Change in shareholders' equity

Group	Share capital	Other reserves	Profit brought forward	Net profit for the period	Total
<b>Opening balance, December 31, 2005</b>	<b>954,871</b>	<b>58,039</b>	<b>1,728,688</b>	<b>109,335</b>	<b>2,850,933</b>
Change to accounting principles due to IFRS <sup>1)</sup>			14,366		14,366
<b>Opening balance, January 1, 2006</b>	<b>954,871</b>	<b>58,039</b>	<b>1,743,054</b>	<b>109,335</b>	<b>2,865,299</b>
In accordance with decision of Annual General Meeting			109,335	-109,335	0
Unconditional shareholders' contribution received from Parent Company			300,000		300,000
Profit for the period				105,027	105,027
<b>Closing balance, September 30, 2006</b>	<b>954,871</b>	<b>58,039</b>	<b>2,152,389</b>	<b>105,027</b>	<b>3,270,326</b>
<b>Opening balance, January 1, 2007</b>	<b>954,871</b>	<b>58,039</b>	<b>2,030,436</b>	<b>140,766</b>	<b>3,184,112</b>
In accordance with decision of Annual General Meeting			140,766	-140,766	
Unconditional shareholders' contribution received from Parent Company			200,000		200,000
Net profit for the period				123,746	123,746
<b>Closing balance, September 30, 2007</b>	<b>954,871</b>	<b>58,039</b>	<b>2,371,202</b>	<b>123,746</b>	<b>3,507,858</b>
<b>Parent Company</b>					
	Share capital	Other reserves	Profit brought forward	Net profit for the period	Total
<b>Opening balance, December 31, 2005</b>	<b>954,871</b>	<b>18,380</b>	<b>2,012,304</b>	<b>-31,603</b>	<b>2,953,952</b>
Change to accounting principles due to IFRS			-4,989		-4,989
<b>Opening balance, January 1, 2006</b>	<b>954,871</b>	<b>18,380</b>	<b>2,007,315</b>	<b>-31,603</b>	<b>2,948,963</b>
In accordance with decision of Annual General Meeting			-31,603	31,603	0
Unconditional shareholders' contribution received			300,000		300,000
Profit for the period				-15,607	-15,607
<b>Closing balance, September 30, 2006</b>	<b>954,871</b>	<b>18,380</b>	<b>2,275,712</b>	<b>-15,607</b>	<b>3,233,356</b>
<b>Opening balance, January 1, 2007</b>	<b>954,871</b>	<b>18,380</b>	<b>2,332,044</b>	<b>-23,310</b>	<b>3,281,985</b>
In accordance with decision of Annual General Meeting			-23,310	23,310	
Unconditional shareholders' contribution received			200,000		200,000
Net profit for the period				1,596	1,596
<b>Closing balance, September 30, 2007</b>	<b>954,871</b>	<b>18,380</b>	<b>2,508,734</b>	<b>1,596</b>	<b>3,483,581</b>

1) For a specification of changes in shareholders' equity due to changed accounting principles in conjunction with the transition to IFRS, see the 2006 Annual Report, page 30.

## Notes

### NOTE 1 INTEREST INCOME

SEK 000s	Group			Parent Company		
	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
Interest income, lending to credit institutions	878,723	234,379	363,380	1,096,806	774,595	1,114,993
Interest income, lending to the public	1,915,240	1,387,808	1,935,817	404,069	286,932	405,140
Interest income, interest-bearing securities	123,434	47,005	75,371	123,434	47,005	75,371
Net leasing	179,911	147,098	201,774	-	-	-
Other interest income	58	44	2,818	-	-	2,776
<b>Total interest income</b>	<b>3,097,366</b>	<b>1,816,334</b>	<b>2,579,160</b>	<b>1,624,309</b>	<b>1,108,532</b>	<b>1,598,280</b>
Average interest rate on lending to the public during the period	4.8%	4.1%	4.2%	5.2%	4.4%	4.5%

### NOTE 2 INTEREST EXPENSES

SEK 000s	Group			Parent Company		
	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
Interest expenses, liabilities to credit institutions	817,280	308,138	451,658	126,456	25,669	41,757
Interest expenses, deposits and borrowing from the public	540,958	285,737	411,005	532,609	259,470	379,411
Interest expenses, interest-bearing securities	953,709	505,273	740,015	600,721	505,272	740,015
Interest expenses, subordinated debt	37,667	27,971	39,243	37,667	27,971	39,243
Other interest expenses, including government deposit insurance	8,634	9,558	10,139	8,634	9,558	10,071
<b>Total interest expenses</b>	<b>2,358,248</b>	<b>1,136,677</b>	<b>1,652,060</b>	<b>1,306,087</b>	<b>827,940</b>	<b>1,210,497</b>
Average rate of deposits from the public during the period	2.7%	1.5%	1.7%	2.7%	1.5%	1.7%

**NOTE 3 COMMISSION REVENUE**

SEK 000s	Group			Parent Company		
	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
Payment agency commission	91,844	62,414	85,383	91,844	62,414	85,383
Lending commission	47,819	46,886	62,766	7,667	8,961	11,697
Deposit commission	2,726	4,610	6,076	2,726	4,610	6,076
Securities commission	542,208	454,947	619,791	8,279	4,072	9,535
Other commission	1,141	973	1,329	1,141	971	1,329
<b>Total commission revenue</b>	<b>685,738</b>	<b>569,830</b>	<b>775,345</b>	<b>111,657</b>	<b>81,028</b>	<b>114,020</b>

**NOTE 4 COMMISSION EXPENSES**

SEK 000s	Group			Parent Company		
	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
Payment agency commission	106,535	89,563	94,242	82,951	70,071	94,242
Securities commission	4,037	3,133	5,134	4,037	3,133	5,134
Remuneration to regional insurance companies	290,840	267,262	362,001	174,911	163,120	223,034
Other commission	314,352	239,093	347,006	8,968	4,636	5,646
<b>Total commission expenses</b>	<b>715,764</b>	<b>599,051</b>	<b>808,383</b>	<b>270,867</b>	<b>240,960</b>	<b>328,056</b>

**NOTE 5 NET GAINS/LOSSES ON FINANCIAL ITEMS AT FAIR VALUE**

SEK 000s	Group			Parent Company		
	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
<b>Change in fair value</b>						
Interest-related instruments	571	146,427	173,558	-907	823	1,082
Currency-related instruments	2,061	-211	3,134	1,347	-211	3,134
Change in fair value, hedged item	-2,371	-142,294	-171,597	-688	-	-
Compensation for interest-rate differences	1,871	6,935	8,299	453	216	360
<b>Capital gains/losses</b>						
Interest-related instruments	-1,791	-	1,086	-	-	-
<b>Total net gains/losses on financial items at fair value</b>	<b>341</b>	<b>10,857</b>	<b>14,480</b>	<b>205</b>	<b>828</b>	<b>4,576</b>

**NOTE 6 LOAN LOSSES, NET**

SEK 000s	Group			Parent Company		
	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006	Jan. 1, 2007– Sept. 30, 2007	Jan. 1, 2006– Sept. 30, 2006	Full-year 2006
<b>Specific provision for individually appraised loan receivables</b>						
Write-off of confirmed loan losses during the period	1,948	7,379	44,427	1,288	2,774	6,082
Reversed provisions for probable loan losses reported in the interim accounts as confirmed losses	-	-4,819	-4,923	-	-591	-694
Provision for probable loan losses during the period	35,565	38,132	2,393	1,703	225	371
Payment received for prior confirmed loan losses	-20,938	-30,752	-28,858	-3,281	-2,880	-2,049
Reversed provisions no longer required for probable loan losses	-10,472	-4,525	-5,038	-10,350	-1,518	-2,023
<b>Net expenses during the period for individually appraised receivables</b>	<b>6,103</b>	<b>5,415</b>	<b>8,001</b>	<b>-10,640</b>	<b>-1,990</b>	<b>1,687</b>
<b>Group-wise provisions for individually appraised receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Groups, appraised by group, of loan receivables of limited value and similar credit risk</b>						
Write-off of confirmed loan losses during the period	9,792	5,594	30,396	9,792	5,594	7,032
Payment received for previously confirmed loan losses	-2,569	-6,394	-11,456	-	-	-211
Allocation/dissolution of provisions for loan losses	37,099	20,998	12,366	20,552	7,698	8,184
<b>Net expenses for the period for loan receivables appraised by group</b>	<b>44,322</b>	<b>20,198</b>	<b>31,306</b>	<b>30,344</b>	<b>13,292</b>	<b>15,005</b>
<b>Net expenses for the period for fulfillment of guarantees</b>	<b>-12,819</b>	<b>-941</b>	<b>-1,511</b>	<b>-12,818</b>	<b>-941</b>	<b>-1,511</b>
<b>Net expenses for the period for loan losses</b>	<b>37,606</b>	<b>24,672</b>	<b>37,796</b>	<b>6,886</b>	<b>10,361</b>	<b>15,181</b>

## NOTE 7 LENDING TO THE PUBLIC

SEK 000s	Group			Parent Company		
	Sept. 30, 2007	Sept. 30, 2006	Dec. 31, 2006	Sept. 30, 2007	Sept. 30, 2006	Dec. 31, 2006
<b>Loan receivables, gross</b>						
Public sector	124,145	145,564	144,889	-	-	-
Commercial sector	4,794,569	4,321,681	4,429,884	566,106	482,019	456,733
Household sector	58,737,678	48,186,149	49,511,495	10,362,860	8,796,711	8,891,700
Other	10,617	6,698	7,771	7,884	3,824	4,747
<b>Total</b>	<b>63,667,009</b>	<b>52,660,092</b>	<b>54,094,039</b>	<b>10,936,850</b>	<b>9,282,554</b>	<b>9,353,180</b>
<b>Provisions for individually reserved loan receivables</b>						
Commercial sector	-54,930	-54,301	-24,678	-	-241	-295
Household sector	-59,410	-73,515	-38,306	-	-10,571	-10,053
<b>Total</b>	<b>-114,340</b>	<b>-127,816</b>	<b>-62,984</b>	<b>-</b>	<b>-10,812</b>	<b>-10,348</b>
<b>Provisions for group-wise reserved loan receivables</b>						
Commercial sector	-20,360	-18,943	-19,516	-3,204	-2,944	-2,363
Household sector	-152,320	-125,867	-127,891	-96,294	-75,587	-76,284
	<b>-172,680</b>	<b>-144,810</b>	<b>-147,407</b>	<b>-99,498</b>	<b>-78,531</b>	<b>-78,647</b>
<b>Total</b>	<b>-287,020</b>	<b>-272,626</b>	<b>-210,391</b>	<b>-99,498</b>	<b>-89,343</b>	<b>-88,995</b>
<b>Loan receivables, net</b>						
Public sector	124,145	145,564	144,889	-	-	-
Commercial sector	4,719,279	4,248,437	4,385,690	562,902	478,834	454,075
Household sector	58,525,948	47,986,767	49,345,298	10,266,566	8,710,553	8,805,363
Other	10,617	6,698	7,771	7,884	3,824	4,747
Change in value as a result of hedge accounting at fair value	-246,676	-26,517	-101,380	-688	-	-
<b>Total</b>	<b>63,133,313</b>	<b>52,360,949</b>	<b>53,782,268</b>	<b>10,836,664</b>	<b>9,193,211</b>	<b>9,264,185</b>
<b>Doubtful receivables</b>						
Commercial sector	73,906	91,258	55,898	3,204	2,963	2,837
Household sector	208,270	199,413	192,451	96,294	89,062	87,074
<b>Total</b>	<b>282,176</b>	<b>290,671</b>	<b>248,349</b>	<b>99,498</b>	<b>92,025</b>	<b>89,911</b>
<b>Non-performing receivables included among doubtful receivables</b>						
Commercial sector	59,560	47,991	42,647	453	261	474
Household sector	136,886	125,933	109,225	50,736	58,203	52,413
<b>Total</b>	<b>196,446</b>	<b>173,924</b>	<b>151,872</b>	<b>51,189</b>	<b>58,464</b>	<b>52,887</b>

### Definitions:

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

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

The change in accounting principles for the calculation of doubtful receivables also applies to the comparative figures.

## NOTE 8 CAPITAL ADEQUACY

New capital adequacy regulations, known as the Basel II provisions, were introduced in Sweden on February 1, 2007. The regulations are based on the Basel Accords and are being introduced jointly over a three-year adaptation period in the EU since the changes in the capital requirement will emerge gradually.

The Basel I regulations, which were previously applied, entailed that a risk-weighted amount for credit risks and market risks is calculated in a standard manner applied to all banks regardless of risk level.

In accordance with the Basel II regulations, the capital requirements will, to a higher degree than previously, be linked to the risk profile of the institution. Based on the new regulations, the banks have the opportunity to select an Internal Ratings-based Approach (IRB approach) or the Standardized Approach to calculate the minimum capital for its credit risks. Another new aspect is that in addition to the existing capital requirements for credit risks and market risks, capital requirements have also been added for operational risk. In December 2006, the Parent Company Länsförsäkringar Bank received permission from Finansinspektionen to apply the IRB approach. This IRB approach is applied to household risk exposure. The Standardized Approach is applied to all other risk exposure until further notice.

In addition to the Parent Company Länsförsäkringar Bank AB publ (516401-9878), the financial group of companies includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB publ (556244-1781), Wasa Kredit AB publ (556311-9204) and Länsförsäkringar Fondförvaltning AB publ (556364-2783).

Group, SEK 000s	According to Basel II		According to older regulations (Basel I)	
	Sept. 30, 2007	Sept. 30, 2007	Sept. 30, 2006	Dec. 31, 2006
Tier 1 capital, gross	3,754,547	3,754,547	3,440,933	3,461,725
Less intangible assets, etc.	-253,058	-213,214	-122,100	-143,791
<b>Tier 1 capital, net</b>	<b>3,501,489</b>	<b>3,541,333</b>	<b>3,318,833</b>	<b>3,317,934</b>
Tier 2 capital	760,000	760,000	760,000	760,000
Deduction Tier 2 capital	-39,844	-	-	-
<b>Total capital base</b>	<b>4,221,645</b>	<b>4,301,333</b>	<b>4,078,833</b>	<b>4,077,934</b>
<b>Risk-weighted assets excluding transitional rules</b>	<b>25,917,775</b>	<b>45,254,401</b>	<b>37,160,157</b>	<b>38,513,995</b>
<b>Risk-weighted assets including transitional rules</b>	<b>42,022,613</b>	<b>45,254,401</b>	<b>37,160,157</b>	<b>38,513,995</b>
Capital requirement for credit risk in accordance with Standardized Approach/older regulations	578,602	3,620,352	2,972,813	3,081,120
Capital requirement for credit risk in accordance with IRB approach	1,394,502			
Capital requirement for operational risk	100,318			
<b>Capital requirement</b>	<b>2,073,422</b>	<b>3,620,352</b>	<b>2,972,813</b>	<b>3,081,120</b>
Supplement due to transitional rules	1,288,387	-	-	-
<b>Capital requirement including transitional rules</b>	<b>3,361,809</b>	<b>3,620,352</b>	<b>2,972,813</b>	<b>3,081,120</b>
Tier 1 ratio excluding transitional rules	13.51%	7.83%	8.93%	8.61%
Capital adequacy ratio excluding transitional rules	16.29%	9.50%	10.98%	10.59%
Capital gearing ratio excluding transitional rules *	2.04	1.19	1.37	1.32
Tier 1 ratio including transitional rules	8.33%			
Capital adequacy ratio including transitional rules	10.05%			
Capital gearing ratio including transitional rules *	1.26			

\* Capital gearing ratio = total capital base / total capital requirement

### Parent Company, SEK 000s

Tier 1 capital, gross	3,775,781	3,775,781	3,527,905	3,573,939
Less intangible assets, etc.	-163,911	-168,863	-108,231	-123,186
<b>Tier 1 capital, net</b>	<b>3,611,870</b>	<b>3,606,918</b>	<b>3,419,674</b>	<b>3,450,753</b>
Tier 2 capital	760,000	760,000	760,000	760,000
Deduction/addition Tier 2 capital	4,952	-	-	-
<b>Total capital base</b>	<b>4,376,822</b>	<b>4,366,918</b>	<b>4,179,674</b>	<b>4,210,753</b>
<b>Risk-weighted assets excluding transitional rules</b>	<b>10,024,600</b>	<b>11,105,827</b>	<b>8,836,224</b>	<b>9,367,773</b>
<b>Risk-weighted assets including transitional rules</b>	<b>10,674,325</b>	<b>11,105,827</b>	<b>8,836,224</b>	<b>9,367,773</b>
Capital requirement for credit risk in accordance with Standardized Approach/older regulations	444,219	888,466	706,898	749,422
Capital requirement for credit risk in accordance with IRB approach	328,738			
Capital requirement for operational risk	29,011			
<b>Capital requirement</b>	<b>801,968</b>	<b>888,466</b>	<b>706,898</b>	<b>749,422</b>
Supplement due to transitional rules	51,978	-	-	-
<b>Capital requirement including transitional rules</b>	<b>853,946</b>	<b>888,466</b>	<b>706,898</b>	<b>749,422</b>
Tier 1 ratio excluding transitional rules	36.03%	32.48%	38.70%	36.84%
Capital adequacy ratio excluding transitional rules	43.66%	39.32%	47.30%	44.95%
Capital gearing ratio excluding transitional rules*	5.46	4.92	5.91	5.62
Tier 1 ratio including transitional rules	33.84%			
Capital adequacy ratio including transitional rules	41.00%			
Capital gearing ratio including transitional rules*	5.13			

\* Capital gearing ratio = total capital base / total capital requirement

**NOTE 9 DERIVATIVE INSTRUMENTS**

SEK 000s	Nominal value		Fair value	
	Group	Parent Company	Group	Parent Company
<b>Derivative instruments with positive value</b>				
Interest-rate derivatives	19,075,000	2,185,000	298,568	57,123
Currency derivatives	5,433,140	8,564,209	83,749	161,175
<b>Derivative instruments with negative value</b>				
Interest-rate derivatives	22,122,500	2,440,000	285,796	64,708
Currency derivatives	3,773,000	7,040,554	93,871	137,265

**NOTE 10 RESTATED CONSOLIDATED INCOME STATEMENT THIRD QUARTER 2006  
IN CONJUNCTION WITH TRANSITION TO IFRS**

SEK 000s	Income statement according to interim report	Restatement	Income statement restated in accordance with IFRS
Net interest income	676,360	3,297	679,657
Net commission income	-13,500	-15,721	-29,221
Net gains/losses on financial items at fair value	–	10,857	10,857
Other revenues	81,823	–	81,823
<b>Total revenues</b>	<b>744,683</b>	<b>-1,567</b>	<b>743,116</b>
Personnel costs	-190,138	–	-190,138
Other expenses	-359,572	–	-359,572
<b>Total general administration expense</b>	<b>-549,710</b>	<b>–</b>	<b>-549,710</b>
Depreciation/amortization and impairment of tangible and intangible assets	-22,864	–	-22,864
<b>Total expenses</b>	<b>-572,574</b>	<b>–</b>	<b>-572,574</b>
<b>Income before loan losses</b>	<b>172,109</b>	<b>-1,567</b>	<b>170,542</b>
Loan losses	-24,639	-34	-24,673
<b>Operating income</b>	<b>147,470</b>	<b>-1,601</b>	<b>145,869</b>
Taxes	-41,291	448	-40,843
<b>NET PROFIT FOR THE PERIOD</b>	<b>106,179</b>	<b>-1,152</b>	<b>105,027</b>

**NOTE 10 CONTINUED****RESTATED CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2006**

SEK 000s	Balance sheet according to interim report	Restatement	Balance sheet restated in accordance with IFRS
<b>ASSETS</b>			
Lending to credit institutions	2,255,102	–	2,255,102
Lending to the public	52,387,466	-26,518	52,360,948
Shares and participations	7,969	–	7,969
Bonds and other interest-bearing securities	2,602,060	-12,104	2,589,956
Derivatives		311,332	311,332
Other assets	836,145	47,661	883,806
<b>TOTAL ASSETS</b>	<b>58,088,742</b>	<b>320,371</b>	<b>58,409,113</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>			
Liabilities to credit institutions	385,672	–	385,672
Deposits and borrowing from the public	24,212,653	–	24,212,653
Issued securities	27,797,177	109,678	27,906,855
Derivatives		164,307	164,307
Other liabilities and provisions	1,386,128	33,172	1,419,300
Subordinated debt	1,050,000	–	1,050,000
Shareholders' equity	3,257,112	13,214	3,270,326
<b>TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>	<b>58,088,742</b>	<b>320,371</b>	<b>58,409,113</b>

This interim report is unaudited.

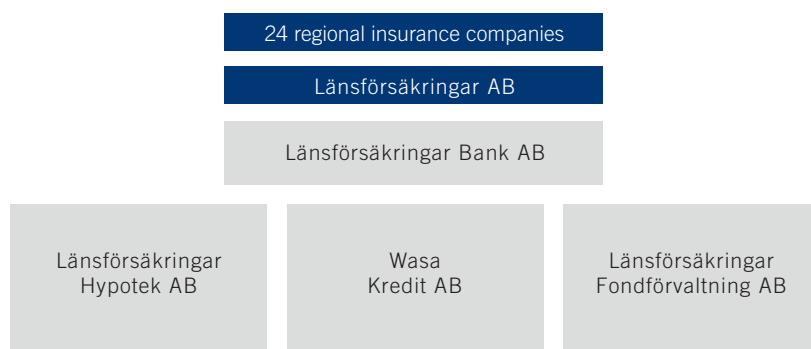
Stockholm, October 23, 2007

Tomas Johansson  
President



**Reporting dates in 2007/2008:**

Year-end report February 21, 2008  
Interim report, January – March 2008 April 22, 2008



The Länsförsäkringar Alliance organization is based on 24 local, independent and customer-owned regional insurance companies. The regional insurance companies jointly own Länsförsäkringar AB. In turn, Länsförsäkringar AB owns Länsförsäkringar Bank, with the subsidiaries Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondförvaltning. Customer contact always occurs at the regional insurance companies. There are nearly 100 offices. From the customer's viewpoint, the regional insurance companies operate as local banks, in the same manner as with non-life insurance and life assurance.



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