



# Länsförsäkringar Hypotek

YEAR-END REPORT 2008

## Summary

- Operating profit increased to SEK 129 M (58).
- Net interest income rose by 53% to SEK 361 M (236).
- The capital adequacy ratio was 10.5% (10.5) and the Tier 1 ratio was 8.2% (8.6).
- Lending increased by 13% to SEK 54 billion (48).
- Credit quality was highly favorable and the retail mortgage operations maintained a low risk profile.
- The number of customers rose to 115,000 (106,000).
- For the fourth consecutive year, Länsförsäkringar had the most satisfied retail mortgage customers compared with all Swedish banks according to the 2008 Swedish Quality Index.

Figures in parentheses pertain to 2007.

### Anders Borgcrantz, President of Länsförsäkringar Hypotek:

“ I am proud that we had the most satisfied retail mortgage customers in Sweden for the fourth consecutive year. This explains our success in achieving continued market growth, our significantly improved profit – our strongest to date – and our enhanced profitability. According to the Swedish Quality Index, customers gave our advisory services, customer service and our principles for setting interest rates a top ranking. This distinction confirms that we have a close relationship with our customers and a consistent setting of interest rates with reasonably priced products that are appreciated by our customers. The quality of our credit portfolio is very high and our liquidity situation is strong. ”



## Key figures

	2008	2007	2006
Return on shareholders' equity, %	4.1	2.0	1.5
Return on total capital, %	0.2	0.1	0.1
Investment margin, %	0.65	0.53	0.52
Cost/income ratio before loan losses	0.34	0.49	0.69
Cost/income ratio after loan losses	0.34	0.47	0.57
Capital adequacy ratio, %	10.5	10.5	-
Tier 1 ratio, %	8.2	8.6	-
Percentage of doubtful receivables, gross, % *	0.11	0.06	0.04
Percentage of doubtful receivables, net, % *	0.03	0	0
Provision ratio for doubtful receivables, % *	73	142	263

\* Doubtful receivables amounts to SEK 58 M (29). The value of the collateral has not been taken into consideration in the reporting of doubtful receivables. Taking the value of the collateral into consideration, the doubtful receivables item would amount to SEK 2 M (2), corresponding to a gross doubtful receivables ratio of 0% (0) and a net ratio of 0 % (0).

## Quarterly development

SEK 000s	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	126,059	87,079	72,943	74,946	65,217
Net profit/loss from financial items at fair value	-4,959	10,751	874	1,792	189
Net commission	-54,033	-42,971	-40,059	-37,728	-36,429
Other operating income	0	33	9	37	27
<b>Total operating income</b>	<b>67,067</b>	<b>54,892</b>	<b>33,767</b>	<b>39,047</b>	<b>29,004</b>
Personnel costs	-2,611	-2,857	-2,849	-2,745	-3,159
Other administration expenses	-16,746	-13,565	-12,009	-12,157	-10,478
<b>Total operating expenses</b>	<b>-19,357</b>	<b>-16,422</b>	<b>-14,858</b>	<b>-14,902</b>	<b>-13,637</b>
<b>Profit before loan losses</b>	<b>47,710</b>	<b>38,470</b>	<b>18,909</b>	<b>24,145</b>	<b>15,367</b>
Loan losses, net	-541	365	339	-360	-470
<b>Operating profit</b>	<b>47,169</b>	<b>38,835</b>	<b>19,248</b>	<b>23,785</b>	<b>14,897</b>

## Market commentary

At the end of the third quarter of 2008, the financial turmoil that began in the capital market in 2007 entered an extremely turbulent phase. As a result of the massive support measures implemented by national governments and central banks, this financial turbulence subsided toward the end of the year, thereby enabling the lending market to function adequately during most of the year.

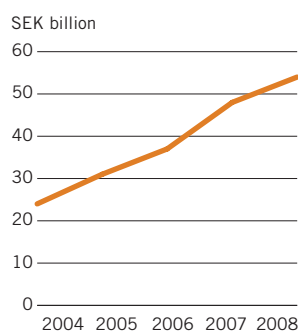
Throughout the majority of the financial turbulence, the Swedish TED spreads were lower than in most countries, which indicates a higher level of confidence in the Swedish market.

At the end of the year, the global economy was subject to major imbalances and the impact on the real economy began to take effect through declining growth, labor-market and housing-price trends. From an international perspective, the Swedish economy was relatively strong at the onset of the recession. Swedish household indebtedness and repayment capacity were also favorable.

## Continued growth

Sales, advisory services and customer services are carried out through the approximately 110 branches of the 24 regional insurance companies and via the Internet and telephone. In 2008, 9 new branches were opened and the number of bank advisors rose by 49. Länshem Fastighetsförmedling's 49 branches throughout Sweden also serve as a significant sales channel. Volumes continued to increase, making the retail mortgage operations an increasingly significant source of income for the regional insurance companies

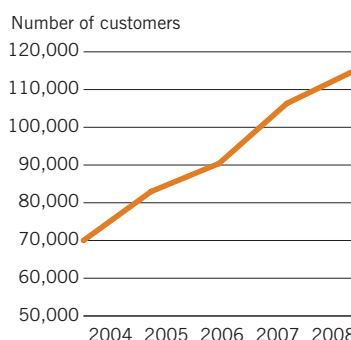
Lending to the public



## Most satisfied mortgage customers again

According to the 2008 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied mortgage customers for the fourth consecutive year. Länsförsäkringar's ranking also improved within the areas of image, customer expectations and product and service quality. High-quality advisory services were significantly more important to customers this year than in previous surveys. Interest rates, other mortgage costs and good service were also valued highly by customers.

Customer trend



## Business volumes

Total assets amounted to SEK 57 billion (48), an increase of 19%. Lending to the public rose by 13%, or SEK 6 billion, to SEK 54 billion (48).

## 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 average loan to value rate (LTV) is 58% and the average commitment per borrower is SEK 733,000. The quality of the portfolio remains extremely high and has not been affected by the deterioration of the real economy. The geographic

spread in Sweden is highly favorable and collateral comprises private homes.

Cover pool	Dec. 31, 2008
Volume	SEK 52 billion
Collateral	Private homes
Overcollateralization, minimum level	5%
Overcollateralization, actual level	23.7%
Weighted average LTV*	58%
Seasoning	31 months
Number of properties	71,477
Average commitment	733,000
Average loan	341,000
Geographic spread in Sweden	Excellent
Interest-rate type	variable 49%** fixed 51%

\* According to the "Maximum LTV (loan-to-value) per property" calculation method.

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

During a stress test of the cover pool based on a 20% price drop in the market value on December 31, 2008, the average LTV increased to 65% compared with weighted average LTV of 58% on December 31, 2008.

## Borrowing and liquidity

Long-term borrowing with covered bonds increased by 14% to SEK 42 billion (37). Issued securities amounted to SEK 17.5 billion during the year. Repurchased securities amounted to SEK 5.7 billion and matured debt totaled SEK 7.4 billion during the year. Liquidity, which is managed for the entire Group by the Parent Company, remained highly favorable.

## Rating

Länsförsäkringar's covered bonds were 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.

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

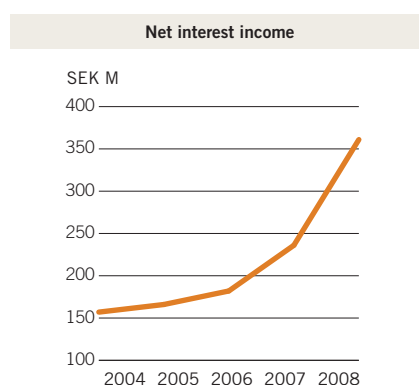
Länsförsäkringar applies the Internal Ratings-based Approach (IRB Approach). The aim is to achieve enhanced transparency and, thereby, greater stability in the financial system. The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail 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 percentage points in 2008. In accordance with the applicable transition rules, the company's capital adequacy ratio amounted to 10.5% and the Tier 1 ratio was 8.2%. 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 rules, the capital requirement, excluding transition rules, amounted to SEK 859 M on December 31, 2008, a decrease of 67% compared with SEK 2,571 M according to Basel I regulations. For more information on the calculation of capital adequacy, refer to note 10.

## Earnings and profitability

Profit before loan losses amounted to SEK 129 M (56) and operating profit to SEK 129 M (58). This rise was attributable to increased volumes and improved margins. Return on shareholders' equity improved to 4.1% (2.0).

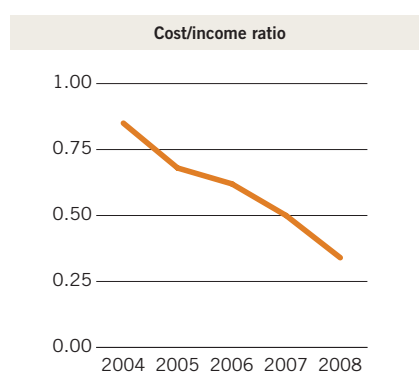
## Income

Net interest income rose by 53% to SEK 361 M (236). This increase was attributable to a higher volume of lending and an improved margin. Borrowing costs were affected positively by the increase in borrowing with covered bonds. Net interest income was also impacted positively by the decrease in short-term interest rates during the fourth quarter. The investment margin increased to 0.65% (0.53), which was attributable to an improvement in net interest income.



## Expenses

Operating expenses increased by SEK 12 M, or 22%, to SEK 66 M (54), which was attributable to increased management costs. The cost/income ratio rose to 0.34 (0.49) before loan losses and 0.34 (0.47) after loan losses. These improved cost/income ratios are attributable to the company's substantial 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 (+3), net.

Doubtful receivables rose to SEK 58 M (29), corresponding to a gross doubtful receivables ratio of 0.11% (0.06) and a net ratio of 0.03% (0). The value of the collateral has not been taken into consideration in the reporting of doubtful receivables. Taking the value of the collateral into consideration, the doubtful receivables item would amount to SEK 2 M (2), corresponding to a gross doubtful receivables ratio of 0% (0) and a net ratio of 0% (0).

## Interest-rate risk

On December 31, 2008, an increase in market interest rates of 1 percentage point would have resulted in a decrease in the value of interest-bearing assets and liabilities, including derivatives, of SEK 15 M (+27).

## Risks and uncertainties

The prevailing market turbulence had a major effect on the global financial sector and 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 after year-end

On January 1, 2009, the Parent Company, Länsförsäkringar Bank, and the Länsförsäkringar AB Group were reorganized to enhance competitiveness and make the use of joint resources more efficient.

## Income statement

SEK 000s	Note	2008	2007
Interest income	2	5,146,852	3,102,513
Interest expense	3	-4,785,825	-2,866,062
<b>Net interest income</b>		<b>361,027</b>	<b>236,451</b>
Commission revenue	4	1,872	1,561
Commission expense	5	-176,663	-129,154
Net profit/loss from financial items at fair value	6	8,458	-57
Other operating income		79	294
<b>Total operating income</b>		<b>194,773</b>	<b>109,095</b>
Personnel costs		-11,062	-8,403
Other administration expenses		-54,477	-45,168
<b>Total operating expense</b>		<b>-65,539</b>	<b>-53,571</b>
<b>Profit before loan losses</b>		<b>129,234</b>	<b>55,524</b>
Loan losses, net	7	-197	2,564
<b>Operating profit</b>		<b>129,037</b>	<b>58,088</b>
Tax		-36,219	-16,415
<b>NET PROFIT FOR THE YEAR</b>		<b>92,818</b>	<b>41,673</b>

## Balance sheet

SEK 000s	Note	Dec. 31, 2008	Dec. 31, 2007
<b>ASSETS</b>			
Lending to credit institutions		298	-
Lending to the public	8	53,592,412	47,555,199
Derivatives	9	2,167,476	467,259
Fair value changes of hedged items in portfolio hedge of interest-rate risk		1,044,032	-247,174
Deferred tax assets		47	45
Other assets		3,883	11,517
Prepaid expenses and accrued income		653,126	545,405
<b>TOTAL ASSETS</b>		<b>57,461,274</b>	<b>48,332,251</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>			
Liabilities to credit institutions		8,498,308	6,067,564
Issued securities		42,284,805	37,013,276
Derivatives	9	1,188,842	307,703
Fair value changes of hedged items in portfolio hedge of interest-rate risk		991,767	-215,459
Other liabilities		142,778	1,270,318
Accrued expenses and deferred income		1,340,903	1,149,668
Provisions		172	160
Subordinated debt		662,614	512,614
<b>TOTAL LIABILITIES AND PROVISIONS</b>		<b>55,110,189</b>	<b>46,105,844</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital, 70,335 shares		70,335	70,335
Statutory reserve		14,067	14,067
Profit brought forward		2,173,865	2,100,332
Net profit for the year		92,818	41,673
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,351,085</b>	<b>2,226,407</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>57,461,274</b>	<b>48,332,251</b>
<b>MEMORANDUM ITEMS</b>			
Pledged assets		NONE	NONE
Contingent liabilities		689	640
Commitments			
Repurchase transactions		7,953,806	-
Loans approved but not disbursed		162,733	98,284
<b>Total commitments</b>		<b>8,116,539</b>	<b>98,284</b>
<b>Other notes</b>			
Accounting principles	1		
Capital-adequacy analysis	10		

## Cash-flow statement, indirect method

SEK 000s	2008	2007
Cash and cash equivalents, January 1, 2008	-	174,456
<b>Operating activities</b>		
Operating profit	129,037	58,088
Adjustment of non-cash items	-109,082	111,196
<b>Change in assets of operating activities</b>		
Change in lending to the public	-6,043,735	-11,013,702
Change in derivatives	-1,714,427	-325,451
Change in other assets	7,633	-11,466
<b>Change in liabilities of operating activities</b>		
Change in liabilities to credit institutions	2,430,744	-27,474,779
Change in deposits and borrowing from the public	-	-437,281
Change in securities issued	5,271,529	37,013,276
Change in other liabilities	-1,127,540	1,246,066
Change in derivatives	881,139	234,597
<b>Cash flow from operating activities</b>	<b>-274,702</b>	<b>-599,456</b>
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>		
Shareholders' contributions received	125,000	275,000
Subordinated loans received	150,000	150,000
<b>Cash flow from financing activities</b>	<b>275,000</b>	<b>425,000</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>298</b>	<b>-174,456</b>
<b>Cash and cash equivalents, December 31</b>	<b>298</b>	<b>-</b>
<b>Non-cash items</b>		
Unrealized portion of net profit from financial items	14,210	-811
Loan losses, excluding recoveries	6,522	8,098
Change in accrued expenses/income	83,514	199,514
Provisions	12	160
Receivable/liability Group contribution after tax	-93,139	-55,198
Income tax	-36,219	-16,415
Deferred tax assets	-2	-45
Fair value changes of hedged items in portfolio hedge of interest-rate risk	-83,980	-24,107
	<b>-109,082</b>	<b>111,196</b>
<b>Cash and cash equivalents comprise:</b>		
Lending to credit institutions, terms of up to 3 months	298	-

## Change in shareholders' equity

SEK 000s	Share capital	Statutory reserve	Profit brought forward	Net profit for the year	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>
In accordance with resolution by Annual General Meeting			25,726	-25,726	-
<b>Total changes in shareholders' equity reported directly against shareholders' equity</b>			<b>25,726</b>	<b>-25,726</b>	<b>-</b>
Net profit for the year through the income statement				41,673	41,673
<b>Total change before transactions with shareholders</b>			<b>25,726</b>	<b>15,947</b>	<b>41,673</b>
Shareholders' contribution received from Parent Company			200,000		200,000
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>
In accordance with resolution by Annual General Meeting			41,673	-41,673	-
<b>Total changes in shareholders' equity reported directly against shareholders' equity</b>			<b>41,673</b>	<b>-41,673</b>	<b>-</b>
Net profit for the year through the income statement				92,818	92,818
<b>Total change before transactions with shareholders</b>			<b>41,673</b>	<b>51,145</b>	<b>92,818</b>
Conditional shareholders' contribution received from Parent Company			125,000		125,000
Group contributions paid			-129,360		-129,360
Tax effect of Group contributions paid			36,221		36,221
<b>Closing balance, December 31, 2008</b>	<b>70,335</b>	<b>14,067</b>	<b>2,173,866</b>	<b>92,818</b>	<b>2,351,086</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 (FFF S 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 2.1 Accounting for Legal Entities. The accounting principles applied in the year-end report comply with the accounting principles that were applied in the preparation of the 2008 Annual Report.

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

### NOTE 2 INTEREST INCOME

SEK 000s	2008	2007
Interest income on lending to credit institutions	163,013	92,181
Interest income on lending to the public	2,522,274	1,739,166
Interest income on derivatives	2,456,758	1,271,163
Other interest income	4,807	3
<b>Total interest income</b>	<b>5,146,852</b>	<b>3,102,513</b>
Average interest rate on lending to the public during the period, %	5.0	4.2

### NOTE 3 INTEREST EXPENSE

SEK 000s	2008	2007
Interest expense, liabilities to credit institutions	529,475	843,277
Interest expense, deposits from the public	-	10,382
Interest expense, interest-bearing securities	1,770,173	741,313
Interest expense, subordinated debt	33,448	17,539
Interest expense, derivatives	2,452,640	1,253,551
Other interest expense	89	-
<b>Total interest expense</b>	<b>4,785,825</b>	<b>2,866,062</b>

### NOTE 4 COMMISSION REVENUE

SEK 000s	2008	2007
Commission on lending	1,872	1,561
<b>Total commission revenue</b>	<b>1,872</b>	<b>1,561</b>

### NOTE 5 COMMISSION EXPENSE

SEK 000s	2008	2007
Remuneration to regional insurance companies	174,643	128,311
Other commission	2,020	843
<b>Total commission expense</b>	<b>176,663</b>	<b>129,154</b>

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

SEK 000s	2008	2007
<b>Change in fair value</b>		
Interest-related instruments	-158,862	-27,882
Currency-related instruments	69,570	2,972
Change in fair value of hedged item	83,981	24,107
Interest compensation	8,017	1,614
<b>Capital gain/loss</b>		
Interest-related instruments	4,542	-868
Profit/loss from other financial assets	1,210	-
<b>Total net profit/loss from financial items at fair value</b>	<b>8,458</b>	<b>-57</b>

**NOTE 7 LOAN LOSSES, NET**

SEK 000s	2008	2007
<b>Specific provisions for individually appraised loan receivables</b>		
Write-off of confirmed loan losses during the year	-876	-676
Reversed earlier impairment of loan losses recognized in the year-end accounts as confirmed losses	-	-
Impairment of loan losses during the year	-492	-140
Payment received for prior confirmed loan losses	6,325	10,663
Reversed impairment of loan losses no longer required	765	147
<b>Net expense for the year for individually appraised loan receivables</b>	<b>5,722</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	-5,919	-7,430
<b>Net expense for the year for group-wise appraised homogenous loan receivables</b>	<b>-5,919</b>	<b>-7,430</b>
<b>Net expense of loan losses for the year</b>	<b>-197</b>	<b>2,564</b>

All information pertains to receivables from the public.

## NOTE 8 LENDING TO THE PUBLIC

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
<b>Loan receivables, gross</b>		
Corporates	345,256	277,660
Retail	53,289,579	47,318,854
Other	224	-
<b>Total loan receivables, gross</b>	<b>53,635,059</b>	<b>47,596,514</b>
<b>Impairment of individually reserved loan receivables</b>		
Retail	-213	-1,870
<b>Total individual provisions</b>	<b>-213</b>	<b>-1,870</b>
<b>Impairment of group-wise reserved loan receivables</b>		
Corporates	-	-15
Retail	-42,434	-39,430
<b>Total group-wise provisions</b>	<b>-42,434</b>	<b>-39,445</b>
<b>Total provisions</b>	<b>-42,647</b>	<b>-41,315</b>
<b>Loan receivables, net</b>		
Corporates	345,256	277,645
Retail	53,246,932	47,277,554
Other	224	-
<b>Total loan receivables, net</b>	<b>53,592,412</b>	<b>47,555,199</b>
<b>Doubtful loan receivables</b>		
Corporates	900	900
Retail	57,315	28,161
<b>Total doubtful loan receivables</b>	<b>58,215</b>	<b>29,061</b>

### Definitions:

A loan receivable is considered doubtful if a payment is more than 60 days overdue or if there is reason to expect that the counterparty cannot meet its undertaking.

The value of the collateral has not been taken into consideration in the reporting of doubtful receivables. Taking the value of the collateral into consideration, the doubtful receivables item would amount to SEK 2 M (2).

## NOTE 9 DERIVATIVE INSTRUMENTS

SEK 000s	Dec. 31, 2008		Dec. 31, 2007	
	Par value	Fair value	Par value	Fair value
<b>Derivative instruments with positive values</b>				
Interest-rate derivatives	31,522,500	1,018,140	21,740,000	293,840
Currency derivatives	5,020,916	1,149,336	7,116,535	173,419
<b>Total derivative instruments with positive values</b>	<b>36,543,416</b>	<b>2,167,476</b>	<b>28,856,535</b>	<b>467,259</b>
<b>Derivative instruments with negative values</b>				
Interest-rate derivatives	28,040,000	1,171,722	24,022,500	302,327
Currency derivatives	91,680	17,120	155,779	5,376
<b>Total derivative instruments with negative values</b>	<b>28,131,680</b>	<b>1,188,842</b>	<b>24,178,279</b>	<b>307,703</b>

**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	Dec. 31, 2008	Dec. 31, 2007
Tier 1 capital, gross	2,351,038	2,226,451
Less IRB deficit	-25,888	-21,518
<b>Tier 1 capital, net</b>	<b>2,325,150</b>	<b>2,204,933</b>
Tier 2 capital	662,614	512,614
Deductions for Tier 2 capital	-25,888	-29,518
<b>Total capital base</b>	<b>2,961,876</b>	<b>2,688,029</b>
<b>Risk-weighted assets according to Basel II</b>	<b>10,737,313</b>	<b>9,314,563</b>
<b>Risk-weighted assets according to transition rules</b>	<b>28,292,250</b>	<b>25,655,725</b>
<b>Total capital requirement for credit risk</b>		
Capital requirement for credit risk in accordance with Standardized Approach	93,607	114,309
Capital requirement for credit risk in accordance with IRB Approach	755,062	622,123
Capital requirement for operational risk	10,316	8,733
<b>Capital requirement</b>	<b>858,985</b>	<b>745,165</b>
Adjustment according to transition rules	1,404,395	1,307,293
<b>Total capital requirement</b>	<b>2,263,380</b>	<b>2,052,458</b>
Tier 1 ratio according to Basel II, %	21.65	23.67
Capital adequacy ratio according to Basel II, %	27.58	28.86
Total capital ratio according to Basel II *	3.45	3.61
Tier 1 ratio according to transition rules, %	8.22	8.59
Capital adequacy ratio according to transition rules, %	10.47	10.48
Total capital ratio according to transition rules *	1.31	1.31
<b>Capital requirement</b>		
<b>Capital according to Standardized Approach</b>		
Exposures to institutions	33,401	11,432
Exposures to corporates	2,826	5,351
Retail exposures	-	459
Exposure secured on residential property	53,773	91,342
Past due items	543	890
Other items	3,064	4,835
<b>Total capital requirement for credit risk according to Standardized Approach</b>	<b>93,607</b>	<b>114,309</b>
<b>Credit risk according to IRB Approach</b>		
<b>Retail exposures</b>		
Exposures secured by real estate collateral	751,825	619,244
Other retail exposures	3,237	2,879
<b>Total capital requirement for credit risk in accordance with IRB Approach</b>	<b>755,062</b>	<b>622,123</b>
<b>Operational risk</b>		
Standardized Approach	10,316	8,733
<b>Total capital requirement for operational risk</b>	<b>10,316</b>	<b>8,733</b>

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

NOTE 10 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
<b>Capital-adequacy analysis according to Basel I</b>		
Tier 1 capital	2,351,038	2,226,362
Tier 2 capital	662,614	504,614
<b>Total capital base</b>	<b>3,013,652</b>	<b>2,730,976</b>
Risk-weighted assets	32,136,623	27,572,299
Capital requirement for credit risk	2,570,930	2,205,784
Tier 1 ratio, %	7.32	8.07
Capital adequacy ratio, %	9.38	9.90
Total capital ratio	1.17	1.24

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, 2009

Anders Borgcrantz  
President

**Reporting dates:**

Interim report, January-March 2009    April 22, 2009  
Interim report, January-June 2009    August 25, 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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