



2008

Länsförsäkringar Hypotek
Annual Report



Contents

2008 in brief	1
Statement by the President	2
Vision and strategy	4
Economic environment and financial market	6
Mortgage loans	8
Credit quality	10
Borrowing and liquidity	12
Board of Directors' Report	14
Risk and capital management	16
Five-year summary	18
Income statement	19
Balance sheet	19
Cash-flow statement	20
Change in shareholders' equity	20
Notes to the financial statements	21
Audit Report	41
Board of Directors, auditors and executive management	42
Definitions	43
Financial calendar	44
Addresses	45

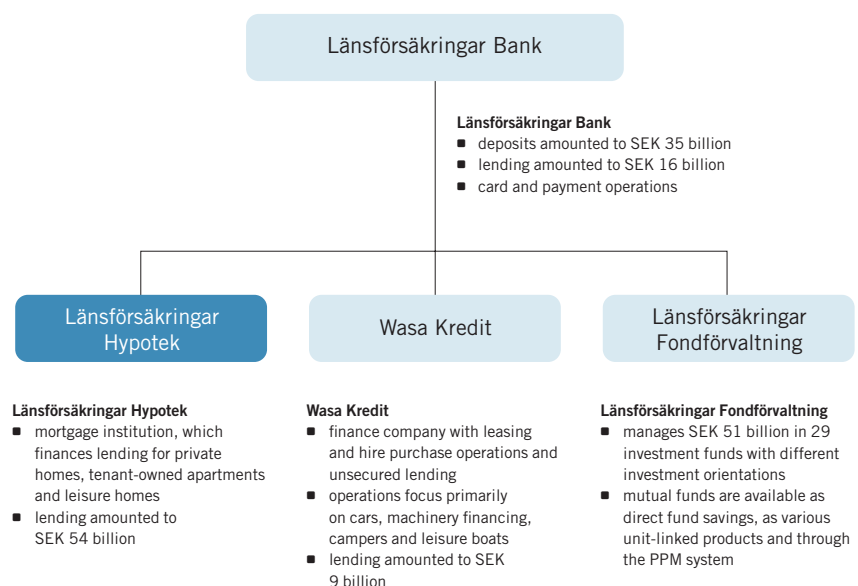
Länsförsäkringar Hypotek

– part of the Länsförsäkringar Alliance

The Länsförsäkringar Alliance comprises 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. All customer contacts are made at the regional insurance companies. Länsförsäkringar AB conducts joint non-life insurance, banking and insurance operations, pursues development activities and provides services in areas that generate economies of scale and efficiency, all in an effort to create possibilities for the regional insurance companies to be successful in their respective markets. A wide range of insurance, pension solutions, banking services and other financial solutions are offered to the company's 3.2 million customers. The Länsförsäkringar Alliance has 5,800 employees.

Länsförsäkringar Bank is a subsidiary of Länsförsäkringar AB and the Parent Company of the Banking Group. The Banking Group includes the subsidiaries Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondförvaltning. Länsförsäkringar Hypotek is Länsförsäkringar's mortgage institution.

- Länsförsäkringar Hypotek is the seventh largest player in the Swedish retail mortgage market, with lending totalling SEK 54 billion.
- Lending, which is provided to private individuals and homeowners, can be conducted at the more than 110 branches of the regional insurance companies throughout Sweden and via the Internet and telephone.
- The market share for household and retail mortgage lending was 3.5% and the percentage of market growth amounted to 6.4% for 2008.
- According to the 2008 Swedish Quality Index (SQI), Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the fourth consecutive year and Sweden's most satisfied bank customers in the retail market for the fourth time. The number of retail mortgage customers amounted to 115,000.
- Most of the banking operations' borrowing occurs through Länsförsäkringar Hypotek. Borrowing is executed with covered bonds (AAA/Aaa), which amount to SEK 42 billion.



2008 in brief

- 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).
- The market share for retail and mortgage lending rose to 3.5% (3.2).
The percentage of market growth amounted to 6.4% for the year.
- Credit quality was highly favourable and the 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.
- During the year, ten new bank branches were opened and the number of bank and mortgage advisors continued to increase.

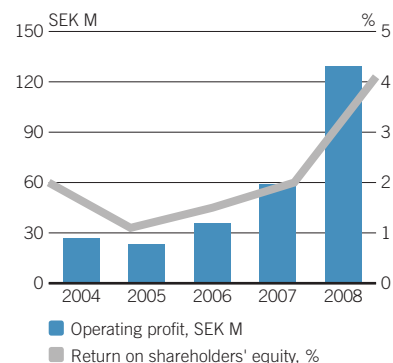
Key figures	2004	2005	2006	2007	2008
Return on shareholders' equity, %	2.0	1.1	1.5	2.0	4.1
Return on total capital, %	0.1	0.1	0.1	0.1	0.2
Investment margin, %	0.78	0.60	0.52	0.53	0.65
Cost/income ratio before loan losses	0.65	0.68	0.69	0.49	0.34
Cost/income ratio after loan losses	0.61	0.60	0.57	0.47	0.34
Capital adequacy ratio, %	11.3 ¹⁾	12.1 ¹⁾	11.2 ¹⁾	10.5 ²⁾	10.5 ²⁾
Tier ratio, %	9.1 ¹⁾	10.0 ¹⁾	9.4 ¹⁾	8.6 ²⁾	8.2 ²⁾
Percentage of doubtful receivables, gross, % ³⁾	0.14	0.09	0.04	0.06	0.11
Percentage of doubtful receivables, net, % ³⁾	0	0	0	0	0.03
Provision ratio for doubtful receivables, % ³⁾	107	139	263	142	73
Level of loan losses, %	0	0	0	0	0

¹⁾ According to Basel I.

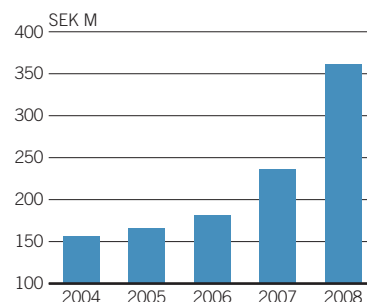
²⁾ According to Basel II transition rules.

³⁾ The value of the collateral has not been taken into consideration in the reporting of doubtful receivables.

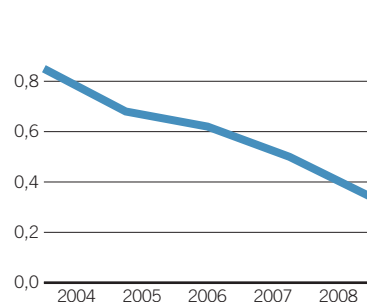
OPERATING PROFIT AND RETURN ON SHAREHOLDERS' EQUITY



NET INTEREST INCOME



COST/INCOME RATIO BEFORE LOAN LOSSES



Statement by the President: Stability in times of uncertainty

During the autumn, the world was hit by financial turbulence and a liquidity shortage that few could have predicted. Global economic growth came to a standstill and several world-leading players in the banking and financial market were affected. By year-end, Sweden was entering a recession and many Swedes had begun to feel the impact on the real economy. Despite the financial crisis, Länsförsäkringar has coped extremely well. Our mortgage volumes have grown, our operations have a low risk and we have almost no loan losses.



Most satisfied retail mortgage customers again

According to the 2008 Swedish Quality Index (SQI), Länsförsäkringar had Swe-

den's most satisfied retail mortgage customers for the fourth consecutive year. High-quality advisory services and customer service were decisive criteria in this year's survey. Our long-term and consistent setting of interest rates with reasonably priced products is appreciated by our customers, which is particularly gratifying in a year characterised by major interest-rate fluctuations in the global market. We always try to act as a challenger and to maintain competitive prices for the sake of our customers.

There are several explanations as to why our customers are so satisfied, but I would like to draw special attention to the local customer and market awareness of our 24 local, independent regional insurance companies. The knowledge they contribute, as well as Länsförsäkringar's respect for custom-

ers, is crucial. Customer relations are based on a close relationship with local advisors. Our products are highly sought after, reasonably priced and easily accessible also through our Internet and telephone services. Länsförsäkringar is also customer-owned, which entails long-term ownership through a federal ownership structure, thereby guaranteeing stability, security and long-term growth.

Best results to date

Länsförsäkringar's retail mortgage lending operations maintained a favourable volume trend during the year and lending increased to SEK 54 billion, despite a decline in activity in the Swedish retail mortgage market during the second half of the year. Our earnings and profitability improved significantly. Net interest

income rose to SEK 361 M and profit to SEK 129 M, which resulted in a more than doubled return on shareholders' equity. This is the best year in the company's history. Our market position was strengthened during the year and our market share for retail and mortgage lending increased to 3.5%. Our profit and progress of the operations during the year indicated that we have selected the right strategy, namely to achieve long-term, stable growth with low risk.

No loan losses

The quality of our credit portfolio of SEK 54 billion is very high and we had almost no loan losses. Essentially all lending is included in the covered bond operations and collateral comprises private homes with a favourable geographic spread across Sweden. The average loan commitment is relatively low and the loan-to-value ratio, or weighted average LTV, in the cover pool is 58%. It is worth pointing out that four different methods for calculating weighted average LTV are used by Swedish players that issue covered bonds. Länsförsäkringar uses the "Maximum LTV (loan-to-value) per property" calculation method, which is deemed to be the most conservative method.

Länsförsäkringar's loan origination is conservative and based on low risk. The relationship between us and our customers is mutual. Our customers should be secure in their loans and we should be secure in our business. To date, this perspective has provided Länsförsäkringar Hypotek with strong volume growth, profitability and an extremely low level of loan losses.

Everyone affected by financial crisis

The financial uncertainty that began in the summer of 2007 developed into financial turbulence during the autumn. The global capital markets essentially stopped functioning due to the lack of confidence among the players, resulting in a

major liquidity shortage. National governments and central banks were then able to avert the acute liquidity crisis by implementing substantial measures. After several banking and finance players worldwide were affected due to excessively high risk-taking, confidence among the players has slowly started to be restored. It has become clear which players have a more sustainable strategy with a lower risk-taking and long-term stability.

Although Swedish households have coped relatively well so far, the recession has also started to leave its mark in Sweden. Economic growth has come to a halt and GDP fell 0.2% during the year. The number of layoff notices increased and housing prices dropped at the end of the year, although not as sharply as in many other countries. Sales of private homes and tenant-owned apartments declined. Swedish households have a significantly lower level of indebtedness and better repayment capacity compared with many other countries, which means that they are better equipped to face the economic downturn. The importance of sound financial advisory services for households will increase during the coming years.

Borrowing, liquidity and credit rating

Due to the company's covered bonds, lending in the mortgage operations was executed at a lower financing cost compared with the preceding year, which strengthened net interest income. The year 2008 was the first full year financed by covered bonds and the lower borrowing costs made a full impact. The operations have favourable liquidity and liquidity management is handled by the Parent Company Länsförsäkringar Bank.

Länsförsäkringar Hypotek's covered bonds are assigned the highest credit rating by both Standard & Poor's (AAA) and Moody's (Aaa). The fact that we retained our credit ratings is proof of our strength and Läns-

försäkringar is one of four players in the Swedish borrowing market with the highest rating from both rating agencies.

Ensuring continued security in the future

With an economic downturn and considerable uncertainty among Swedish households, we will face some major challenges in 2009. In 2008, the Länsförsäkringar AB Group was reorganised to increase competitiveness, cut costs and enhance efficiency, which in an uncertain business environment creates excellent conditions for continued success.

Länsförsäkringar's strength in times like these is that we are a stable and long-term player that has existed since 1801. We are a reliable retail mortgage player that values customer confidence highly – higher than short-term results.

The personal customer meetings that occur at the 24 local, independent regional insurance companies always remain our focus. We will continue to act as a challenger, to offer our customers reasonably priced mortgage products and to serve as a financial advisor within banking and insurance. I confidently look forward to 2009, a year which I believe we will be properly equipped to face as we continue to establish a strong position in the retail mortgage market.

Stockholm, March 2009



Anders Borgcrantz
President

Vision and strategy: Financial security



Länsförsäkringar aims to provide people and companies with opportunities for financial security. The retail mortgage lending operations play a key role for strengthening Länsförsäkringar's customer relations in the retail market. Banking and mortgage transactions are becoming an increasingly large source of income for the Länsförsäkringar Alliance. In 2008, ten new branches were opened and the number of bank and mortgage advisors continued to rise. Länsförsäkringar's ownership structure and the strength of its financial structure benefit the company's banking operations and growth.

First choice for customers

Länsförsäkringar aims to be the customers' first choice for banking and insurance operations.

Business concept – reasonably priced banking services

The business concept of the retail mortgage lending operations is to offer reasonably priced mortgage loans to private individuals and homeowners. Länsförsäkringar acts a challenger in the market, with attractive mortgage products, customer service and value-for-money.

Market goal – profitable growth and the most satisfied customers in the market

The mortgage operations aim to contribute to the market goal of the Länsförsäkringar Alliance, which includes:

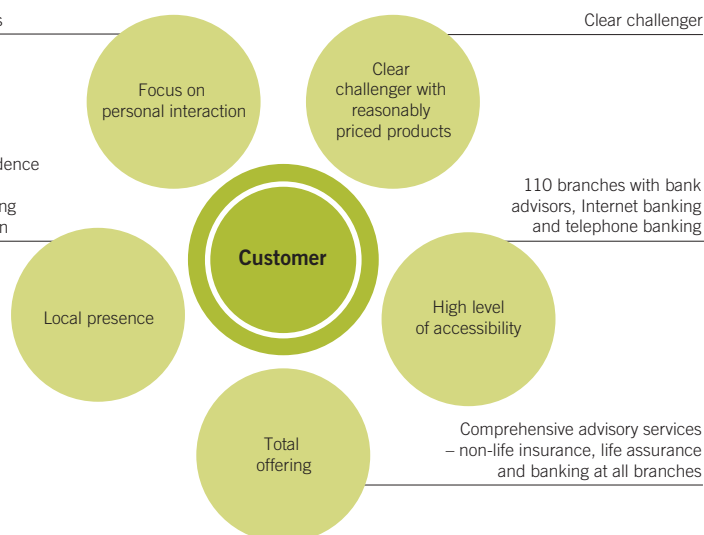
Customer meetings

Highest rating for customer meetings

Clear challenger

High level of confidence in the local market and extremely strong insurance operation

110 branches with bank advisors, Internet banking and telephone banking



Like Länsförsäkringar's other banking and insurance offerings, the retail mortgage lending operations are based on personal interaction and local presence through the 24 local, customer-owned regional insurance companies. Länsförsäkringar aims to be a challenger in the mortgage market, with high-quality advisory services, reasonably priced products and a total banking and insurance offering.

- Profitable growth in all sub-markets and core business.
- The most satisfied customers within banking and insurance.
- Increased proportion of customers with close relationship to Länsförsäkringar.

During the past five years, the retail mortgage volume has more than doubled from SEK 24 billion in 2004 to SEK 54 billion in 2008.

According to the 2008 Swedish Quality Index (SQI), Länsförsäkringar had Sweden's most satisfied retail mortgage customers for the fourth consecutive year. High-quality advisory services were significantly more important to customers this year than in previous surveys.

The banking and retail mortgage lending operations have a strategic focus on increasing the number of customers who have frequent contact and a close relationship with the bank. These customers are usually also customers of Länsförsäkringar's non-life insurance and/or life assurance operations. An attractive retail mortgage offering creates opportunities to reach more customers and strengthen the banking and insurance offering.

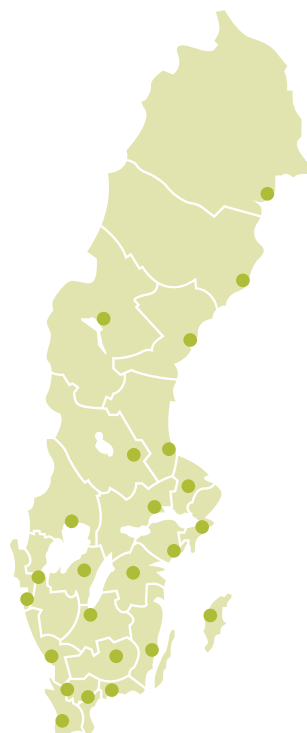
Strategy – strong brand, large customer base, local market awareness and a personal approach

All customer contact on Länsförsäkringar Hypotek's behalf takes place at the regional insurance companies. The local, independent regional insurance companies know their customers and markets best and build strong customer relations.

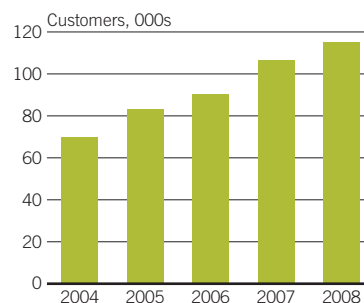
Local offerings, which lead to more customers, are launched continuously and joint offerings are also offered. Länsförsäkringar's overall core values – customer owned, local, accessibility and personal approach – are part of the strategy to earn the customer's confidence.

There are approximately one million homeowner insurance customers in the Länsförsäkringar Alliance most of whom require mortgage loans. The mortgage lending operations have 115,000 customers and the number of retail mortgage customers increased by 9,000 during the year.

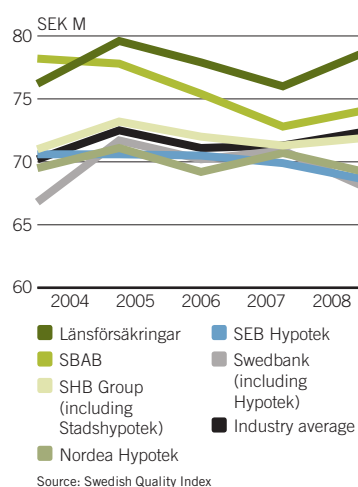
24 regional insurance companies



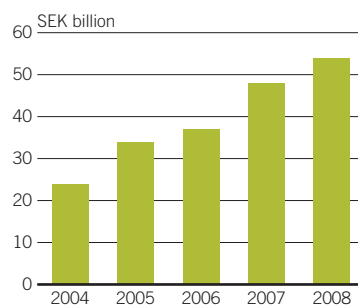
RETAIL MORTGAGE CUSTOMERS



SQI MORTGAGE LOANS 2004–2008



MORTGAGE LENDING



Economic environment and financial market: Economic downturn

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. A crisis of confidence arose which led to a substantial weakening of the function of the capital market, resulting in a liquidity shortage. 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.

While the lack of confidence among the players in the banking and financial sectors also affected Swedish banks, the Swedish capital market functioned better than other markets.

Throughout the entire period of financial turbulence, the Swedish TED spreads – the difference between inter-bank interest rates and government securities' rates – have essentially been lower than in the US, the UK and other EU countries, for example, which indicates a higher level of confidence in the Swedish market.

Global economy and business climate

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 and a weaker labour market.

The US GDP fell 0.8% in 2008. US households began saving at the end of the year for the first time in many years. This will have a negative short-term effect on the US GDP, 70% of which comprises private consumption. Unemployment has also risen in the US, resulting in lower incomes and a decline in consumption. The EU countries, which reported a 0.7% rise in GDP, entered the financial crisis at a later stage but are expected to experience the same trend as in the US.

Swedish economy

Sweden's GDP fell 0.2% during 2008, primarily due to a substantial reduction in inventories in industry and a slowdown in household consumption. Growth declined sharply during the fourth quarter and the number of layoff

notices increased at an unprecedented rate. Not since the beginning of the 1990s has the number of layoff notices been as high. The number of hours worked dropped as a result of a decline in demand and unemployment rose.

The OMX Nordic Exchange Stockholm fell 42% during the year, which is slightly worse than the global index, which fell 41%. Prices stabilised toward the end of the year, with positive exchange trends reported in December despite profit warnings, negative economic statistics and numerous layoff notices.

Sweden has a national budget surplus and relatively small national debt, which are strengths in the face of the economic downturn and the political measures that may result from it.



Housing price trend

Sales of private homes and tenant-owned apartments declined slightly in Sweden during the year and Swedish housing prices declined by 2%. However, this decrease was lower compared with most of the western world, where the fall in housing prices was greater. For example, housing prices in the UK dropped 9% and housing prices in the US fell 18%.

Weakened SEK

The SEK declined substantially in relation to both the USD and EUR during the year. Measured on the TCW index, the SEK fell nearly 13% during 2008 compared with Sweden's largest trading partners.

Interest-rate trends

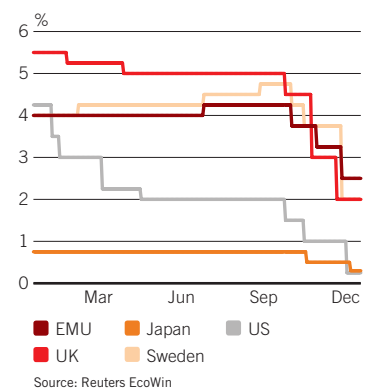
The world's central banks implemented massive measures at the end of the year to increase liquidity in the finance system and diminish the financial turbu-

lence. Key interest rates were also cut as part of these measures. In December, the US Federal Reserve lowered its interest rate to essentially zero. In Sweden, the Riksbank lowered its interest rate by 2.75 percentage points in the autumn from 4.75% and thereafter the repo rate was 2%. The Bank of England and ECB also reduced their interest rates by 2% and 2.5%, respectively.

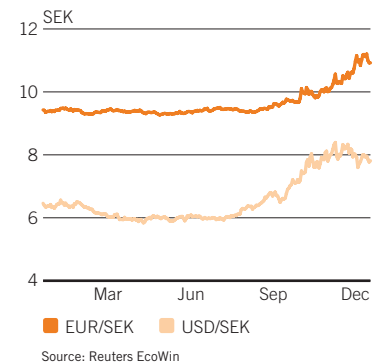
During the autumn, long-term interest rates fell due to the start of the economic downturn and concerns regarding deflation, and the central banks' substantial reductions to their key interest rates, that strengthened the reduction of the long-term interest rates. During the autumn, the Swedish ten-year interest rate dropped from 4.5% at mid-year to 2.4% at year-end. The US ten-year interest rate fell from 4.0% to 2.2% and the German from 4.6% to 2.9%.

Short-term interest rates also fell sharply as a result of the lowered key interest rates.

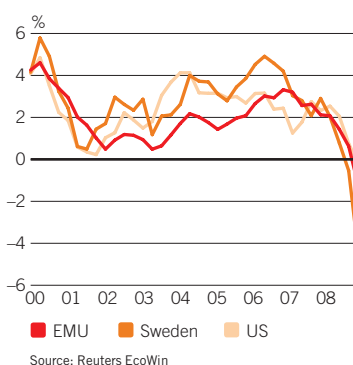
KEY INTEREST RATES 2008



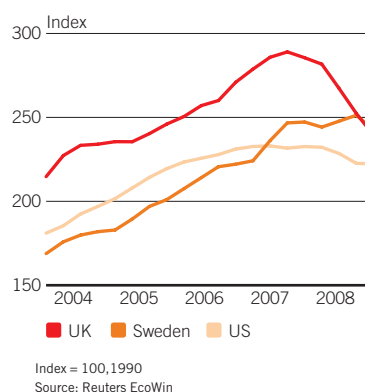
CURRENCY EXCHANGE RATES 2008



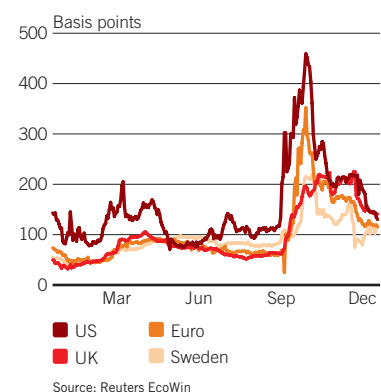
GDP GROWTH 2000–2008



HOUSING PRICE TREND 2004–2008



TED SPREADS 2008



Mortgage loans: Increased mortgage lending

Länsförsäkringar Hypotek offers mortgage loans of up to 75% of the property's market value for private homes, tenant-owned apartments, leisure homes and, to a certain extent, multi-family dwellings. The mortgage offering is part of Länsförsäkringar's offering in the retail market aimed at building strong, close customer relations.

Mortgage lending continued to increase

Competition among Swedish mortgage players remained intense and household and retail mortgage lending in Sweden increased to a total of SEK 2,033 billion (1,823). While the increase during the first six months of the year was in line with 2007, a distinct slowdown was noted toward the end of the year. Loans with variable interest rates accounted for 62% of new lending, which is the highest percentage with variable interest rates since 2000. Housing price trends weak-

ened toward the end of the year and the full-year price decrease for 2008 was 2%.

Länsförsäkringar's mortgage lending rose to SEK 54 billion (48), an increase of 13%. The market share for household and mortgage lending rose to 3.5% (3.2) and the percentage of market growth was 6.4%. This increase in lending and market growth is attributable to Länsförsäkringar's attractive offering that includes mortgages as an integral part. Loan origination is always based on the goal of maintaining favourable credit

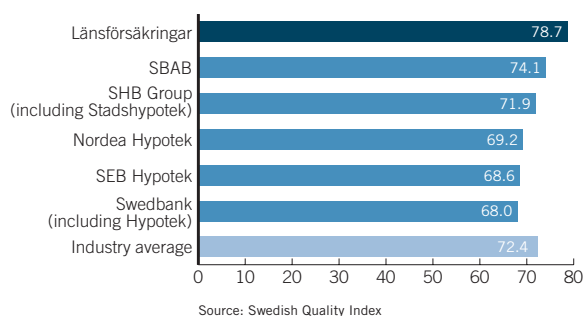
quality. Although the retail mortgage market declined slightly during the second half of the year, Länsförsäkringar maintained a favourable volume trend.

The number of retail mortgage customers in Länsförsäkringar Hypotek rose to 115,000 (106 000), an increase of 8%.

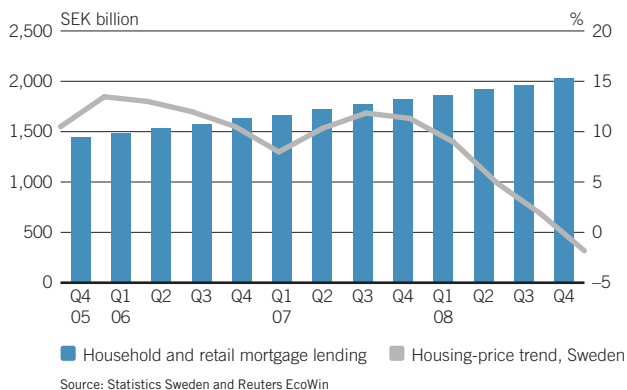
Sweden's most satisfied retail mortgage customers

According to the 2008 Swedish Quality Index, Länsförsäkringar's retail mort-

CUSTOMER SATISFACTION REGARDING MORTGAGE LOANS 2008 (SQI)



HOUSEHOLD AND RETAIL MORTGAGE LENDING AND HOUSING-PRICE TRENDS

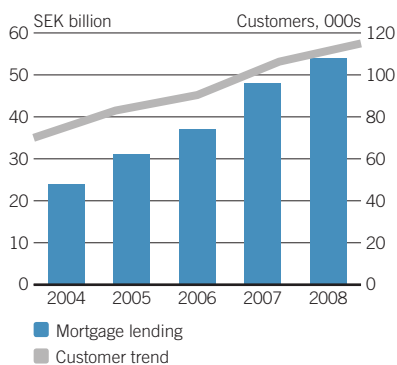




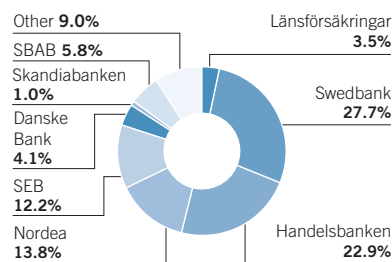
gage customers are the most satisfied retail mortgage customers in Sweden for the fourth consecutive year. The company's ranking improved in the areas of image, customer expectations and product and service quality. High-quality advisory services were significantly more important to customers this year than in previous surveys. Consistent interest-rate setting, other costs associated with mortgages and good service were also valued highly by customers.



MORTGAGE LENDING AND CUSTOMER TREND

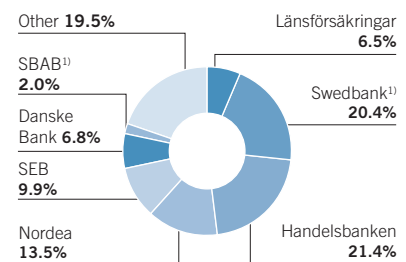


MARKET SHARES OF HOUSEHOLD AND RETAIL MORTGAGE LENDING 2008



Source: Statistics Sweden

PERCENTAGE OF MARKET GROWTH IN HOUSEHOLD AND RETAIL MORTGAGE LENDING



¹⁾ Swedbank's percentage has been adjusted for Swedish Jordbruksskredit and SBAB's percentage has been adjusted for FriSpar Bolån.

Source: Statistics Sweden

Credit quality: Excellent credit quality

The credit portfolio comprises almost exclusively lending to private individuals with residential properties as collateral. These private residences are located only in Sweden and have a favourable geographic spread. A total of 44% of commitments by property amounted to less than SEK 500,000 and the average commitment totalled SEK 733,000 on December 31, 2008.

Credit portfolio

Lending rose to SEK 54 billion (48) and essentially all lending qualifies to be included in the company's covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223). The remainder pertains partly to multi-family dwellings that qualify to be included in the cover pool but that Länsförsäkringar has chosen to exclude so as to maintain a homogenous profile of private residences as collateral.

Cover pool

In accordance with the act, the covered bonds carry preferential rights in the issuing institution's cover pool. On December 31, 2008, the cover pool had a volume of SEK 52 billion (45). The pool comprises only lending to private individuals with private residences as collateral. These private residences are found only in Sweden and have a favourable geographic spread. A total of 44% of commitments by property amounted to less than SEK 500,000 and the average commitment totalled SEK 733,000.

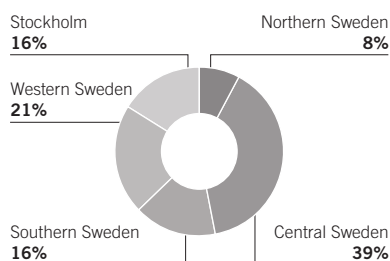
Cover pool	Dec. 31, 2007	Dec. 31, 2008
Volume	SEK 45 billion	SEK 52 billion
Collateral	Private homes	Private homes
OC ¹⁾ , minimum level	5%	5%
OC ¹⁾ , actual level	30%	24%
Weighted average LTV ²⁾	59%	58%
Seasoning	27 months	31 months
Number of properties	64,952	71,477
Average commitment	SEK 702,000	SEK 733,000
Average loan	SEK 327,000	SEK 341,000
Geographic spread in Sweden	Excellent	Excellent
Interest-rate type:	fixed 53%, variable 47% ³⁾	fixed 51%, variable 49% ³⁾

¹⁾ 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.

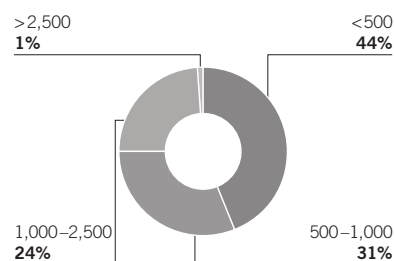
²⁾ According to the "Maximum LTV (loan-to-value) per property" calculation method.

³⁾ Pertains to loans with a fixed-interest period of less than 12 months.

COVER POOL BY GEOGRAPHIC REGION



COMMITMENTS BY PROPERTY, SEK 000'S



The loan-to-value ratios or weighted average LTV in the cover pool amounted to 58% (59) on December 31, 2008. Four different calculation methods were used by the Swedish companies issuing covered bonds to calculate the weighted average LTV. Länsförsäkringar used the calculation method of maximum LTV per property. The difference in weighted average LTV is up to 30 percentage points depending on the calculated method applied.

The cover pool has an OC target level of 5%. OC is explained on page 10. On December 31, 2008, actual OC amounted to 24% (30) and, in addition to lending, was comprised of an amount of SEK 9.7 billion (3.3) of funds deposited in the special account for the covered bond operations, which corresponds to 15.7% (6.7) of the total cover pool.

Stress test of cover pool

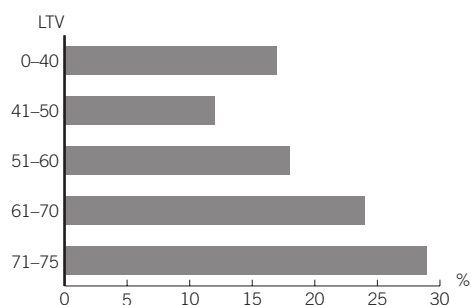
During a stress test of the cover pool based on a 20% price drop in the market value on December 31, 2008, the weighted average LTV increased to 65% compared with the actual weighted average LTV of 58% on December 31, 2008.

Doubtful receivables

Doubtful receivables amounted to 0.11% (0.06) of the lending portfolio before provisions. Doubtful receivables continue to account for a minor percentage of total lending.



COVER POOL BY LOAN-TO-VALUE RATIO (LTV)



Borrowing and liquidity

Objective

- The aim of the operations is to cover short and long-term capital requirements at a price in line with relevant competitors' best prices.

Financing with covered bonds

Most of the banking operations' borrowing occurs through the subsidiary Länsförsäkringar Hypotek. Borrowing is conducted with covered bonds, which have the highest credit rating from Moody's (Aaa) and from Standard & Poor's (AAA). The covered bonds are pledgeable at the Riksbank.

Objective and strategy

The aim of the operations is to cover short and long-term capital requirements at a price in line with relevant competitors' best prices.

Länsförsäkringar Hypotek finances its covered-bond lending operations through the issuing of covered bonds and to a certain extent through the use of Länsförsäkringar Bank's deposit surplus. The company's liquidity situation is very strong with SEK 9.7 billion (3.3) in funds deposited in a special account at year-end, corresponding to 15.7% (6.7) of the total cover pool.

The primary source of financing is borrowing in covered bonds in Sweden, with benchmark loans for the institutional market. Issues are concentrated to large volumes in a number of bond loans that provide the best conditions for generating high liquidity. The bench-

mark curve in the Swedish market includes bonds with maturity periods of one to five years issued through on-tap issues. FRN loans are also issued regularly, normally in large volumes to generate higher liquidity. International borrowing has occurred in the Swiss market to date. The company is working on securing as broad an investor base as possible in the markets deemed to be central to achieving the financing strategy.

There are five market makers for selling and trading with covered bonds: Danske Bank Consensus, Swedbank, SEB, Nordea and Svenska Handelsbanken. In addition, the Parent Company, Länsförsäkringar Bank, is a dealer for Länsförsäkringar Hypotek's new domestic MTN programme for covered bonds.

Borrowing operations during the year

Despite increased turbulence in the capital market and a decline in market liquidity, primarily during the second half of the year, Länsförsäkringar Hypotek has maintained favourable access to financing during every stage of the crisis.

Borrowing with covered bonds rose to SEK 42 billion (37). The increase took place to finance higher lending volumes.

The average maturity period was 2 years. Borrowing in foreign currencies amounted to SEK 6.0 billion (7.1), corresponding to 12% of the total borrowing. Covered bonds totalling SEK 17.5 billion were issued during the year. Repurchases totalling SEK 5.7 billion were conducted to extend the duration and overdue securities amounted to SEK 7.4 billion.

As of December 31, 2008, Länsförsäkringar Hypotek had four outstanding benchmark loans, which will fall due between 2009 and 2013. Benchmark bonds totalling SEK 9.3 billion were issued during the year. A five-year benchmark bond 505 was also issued during the year and was granted benchmark status immediately upon issue. The outstanding volume of benchmark bonds at year-end totalled SEK 29.3 billion (24.6).

Bonds issued in the MTN programme amounted to SEK 6.8 billion and the outstanding volume totalled SEK 7.1 billion (5.3) as of December 31, 2008. Bonds issued in the EMTCN programme amounted to SEK 1.4 billion and the outstanding volume totalled SEK 6.0 billion (7.1) as of December 31, 2008.

Financing with long-term borrowing is adjusted in terms of maturity through swap contracts to achieve a fixed-interest period to match the lending.

Strong credit rating

Länsförsäkringar Hypotek's covered bonds maintained the highest credit rating from Moody's (Aaa) and from Standard & Poor's (AAA). At year-end, Länsförsäkringar Hypotek was one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

During the year, the Parent Company, Länsförsäkringar Bank, also maintained all of its credit ratings. The company's rating is A (stable) from Standard & Poor's and A 2 (stable) from Moody's. The rating for short-term borrowing is A-1 from Standard & Poor's

and P-1 from Moody's. The Financial Strength Rating is C.

Länsförsäkringar Bank's stable credit rating is a strength given the turbulence experienced in the capital and credit markets during the year. This credit rating is attributable to the company's continued positive trends with strong growth, high credit quality, a low level of loan losses and favourable liquidity, as well as the strategic significance of the banking operations in the Länsförsäkringar Alliance.

Liquidity management

The Parent Company, Länsförsäkringar Bank, coordinates the financing and capital management for the banking and mortgage lending operations.

For more information about risk and liquidity management, refer to page 16.

Riksbank's actions during the year

During the second half of 2008, the Riksbank took strong action to supply the capital market with liquidity, imple-

menting a number of measures. One measure was to increase the proportion of covered bonds that may be used as collateral by related institutions in the RIX payment system. The Riksbank also established a programme for three and six-month borrowing in SEK, thereby allowing banks to borrow directly from the Riksbank. Furthermore, the Riksbank introduced a credit facility in USD that functions in the same way. These measures helped to meet the liquidity requirements of Swedish banks.

The turmoil that accelerated during the autumn of 2008 resulted in national governments worldwide adopting guarantee programmes for banks. The Swedish guarantee programme enables banks, mortgage institutions and certain credit market companies to issue a state guarantee that can be used by investors if the borrower is unable to pay its commitments. The Swedish guarantee programme applies until April 30, 2009 and amounts to SEK 1,500 billion.



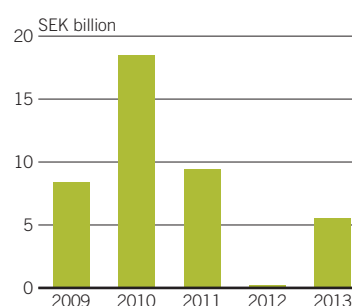
BORROWING PROGRAMMES

	Programme	Currency	Limit, SEK M	Maturity, years	Utilized, nominal value, SEK M
Hypotek	MTCN	SEK	20,000	1.4	7,132
	Benchmark	SEK	Unlimited	2.1	29,268
	Private Placement International	CHF	–	4	240 ¹⁾
	EMTCN	EUR	2,000	1.2	390 ²⁾

¹⁾ Amount in CHF M

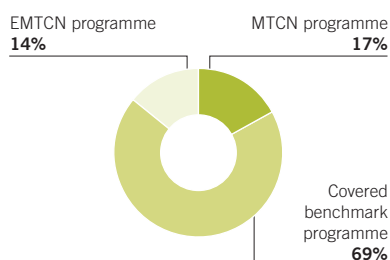
²⁾ Amount in EUR M

BORROWING BY MATURITY

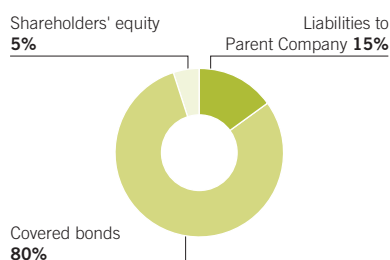


SEK 0.2 billion is due for payment in 2012.
In addition, SEK 0.4 billion is due for payment in 2018.
All volumes are at nominal value.

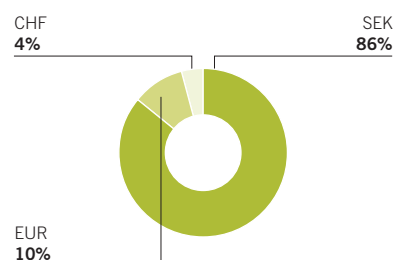
BORROWING BY PROGRAMME



REFINANCING SOURCES



BORROWING BY CURRENCY



Board of Directors' Report

The Board of Directors of Länsförsäkringar Hypotek AB (publ) hereby submits the Annual Report for 2008.

Ownership

The company is a subsidiary of the Länsförsäkringar Bank AB Group (publ) (516401-9878), whose Parent Company is Länsförsäkringar AB (publ) (556549-7020). All companies have their registered offices in Stockholm.

The Banking Group comprises the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878) and the wholly owned subsidiaries Länsförsäkringar Hypotek AB (publ) (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB (publ) (556364-2783).

As of January 1, 2002, the operations of Länsförsäkringar Hypotek are outsourced to Länsförsäkringar Bank. However, the President and parts of the finance department have been employed in Länsförsäkringar Hypotek since the autumn of 2005. Other administration is handled in its entirety by Länsförsäkringar Bank.

Operations

The company conducts mortgage lending operations. These operations involve the origination of loans against collateral in the form of private homes, tenant-owned apartments and leisure homes and, to some extent, multi-family dwellings.

Customers are served through any of the 110 (100) branches of the regional insurance companies that conduct banking operations for advisory and other services. The branches are located at, or adjacent to, the branches of the regional insurance companies. The sale and certain administration of banking services have been contractually outsourced to each regional insurance company. Regional insurance companies are reimbursed for sales and administration through a reimbursement system based on volumes managed.

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 and labour-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 favourable.

Continued growth

Sales, advisory services and customer services are carried out through the 110 branches of the 24 regional insurance companies and via the Internet and telephone. In 2008, ten new branches were opened and the number of bank advisors rose by 49. Länschem Fastighetsförmedling's about 70 housing stores throughout Sweden also serve as a significant sales channel. Länsförsäkringar strengthened its market position and is now the fifth largest bank in Sweden in terms of customer deposits. Volumes continued to increase, making this area of the banking operations an increasingly significant source of income for the Länsförsäkringar Alliance.

Preparations were made during the year for the reorganisation of the Länsförsäkringar AB Group to enhance competitiveness, reduce operating expenses and make the use of joint resources more efficient.

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.

Total assets

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 credit portfolio primarily comprises loans secured by collateral in private homes and tenant-owned apartments, and only a small portion of leisure homes. The average Degree of 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 favourable and collateral mainly comprises private homes.

Borrowing and liquidity

Long-term borrowing with covered bonds increased by 14% to SEK 42 billion (37). Debt securities in issue amounted to SEK 17.5 billion during the year. Repurchased securities amounted to SEK 5.7 billion and overdue securities totalled SEK 7.4 billion during the year. Liquidity, which is managed for the entire Group by the Parent Company, remained highly favourable.

Rating

The company'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.

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 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 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 I 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 35.

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 assessment of groups of loans. The level of probable and confirmed loan losses remained extremely low, amounting to SEK 0 M (pos: 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).

Key events during the year

The President of the Parent Company, Länsförsäkringar Bank, fell ill in February and in his absence Anders Borgerantz, who also serves as the Representative for the President and CFO of the Parent Company, became Acting President of the Parent Company. Göran Laurén, Executive Vice President and CFO, became Acting President of Länsförsäkringar Hypotek.

When Mats Ericsson took office as President of the Parent Company on September 1, Anders Borgerantz and Göran Laurén returned to their ordinary duties.

Employees

Länsförsäkringar has been able to establish its position in the mortgage market thanks to the employees in the Banking Group and the bank advisors at the 24 local, independent regional insurance companies. Initiative and dedication are encouraged, as is an open approach, which makes the use of joint resources more efficient. The company bases its values on the belief that Länsförsäkringar is a successful company that offers considerable development and career opportunities. Sharing knowledge and experience is part the company's competence development, which is conducted continuously in a structured and systematic manner.

The mortgage lending operations have high business goals that follow internally established profitability targets.

Each employee formulates an individual target contract together with his or her manager, which is to be challenging and achievable. The aim is that these individual goals will enable each employee to understand his or her part in the banking operations. Each target contract contains a maximum of five weighted goals. The target contract and employee development plans involve working on employee skills development, health and healthcare or controlling work duties to make them more challenging. Individual target contracts are followed up twice a year.

The average number of employees amounts to 4 (3).

The principles for determining remuneration and benefits to key senior executives and the preparation and decision-making process applied are described in Note 9.

Environment

The environmental work of the banking and mortgage lending operations is focused on increasing efficiency in customer processes, improving and simplifying Internet services and reducing the amount of paper used. During the year, the number of posted loan statements cancelled by customers rose by 50% and the number of posted bank statements that were cancelled also rose by 50%. This trend indicates that more and more customers prefer to manage their regular, administrative banking via the Internet, which enhances efficiency and reduces the impact on the environment.

Expectations regarding future development

Länsförsäkringar Hypotek intends to follow its established path by growing with profitability. Growth in lending will take place by paying close attention to changes in the business environment, the financial situation and the current scarcity of capital. Liquidity is favourable. The strategy continues to be to conduct sales and marketing activities to customers in Länsförsäkringar's customer base.

Presidents during the year

January 1 to February 17: Anders Borgcrantz, President
February 18 to August 31: Göran Laurén, Acting President (Executive Vice President)
September 1 to December 31: Anders Borgcrantz, President

Key events after year-end

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

Proposed appropriation of profit (SEK)

The following profit is at the disposal of the Annual General Meeting:

Retained earnings	2,142,003,662
Group contribution paid, net	-93,139,200
Shareholders' contribution received	125,000,000
Net profit for the year	92,817,847
Profit to be appropriated	2,266,682,309
The Board of Directors proposes that profit be appropriated so that the following amount is carried forward:	
	2,266,682,309

Risk and capital management

Länsförsäkringar Hypotek is exposed to several risks, including:

- Credit risk
- Financial risk
- Operational risk
- Business risk

The risks arise as part of the company's operations. Risks must be managed and the Board of Directors, which is ultimately responsible for the operations and, as a result, for protecting the company's assets, is also responsible for generating risk awareness in the company. This is achieved, for example, by the Board annually establishing central risk strategy and risk policy documents that ensure a sound and well-balanced process for risk-taking and risk management. Länsförsäkringar Hypotek should be characterised by a low risk profile. The financial risks, which primarily comprise interest-rate risk, are managed in accordance with a Financial Policy adopted by the Board, which stipulates that interest-rate risks should be as low as possible.

The overall guidelines and strategies for risk-taking state that volume growth and higher profitability should not be generated at the expense of a higher number or greater risks. This imposes demands on risks inherent in the business activities being continuously identified, measured, controlled and reported and on risks being proportionate to the size, product development and growth of the operations.

Credit risk

Credit risk is defined as the risk of incurring losses as a result of a counterparty not being able to fulfil its commitments to the company and the risk that the counterparty's pledged collateral will not cover the company's receivables. All retail exposures are calculated in accordance with the advanced Internal Ratings-based Approach (IRB), which means that the entire lending portfolio is calculated using a method that aims to identify and classify risk for each individual counterparty. This provides the company with a foundation in the form of an effective tool that promotes transparent risk analysis and highly precise capital adequacy. The credit portfolio comprises exclusively credits within Sweden, with low average low-to-value ratios and a favourable geographic spread.

Financial risk

Financial risk is a natural part of a bank's operations. Risks must continuously be identified, measured, controlled and reported in a structured and homogeneous manner and according to the methods established by the Board. The overall framework for the financial operations is defined in the Financial Policy adopted by the Board. The Financial Policy states the Board's approach to the management of financial risk. The Financial Policy primarily comprises the management of:

- Liquidity risk
- Interest-rate risk
- Financing risk
- Currency risk
- Counterparty risk

Liquidity risk

Länsförsäkringar Bank's Treasury unit is responsible for liquidity management within the Banking Group. Liquidity risk is defined as the risk of the company, due to insufficient cash and cash equivalents, being unable to fulfil its commitments or only being able to fulfil its commitments by borrowing cash and cash equivalents at a significantly higher cost. This definition is closely linked to the definition of financing risk below. Liquidity risk also refers to the risk of financial instruments that cannot immediately be converted to cash and cash equivalents without decreasing in value. Liquidity is defined as cash and cash equivalents and securities. Liquidity must be accessible within not more than three days. Liquidity risks associated with the risk of financial investments decreasing in value are minimised by essentially investing exclusively in high-liquidity instruments in the form of domestic government securities, domestic covered bonds and mortgage certificates that are pledgeable at the Riksbank. Liquidity risk is quantified using liquidity forecasts that contain all financial cash flows and expected cash flows, as well as the net lending increases adopted.

Interest-rate risk

Interest-rate risk arises if assets, liabilities and derivatives do not have matching terms. Whenever possible, fixed lending should be matched by corresponding borrowing or through interest-rate derivatives. In principle, this means that no time differences should exist. In practice, this is impossible, so the Board has established interest-rate risk limits. However, these limits are so conservative that the basic principle for matching still applies. The Financial Policy defines interest-rate risk as a parallel shift in the yield curve of 100 points. Interest-rate risk is normally between SEK 5 M and SEK 20 M. 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 (pos: 27).

Financing risk

Financing risk means that the company, in the event of financing maturity, does not successfully refinance the maturity or only succeeds in borrowing at substantially increased costs. This

definition is closely linked to the definition of liquidity risk. By using the largest possible number of financing sources with expanded investor bases and by distributing financing maturities over time, the company's financing risk decreases. In 2008, Länsförsäkringar Hypotek received a rating of AAA/Aaa from Standard & Poor's and Moody's, respectively, for the covered bonds issued by the company. The Banking Group also received an improved rating to a current rating of A from Standard & Poor's and to a current rating of A2 from Moody's.

Currency risk

Currency risk refers to the risk of a currency changing in value in relation to another currency. Currency risks arise because losses may be incurred if the exchange rate changes negatively. All borrowing that takes place in a foreign currency is swapped before settlement in SEK in accordance with the Financial Policy, thereby eliminating currency risk in its entirety.

Counterparty risk

Counterparty risk is the risk of a counterparty being unable to fulfil its commitments to the company, which could lead to losses. In this context, counterparty refers to counterparties for interest-rate and currency swaps. The company has a number of swap counterparties, all with high ratings and established ISDA agreements, with accompanying unilateral CSA agreements. CSA agreements involve commitments concerning delivery and receipt of collateral in the event of market changes affecting swap exposure.

Internal Capital Adequacy Assessment Process (ICAAP)

The Banking Group's internal capital adequacy assessment process (ICAAP) was designed based on the requirements of the Basel II rules, the requirements established by the Board of Directors on the operations and the internal demands of an increasingly complex business operation. The Banking Group's procedures, implementation and results are to be reported to the Swedish Financial Supervisory Authority annually.

The CFO of Länsförsäkringar Bank is responsible for conducting the process work that leads to an internal capital adequacy assessment for the Banking Group and forms the basis for business planning and Board decisions concerning capital targets and capital forecasts. The process shall be carried out annually and include at least the following activities:

- Review of all risks
- Risk assessment
- Stress tests
- Capital calculations

At least once per year, the basic prerequisites for stress tests are to be reviewed by the Board of Directors. This review should act as a guide for the company's continuing work involving stress tests. Work involving stress tests is based on a number of scenarios and the impact of these scenarios on risk within the Banking Group.

For more detailed information about Basel II, see "Risk and capital management in the Länsförsäkringar Bank Group" on the website.

Five-year summary

INCOME STATEMENT

SEK 000s	2008	2007	2006	2005	2004
Interest income	5,146,852	3,102,513	1,484,803	1,160,928	1,043,793
Interest expense	-4,785,825	-2,866,062	-1,302,657	-994,738	-886,800
Net interest income	361,027	236,451	182,146	166,190	156,993
Net commission	-174,791	-127,593	-107,444	-115,166	-87,625
Net profit/loss from financial transactions	8,458	-57	8,076	5,505	-
Other operating income	79	294	151	3	145
Total operating income	194,773	109,095	82,929	56,532	69,513
Personnel costs	-11,062	-8,403	-6,249	-2,060	-
Other administration expenses	-54,477	-45,168	-50,950	-36,572	-45,287
Total expenses loan losses	-65,539	-53,571	-57,199	-38,632	-45,287
Profit before loan losses	129,234	55,524	25,730	17,900	24,226
Loan losses, net	-197	2,564	10,005	4,778	2,762
Operating profit	129,037	58,088	35,735	22,678	26,988
Change in tax allocation reserve	-	-	-	-	4,750
Tax on net profit for the year	-36,219	-16,415	-10,009	-6,356	-8,886
Net profit for the year	92,818	41,673	25,726	16,322	22,852

Balance sheet

SEK 000s	2008	2007	2006	2005	2004
Assets					
Lending to credit institutions	298	-	174,456	409,230	52,126
Lending to the public	53,592,412	47,308,025	36,448,215	30,964,061	23,746,307
Derivatives	2,167,476	467,259	140,997	-	-
Other assets and accrued income	1,701,088	546,967	119,220	46,059	44,944
Total assets	57,461,274	48,322,251	36,882,888	31,419,350	23,843,377
Liabilities and shareholders' equity					
Liabilities to credit institutions	8,498,308	6,067,564	33,496,785	28,142,917	21,062,783
Deposits and borrowing from the public	-	-	437,281	795,802	938,352
Debt securities in issue	42,284,805	36,797,817	-	-	-
Derivatives	1,188,842	307,703	73,106	-	-
Other liabilities and accrued expenses	2,475,448	2,419,986	548,170	365,948	329,537
Provisions	172	160	-	-	-
Subordinated debt	662,614	512,614	362,614	362,614	288,614
Shareholders' equity	2,351,085	2,226,407	1,964,932	1,752,069	1,224,091
Total liabilities and shareholders' equity	57,461,274	48,322,251	36,882,888	31,419,350	23,843,377

Income statement

SEK 000s	Note	2008	2007
Interest income	3	5,146,852	3,102,513
Interest expense	4	-4,785,825	-2,866,062
Net interest income		361,027	236,451
Commission income	5	1,872	1,561
Commission expense	6	-176,663	-129,154
Net profit/loss from financial transactions	7	8,458	-57
Other operating income	8	79	294
Total operating income		194,773	109,095
Personnel costs	9	-11,062	-8,403
Other administration expenses	10,11	-54,477	-45,168
Total expenses before loan losses		-65,539	-53,571
Profit before loan losses		129,234	55,524
Loan losses, net	12	-197	2,564
Operating profit		129,037	58,088
Tax on net profit for the year	13	-36,219	-16,415
Net profit for the year		92,818	41,673

Balance sheet

SEK 000s	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Lending to credit institutions	14	298	-
Lending to the public	15	53,592,412	47,555,199
Derivatives	16	2,167,476	467,259
Fair value changes of interest-rate hedged items in portfolio hedge	17	1,044,032	-247,174
Deferred tax assets	18	47	45
Other assets	19	3,883	11,517
Prepaid expenses and accrued income	20	653,126	545,405
Total assets		57,461,274	48,332,251
Liabilities, provisions and shareholders' equity			
Liabilities to credit institutions	21	8,498,308	6,067,564
Debt securities in issue	22	42,284,805	37,013,276
Derivatives	16	1,188,842	307,703
Fair value changes of interest-rate hedged items in portfolio hedge	17	991,767	-215,459
Other liabilities	23	142,778	1,270,318
Accrued expenses and deferred income	24	1,340,903	1,149,668
Provisions	25	172	160
Subordinated debt	26	662,614	512,614
Total liabilities and provisions		55,110,189	46,105,844
Shareholders' equity	27		
Share capital, 70,335 shares		70,335	70,335
Statutory reserve		14,067	14,067
Retained earnings		2,173,865	2,100,332
Net profit for the year		92,818	41,673
Total shareholders' equity		2,351,085	2,226,407
Total shareholders' equity, provisions and liabilities		57,461,274	48,332,251
Memorandum items			
Pledged assets	28	NONE	NONE
Contingent liabilities		689	640
Commitments			
Repurchase transactions		7,953,806	-
Loans approved but not disbursed		162,733	98,284
Total commitments		8,116,539	98,284
Other notes			
Company information	1		
Accounting policies	2		
Assets and liabilities by category	29		
Fair value	30		
Maturity overview	31		
Anticipated recoveries	32		
Fixed-rate interest terms	33		
Credit risk	34		
Capital-adequacy analysis	35		
Disclosures on related parties	36		
Events after the balance-sheet date	37		

Cash-flow statement, indirect method

SEK 000s	2008	2007
Cash and cash equivalents, January 1	–	174,456
Operating activities		
Operating profit	129,037	58,088
Adjustment of non-cash items	–109,082	111,196
<i>Change in assets of operating activities</i>		
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
<i>Change in liabilities of operating activities</i>		
Change in liabilities to credit institutions	2,430,744	–27,474,779
Change in deposits and borrowing from the public	–	–437,281
Change in debt securities in issue	5,271,529	37,013,276
Change in other liabilities	–1,127,540	1,246,066
Change in derivatives	881,139	234,597
Cash flow from operating activities	–274,702	–599,456
Cash flow from investing activities	–	–
Financing activities		
Shareholders' contributions received	125,000	275,000
Subordinated debt received	150,000	150,000
Cash flow from financing activities	275,000	425,000
Net cash flow for the year	298	–174,456
Cash and cash equivalents, December 31	298	–
<i>Non-cash items</i>		
Unrealised 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 interest-rate hedged items in portfolio hedge	–83,980	–24,107
	–109,082	111,196
Interest received amounts to	5,036,688	2,715,517
Interest paid amounts to	4,621,470	2,250,939
Tax paid amounts to	187	
Cash and cash equivalents comprise:		
Lending to credit institutions, terms of up to 3 months	298	–

Change in shareholders' equity

SEK 000s	Share capital	Statutory reserve	Retained earnings	Net profit for the year	Total
Opening balance, January 1, 2007	70,335	14,067	1,854,804	25,726	1,964,932
In accordance with resolution by Annual General Meeting			25,726	–25,726	–
Total changes in shareholders' equity reported directly against shareholders' equity			25,726	–25,726	–
Net profit for the year through the income statement				41,673	41,673
Total change before transactions with shareholders			25,726	15,947	41,673
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
Closing balance, December 31, 2007	70,335	14,067	2,100,332	41,673	2,226,407
Opening balance, January 1, 2008	70,335	14,067	2,100,332	41,673	2,226,407
In accordance with resolution by Annual General Meeting			41,673	–41,673	–
Total changes in shareholders' equity reported directly against shareholders' equity			41,673	–41,673	–
Net profit for the year through the income statement				92,818	92,818
Total change before transactions with shareholders			41,673	51,145	92,818
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
Closing balance, December 31, 2008	70,335	14,067	2,173,866	92,818	2,351,086

Notes to the financial statements

NOTE 1 COMPANY INFORMATION

The Annual Report for Länsförsäkringar Hypotek AB (publ) was presented on December 31, 2008. Länsförsäkringar Hypotek AB is a mortgage institution registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11–13.

The company is a wholly owned subsidiary of Länsförsäkringar Bank AB, Corp. Reg. No. 516401-9878, with its registered office in Stockholm, which prepares the consolidated accounts for the smallest Group in which Länsförsäkringar Hypotek AB is a subsidiary. Länsförsäkringar Hypotek AB is part of the Group for which Länsförsäkringar AB, Corp. Reg. No. 556549-7020, with its registered office in Stockholm, prepares the consolidated accounts for the largest Group in which the company is included as a sub-subsidiary.

The Annual Report for Länsförsäkringar Hypotek AB (publ) was authorised for issue by the Board and President on March 26, 2009. Final approval of the Annual Report will be made by the company's Annual General Meeting on May 11, 2009.

NOTE 2 ACCOUNTING POLICIES

Compliance with standards and legislation

Länsförsäkringar Hypotek prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities.

The company applies legally restricted IFRS and this pertains to standards adopted for application with the restrictions stipulated by RFR 2.2 and FFFS 2008:25. This means that all IFRS and interpretation statements approved by the EU are applied as far as possible within the framework of the Swedish Annual Accounts Act and taking into consideration the connection between accounting and taxation.

Conditions relating to the preparation of the financial statements

Länsförsäkringar Hypotek AB's functional currency is Swedish kronor (SEK), which is also the reporting currency. Accordingly, the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand.

The reporting is based on historical cost. Financial assets and liabilities are reported at amortised cost, except for certain financial assets and liabilities that are valued at fair value (see Note 30) or when fair value hedge accounting is applied. Financial assets and liabilities valued at fair value comprise derivative instruments and financial instruments classified as financial assets or financial liabilities at fair value through profit or loss.

The accounting policies stated below have been applied to all periods presented in the financial statements.

Future new or revised IFRS and interpretations

Below new or revised standards and interpretations are effective as of coming financial year and have not been applied earlier when these financial statements have been prepared.

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised) will only affect future transactions and acquisitions.

IAS 1 Presentation of Financial Statements (revised) involves some changes to the presentation of financial statements and the recommendation of new, non-mandatory terms for the financial statements. This amendment will not affect the determination of the amounts reported. The revised IAS 1 standard is to be applied for fiscal years starting on or after January 1, 2009. Since the company applies legally restricted IFRS, the extent to which the financial statements will change as a result of the revised IAS 1 requirements is not currently known.

IAS 32 Financial Instruments: Presentation (revised) requires that certain financial instruments that qualify as financial liabilities be recognised as shareholders' equity. Certain disclosure requirements for these financial instruments were introduced simultaneously through an amendment to IAS 1. The instruments to which this amendment refers are puttable financial instruments and instruments, or components of instruments, that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity on liquidation. The company has not yet established an opinion on how this amendment will impact its financial accounting.

As a result of the financial crisis, the IASB decided on changes to IFRS 7 Financial Instruments: Disclosures in March 2009. These changes entail additional disclosure requirements, although the company has not yet evaluated the extent to which the financial statements will be affected.

A number of amendments and interpretations were also issued that are not deemed to have impacted the company's financial accounting:

- IFRS 2 Share-based Payment
- IFRS 8 Operating Segments
- IAS 23 Borrowing Costs (revised)
- IAS 39 Financial Instruments: Recognition and Measurement (the change pertains to one-sided risk in a hedged item and inflation in a financial hedge item)
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets
- IFRIC 18 Transfer of Assets from Customers

Judgments and estimates

The preparation of accounts in accordance with IFRS requires that management make judgments and estimates, and make assumptions that affect the application of the accounting principles and the reported amounts of income, expenses, assets, liabilities and contingent liabilities presented in the accounts. These judgments and estimates, as made by management, are based on the best information available on the balance-sheet date. The actual outcome may deviate from these.

Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Critical judgments made in the application of the company's accounting policies

Company management discussed with the Audit Committee the performance, selection and disclosures relating to the company's significant accounting policies and estimates, and the application of these policies and estimates. The critical assessments made in the application and selection of the company's accounting policies are primarily attributable to:

- The selection of categories and valuation methods for financial instruments (described in the section on financial instruments below)
- The company's remuneration to the regional insurance companies, which the company has opted to report as commission expense. The regional insurance companies are compensated for their work with Länsförsäkringar Hypotek's customer-related matters in each of the regional insurance companies' geographic areas. Refer to Note 6.

Key sources of estimation uncertainty

Key sources of uncertainty in estimates mainly comprise impairment requirements for loan losses. Loan losses are primarily assessed collectively because the loans do not amount to significant amounts individually. The collective valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances. The exceptional conditions in the financial market combined with the weak economic situation has resulted in an increased uncertainty in existing valuation models that is difficult to quantify.

Description of significant accounting policies

Group contributions and shareholders' contributions

Group contributions and shareholders' contributions for legal entities are reported in accordance with the statement issued by the Swedish Financial Reporting Board (UFR 2). Shareholders' contributions are reported directly against the shareholders' equity of the recipient and are capitalised in shares and participations from the donor to the extent that impairment is not required.

Group contributions are recognised according to financial implication. This entails that Group contributions that have been paid and received with the aim of minimising the Group's total tax are recognised directly against retained earnings after deductions for their actual tax effect.

Related parties

Legal entities closely related to Länsförsäkringar Hypotek AB include companies within the Länsförsäkringar Bank Group, the Länsförsäkringar AB Group, companies within the Länsförsäkringar Liv Group, the regional insurance companies and other related companies. Related key persons are Board members and senior managers and their close family members.

The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 24 regional insurance companies, with subsidiaries and 14 local companies, which together own 100% of Länsförsäkringar AB. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within Länsförsäkringar.

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction.

Monetary items in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date.

Translation differences arising due to the translation of balance-sheet items in foreign currency to the functional currency are reported in the income statement as exchange-rate gains or losses.

Income

Income is reported when (i) the income can be calculated in a reliable manner, (ii) it is probable that the financial benefits related to the transaction will accrue to the company, (iii) the degree of completion on the balance-sheet date can be calculated in a reliable manner, and (iv) the expenses that have arisen and the expenses that remain to complete the service assignment can be calculated in a reliable manner.

Income is valued at the fair value of the amount that has been received or will be received. Income is recognised in accordance with the percentage of completion method, meaning that income is reported on the basis of the degree of completion of the assignment or the service on the balance-sheet date.

Interest income and interest expense

Interest income and interest expense presented in the income statement comprise interest on financial assets and liabilities that is valued at amortised cost, including interest on doubtful receivables. For interest-rate derivatives that hedge financial assets, paid and accrued interest is reported as interest income,

and for interest-rate derivatives that hedge financial liabilities, these are reported as part of interest expense. Unrealised changes in the value of derivatives are reported in the item Net profit/loss from financial transactions.

Interest income on receivables and interest expense on liabilities are calculated and reported through application of the effective interest method or, if it is considered appropriate, through application of a method that results in interest income or interest expense that is a reasonable estimate of the result that would be achieved using a calculation based on the effective interest method.

Interest income and interest expense include, where appropriate, allocated amounts of fees received, which are included in the calculation of effective interest, transaction costs and any discounts and other differences between the original value of the receivable/liability and the amount settled at maturity.

Interest expense includes allocated amounts of issue expenses and similar direct transaction costs for loans raised.

Commission income and commission expense

Commission revenue is derived from various types of services provided to customers. The manner in which the commission income is reported depends on the purpose for which the fee was charged. The fees are recognised in income in line with the provision of the services or in conjunction with the performance of a significant activity. Fees charged continuously, such as advising fees, are reported as revenue in the period in which the service was provided. Fees charged for significant activities are recognised in income when the activity has been completed.

Commission expense is dependent on the transaction and is recognised in the period in which the services are received.

Provision expense includes compensation to the regional insurance companies for their work with the company's customer-related issues in each of the regional insurance companies' geographic areas of operation.

Net profit/loss from financial transactions

The item Net profit/loss from financial transactions contains the realised and unrealised changes in value that occurred as a result of financial transactions.

Net profit/loss from financial transactions comprises the capital gain/loss on the divestment of financial assets and liabilities, including interest compensation received when customers pay loans prematurely.

The item also includes realised and unrealised changes in the value of derivative instruments that are financial hedging instruments, but to which hedge accounting is not applied, unrealised changes in the fair value of derivatives to which fair value hedge accounting is applied, and unrealised changes in the fair value of hedged items with regard to hedged risk in the hedging of fair value. However, unrealised positive changes in the value of forward rate agreements (FRA) for which hedge accounting is not applied are recognised in their entirety as interest income, while negative changes in value are recognised as interest expense. The ineffective portion of the hedging instrument and exchange-rate

changes are also recognised as net profit/loss from financial transactions.

The ineffective portion of the hedging instrument and exchange-rate changes are also recognised as net profit/loss from financial transactions.

Net profit/loss on transactions valued at fair value through the income statement does not include interest or dividends. Realised profit or loss is calculated as the difference between the purchase consideration received and the value in the balance sheet at the time of the sale.

Other operating income

Income from assignments is recognised when the financial outcome of performed assignments can be reliably calculated and the financial benefits accrue to the company, primarily on a current account basis. Income is valued at the fair value of the amount that has been received or will be received. Income is paid in the form of cash and cash equivalents.

Amounts received on behalf of another entity are not included in the company's income. The criteria for income recognition are applied individually to each transaction.

The percentage of completion method is applied, which means that income is reported in accordance with the degree of completion on the balance-sheet date.

Remuneration to employees

Current remuneration

Current remuneration to employees is calculated without discount and recognised as an expense when the related services are received.

A provision is recognised for the anticipated cost of profit share and bonus payments when the company has an applicable legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration after termination of employment

Pension plans

Within the Group, there are defined-contribution and defined-benefit pension plans. The plans are usually financed through payments from the respective Group company. The Group is generally covered by the FTP plan, which does not depend on any payments from employees.

The regulations of the Swedish Financial Supervisory Authority and the Swedish Financial Reporting Board entail that defined-benefit pension plans are reported differently compared with the provisions stipulated in IAS 19 Employee Benefits. In all other respects, the reporting and valuation of pension commitments occurs in accordance with IAS 19 Employee Benefits.

Defined-benefit pension plans

There is only one defined-benefit pension plan in the Banking Group. This is a pension agreement from 2006 for the insurance industry, by which persons born in 1955 or earlier can voluntarily

retire at age 62. The terms and conditions of this plan are designed such that the pension comprises 65% of the pensionable salary at age 62.

The Group's net commitments for defined-benefit plans are calculated by making an estimate of the future remuneration that the employees will have earned over their employment in both current and earlier periods. This remuneration is discounted at a present value. The discount rate is the interest rate on the balance-sheet date of a high-quality commercial paper with a term corresponding to that of the Group's pension commitments. When there is no longer an active market for such commercial papers, the market interest rate on government bonds with a corresponding term will be used instead. The calculation is performed by a qualified actuary by applying the Projected Unit Credit Method.

Actuarial gains and losses may arise in conjunction with the determination of the present value of the commitments. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions are changed. The corridor rule is applied to actuarial gains and losses arising in conjunction with the calculation of the Group's commitments for various plans after January 1, 2006. The corridor rule entails that the portion of the accumulated actuarial gains and losses that exceeds 10% of the greater of the commitments' present value is reported in earnings over the expected average remaining period of service for the employees encompassed by the plan. In all other cases, no actuarial gains and losses are taken into account.

The carrying amount of pensions and similar commitments reported in the balance sheet corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognised actuarial gains or losses and unrecognised expenses for service during earlier periods.

When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognised actuarial losses and unrecognised expenses for service during earlier periods and the present value of future repayments from the plan or reduced future deposits to the plan. When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during earlier periods is reported as an expense in the income statement straight-line over the average period until the remuneration is earned in its entirety. An expense is reported directly in the income statement if the remuneration has been fully earned.

When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is reported. The present value of the provision and the receivable is not calculated.

Defined-contribution pension plans

These pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions.

The Group's payments of defined-contribution plans are reported as expenses during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plan above is reported as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Remuneration for termination of employment

An expense for remuneration in conjunction with the termination of employment is reported only if the company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is reported if it is probable that the offer will be accepted and the number of employees who may accept the offer can be reliably estimated.

Loan losses

Impairment of loan receivables is reported in the income statement as a write-off of loan losses confirmed during the year or as an allotment to a reserve for loan losses. The item Loan losses, net, is reduced by recoveries and reversals on prior years' confirmed/probable loan losses.

Tax

Income tax comprises current tax and deferred tax. Income tax is reported in the income statement, except when the underlying transaction is reported directly against shareholders' equity, whereby the related tax effect is reported in shareholders' equity.

Current tax is tax that shall be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The following temporary differences are not taken into consideration: first reporting of assets and liabilities that are not acquisitions of operations and, at the time of the transaction, do not affect reported or taxable earnings. Nor are temporary differences attributable to participations in subsidiaries not expected to be reversed in the foreseeable future taken into consideration. The valuation of deferred tax is based on how the carrying amounts

of assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only reported to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Financial instruments

Financial instruments reported in the balance sheet include on the asset side lending and derivatives. Liabilities include securities issued, derivatives and accounts payable.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument and is derecognised when the rights in the contract are realised, expire or the company loses control of them. A financial liability is removed from the balance sheet when the obligation in the contract is discharged or extinguished in another manner.

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realise the asset and settle the liability.

Business transactions in the monetary, bond and equities markets are reported in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are reported on the settlement date. Loan receivables are reported in the balance sheet when the loan amount is paid to the borrower. Loan commitments are not reported in the balance sheet. Instead, they are valid for three months and are reported as a commitment. Refer to Note 28.

In genuine repurchase transactions, the asset remains in the balance sheet of the selling party and payments received are reported as liabilities. Sold securities are reported as pledged assets. Leased securities remain in the balance sheet as securities and are reported as pledged assets.

Classification

A financial instrument is designated upon initial recognition on the basis of the purpose of the acquisition of the instrument, but also the options contained in IAS 39. The classification determines how the financial instrument is valued after initial recognition as described below.

Financial assets at fair value through profit or loss

This category comprises two sub-groups: financial assets held for trading and other financial assets that the company has initially designated to this category according to the fair value option. Financial instruments in this category are continuously

valued at fair value, with changes in value reported in the income statement. For valuation at market value, the current buying-rate is used and transaction costs are expensed directly.

Financial assets held for trading are derivatives that are financial hedging instruments, but for which hedge accounting is not applied. This category is not otherwise used.

Loans and receivables

Loan receivables are initially recognised in the balance sheet at cost – the amount loaned to the borrower – less fees and supplements for costs received. Subsequently, loan receivables are reported continuously at amortised cost after deductions for the impairment covering loan losses.

Loan losses are primarily assessed collectively because the loans do not amount to significant amounts individually. The collective valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.

When an impairment requirement exists, the loan receivable is impaired to the present value of its expected future cash flow, including fair value of collateral, less selling expenses discounted by the original effective interest rate. The impairment of loan receivables is conducted as an allocation to the reserve for loan losses. When a financial asset is impaired due to loan losses, a provision account is used. If the impairment requirement declines in subsequent periods, the maximum impairment carried out is reversed.

In the income statement, the impairment of loan receivables is reported as loan losses, which is carried out as a write-off of loan losses confirmed during the year or as an allocation to the reserve for loan losses.

Confirmed loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal or through other claim remissions. In such situations, the receivable is eliminated from the balance sheet and is reported as a confirmed loss in the income statement.

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.

Interest on doubtful receivables is recognised in the income statement.

Financial liabilities at fair value through profit or loss

This category comprises derivative liabilities, which are held for financial hedging purposes, classified as held for trading.

Other financial liabilities

All of the company's financial liabilities, excluding derivatives, are included here. The liabilities are valued at amortised cost.

Measurement

Carrying amounts and fair values correspond to a large extent. IAS 39 requires that derivatives be valued at fair value and provides an option for using fair value in financial reporting. Financial instruments are initially reported at the instrument's

fair value with the addition of transaction costs, except for derivatives.

The fair value of the financial instruments is determined primarily based on quoted market prices. Their fair value is calculated on the basis of the mid-market price at the closing of the market on the last day of the year. For valuation at fair value, the current buying-rate is used. If no quoted market prices are available, generally accepted valuation techniques are used, such as discounting of future cash flows. These valuation techniques are based on observable market data. For OTC instruments, the calculation of fair value is based on prices for comparable quoted instruments. For lending and deposits with variable interest rates, fair value corresponds to the carrying amount. Lending with fixed interest rates is valued based on the STIBOR swap curve, with an addition for an average margin mark-up.

Hedge accounting

The company's derivative instruments, which comprise interest and currency swaps and forward rate agreements, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations.

All derivatives are valued at fair value in the balance sheet. To avoid misleading earnings effects due to financial hedges, the company has chosen to apply hedge accounting.

The hedge-accounting strategy defined and applied by the company is portfolio hedging of fair value in the lending and borrowing portfolio. Fair value hedge accounting means that the hedged item is valued at fair value with respect to the hedged risk and that the change in fair value is reported in the income statement for both the hedging instrument and the hedged item.

The change in the value of the derivative is reported in the income statement together with the change in the value of the hedged item in the income statement under the item Net profit/loss from financial items at fair value.

Unrealised changes in the value of hedging instruments are reported among Net profit/loss from financial items and interest coupons (accrued, received and paid) among interest income if the hedged item is an asset or portfolio of assets or among interest expense if the hedged item is a liability or portfolio of liabilities.

The application of portfolio hedging is based on the version of IAS 39 adopted by the EU, known as the "carve out" version.

To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedge relationship can be expected to be highly effective and subsequently to have had an effectiveness in the range of 80% to 125%. In the event that the conditions for hedge accounting are no longer met, the derivative instrument is reported at fair value with the change in value through the income statement.

For a small number of financial hedges for which the earnings consequence of not applying hedge accounting is deemed more limited, hedge accounting is not applied due to the extra administrative work involved in hedge accounting.

Other financial hedges comprise currency risk associated with borrowing and hedging of interest-rate risk in bonds that carry fixed interest rates. The portfolio method that is applied implies that the lending and interest swaps used in the hedging instrument are distributed to various time pockets based on the contractual timing of interest renegotiation or maturity.

Assessment of hedge relationships occurs at least quarterly on the official reporting occasions, but can also be carried out monthly if required.

Each identified hedge relationship is expected to be effective over the entire lifetime of the hedge relationship. Effectiveness is tested using two different methods: one forward-looking (prospective) assessment and one retrospective evaluation. Ineffectiveness is reported in the income statement.

Contingent liabilities (commitments)

A contingent liability is reported when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not reported as a liability or provision because it is not probable that an outflow of resources will be required.

Loan commitments

A loan commitment can be:

- a one-sided commitment from the company to issue a loan with terms and conditions determined in advance in which the borrower can choose whether he/she wants to accept the loan or not, or
- a loan agreement in which both the company and the borrower are subject to terms and conditions for a loan that begins at a certain point in the future.

Loan commitments are not recognised in the balance sheet.

Issued irrevocable loan commitments are valid for three months and are recognised as a commitment under memorandum items.

NOTES 3 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		
– Hedge accounting	2,329,132	1,271,163
– Non-hedge accounting	127,626	–
Other interest income	4,807	3
Total interest income	5,146,852	3,102,513
<i>of which interest income on doubtful debts</i>	1,878	422
<i>of which interest income from financial items not valued at fair value</i>	2,690,094	1,831,350
Average interest rate on lending to the public during the year, %	5.0	4.2

NOTE 4 INTEREST EXPENSE

SEK 000s	2008	2007
Interest expense, liabilities to credit institutions	529,475	843,277
Interest expense, deposits and borrowing from the public	–	10,382
Interest expense, subordinated debt	33,448	17,539
Interest expense, interest-bearing securities	1,770,173	741,313
Interest expense, derivatives		
– Hedge accounting	2,327,478	1,253,551
– Non-hedge accounting	125,162	–
Other interest expense	89	0
Total interest expense	4,785,825	2,866,062
<i>of which interest expense from financial items not valued at fair value</i>	2,333,185	1,612,511

NOTE 5 COMMISSION INCOME

SEK 000s	2008	2007
Lending commission	1,872	1,561
Total commission income	1,872	1,561

NOTE 6 COMMISSION EXPENSE

SEK 000s	2008	2007
Remuneration to regional insurance companies	174,643	128,311
Other commission	2,020	843
Total commission expense	176,663	129,154
<i>of which commission expense from financial items not valued at fair value.</i>	174,643	128,311

NOTE 7 NET PROFIT/LOSS FROM FINANCIAL TRANSACTIONS

SEK 000s	2008	2007
Change in fair value		
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
Capital gain/loss		
Interest-related instruments	4,542	–868
Profit/loss from other financial assets	1,210	–
Total net profit/loss from financial transactions	8,458	–57

Profit/loss by valuation category

Derivative assets intended for risk management, non-hedge accounting	917,828	175,557
Derivative liabilities intended for risk management, non-hedge accounting	–11,743	–5,376
Loan receivables and accounts receivable	9,226	1,614
Financial liabilities at amortised cost	–900,717	–168,077
Change in fair value of derivatives that are hedging instruments in a fair value hedge	–90,117	–27,882
Change in fair value of hedged item with regard to the hedged risk in fair value hedges	83,981	24,107
Total	8,458	–57

NOTE 8 OTHER OPERATING INCOME

SEK 000s	2008	2007
Other income	79	294
Total operating income	79	294

NOTE 9 PERSONNEL COSTS

SEK 000s	2008	2007
Average number of employees		
Men	3	3
Women	1	0
Total number of employees	4	3

Salaries, other remuneration and social security expenses

<i>Salaried employees</i>		
Salaries and remuneration	2,304	2,491
<i>of which variable remuneration</i>	–	43
Social security expenses	1,237	1,558
<i>of which pension costs</i>	444	728

Board of Directors, President and Executive Vice President

Salaries and remuneration	4,498	2,456
<i>of which salaries to President and Executive Vice President</i>	4,360	2,304
<i>of which variable remuneration to President and Executive Vice President</i>	600	330
Social security expenses	2,802	1,881
<i>of which pension costs</i>	1 034	857

<i>Other personnel costs</i>	221	17
------------------------------	-----	----

Total salaries, remuneration and social security expenses

Salaries and remuneration	6,802	4,947
<i>of which variable remuneration</i>	600	373
Social security expenses	4,039	3,439
<i>of which pension costs</i>	1 478	1 585
Other personnel costs	221	17
Total personnel costs	11,062	8,403

NOTE 9 PERSONNEL COSTS, CONT.

Variable remuneration

An incentive system is in place that encompasses all employees not included in other bonus agreements. A condition for payment of this remuneration is that the owners' requirements for the return on shareholders' equity in the Group are fulfilled. The maximum amount that can be paid per employee if the conditions are met is determined by the Board in December each year. One third of the established amount is paid to everyone regardless of individual performance. Payment of two thirds of the determined amount is based on the degree of completion of the individual goals in the target contract.

Remuneration to senior executives

Directors' fees are payable in accordance with the decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration to the President and Executive Vice President comprises basic salary, variable salary, other benefits and pension costs.

Variable salary is maximised to two monthly salaries for the President and Executive Vice President.

Pension benefits and other benefits for the President and Executive Vice President are included as part of total remuneration.

Remuneration and other benefits

SEK 000s	Basic salary	Variable remuneration	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary
2008						
President Anders Borgcrantz	2,278	280	59	620	3,237	25%
Executive Vice President Göran Laurén	1,483	320	61	414	2,278	–
Chairman	–	–	–	–	–	–
Board member Christer Malm	110	–	–	–	110	–
Board member Mats Ericsson	27	–	–	–	27	–
Other senior executives	–	–	–	–	–	–
Total 2008	3,898	600	120	1,034	5,652	
2007						
President Anders Borgcrantz	1,974	330	60	857	3,221	37%
Chairman	–	–	–	–	–	–
Board member Christer Malm	112	–	–	–	112	–
Board member Mats Ericsson	40	–	–	–	40	–
Other senior executives	–	–	–	–	–	–
Total 2007	2,126	330	60	857	3,373	

Variable remuneration

Variable remuneration includes anticipated bonus for the fiscal year. For information on how bonuses are calculated, see below. Other benefits pertain to company car and interest benefits. Pension costs pertain to the impact on net profit for the year.

For the President, variable remuneration is based on targets met in accordance with the business plan, the Employee Commitment Index, the leadership index and other individual goals.

Pensions

The retirement age for the President is 62 years. The pension between the age of 62 and 65 is a defined-contribution plan. The premium shall amount to 11% of pensionable salary. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO) and the Swedish Union of Insurance Employees (FTF).

The terms and conditions for the Executive Vice President comply with the pension agreement between the FAO and FTF.

Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, the President shall also be entitled to severance pay corresponding to 18 months' salary. The terms stipulated in the central agreements between the labour market parties apply for the Executive Vice President.

Preparation and decision-making process applied in relation to the issue of remuneration to senior executives

Remuneration to the President is determined by the CEO and thereafter confirmed by the Board of Directors. Remuneration to other senior executives is determined by the President.

Sickness absence, %	2008	2007
Total sickness absence as a percentage of ordinary working hours	0.5%	0.1%
Percentage of absence pertaining to absence during a consecutive period of 60 days or more	–	–
Sickness absence as a percentage of each group's ordinary working hours:		
<i>Sickness absence by gender</i>		
Total of overall working hours for men	0.7%	0.1%
Total of overall working hours for women	–	–
<i>Sickness absence by age category</i>		
Absence for employees aged 29 or younger	–	–
Absence for employees aged 30–49	0.1%	0.1%
Absence for employees aged 50 or older	4.1%	–

Loans to senior executives

	Länsförsäkringar Hypotek		Länsförsäkringar AB Group	
	2008	2007	2008	2007
Board members	578	1,783	81,823	98,802
of which loans from Bank	328	658	23,856	21,452
of which loans from Hypotek	250	1,125	57,967	77,350
of which loans from Wasa Kredit	–	–	–	–
President and Executive Vice Presidents	–	–	13,141	4,495
of which loans from Bank	–	–	3,869	1,197
of which loans from Hypotek	–	–	9,272	3,298
of which loans from Wasa Kredit	–	–	–	–
Senior executives	–	–	66,705	65,603
of which loans from Bank	–	–	18,174	17,154
of which loans from Hypotek	–	–	48,436	48,449
of which loans from Wasa Kredit	–	–	95	–

Loans granted comprise personnel loans and other loans. Personnel loans carry loan terms comparable to what applies to other employees in the Group. The interest rate for employees is the repo rate less 0.5 percentage points, but can never be lower than 0.5 percentage points. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in other benefits as above. The terms and conditions of other loans are market-based.

The Group has not pledged assets or other collateral or assumed any liability undertaking for the benefit of any senior executive.

NOTE 9 PERSONNEL COSTS, CONT.

	Länsförsäkringar Hypotek		Länsförsäkringar AB Group	
	2008	2007	2008	2007
Gender distribution in company management				
<i>Percentage women</i>				
Board of Directors	–	–	20%	23%
Other senior executives, which pertains to the President and other persons in company management	–	–	41%	42%

NOTE 10 OTHER ADMINISTRATION EXPENSES

SEK 000s	2008	2007
Costs for premises	46	4
IT costs	3,210	–
Management costs	1,634	1,364
Other administration expenses	49,587	43,800
Total administration expenses	54,477	45,168

The item Other administration expenses largely comprises administration services purchased from the Parent Company.

NOTE 11 REMUNERATION TO AUDITORS

SEK 000s	2008	2007
Audit fees		
KPMG		
– Audit	491	291
– Other assignments	308	–
Deloitte		
– Audit	563	–
– Other assignments	–	–

Audit assignments pertain to a review of the Annual Report and financial accounts, and the management by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such assignments. Everything else comes under Other assignments.

NOTE 12 LOAN LOSSES, NET

SEK 000s	2008	2007
Specific provisions for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–876	–676
Reversed earlier impairment recognised 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
Net expense for the year for individually assessed loan receivables	5,722	9,994
Collective impairment of individually assessed loan receivables		
Provision/reversal of collective impairment	–	–
Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of impairment of loan losses	–5,919	–7,430
Net expense for the year for collectively assessed homogenous loan receivables	–5,919	–7,430
Impairment charges, net, for the year	–197	2,564

All information pertains to receivables from the public.

NOTE 13 TAX

SEK 000s	2008	2007
Current tax		
Current tax	–36,221	–21,466
Total current tax	–36,221	–21,466
Deferred tax		
Change in deferred tax expense on temporary differences	2	45
Change in tax due to changes in accounting principles	–	5,006
Total deferred tax	2	5,051
Total reported tax expense	–36,219	–16,415

Reconciliation of effective tax rate

Profit before tax	129,037	58,088
Tax in accordance with applicable tax rate for Parent Company	–36,130	–16,265
Tax on non-deductible costs	–91	–196
Tax on non-taxable income	1	1
Tax attributable to earlier years	1	45
Total tax on net profit for the year	–36,219	–16,415
Applicable tax rate	28%	28%
Effective tax rate	28%	28%

Tax items reported directly against shareholders' equity

Current tax in received/paid Group contribution	–36,221	–21,466
---	---------	---------

NOTE 14 LENDING TO CREDIT INSTITUTIONS

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Lending to credit institutions	298	–
Total	298	–

For information regarding fixed-rate interest terms, see Note 33.

NOTE 15 LENDING TO THE PUBLIC

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Loan receivables, gross		
Corporates	345,256	277,660
Retail	53,289,579	47,318,854
Other	224	–
Total loan receivables, gross	53,635,059	47,596,514
Impairment of individually reserved loan receivables		
Retail	–213	–1,870
Total individual provisions	–213	–1,870
Impairment of collectively reserved loan receivables		
Corporates	–	–15
Retail	–42,434	–39,430
Total collective provisions	–42,434	–39,445
Total provisions	–42,647	–41,315
Loan receivables, net		
Corporates	345,256	277,645
Retail	53,246,932	47,277,554
Other	224	–
Total loan receivables, net	53,592,412	47,555,199
Payable on demand	–	–
Remaining term of not more than 3 months	7,231	–
Remaining term of more than 3 months but not more than 1 year	32,826	33,270
Remaining term of more than 1 year but not more than 5 years	305,681	271,161
Remaining term of more than 5 years	53,246,674	47,250,768
Doubtful loan receivables		
Corporates	900	900
Retail	57,315	28,161
Total doubtful loan receivables	58,215	29,061
Non-performing loan receivables included in doubtful loan receivables		
Corporates	900	900
Retail	57,315	28,161
Total doubtful loan receivables	58,215	29,061
Reconciliation of impairment covering loan losses		
Opening balance	–41,315	–34,948
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	–	–
Reversed impairment of loan losses no longer required	4,374	147
Impairment of loan losses during the year	–5,706	–6,514
Closing balance	–42,647	–41,315

Loan receivables are geographically attributable in their entirety to Sweden.

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.

NOTE 16 DERIVATIVES

SEK 000s	Dec. 31, 2008		Dec. 31, 2007	
	Par value	Fair value	Par value	Fair value
Derivative instruments with positive values				
Derivatives in hedge accounting				
Interest-rate derivatives	30,647,500	1,000,428	21,740,000	293,840
Currency derivatives	1,394,406	427,434	–	–
Other derivatives				
Interest-rate derivatives	875,000	17,724	–	–
Currency derivatives	3,626,510	721,890	7,116,535	173,419
Total derivative instruments with positive values	36,543,416	2,167,476	28,856,535	467,259
Remaining term of not more than 1 year	10,808,956	172,666	11,455,025	57,738
Remaining term of more than 1 year	25,734,460	1,994,810	17,401,510	409,521
Derivative instruments with negative values				
Derivatives in hedge accounting				
Interest-rate derivatives	27,165,000	1,153,998	24,022,500	302,327
Other derivatives				
Interest-rate derivatives	875,000	17,724	–	–
Currency derivatives	91,680	17,120	155,779	5,376
Total derivative instruments with negative values	28,131,680	1,188,842	24,178,279	307,703
Remaining term of not more than 1 year	9,625,000	134,677	614,099	7,283
Remaining term of more than 1 year	18,506,680	1,054,165	23,564,180	300,420

NOTE 17 FAIR VALUE CHANGES OF INTEREST-RATE HEDGED ITEMS IN PORTFOLIO HEDGE

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Assets		
Carrying amount at beginning of year	–247,174	–101,380
Changes during the year	1,291,206	–145,794
Carrying amount at year-end	1,044,032	–247,174
Liabilities		
Carrying amount at beginning of year	–215,459	–45,558
Changes during the year	1,207,226	–169,901
Carrying amount at year-end	991,767	–215,459

NOTE 18 DEFERRED TAX ASSETS AND TAX LIABILITY

Reported deferred tax assets and tax liabilities are attributable to the following:

SEK 000s	Assets		Liabilities		Net	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Other financial investment assets	47	45	–	–	47	45
Deferred tax asset (–) /deferred tax liability (+)	47	45	–	–	47	45
Offset	–	–	–	–	–	–
Net deferred tax asset (–) /deferred tax liability (+)	47	45	–	–	47	45

Change in deferred tax in temporary differences and loss carryforwards

Dec. 31, 2008	Amount at beginning of year	Reported in the income statement	Reported directly against shareholders' equity	Amount at year-end
Other financial investment assets	45	2	–	47
Deferred tax asset (–) / tax liability (+)	45	2	–	47

Dec. 31, 2007

Other financial investment assets	–	45	–	45
Deferred tax asset (–) / tax liability (+)	–	45	–	45

NOTE 19 OTHER ASSETS

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Accounts receivable	3,507	8,405
Other assets	376	3,112
Total other assets	3,883	11,517

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Accrued interest income	628,073	517,909
Other accrued income	11,104	–
Prepaid expenses	13,949	27,496
Total prepaid expenses and accrued income	653,126	545,405

NOTE 21 LIABILITIES TO CREDIT INSTITUTIONS

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Swedish credit institutions	8,498,308	6,067,564
Total liabilities to credit institutions	8,498,308	6,067,564

Overdraft facilities granted in Länsförsäkringar Bank amounts to SEK 10 billion SEK 48 billion

Genuine repurchase transactions amount to SEK 7,953,806,000 (–), of which SEK 7,600,954,000 (–) with Group companies.

Payable on demand	–	–
Remaining term of not more than 3 months	6,599,019	3,566,363
Remaining term of more than 3 months but not more than 1 year	627,370	460,665
Remaining term of more than 1 year but not more than 5 years	1,271,919	2,040,536
Remaining term of more than 5 years	–	–

NOTE 22 DEBT SECURITIES IN ISSUE

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Bond loans	42,284,805	37,013,276
Total debt securities in issue	42,284,805	37,013,276
Remaining term of not more than 1 year	8,379,740	8,064,090
Remaining term of more than 1 year	33,905,065	28,949,186

All securities are covered bonds.
Securities issued in foreign currency amount to EUR 390,200 (753,200) and CHF 240,000 (–).
Currency risk is hedged with cross-currency interest-rate swaps.

NOTE 23 OTHER LIABILITIES

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Accounts payable	3,995	–
Unpaid Group contributions	129,360	1,165
Other liabilities	9,423	1,269,153
Total other liabilities	142,778	1,270,318

NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Accrued holiday pay	354	257
Accrued social security expenses	1,067	943
Accrued interest expense	1,272,140	1,107,785
Other accrued expenses	67,342	40,683
Total accrued expenses and deferred income	1,340,903	1,149,668

NOTE 25 PROVISIONS**Defined-benefit pension plans**

The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The conditions for this plan are such that approximately 65% of the pensionable salary at the age of 62 is received as a pension.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Pension commitments		
Provisions for pensions	172	160
Total	172	160
The year's change in capital value of own obligations for which there are no separated assets:		
Opening capital value on January 1, 2008 in accordance with Swedish principles for calculation of pension commitments	160	–
Cost excluding interest expense charged to earnings	6	160
Interest expense	6	–
Pensions paid	–	–
Other change in capital value	–	–
Capital value at December 31, 2008	172	160
Net pension commitments	172	160
Company's own pensions		
Cost excluding interest expense	6	160
Interest expense	6	–
Cost of the company's own pensions	12	160
Reported net cost attributable to pensions	12	160
Assumptions pertaining to defined-benefit commitments:		
Discount rate	3.5%	3.5%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%
Memorandum items	689	640

Defined-contribution pension plans

These pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are reported as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are reported here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are reported as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

	Dec. 31, 2008	Dec. 31, 2007
Expenses for defined-contribution plans	1,203	900

NOTE 26 SUBORDINATED DEBT

SEK 000s	Dec. 31, 2008	Dec. 31, 2007	
Subordinated debt	662,614	512,614	
Total subordinated debt	662,614	512,614	
	Dec. 31, 2008	Dec. 31, 2007	
Specification of subordinated debt from Länsförsäkringar Bank AB (publ)	Carrying amount	Carrying amount	Coupon rate of interest
Subordinated debt 2002/2012 LF Bank	–	40,000	variable 3 months
Subordinated debt 2004/2014 LF Bank	161,000	161,000	variable 3 months
Subordinated debt 2004/2014 LF Bank	21,114	21,114	variable 3 months
Subordinated debt 2004/2014 LF Bank	66,500	66,500	variable 3 months
Subordinated debt 2005/2015 LF Bank	30,000	30,000	variable 3 months
Subordinated debt 2005/2015 LF Bank	44,000	44,000	variable 3 months
Subordinated debt 2007/2017 LF Bank	150,000	150,000	variable 3 months
Subordinated debt 2008/2018 LF Bank	40,000	–	variable 3 months
Subordinated debt 2008/2018 LF Bank	150,000	–	variable 3 months
	662.614	512.614	

Subordinated debt is subordinate to the mortgage company's other liabilities, which means that they carry entitlement to payment only after the other creditors have received payment.

NOTE 27 SHAREHOLDERS' EQUITY

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Restricted shareholders' equity		
Share capital	70,335	70,335
Statutory reserve	14,067	14,067
Total restricted shareholders' equity	84,402	84,402
Non-restricted shareholders' equity		
Retained earnings	2,173,865	2,100,332
Net profit for the year	92,818	41,673
Total non-restricted shareholders' equity	2,266,683	2,142,005
Total shareholders' equity	2,351,085	2,226,407

The disclosure requirement in accordance with Chapter 5, Section 14 of the Swedish Annual Accounts Act regarding specification of changes in shareholders' equity compared with the preceding year's balance sheet is presented on page 19.

Conditional shareholders' contributions received

In 2007	75,000
In 2008	125,000
Total	200,000

NOTE 28 MEMORANDUM ITEMS

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Pledged assets	NONE	NONE
Contingent liabilities		
Early retirement at age 62 in accordance with pension agreement, 80%	689	640
Commitments		
Repurchase transactions	7,953,806	–
Loans approved but not disbursed	162,733	98,284
Total commitments	8,116,539	98,284

The carrying amount of financial assets provided as collateral for borrowing in the form of covered bonds totals SEK 51,983,572,000 (45,271,016,000). The collateral is transferred to bond holders in the event of bankruptcy.

NOTE 29 ASSETS AND LIABILITIES BY CATEGORY

Dec. 31, 2008 SEK 000s	Financial assets at fair value through profit or loss			Derivatives used in hedge accounting	Available for sale financial assets	Non-financial assets	Total	Fair value
	Loans and receivables	Financial assets valued according to fair value option	Held for trading					
Assets								
Lending to credit institutions	298						298	298
Lending to the public	53,592,412						53,592,412	54,750,694
Derivatives			739,614	1,427,862			2,167,476	2,167,476
Fair value changes of interest-rate hedged items in portfolio hedge	1,044,032						1,044,032	1,044,032
Deferred tax assets						47	47	
Other assets	3,507					376	3,883	
Prepaid expenses and accrued income	25,973		19,916	582,185		25,052	653,126	
Total assets	54,666,222	–	759,530	2,010,047	–	25,475	57,461,274	57,899,130
SEK 000s	Financial liabilities at fair value through profit or loss			Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities								
Liabilities to credit institutions					8,498,308		8,498,308	8,498,308
Debt securities in issue					42,284,805		42,284,805	43,646,421
Derivatives			34,844	1,153,998			1,188,842	1,188,842
Fair value changes of interest-rate hedged items in portfolio hedge					991,767		991,767	991,767
Other liabilities			3,995			138,783	142,778	
Accrued expenses and deferred income			18,787	513,052	740,301	68,763	1,340,903	
Provisions						172	172	
Subordinated debt					662,614		662,614	662,614
Total liabilities			57,626	1,667,050	53,177,795	207,718	55,110,189	54,987,952

NOTE 29 ASSETS AND LIABILITIES BY CATEGORY, CONT.

Dec. 31, 2007 SEK 000s	Financial assets at fair value through profit or loss			Derivatives used in hedge accounting	Available for sale financial assets	Non-financial assets	Total	Fair value
	Loans and receivables	Financial assets valued according to fair value option	Held for trading					
Assets								
Lending to credit institutions							–	–
Lending to the public	47,555,199						47,555,199	47,667,130
Derivatives			173,419	293,840			467,259	467,259
Fair value changes of interest-rate hedged items in portfolio hedge	–247,174						–247,174	–247,174
Deferred tax assets						45	45	
Other assets	8,405					3,112	11,517	
Prepaid expenses and accrued income	19,713		65,199	432,997		27,496	545,405	
Total assets	47,336,143	–	238,618	726,837	–	30,653	48,332,251	47,887,215

SEK 000s	Financial liabilities at fair value through profit or loss	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities						
Liabilities to credit institutions			6,067,564		6,067,564	6,070,283
Debt securities in issue			37,013,276		37,013,276	36,735,054
Derivatives	5,376	302,327			307,703	307,703
Fair value changes of interest-rate hedged items in portfolio hedge			-215,459		-215,459	-215,459
Other liabilities				1,270,318	1,270,318	
Accrued expenses and deferred income	59,918	372,793	675,074	41,883	1,149,668	
Provisions				160	160	
Subordinated debt			512,614		512,614	512,614
Total liabilities	65,294	675,120	44,053,069	1,312,361	46,105,844	43,410,195

Carrying amounts and fair values correspond to a large extent since IAS 39 requires that derivatives be valued at fair value and provides an option for using fair value in financial reporting. The fair value of the financial instruments is determined primarily based on quoted market prices. Their fair value is calculated on the basis of the mid-market price at the closing of the market on the last bank day of 2008. If no quoted market prices are available, generally accepted valuation techniques are used, such as discounting of future cash flows. These valuation models are based on observable market data. For OTC instruments, the calculation of fair value is based on prices for comparable quoted instruments. For lending and deposits with variable interest rates, fair value corresponds to the carrying amount. Lending and deposits with fixed interest rates are valued based on the depo STIBOR and FRA swap curve, plus an interest margin corresponding to an average margin mark-up.

NOTE 30 VALUATION TECHNIQUES FOR FAIR VALUE

Determination of fair value through published price quotations or valuation techniques

Dec. 31, 2008 SEK 000s	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Derivatives		2,167,476		2,167,476
Liabilities				
Derivatives		1,188,842		1,188,842
Dec. 31, 2007 SEK 000s	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Derivatives		467,259		467,259
Liabilities				
Derivatives		307,703		307,703

NOTE 31 MATURITY OVERVIEW

Liquidity exposure, financial instruments, excluding derivatives
 Remaining term of contract, including interest (undiscounted values)

Dec. 31, 2008 SEK 000s	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows
Assets							
Lending to credit institutions	298						298
Lending to the public		7,239	32,855	305,925	53,268,326		53,614,345
Other assets						1,701,088	1,701,088
Total assets	298	7,239	32,855	305,925	53,268,326	1,701,088	55,315,731
Liabilities							
Liabilities to credit institutions		6,326,924	640,991	1,295,666			8,263,581
Debt securities in issue		112,821	8,812,340	34,236,935	431,638		43,593,734
Other liabilities						2,475,620	2,475,620
Subordinated debt					662,614		662,614
Total liabilities	–	6,439,745	9,453,331	35,532,601	1,094,252	2,475,620	54,995,549
Difference, assets and liabilities	298	–6,432,506	–9,420,476	–35,226,676	52,174,074	–774,532	320,182
Unrecognised loan commitments		162,733					
Total difference, excluding derivatives	298	–6,269,773	–9,420,476	–35,226,676	52,174,074	–774,532	320,182

Dec. 31, 2007 SEK 000s	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows
Assets							
Lending to credit institutions							–
Lending to the public		7,928	25,342	271,161	47,250,768		47,555,199
Other assets						309,793	309,793
Total assets	–	7,928	25,342	271,161	47,250,768	309,793	47,864,992
Liabilities							
Liabilities to credit institutions	3,182,758	844,264	2,040,542				6,067,564
Debt securities in issue		2,211,000	5,673,398	28,570,655			36,455,053
Other liabilities						2,204,687	2,204,687
Subordinated debt					512,614		512,614
Total liabilities	3,182,758	3,055,264	7,713,940	28,570,655	512,614	2,204,687	45,239,918
Difference, assets and liabilities	–3,182,758	–3,047,336	–7,688,598	–28,299,494	46,738,154	–1,894,894	2,625,074
Unrecognised loan commitments		98,284					
Total difference, excluding derivatives	–3,182,758	–2,949,052	–7,688,598	–28,299,494	46,738,154	–1,894,894	2,625,074

Liquidity exposure, derivatives
 Remaining term of contract, derivatives (par values, including interest)

Dec. 31, 2008 SEK 000s	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives at fair value through profit or loss					
– currency derivatives	10,410	76,453	627,641		714,504
– interest-rate derivatives					–
Derivatives in hedge accounting					
– currency derivatives	–17,472	41,657	418,028	141,951	584,164
– interest-rate derivatives	–240,228	222,293	84,528	–280,795	–214,202
Total difference, derivatives	–247,290	340,403	1,130,197	–138,844	1,084,466

Dec. 31, 2007 SEK 000s	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives at fair value through profit or loss					
– currency derivatives	7,115	–17,822	136,289		125,582
– interest-rate derivatives					–
Derivatives in hedge accounting					
– currency derivatives					–
– interest-rate derivatives	–135,326	58,455	–234,931	–331,665	–643,467
Total difference derivatives	–128,211	40,633	–98,642	–331,665	–517,885

NOTE 32 ANTICIPATED RECOVERY AND SETTLEMENT TERMS FOR ASSETS, PROVISIONS AND LIABILITIES

	Dec. 31, 2008			Dec. 31, 2007		
	within 12 months	after 12 months	Total	within 12 months	after 12 months	Total
Amount expected to be recovered						
Assets						
Lending to credit institutions	298		298			–
Lending to the public	366,726	53,225,686	53,592,412	384,154	47,171,045	47,555,199
Derivatives	172,666	1,994,810	2,167,476	57,738	409,521	467,259
Fair value changes of interest-rate hedged items in portfolio hedge		1,044,032	1,044,032		–247,174	–247,174
Deferred tax assets		47	47		45	45
Other assets	3,883		3,883	11,517		11,517
Prepaid expenses and accrued income	653,126		653,126	545,405		545,405
Total assets	1,196,699	56,264,575	57,461,274	998,814	47,333,437	48,332,251
Amount expected to be settled						
Liabilities and provisions						
Liabilities to credit institutions	7,226,389	1,271,919	8,498,308	4,027,028	2,040,536	6,067,564
Debt securities in issue	8,379,740	33,905,065	42,284,805	8,064,090	28,949,186	37,013,276
Derivatives	134,689	1,054,153	1,188,842	7,283	300,420	307,703
Fair value changes of interest-rate hedged items in portfolio hedge		991,767	991,767		–215,459	–215,459
Other liabilities	142,778		142,778	1,270,318		1,270,318
Accrued expenses and deferred income	1,340,903		1,340,903	1,149,668		1,149,668
Provisions		172	172		160	160
Subordinated debt		662,614	662,614		512,614	512,614
Total liabilities and provisions	17,224,499	37,885,690	55,110,189	14,518,387	31,587,457	46,105,844

NOTE 33 FIXED-RATE INTEREST TERMS

Dec. 31, 2008 SEK 000s	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Lending to credit institutions	298								298
Lending to the public	15,431,015	9,329,169	3,860,401	4,655,637	13,396,626	4,626,590	2,317,907	-24,933	53,592,412
Other assets								3,868,564	3,868,564
Total assets	15,431,313	9,329,169	3,860,401	4,655,637	13,396,626	4,626,590	2,317,907	3,843,631	57,461,274
Liabilities									
Liabilities to credit institutions		6,593,735		627,370	1,271,919			5,284	8,498,308
Debt securities in issue	1,920,000	7,628,005	7,945,302	434,439	18,531,328	5,460,503	365,228		42,284,805
Other liabilities								3,664,462	3,664,462
Subordinated debt							662,614		662,614
Shareholders' equity								2,351,085	2,351,085
Total liabilities and shareholders' equity	1,920,000	14,221,740	7,945,302	1,061,809	19,803,247	5,460,503	1,027,842	6,020,831	57,461,274
Difference, assets and liabilities	13,511,313	-4,892,571	-4,084,901	3,593,828	-6,406,621	-833,913	1,290,065	-2,177,200	
Interest-rate derivatives, par values	300,000	-1,750,000	6,485,000	-4,410,000	5,253,367	1,135,923	-1,880,055		5,134,235
Net exposure	13,811,313	-6,642,571	2,400,099	-816,172	-1,153,254	302,010	-589,990	-2,177,200	

Dec. 31, 2007 SEK 000s	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Lending to credit institutions									-
Lending to the public	949,437	20,792,301	184,679	5,510,555	11,954,223	5,921,805	2,261,584	-19,385	47,555,199
Other assets								777,052	777,052
Total assets	949,437	20,792,301	184,679	5,510,555	11,954,223	5,921,805	2,261,584	757,667	48,332,251
Liabilities									
Liabilities to credit institutions	2,696,031	383,599	282,975	177,690	2,461,064	66,205			6,067,564
Debt securities in issue	2,211,000		3,823,998	1,849,426	29,128,852				37,013,276
Other liabilities								2,512,390	2,512,390
Subordinated debt							512,614		512,614
Shareholders' equity								2,226,407	2,226,407
Total liabilities and shareholders' equity	4,907,031	383,599	4,106,973	2,027,116	31,589,916	66,205	512,614	4,738,797	48,332,251
Difference, assets and liabilities	-3,957,594	20,408,702	-3,922,294	3,483,439	-19,635,693	5,855,600	1,748,970	-3,981,130	
Interest-rate derivatives, par values		-1,500,000	-2,800,000	-3,115,000	5,390,000	1,057,500	-2,350,000		-3,317,500
Net exposure	-3,957,594	14,951,108	8,228,814	8,597,253	-5,648,440	1,264,660	663,630	-3,317,500	

NOTE 34 34 CREDIT RISK

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Loan receivables		
Collateral distribution for loan receivables, gross		
Private homes	44,665,928	39,948,271
Tenant-owned apartment	8,407,901	7,213,832
Multi-family dwellings	452,566	353,174
Commercial properties	76,530	68,768
Industrial properties	32,134	12,469
Total	53,635,059	47,596,514
Derivatives, fair value including accrued interest		
AA-/Aa1	127,714	51,990
A/Aa3	91,891	–
A+/Aa1	–	25,058
A/Aa2	440,446	–
A/A2	647,573	–
Internal counterparty	–	158,714
Total	1,307,624	235,762
Memorandum items		
Loans approved but not disbursed	162,733	98,284
Total credit risk, gross	55,105,416	47,930,560
Impairment of loan receivables	–42,647	–41,315
Total credit risk, net	55,062,769	47,889,245

The value of collateral for mortgage loans in the covered bond operations amounts to SEK 51,983,572,000 (42,271,016,000).

The mortgage operations have not utilised any collateral. The collateral is directly sold in the event of insolvency.

Regarding loan losses, according to agreement 80% of confirmed loan losses and loss recoveries are to be deducted against each regional insurance company's commission. Such commission may not be negative for any one year.

Doubtful loan receivables

Corporate sector	900	900
Retail sector	57,315	28,161
	58,215	29,061

Doubtful loan receivables by collateral

Collateral in private homes	51,500	24,218
Collateral in leisure homes	446	203
Collateral in tenant-owned apartments	6,269	1,055
Other	–	3,585
	58,215	29,061

Defaulted loan receivables not included in doubtful receivables

Receivables overdue by 10 to 19 days	121	220
Receivables overdue by 20 to 39 days	38,032	23,642
Receivables overdue by 40 to 59 days	–	–
	38,153	23,862

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.

A defaulted loan receivable is a receivable on which the borrower has defaulted by more than 10 days in accordance with Internal Ratings-Based Approach (IRB) of the Basel regulations.

There are no loans within the mortgage operations whose terms were renegotiated during the year and that would otherwise have been recognised as doubtful.

Loan receivables, credit quality

In December 2006, Länsförsäkringar Bank was granted permission by the Swedish Financial Supervisory Authority to apply the IRB Approach in the calculation of the capital requirement for credit risk for retail exposures, which accounts for most of the credit portfolio and the IRB Approach has been applied for these exposures since February 2007.

The probability of default (PD) is the probability that a counterparty will default over a 12-month period. A counterparty is considered to be defaulted if a payment is more than 60 days overdue or if there is reason to expect that the counterparty cannot meet its undertaking to the company. For each counterparty a PD is initially calculated in order to reflect the risk of default within the following 12 months. This PD is then adjusted to reflect the average portion of default over several economic cycles. Finally, a safety margin is added to PD to ensure that the risk is not underestimated.

The information that is most relevant to each type of counterparty has been taken into consideration in the development of techniques for calculating PD. Accordingly, the division of PD into grades can either occur through an individual expert assessment or using techniques based on statistical analysis (credit scoring). These models take both internal and external information into consideration.

Retail exposures, IRB Approach**EAD according to Basel II regulations**

PD grade	PD %	Dec. 31, 2008	PD grade	PD %	Dec. 31, 2007
1	0.05	1,183,811	A	0.16	13,016,510
2	0.10	3,737,981	B	0.27	21,944,030
3	0.20	12,512,799	C	0.86	5,934,943
4	0.40	22,552,688	D	2.53	1,989,510
5	0.80	6,099,737	E	5.63	761,819
6	1.60	3,373,559	F	11.01	286,772
7	3.20	1,121,487	G	32.91	287,238
8	6.40	520,120	Default	100	49,936
9	12.80	230,675			44,270,758
10	25.60	125,193			
11	51.20	151,611			
Default	100	110,282			
		51,719,943			

Exposure at default (EAD) is the exposure amount that the counterparty is expected to utilise upon default. For commitments entirely in the balance sheet, EAD is defined as capital liability plus accrued and overdue unpaid interest and fees. For commitments fully or partly off-balance, EAD is calculated by multiplying the counterparty's granted full amount by a conversion factor (CF).

NOTE 35 CAPITAL-ADEQUACY ANALYSIS

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Tier 1 capital, gross	2,351,038	2,226,452
Less IRB deficit	-25,888	-21,518
Tier 1 capital, net	2,325,150	2,204,934
Tier 2 capital	662,614	512,614
Deductions for Tier 2 capital	-25,888	-29,518
Total capital base	2,961,876	2,688,030
Risk-weighted assets according to Basel II	10,737,313	9,314,563
Risk-weighted assets according to transition rules	28,292,250	25,655,725
Total capital requirement for credit risk		
Capital requirement for credit risk according to Standardised Approach	93,607	114,309
Capital requirement for credit risk according to IRB Approach	755,062	622,123
Capital requirement for operational risk	10,316	8,733
Capital requirement	858,985	745,165
Adjustment according to transition rules	1,404,395	1,307,293
Total capital requirement	2,263,380	2,052,458
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

Capital requirement

Credit risk according to Standardised Approach

Exposures to institutions	33,401	11,432
Exposures to corporates	2,826	5,351
Retail exposures	-	459
Exposures secured on residential property	53,773	91,342
Past due items	543	890
Other items	3,064	4,835
Total capital requirement for credit risk according to Standardised Approach	93,607	114,309

NOTE 36 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

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

Pricing

Negotiated prices are applied within the Länsförsäkringar Alliance, both for services performed on behalf of the regional insurance companies and the service offerings provided within the Länsförsäkringar AB Group.

	Receivables		Liabilities		Income		Kostnader	
	2008	2007	2008	2007	2008	2007	2008	2007
Companies in the Banking Group	693,625	251,783	9,414,250	6,723,025	265,974	154,216	712,722	966,493
Other companies in the Länsförsäkringar AB Group			646,872				17,577	
Regional insurance companies			54,226	36,616			174,643	128,310
Other related parties								11,818

For information regarding remuneration to related key persons such as members of the Board of Directors and senior executives, refer to Note 9 Personnel costs. In all other respects, no transactions take place between these individuals and their related parties apart from normal customer transactions.

SEK 000s	Dec. 31, 2008	Dec. 31, 2007
Credit risk according to IRB Approach		
<i>Retail exposures</i>		
Real estate exposures	751,825	619,244
Other retail exposures	3,237	2,879
Total capital requirement for credit risk according to IRB Approach	755,062	622,123
Operational risk		
Standardised Approach	10,316	8,733
Total capital requirement for operational risk	10,316	8,733
Capital-adequacy analysis according to Basel I		
Tier 1 capital	2,351,038	2,226,362
Tier 2 capital	662,614	504,614
Total capital base	3,013,652	2,730,976
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

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

Capital base includes the Board's proposed appropriation of profit.

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

NOTE 37 EVENTS AFTER THE BALANCE-SHEET DATE

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

PROPOSED APPROPRIATION OF PROFIT

Proposed distribution of the mortgage company's unappropriated earnings (SEK)

Retained earnings	2,142,003,662
Group contribution paid, net	-93,139,200
Shareholders' contribution received	125,000,000
Net profit for the year	92,817,847
Profit to be appropriated	2,266,682,309

The Board of Directors and the President propose that profit be appropriated so

that the following amount is carried forward	2,266,682,309
--	---------------

The Board of Directors and President affirm that the Annual Report provides a true and fair view of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed

Stockholm, March 26, 2009

Mats Ericsson
Chairman

Bengt Jerning
Board member

Christer Malm
Board member

Mattias Nordin
Board member

Anders Borgcrantz
President

Our audit report was submitted on March 26, 2009.

Johan Bäckström
Authorised Public Accountant

Audit report

To the Annual General Meeting of shareholders in Länsförsäkringar Hypotek AB (publ)
Corporate Registration Number 556244-1781

I have audited the annual accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar Hypotek AB (publ) for 2008. The annual accounts are included in the printed version of this document on pages 14–40. These accounts and the administration of the company and the application of the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the annual accounts are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high, but not absolute, assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion

concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and thereby give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

I recommend to the general meeting of shareholders that the income statements and balance sheets be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 26, 2009

Johan Bäckström
Authorised Public Accountant

Board of Directors, auditors and executive management

BOARD OF DIRECTORS



Mats Ericsson, born 1954
Chairman since 2008.
Board member since 2005.
President, Länsförsäkringar Bank AB. Other Board appointments: Board Chairman of Halland Fire Protection Association and Board member of Wasa Kredit AB, Prince Bertil's Foundation, Movement Vård och Rehab AB and the Swedish Insurance Employers' Association (FAO).



Anders Borgcrantz, born 1961. Board member since 2003. President, Länsförsäkringar Hypotek AB. Executive Vice President and Representative for the President, Länsförsäkringar Bank AB. Other Board appointments: Board member of Wasa Kredit AB, BGC Holding AB, Bankgirocentralen BGC AB and Devise Business Transaction Sweden AB



Bengt Jerning, born 1953
Board member since 1992
Credit Manager, Länsförsäkringar Bank AB and Länsförsäkringar Hypotek AB. Other Board appointments: Board member of Wasa Kredit AB.



Christer Malm, born 1943
Board member since 2005
Other Board appointments: Board Chairman of IT-ledarna. Chairman of Mälarenergi AB, the Swedish Volleyball Association and Riksteatern. Board member of Mälarenergi Stadsnät AB, Västerås flygplats AB, VÄGAB Västerås and the World Wide Fund for Nature.



Mattias Nordin, born 1967
Board member since 2005
Head of Accounting and Business Control, Länsförsäkringar Bank AB
Other Board appointments: Board member of Wasa Kredit AB.

EXECUTIVE MANAGEMENT



Anders Borgcrantz, born 1961
President



Göran Laurén, born 1962
CFO and Executive Vice President

AUDITOR

Johan Bäckström
Authorised Public Accountant
KPMG.

Definitions

Capital adequacy ratio

Closing capital base in relation to the closing risk-weighted amount.

Capital base

The sum of Tier 1 and Tier 2 capital minus items in accordance with Chapter 2, Section 7, third paragraph of the Capital Adequacy and Large Exposures Act.

Cost-income ratio

Total costs in relation to total income. The cost-income ratio is calculated before and after loan losses.

Doubtful receivables

Receivables for which payments are unlikely to be made in accordance with the agreed terms. 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 net of doubtful receivables is equivalent to doubtful receivables less specific provisions made for individually assessed receivables and provisions for collectively assessed receivables.

Fixed-rate interest term

Agreed period during which the interest rate on an asset or liability is fixed.

Interest margin

The difference between the average interest rate on all assets and the average interest rate on all liabilities.

Investment margin

Net interest income in relation to average total assets.

Non-performing receivables

Receivables for which interest payments, amortisation or overdrafts are more than 60 days past due.

Percentage of doubtful receivables

Doubtful receivables in relation to total lending to the public and to credit institutions.

Provision ratio for doubtful receivables

Provision for probable loan losses in relation to gross doubtful receivables.

Return on shareholders' equity

Earnings for the period, after appropriations and standard tax, in relation to average shareholders' equity, adjusted for new share issues and dividends.

Return on total capital

Operating income in relation to average total assets.

Risk-weighted amount

Total assets reported in balance sheet and off-balance-sheet commitments, valued in accordance with the Swedish Capital Adequacy and Large Exposures Act. Volumes are weighted taking into account assessed risk so that they are included in the risk-weighted amount by 0%, 20%, 50% or 100%.

Tier 1 capital

Shareholders' equity in the Parent Company including 73.7% of untaxed reserves, less intangible assets and deferred tax assets, capital contributions and provisions that may be included in the capital base as Tier 1 capital are described in Chapter 2, Section 6 of the Capital Adequacy and Large Exposures Act.

Tier 1 ratio

Tier 1 capital at year-end in relation to the closing risk-weighted amount.

Tier 2 capital

Subordinated loans with an original term of at least five years with a certain reduction if the remaining term is less than five years, plus capital contributions and provisions in accordance with Chapter 2, Section 6 of the Capital Adequacy and Large Exposures Act.

Financial calendar

First quarter:

Interim report January–March 2009 will be published on April 22, 2009.

Second quarter:

Interim report January–June 2009 will be published on August 25, 2009.

Third quarter:

Interim report January–September 2009 will be published on October 23, 2009.



Addresses

Länsförsäkringar Blekinge

Box 24
SE-374 21 Karlshamn
Visit: Kyrkogatan 21
Phone: +46 (0)454-30 23 00
Fax: +46 (0)454-105 60
E-mail: info@lfblekinge.se

Dalarnas Försäkringsbolag

Box 3
SE-791 21 Falun
Visit: Slaggatan 9
Phone: +46 (0)23-930 00
Fax: +46 (0)23-284 87
E-mail: info@dalarnas.se

Länsförsäkringar Älvsborg

Box 1107
SE-462 28 Vänersborg
Visit: Vallgatan 21
Phone: +46 (0)521-27 30 00
Fax: +46 (0)521-27 32 27
E-mail: info@alvsborg.lansforsakringar.se

Länsförsäkringar Gävleborg

Box 206
SE-801 03 Gävle
Visit: Slottstorget 3
Phone: +46 (0)26-14 75 00
Fax: +46 (0)26-61 43 90
E-mail: info@lfgavleborg.se

Länsförsäkringar Gäinge

Box 54
SE-281 21 Hässleholm
Visit: Andra Avenyen 14
Phone: +46 (0)451-489 00
Fax: +46 (0)451-156 93
E-mail: info@goinge.lansforsakringar.se

Länsförsäkringar Göteborg och Bohuslän

SE-404 84 Göteborg
Visit: Lilla Bommen 8
Phone: +46 (0)31-63 80 00
Fax: +46 (0)31-63 80 05
E-mail: info@gbg.lansforsakringar.se

Länsförsäkringar Halland

Box 518
SE-301 80 Halmstad
Visit: Strandgatan 10
Phone: +46 (0)35-15 10 00
Fax: +46 (0)35-10 36 10
E-mail: info@halland.lansforsakringar.se

Länsförsäkringar Jämtland

Box 367
SE-831 25 Östersund
Visit: Prästgatan 18
Phone: +46 (0)63-19 33 00
Fax: +46 (0)63-10 24 70
E-mail: info@lfz.se

Länsförsäkringar Jönköping

Box 623
SE-551 18 Jönköping
Visit: Barnarpsgatan 22
Phone: +46 (0)36-19 90 00
Fax: +46 (0)36-19 92 40
E-mail: info@jonkopings.lansforsakringar.se

Länsförsäkringar Kalmar län

Box 748
SE-391 27 Kalmar
Visit: Smålandsgatan 1
Phone: +46 (0)20-66 11 00
Fax: +46 (0)480-286 50
E-mail: info@LFkalmar.se

Länsförsäkring Kronoberg

Box 1503
SE-351 15 Växjö
Visit: Kronobergsgatan 10
Phone: +46 (0)470-72 00 00
Fax: +46 (0)470-72 00 01
E-mail: info@lfkronoberg.se

Länsförsäkringar Norrbotten

Box 937
SE-971 28 Luleå
Visit: Kungsgatan 13
Phone: +46 (0)920-24 25 00
Fax: +46 (0)920-22 01 66
E-mail: info@lfn.nu

Länsförsäkringar Skaraborg

Box 600
SE-541 29 Skövde
Visit: Rådhusgatan 8
Phone: +46 (0)500-77 70 00
Fax: +46 (0)500-77 70 30
E-mail: info@skaraborg.lansforsakringar.se

Länsförsäkringar Stockholm

Box 173
SE-173 82 Stockholm
Visit: Hemvärnsgatan 9, Solna
Phone: +46 (0)8-562 830 00
Fax: +46 (0)8-562 833 36
E-mail: info@sth.lansforsakringar.se

Länsförsäkringar Södermanland

Box 147
SE-611 24 Nyköping
Visit: V Storgatan 4
Phone: +46 (0)155-48 40 00
Fax: +46 (0)155-48 41 03
E-mail: info@lfs.se

Länsförsäkringar Uppsala

Box 2147
SE-750 02 Uppsala
Visit: Svartbäcksgatan 44
Phone: +46 (0)18-68 55 00
Fax: +46 (0)18-68 55 80
E-mail: info@uppsala.lansforsakringar.se

Länsförsäkringar Värmland

Box 367
SE-651 09 Karlstad
Visit: Köpmannagatan 2 A
Phone: +46 (0)54-775 15 00
Fax: +46 (0)54-775 16 50
E-mail: info@LFvarmland.se

Länsförsäkringar Kristianstad

Box 133
SE-291 22 Kristianstad
Visit: V Storgatan 49
Phone: +46 (0)44-19 62 00
Fax: +46 (0)44-12 06 35
E-mail: info@krstad.lansforsakringar.se

Länsförsäkringar Västerbotten

Box 153
SE-901 04 Umeå
Visit: Nygatan 19
Phone: +46 (0)90-10 90 00
Fax: +46 (0)90-10 92 29
E-mail: info@LFvasterbotten.se

Länsförsäkringar Västernorrland

Box 164
SE-871 24 Härnösand
Visit: Stora Torget 3
Phone: +46 (0)611-253 00
Fax: +46 (0)611-22518
E-mail: info@vn.lansforsakringar.se

Länsförsäkringar Bergslagen

Box 1046
SE-721 26 Västerås
Visit: Stora Gatan 41
Phone: +46 (0)21-19 01 00
Fax: +46 (0)21-19 01 37
E-mail: info@lfbergslagen.se

Östgöta Brandstodsbolag

Box 400
SE-581 04 Linköping
Visit: Platensgatan 11
Phone: +46 (0)13-29 00 00
Fax: +46 (0)13-29 06 25
E-mail: info@lfostgota.se

Länsförsäkringar Gotland

Box 1224
SE-621 23 Visby
Visit: Österväg 17
Phone: +46 (0)498-28 18 50
Fax: +46 (0)498-24 76 48
E-mail: info@lfgotland.se

Länsförsäkringar Skåne

Box 742
SE-251 07 Helsingborg
Visit: Södergatan 15
Phone: +46 (0)42-633 80 00
Fax: +46 (0)42-633 86 60
E-mail: info@lfskane.se

GEMENSAMMA BOLAG

Länsförsäkringar AB

SE-106 50 Stockholm
Visit: Tegeluuddsvägen 11–13
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-670 48 23
E-mail: info@lansforsakringar.se

Länsförsäkringar Liv

SE-106 50 Stockholm
Visit: Tegeluuddsvägen 21
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-588 408 51
E-mail: info@lansforsakringar.se

Länsförsäkringar Sak

SE-106 50 Stockholm
Visit: Tegeluuddsvägen 11–13
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-588 418 10
E-mail: info@lansforsakringar.se

Länsförsäkringar Bank

SE-106 50 Stockholm
Visit: Tegeluuddsvägen 11–13
Phone: +46 (0)8-588 416 00
Fax: +46 (0)8-670 48 37
E-mail: info@lansforsakringar.se

Länsförsäkringar Fondförvaltning AB

SE-106 50 Stockholm
Visit: Tegeluuddsvägen 11–13
Phone: +46 (0)8-588 400 00
Fax: +46 (0)8-670 40 07
E-mail: info@lansforsakringar.se

Wasa Kredit AB

Box 6740
SE-113 85 Stockholm
Visit: S:t Eriksgatan 115
Phone: +46 (0)8-635 38 00
Fax: +46 (0)8-676 02 75
E-mail: info@wasakredit.se

Agria Djurförsäkring

Box 70306
SE-107 23 Stockholm
Visit: Tegeluuddsvägen 11–13
Phone: +46 (0)8-588 421 00
Fax: +46 (0)8-588 421 80
E-mail: info@agria.se

Humlegården Fastigheter AB

Box 5182
SE-102 44 Stockholm
Visit: Birger Jarlsgatan 25
Phone: +46 (0)8-678 92 00
Fax: +46 (0)8-678 92 99
E-mail: info@humlegarden.se

Länsförsäkringar Mäklarservice

Box 65
SE-171 74 Solna
Visit: Hemvärnsgatan 9
Phone: +46 (0)8-588 490 00
Fax: +46 (0)8-588 491 90
E-mail: info.maklarservice@lansforsakringar.se

Länshem Fastighetsförmedling

Box 742
SE-251 07 Helsingborg
Visit: Södergatan 15
Phone: +46 (0)42-633 98 10
Fax: +46 (0)42-633 98 11
E-mail: helsingborg@lanshem.se

