



# 2008

Länsförsäkringar Bank  
Annual Report



## Contents

2008 in brief .....	1
Statement by the President .....	2
Vision and strategy .....	4
Customers.....	6
Economic environment .....	8
Offering .....	10
Credit quality .....	14
Borrowing and liquidity .....	16
Employees .....	18
Environment.....	20
Board of Directors' Report .....	21
Risk and capital management.....	26
Five-year summary .....	29
Income statement .....	30
Balance sheet .....	31
Cash-flow statement .....	32
Change in shareholders' equity .....	33
Notes to the financial statements .....	34
Audit Report .....	73
Corporate Governance Report .....	74
Definitions .....	77
Board of Directors .....	78
Executive management and auditors .....	79
Financial calendar .....	80
Addresses .....	81

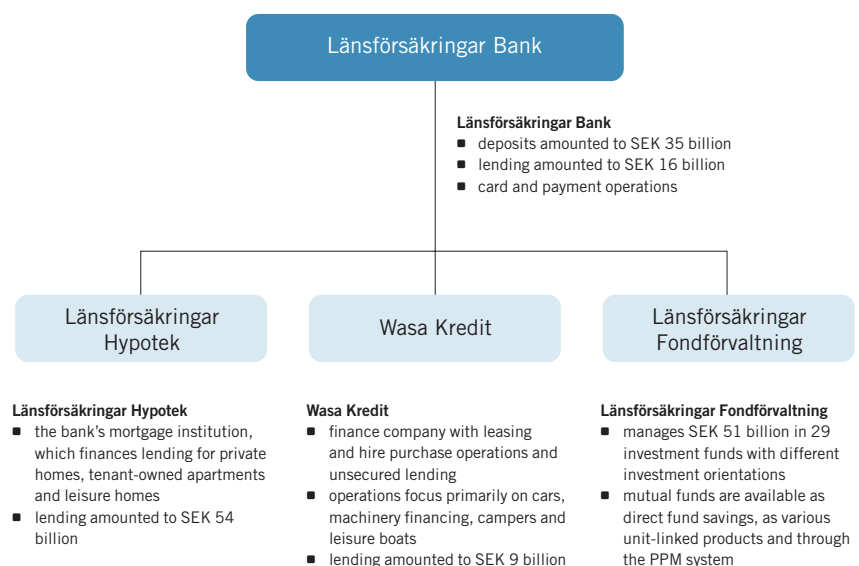
# Länsförsäkringar Bank

## – 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 service in areas that generate economies of scale and efficiency, all in 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 Bank is the sixth largest retail bank in Sweden, with a business volume of SEK 165 billion.
- The services of the banking operations are primarily directed to private individuals and farmers, with a full range of services.
- Banking business 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 in 2008 was 3.5% and the percentage of market growth was 6.4%. The market share for deposits was 3.2% and the percentage of market growth amounted to 6.3%.
- According to the 2008 Swedish Quality Index (SQI), Länsförsäkringar has Sweden's most satisfied bank customers in the retail market for the fourth time and the most satisfied retail mortgage customers for the fourth consecutive year. The number of customers amounted to 700,000.



# 2008 in brief

Due to the restructuring of the Länsförsäkringar AB Group, restructuring costs amounting to SEK 27 M were charged to earnings.

- Operating profit excluding restructuring costs rose to SEK 272 M (238). Operating profit amounted to SEK 245 M (238), which is the best result in the bank's history.
- Operating income rose by 11% to SEK 1,225 M (1,106) and net interest income increased by 19% to SEK 1,211 M (1,017).
- Operating expenses excluding restructuring costs rose by 9% to SEK 888 M (816).
- The cost/income ratio before loan losses and excluding restructuring costs amounted to 0.72 (0.74).
- Loan losses remained low and amounted to SEK 65 M (51).
- Return on shareholders' equity after standard tax and excluding restructuring costs amounted to 4.9% (5.0).
- Lending to the public rose by 17% to SEK 79 billion (67) and deposits from the public increased by 18% to SEK 35 billion (30). Mortgage lending in the subsidiary Länsförsäkringar Hypotek increased by 13% to SEK 54 billion (48).
- The banking operations have a low risk profile that has not changed appreciably during the financial crisis.
- Länsförsäkringar has Sweden's most satisfied bank customers in the retail market and the most satisfied retail mortgage customers in a comparison between all Swedish banks according to the Swedish Quality Index (SQI).
- The number of customers rose to slightly more than 700,000 (665,000).

## Key events after year-end

- On January 1, 2009, the Länsförsäkringar AB Group's new organisation was introduced to enhance competitiveness and make the use of joint resources more efficient.
- In February 2009, a new capital adequacy target for the Banking Group was set. The Tier 1 ratio shall amount to 12% when Basel II is fully implemented in 2010. A deviation of +/- 0.5 percentage points is permitted for the target.

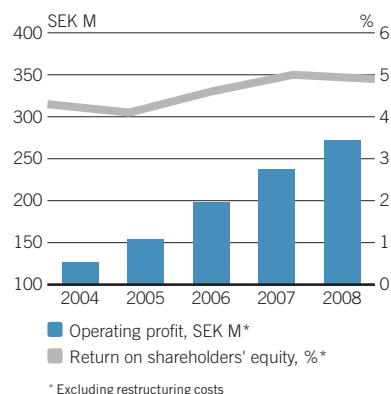
Key figures	2004	2005	2006	2007	2008
Return on shareholders' equity excluding restructuring costs, %	4.3	4.1	4.6	5.0	4.9
Return on shareholders' equity, %	4.3	4.1	4.6	5.0	4.4
Return on total capital, %	0.3	0.4	0.4	0.3	0.3
Investment margin, %	2.18	1.85	1.62	1.43	1.30
Cost/income ratio before loan losses and excluding restructuring costs	0.81	0.79	0.77	0.74	0.72
Cost/income ratio before loan losses	0.81	0.79	0.77	0.74	0.75
Cost/income ratio after loan losses and excluding restructuring costs	0.86	0.84	0.80	0.78	0.78
Cost/income ratio after loan losses	0.86	0.84	0.80	0.78	0.80
Capital adequacy ratio, %	11.4 <sup>1)</sup>	11.3 <sup>1)</sup>	10.6 <sup>1)</sup>	10.6 <sup>2)</sup>	10.4 <sup>2)</sup>
Tier 1 ratio, %	9.0 <sup>1)</sup>	9.0 <sup>1)</sup>	8.6 <sup>1)</sup>	8.8 <sup>2)</sup>	8.6 <sup>2)</sup>
Percentage of doubtful receivables, gross, % <sup>3)</sup>	0.61	0.51	0.27	0.24	0.29
Percentage of doubtful receivables, net, % <sup>3)</sup>	0.14	0.03	0	0	0
Provision ratio for doubtful receivables, % <sup>3)</sup>	76	95	139	149	121
Level of loan losses, %	0.11	0.10	0.07	0.07	0.07

<sup>1)</sup> According to Basel I.

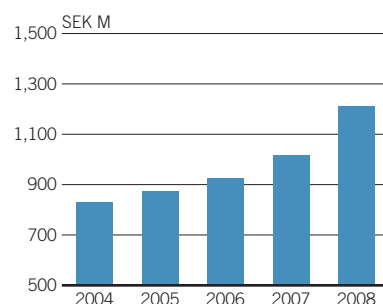
<sup>2)</sup> According to the Basel II transition rules.

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

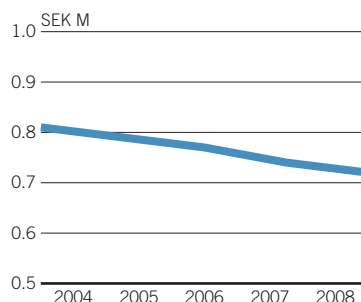
## OPERATING PROFIT AND RETURN ON SHAREHOLDERS' EQUITY



## NET INTEREST INCOME



## COST/INCOME RATIO BEFORE LOAN LOSSES\*



# Statement by the President: A stable and reliable bank

Despite the financial crisis, Länsförsäkringar's banking operations were highly successful during the year, generating higher volumes, improved earnings and stable profitability. Borrowing was satisfactory. We attach great importance to having a low level of risk in our operations so that we are able to build a long-term stable and reliable customer-owned bank.



## **Facing an economic downturn**

The financial turmoil that began in the summer of 2007 turned into a financial crisis in the autumn of 2008 that generated consequences that had rarely been seen before. The capital market essentially ceased to function resulting in a shortage of liquidity that impacted many banks and finance companies. The US, where the crisis originated, was the worst hit, although the rest of the world also suffered greatly. The intervention of governments and central banks by cutting interest rates and injecting capital counteracted the effects of this serious crisis. We are now facing an economic downturn in which Swedish households stand relatively strong, with low indebtedness and a high repayment capacity, meaning that they have the best prerequisites for successfully enduring the downturn in the economy.

## **Broad success**

The year was the best in the company's history. We strengthened our position in both the deposit and the lending markets,

as well as in the fund market in spite of lower fund volumes caused by the stock-market decline. Lending increased to SEK 79 billion, of which mortgage lending in the subsidiary Länsförsäkringar Hypotek amounted to SEK 54 billion. Deposits rose to 35 billion and we are now the fifth largest bank in Sweden in terms of deposits. Both net interest income and operating profit increased compared with the preceding year. The number of customers rose by 35,000 to 700,000. The customers with whom we have a close relationship and who also have non-life insurance and life assurance commitments with Länsförsäkringar continued to increase.

Our credit quality is very high and most of the credit portfolio comprises household loans. These loans, which are found only in Sweden, have a satisfactory geographical spread and primarily comprise private homes and tenant-owned apartments. The subsidiary Länsförsäkringar Hypotek has practically no loan losses, and the operations almost exclusively comprise private residential properties.



Our loan origination is conservative and consistent with the aim of maintaining a high level of credit quality both for our company and our customers. This approach shows respect for our customers and benefits our business.

### **Local and independent – an unbeatable combination**

According to the Swedish Quality Index (SQI) in 2008, Länsförsäkringar had Sweden's most satisfied bank customers in the retail market for the fourth time and also increased its lead over other Swedish banks, particularly in terms of customer loyalty. In addition, Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the fourth consecutive year. High-quality advisory services were a decisive factor for retail mortgage customers in this year's survey.

There are probably 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. This knowledge is our very strongest competitive advantage, combined with Länsförsäkringar's values of results, customer benefits and respect. All commitments are on "home ground," as are the employees of the regional insurance companies who remain in close contact with their customers. Our products are attractive, reasonably priced and readily available also through Internet and telephone services. Läns hem Fastighetsförmedling's approximately 70 housing stores throughout Sweden are also a key meeting place for customers. Another explanation is that Länsförsäkringar is customer-owned. Ownership is based on a long-term approach in a federal ownership structure, thereby guaranteeing stability, reliability and long-term growth.

### **Strong offering**

Continued robust growth in retail mortgage loans due to an attractive offering strengthened the company's position in the retail mortgage market. Our posi-

tion in deposits was also consolidated due to our reliable and advantageous offerings.

During the year, Länsförsäkringar's website received the award for Best Bank and Insurance Website from the magazine Internetworld. We succeeded in grouping all of our banking and insurance services together in a single joint log-in function, which is practically unique in the market. The new website was launched in April and provides significant communication channels and sales opportunities in the future.

It is highly gratifying that the operations began offering first-lien mortgages for Swedish agricultural properties during the year. Since the product was launched in February, the number of banking transactions with farmers has also grown. First-lien mortgages amounted to SEK 3.2 billion at year-end.

Payment and card transactions are continuing to grow stably.

The Fund Market ("Fondtorget"), launched in November, has expanded our range of funds with the addition of 25 external funds. This gives customers more freedom in their direct savings and greater potential for receiving returns.

### **Continued growth and strengthen capital**

The banking operations' covered bonds financing through the subsidiary Länsförsäkringar Hypotek has led to stability and a long-term approach that ensures that our ability to continue to grow competitively in the future is excellent. Deposits also represent a key source of financing that grew during the year, and for the Parent Company, excluding Hypotek, the share of deposits amounted to almost 140% of lending. Liquidity is high and 72% of the liquidity portfolio comprises investments with the Swedish government or guaranteed by the Swedish government. The remainder mainly comprises covered bonds.

Furthermore, we decided to set a new capital adequacy target for the Banking Group in February 2009.

When the Basel II regulations take effect in 2010, the Tier 1 ratio shall amount to 12%. A deviation of +/- 0.5 percentage points is permitted for the target. The new target was determined based on the Banking Group's internal capital adequacy assessment process and the prevailing market conditions at the end of 2008 that are expected to prevail for a long period.

### **Challenges for 2009**

Länsförsäkringar is faced with many challenges in the forthcoming year and is well prepared to manage them. A lower growth rate and weaker labour market combined with heightened uncertainty will lead to a cautious approach to financial commitments among Swedish households and result in increased savings.

During the year, the Länsförsäkringar AB Group was reorganised to enhance competitiveness, reduce expenses and make the internal use of joint resources more efficient. The restructuring process will create additional resources for the development of an attractive offering in bank and insurance products.

The 24 local, independent regional insurance companies' market knowledge and close customer relationships will continue to be our competitive advantage, our strength being the personal meeting. We will continue to earn customers' confidence and give Swedish households and farmers the opportunity to live in financial security. I am looking forward to a challenging and exciting 2009 – a year in which we will further develop a stable and reliable bank for our customers.

Stockholm, March 2009



Mats Ericsson  
*President*

# Vision and strategy: Financial security



Länsförsäkringar aims to provide people and companies with opportunities for financial security. The bank offering is part of Länsförsäkringar's offering to the retail and agricultural markets and the banking operation is an excellent complement to the insurance operations. By acting as a challenger with attractive customer offerings and maintaining a low level of risk in its operations, the company builds long-term relationships and a stable, secure and customer-owned bank.

## Continued growth

Banking 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 advisors continued to increase. 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.

## Business concept – reasonably priced banking services

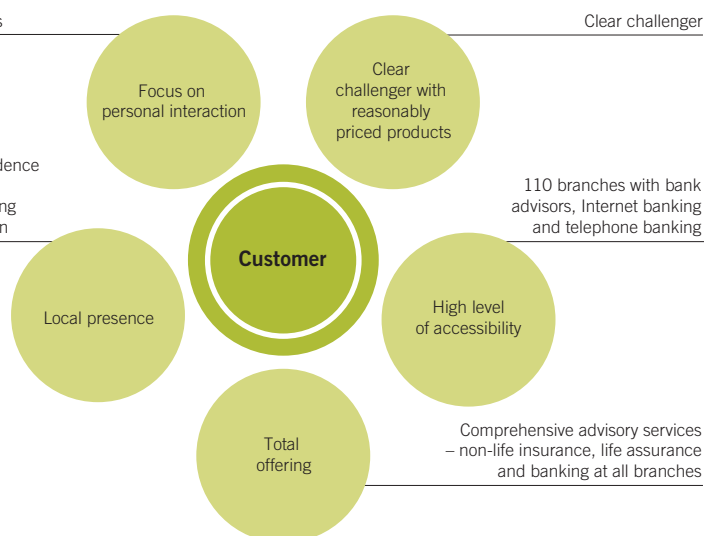
The business concept of the banking operations is to offer reasonably priced

## Customer meetings

Highest rating for customer meetings

Clear challenger

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



Länsförsäkringar's banking 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 bank market, with high-quality advisory services, reasonably priced products and a total banking and insurance offering.

banking services to private individuals and farmers. Länsförsäkringar acts a challenger in the market, with attractive products, customer service and value-for-money.

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

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

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

The banking operations have grown steadily since they were formed in 1996. The business volume increased from SEK 99 billion in 2004 to SEK 165 billion in 2008.

According to the 2008 Swedish Quality Index (SQI), Länsförsäkringar had Sweden's most satisfied bank customers in the retail market and the most satisfied retail mortgage customers. This is this fourth consecutive year that Länsförsäkringar has been awarded this distinction. The 2008 survey also indicated that Länsförsäkringar has increased its lead on its competitors in terms of satisfied bank customers in the retail market.

The banking operations have a strategic focus on increasing the number of customers who have frequent contact and a close relationship with the bank. A total of 82% of these customers are

also customers of Länsförsäkringar's non-life insurance and/or life assurance operations. An attractive bank offering provides opportunities for reaching out to more customers and strengthening the banking and insurance offering.

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

All customer contact on the bank'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 one million homeowner insurance customers in the Länsförsäkringar Alliance. Most of these customers require banking services, particularly mortgage loans and household financing services. The banking operations have 700,000 customers and the number of customers increased by 35,000 during the year.

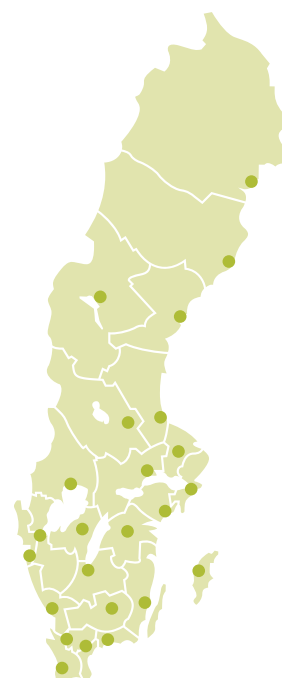
### Strong offering

The banking operations are a deeply integrated part of the Länsförsäkringar Alliance, with an offering that has continued growth potential. The aim of the restructuring of the Länsförsäkringar

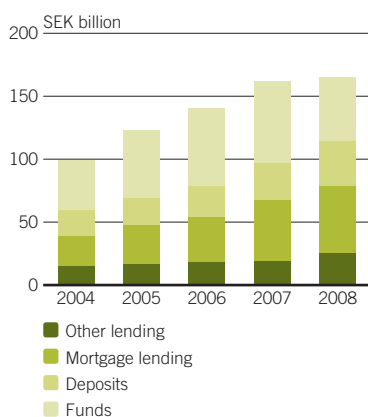
AB Group, which occurred at the end of 2008, is to increase competitiveness, cut costs and make the internal use of joint resources more efficient. Länsförsäkringar is thus taking the next step in the development of a competitive offering within banking and insurance.



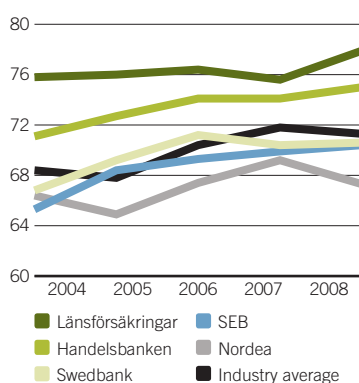
### 24 regional insurance companies



### BUSINESS VOLUMES



### CUSTOMER SATISFACTION BANK 2004–2008 (SQI)



Source: Swedish Quality Index

# Customers: Best customer relations



Länsförsäkringar strengthened its position as the bank with the most satisfied bank customers in the retail market according to the 2008 Swedish Quality Index (SQI) survey and increased its lead over other Swedish banks, particularly in terms of customer loyalty.



## Strength through local and personal interaction

Customer relations are established at the 110 branches of the independent, local regional insurance companies. Every regional insurance company knows its market and customers best, allowing them to build strong customer relationships. Since they are independent, the regional insurance companies are able to remain flexible and quickly adapt to local conditions and customer needs.

Regardless of the service required, customers can choose to take care of their banking business through meetings

with a private financial advisor or via the Internet or telephone. Customers select the channel that suits them best.

Another meeting place is Länsförsäkringar's realtor company Länshem Fastighetsförmedling. With 70 housing stores throughout Sweden, Länshem Fastighetsförmedling offers customers assistance in selling and purchasing homes. Loans from the bank, insurance solutions and personal financial advice are offered through the regional insurance companies.

## Sweden's best bank and insurance website

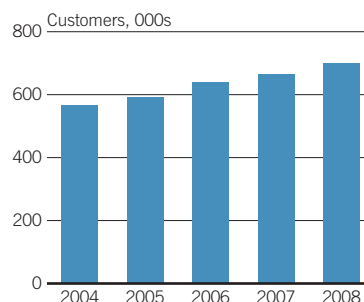
In November, Länsförsäkringar's new Internet service, which was launched in April, was named Sweden's Best Bank and Insurance Website by Internetworld magazine. Länsförsäkringar was recognised for its success in creating a coordinated website. All of the banking and insurance services are accessible through a combined login function and customers are presented with a clear overview and targeted offerings based on their existing commitments. Länsförsäkringar is the only Swedish bank that, to date, has created a comprehensive online

offering and a unique Internet service in the market, while each regional insurance company has its own local website. The service provides ample opportunities for Länsförsäkringar to grow through sales and communications and the work initiated in 2008 was only the beginning. At year-end, the number of Internet banking customers totalled 334,000 (301,000), an increase of 11%.

## Close customer relations generate higher growth

Customers should benefit from having a close and long-term relationship with Länsförsäkringar. That is why customers who have several products with Läns-

NUMBER OF BANK CUSTOMERS





försäkringar are rewarded. The strategic target groups that require several products within the banking operations are:

- Private homeowners and their families
- Farmers

Combining several commitments with Länsförsäkringar, such as homeowner insurance, pension savings and household financing, shall be so advantageous to customers that they become full-service customers, which is qualifying to receive benefits as discounts and special offerings.

Länsförsäkringar increased its share of household financing customers by 5% during the year. Household financing customers have a close relationship with the bank through regular contact

and thus receive more offerings. Eight of ten household financing customers have homeowner insurance and are also customers of Länsförsäkringar's non-life insurance and/or life assurance operations.

#### Sweden's most satisfied bank and retail mortgage customers

According to the 2008 Swedish Quality Index (SQI), Länsförsäkringar strengthened its position as the bank with Sweden's most satisfied bank customers in the retail market and increased its lead over other Swedish banks, particularly in terms of customer loyalty. The most important factors to customers are the range of products and the security and safety associated with performing banking needs. However, quality of service

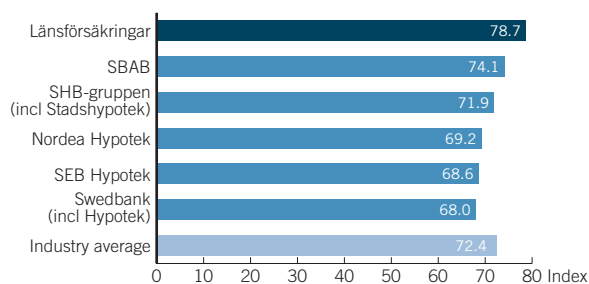
also had a greater impact on customer satisfaction, particularly the personal service and advisory services offered by banks.

According to the 2008 SQI, Länsförsäkringar also had Sweden's most satisfied retail mortgage customers for the fourth consecutive year. The ranking improved within the areas of image, customer expectations and product and service quality. High-quality advisory services, among other factors, were significantly more important to customers this year than in previous surveys.

A common aspect seen in the surveys is that the difference between customer expectations and customer perception of value in the banking operations' advisory services, products and services is very small.

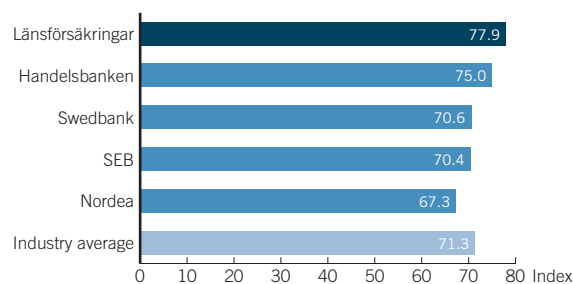


CUSTOMER SATISFACTION, MORTGAGE LOANS



Source: Swedish Quality Index

CUSTOMER SATISFACTION, BANK



Source: Swedish Quality Index

# 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

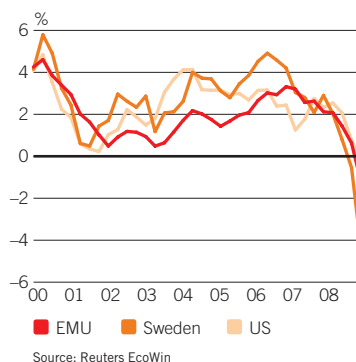
The world's central banks implemented massive measures at the end of the year to increase liquidity in the finance system and diminish the financial turbulence. Key interest rates were also cut as part of these measures. In December, the US Federal Reserve lowered its interest rate to essentially zero. 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 in their key interest rates, that strengthened the reduction

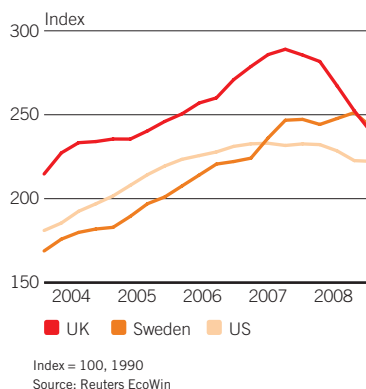
of the long-term interest rates. During the autumn, the Swedish ten-year interest rate dropped from 4.5% at mid-year to 2.4% at year-end. The US ten-year interest rate fell from 4.0% to 2.2% and the German from 4.6% to 2.9%.

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

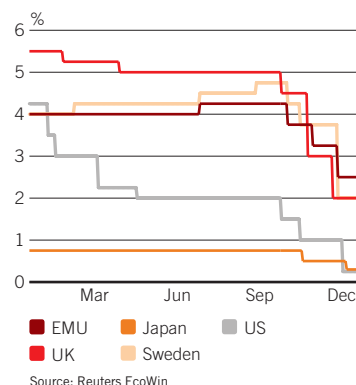
GDP GROWTH 2000–2008



HOUSING PRICE TREND 2004–2008



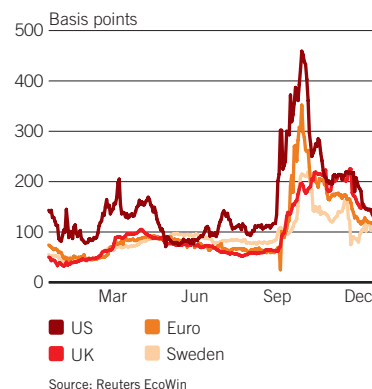
KEY INTEREST RATES 2008



CURRENCY EXCHANGE RATES 2008



TED SPREADS 2008



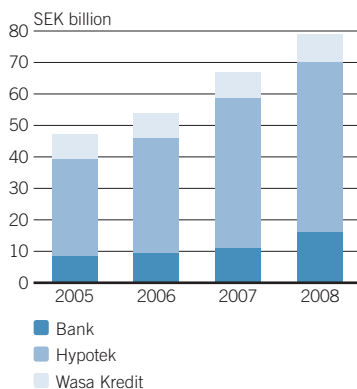
# Offering: Banking services to private individuals and farmers

Länsförsäkringar offers customers products and services that generate financial security. Länsförsäkringar has a comprehensive banking and insurance offering. The banking operations offer a full range of banking services primarily to the retail and agricultural market. These include loan and financing products, for example, mortgage loans, and leasing and financing products through the subsidiary Wasa Kredit. A broad range of savings and investment products is offered to customers, as is life assurance, endowment insurance and pension insurance through Länsförsäkringar Liv. Payment services are offered for example via the Internet, bank cards and private giro and via the cash-handling system.

## Increased retail mortgage and household lending

Lending to Swedish households rose to SEK 2,126 billion (1,949) in the Swedish market in 2008. Competition among

LENDING VOLUMES



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 weakened toward the end of the year and the full-year price decrease for 2008 was 2%. Among customers, high-quality advisory services have become significantly more important when choosing a mortgage provider compared with earlier years. Value-for-money and good customer

service also play a central role in customers' selection.

Länsförsäkringar's lending rose to SEK 79 billion (67), an increase of 18%. Mortgage lending rose to SEK 54 billion (48), up 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 was characterised by lower activity during the second half of the year, Länsförsäkringar maintained a favourable volume trend. Länshem





Fastighetsförmedling is a meeting place with approximately 70 housing stores throughout Sweden. Wasa Kredit's lending volumes amounted to SEK 9 billion (9). Leasing assets rose, while the unsecured loan portfolio declined slightly during the year.

The number of retail mortgage customers in the Banking Group increased to 118,000 (108,000) and the number of retail mortgage customers in Länsförsäkringar Hypotek was 115,000 (106,000).

### Positioning in agriculture

Länsförsäkringar's bank and insurance offering to farmers is one of the strongest in the market and is based on a historically long relationship with the agricultural sector. During the year, the regional insurance companies continued to grow strong in the area of banking advisory services to farmers.

Länsförsäkringar has offered first-lien mortgages to Swedish agricultural properties since February 2008. Second-lien mortgages and operating credits for farmers also increased during the year. Agricultural mortgages totalled SEK 6,506 M (3,093) and first-lien mortgages for agricultural and forestry properties amounted to SEK 3,226 M (0).

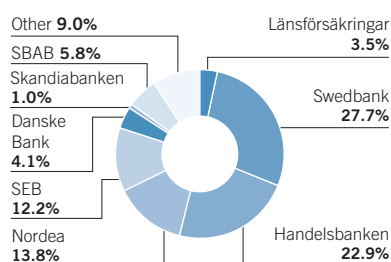
The number of agricultural customers in the bank rose to 53,000 (45,000). Confidence in Swedish agriculture has risen among consumers from both a proximity and environmental point of view. The property market in land and forestry stabilised during the second half of 2008 after a market rise in the price of land during the first six months of the year.

### Fifth largest bank in customer deposits

Toward the end of the year, the real-economic effects of the financial crisis and the onset of the economic downturn

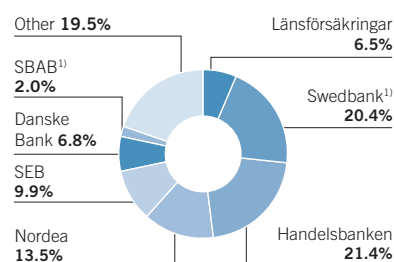
started to impact Swedish households. A resulting trend was that customers demanded secure, low-risk investments. Länsförsäkringar's customer deposits increased by 18% to SEK 35 (30) billion. The market share, measured as deposits from households, rose to 3.2% (2.9) and the share of market growth amounted to 6.3%. Accordingly, Länsförsäkringar is Sweden's fifth largest retail bank in customer deposits. The increase in deposits is explained by customers entrusting Länsförsäkringar to manage more of their savings, attracted by the company's strong offering. Länsförsäkringar also

**MARKET SHARES OF HOUSEHOLD AND RETAIL MORTGAGE LENDING**



Source: Statistics Sweden

**PERCENTAGE OF MARKET GROWTH IN HOUSEHOLD AND RETAIL MORTGAGE LENDING**



<sup>1)</sup> Swedbank's percentage has been adjusted for Swedish Jordbrukskredit and SBAB's percentage has been adjusted for FriSpar Bolån.

Source: Statistics Sweden

represented a secure choice for customers in a turbulent market during the year.

Deposits from Swedish households rose to SEK 900 billion (828) in the Swedish bank market. The net wealth of Swedish households declined to SEK 2,253 billion (2,954) and financial savings fell to SEK 72 billion (94).

### Funds and fund market

Länsförsäkringar is the fifth largest fund company in Sweden with a market share of 4.2% (3.9), measured in managed assets. A total of SEK 51 billion (65) was managed in 29 (31) investment funds with different investment orientations. The reason for the decrease in the fund volume was the decline in value of the stock market during 2008. Swedish fund wealth fell by 28% from SEK 1,416 billion to SEK 1,017 billion. The Swedish fund market reported a negative net flow of SEK 7.7 billion in 2008, while Länsförsäkringar had a positive net flow of SEK 2.4 billion throughout the year. Customers mainly invested in fixed-income funds during the year, but also to a certain extent in equity funds.

Länsförsäkringar's management strategy is based on an extensive evaluation process that ensures that each fund has the best possible manager.

A Fund Market Place ("Fondtorget") for direct savings was launched in November, whereby Länsförsäkringar's own funds are supplemented with 25 external funds that will provide the

customers with greater freedom of choice in investment alternatives. The Fund Market Place's direct-savings funds will be coordinated as far as possible with the existing fund unit-linked insurance savings range.

### Growth in card and payment transactions

The use of bank cards as a means of payment continued to rise, with cards being used increasingly often to purchase for smaller amounts. Bank cards accounted for 36% of the total number of transactions in 2008.

Customers with salary accounts and bank or credit cards are a priority target group for Länsförsäkringar's banking operations.

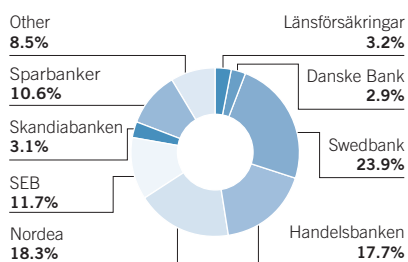
Payment transactions rose to SEK 74 M (57), corresponding to a 30% increase. Income from payment transactions continued to increase during the year. Of the payment services, bank card transactions, bank giro and private giro accounted for the largest volumes. Payments via the Internet rose to 84% (81) of all payment transactions. The number of cards rose to 181,000 (151,000), an increase of 20%, and the number of ATMs amounted to 77 (67) at year-end.

Länsförsäkringar has a unique pin-code service for customers via the Internet that increases the security of paying by card. More than half of card-holders have received their pin code from via the Internet since the service was introduced.

The work on the SEPA (Single Euro Payment Area) continued in 2008 and

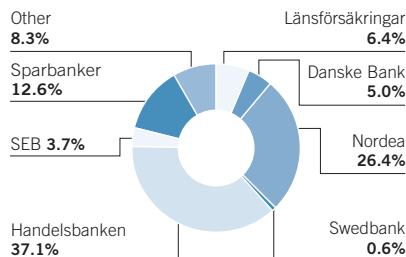


### MARKET SHARES OF DEPOSITS



Source: Statistics Sweden

### PERCENTAGE OF MARKET GROWTH IN DEPOSITS



Source: Statistics Sweden

will be fully implemented in 2010. SEPA's objective is to standardise the format of payment thus creating a borderless European payment area.

### Cash handling

Länsförsäkringar endeavours to meet all retail customers' banking needs, which includes cash handling. For this reason, as a replacement for the cash handling services previously offered by Svensk Kassaservice, Länsförsäkringar Bank signed an agreement with Forex Bank for free withdrawals and deposits at Forex Bank's approximately 100 outlets throughout Sweden. In the future, automated cash deposit machines will also be offered as a cash-handling service to customers.

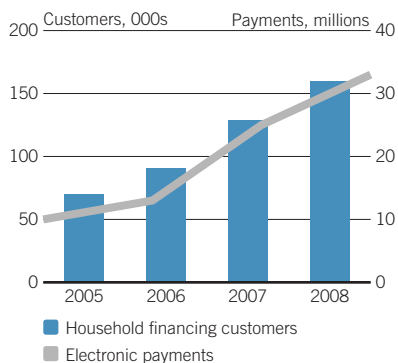


### Regional insurance companies own bank

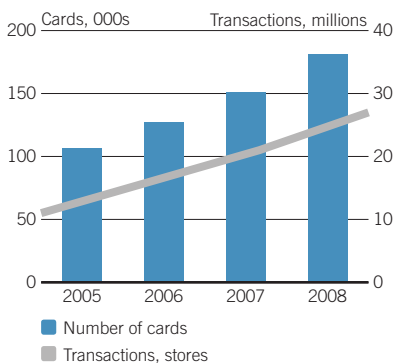
The banking operations have a special offering to satisfy the 24 regional insurance companies' savings and payment-service requirements. The number of transactions is growing and the companies' savings and payment flows increased during the year.



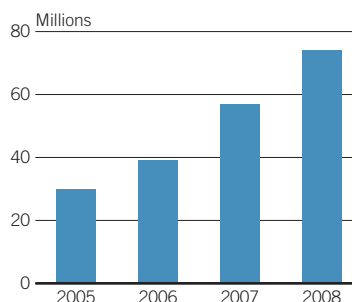
HOUSEHOLD FINANCING CUSTOMERS AND ELECTRONIC PAYMENTS



NUMBER OF BANK CARDS AND CARD TRANSACTIONS IN STORES



PAYMENT TRANSACTIONS



# Credit quality: Excellent credit quality



A total of 87% of the Banking Group's credit portfolio comprises household loans. Lending to the agricultural segment amounts to approximately 8%, of which a large share pertains to lending to family owned farming businesses. The company has a low risk profile and the portfolio is of a high quality that has not been appreciably impacted by the slowdown of the real economy.

## Credit portfolio

The Banking Group's credit portfolio, totalling SEK 79 billion (67), has maintained a high level of quality and has not been appreciably impacted by the slowdown of the real economy.

A total of 87% (89) of the portfolio comprises household credits, according to product-defined portfolio. Of the total portfolio, 77% (78) pertains to retail mortgage lending, of which 84% (85) comprises collateral in single-family

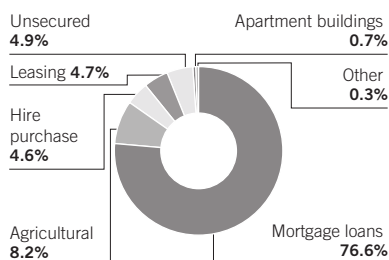
dwellings and 16% (15) tenant-owned apartments. In geographic terms, the credit portfolio has a favourable spread across Sweden.

Lending to the agricultural segment comprises approximately 8% (5) of the credit portfolio, half of which is first-lien mortgages mainly to family-owned agricultural properties.

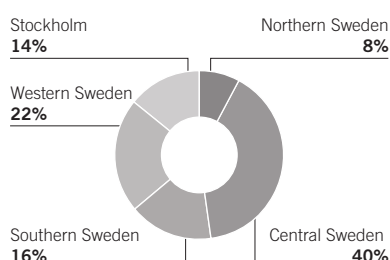
Essentially all lending in the subsidiary Länsförsäkringar Hypotek qualifies to be included in the company's

covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223). 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

### LENDING PRODUCTS BY VOLUME

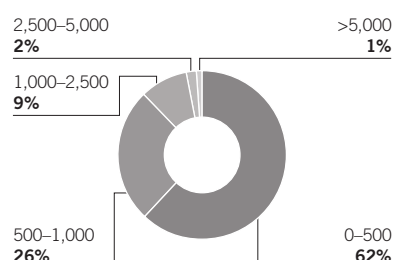


### CREDIT PORTFOLIO BY GEOGRAPHIC REGION\*



\* Excluding Wasa Kredit

### CREDIT PORTFOLIO BY SIZE, SEK 000S\*



\* Excluding Wasa Kredit





commitment totalled SEK 733,000. The loan-to-value ratios or weighted average LTV in the cover pool amounted to 58% (59) on December 31, 2008.

Länsförsäkringar Hypotek's cover pool has an OC<sup>1)</sup> target level of 5%. On December 31, 2008, actual OC amounted to 24% (30), and, in addition to lending, comprised 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.

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 a weighted average LTV of 58% on December 31, 2008.

#### **Doubtful receivables**

Doubtful receivables amounted to 0.32% (0.26) of the lending portfolio before provisions. Doubtful receivables continue to account for a minor percentage of total lending.



<sup>1)</sup> OC indicates the relationship between the assets (lending) and liabilities (borrowing) in relation to the liabilities. High OC indicates that the operations have a large surplus of assets and a favourable margin in the event of, for example, a price drop in the value of the assets.

# 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

Länsförsäkringar Bank's financing sources include shareholders' equity, subordinated loans, deposits, inter-bank borrowing and borrowing in the capital market. Most of the banking operations' borrowing occurs through the subsidiary Länsförsäkringar Hypotek. Borrowing in Länsförsäkringar Hypotek 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 Bank has a very strong liquidity situation. The majority of lending occurs through the subsidiary Länsförsäkringar Hypotek, which is financed through the issuing of covered bonds and to a certain extent through the use of Länsförsäkringar Bank's deposit surplus. Länsförsäkringar Bank's deposits are sufficient to finance the uncovered lending operations of Länsförsäkringar Bank.

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 conditions for generating high liquidity. The benchmark 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 subsidiary Länsförsäkringar Hypotek 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's banking operations has maintained favourable access to financing during every stage of the crisis.

Borrowing increased to SEK 49 billion (46), of which covered bonds amounted to SEK 42 billion (37). The remaining amount pertains to commer-

cial papers. This increase is attributable to financing higher lending volumes.

The average maturity period was two years. Sales in foreign currencies amounted to SEK 8.0 billion (9.3), corresponding to 16% 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, the subsidiary 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 Länsförsäkringar Hypotek's MTCN programme amounted to SEK 6.8 billion and the volume of bonds totalled SEK 7.1 billion (5.3) as of December 31, 2008. Bonds issued in Länsförsäkringar Hypotek's EMTCN programme amounted to SEK 1.4 billion and the volume of bonds totalled SEK 6.0 billion (7.1) as of December 31, 2008.

Länsförsäkringar Bank issued SEK 23.5 billion (11.8) in its DCP programme in 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

During the year, Länsförsäkringar Bank maintained all of its credit ratings of 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 company also maintained a Financial Strength Rating of C.

The 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.

The subsidiary Länsförsäkringar Hypotek's covered bonds maintained the highest credit rating from Moody's (Aaa) and from Standard & Poor's (AAA). Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

### Liquidity portfolio

The bank's liquidity portfolio comprises investments with very high credit quality in SEK. On December 31, 2008, the percentage of government securities or government-guaranteed investments amounted to approximately 72%. The remaining portion primarily comprised investments in covered bonds. The level of liquidity in these investments is very high since all of the investments can be used as collateral for loans from the Riksbank. For more information concerning risk and capital management, refer to page 27.

Riksbank's actions during the year

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

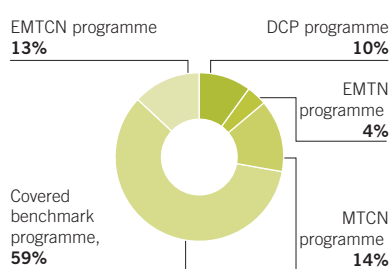
### BORROWING PROGRAMMES

	Programme	Currency	Limit, SEK M	Maturity, years	Utilized, Nominal value, SEK M
<b>Hypotek</b>	MTCN	SEK	20,000	1.4	7,132
	Benchmark	SEK	unlimited	2.1	29,268
	Private Placement International	CHF	–	4.0	240 <sup>1)</sup>
	EMTCN	EUR	2,000	1.2	390 <sup>2)</sup>
<b>Bank</b>	MTN	SEK	20,000	1.5	18
	DCP	SEK	15,000	0.3	5,146
	ECP	EUR	1,500	–	–
	EMTN	EUR	2,000	1.1	185 <sup>2)</sup>

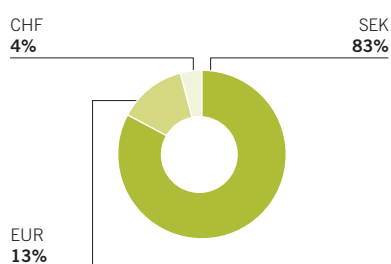
<sup>1)</sup> Amount in CHF M

<sup>2)</sup> Amount in EUR M

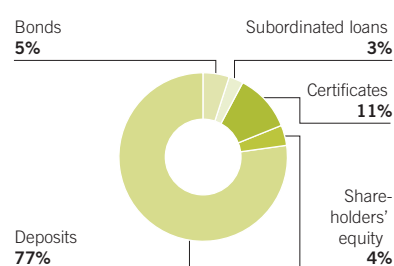
### BORROWING BY PROGRAMME, GROUP



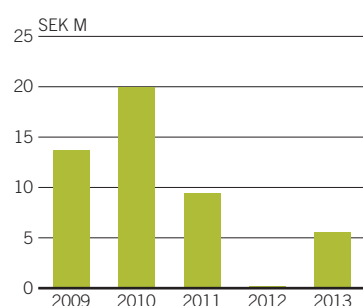
### BORROWING BY CURRENCY, GROUP



### REFINANCING SOURCES FOR THE GROUP EXCLUDING SUBSIDIARY LÄNSFÖRSÄKRINGAR HYPOTEK



### BORROWING BY MATURITY FOR THE GROUP



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.

# Employees: Respect for customers and employees



Initiative and dedication are encouraged, as is an open approach, which makes the use of joint resources more efficient. Sharing knowledge and experience is part of competence development.

## **Strong values part of corporate culture**

Länsförsäkringar has been able to establish its position in the bank market due to the employees in the Banking Group and the bank advisors at the 24 local, independent regional insurance companies.

Initiative and dedication are encouraged among employees, 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 of the company's competence development, which is conducted continuously in a structured and systematic manner.

## **High goals**

The banking 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 must be challenging and achievable. The aim is that these individual goals will enable each employee to understand his or her part in the bank-

ing 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 and controlling work duties to make them more challenging. Individual target contracts are followed up twice a year.

## **Employees in the Banking Group**

The Banking Group has 315 (335) employees, of whom 155 (172) are women. The average age among employees is 41 and 77% have worked for the company for up to ten years. The average length of employment is 7.4 years. Employee turnover is a low 10% (9). Employee loyalty to the bank is strong and employee satisfaction is very high. At 3.0%, sickness absence is very low, but this figure has continued to drop slightly in recent years. All employees are covered by medical insurance.

## **Training programme during the year**

The bank training programme during the year included courses in new laws, regulations and products and is adapted

to the market strategy. A new commercial training program for the private segment in banking, life assurance and non-life insurance activities was produced for the entire Länsförsäkringar Alliance during the year.

Employees and advisors were also offered training in the Internal Ratings-based Approach (IRB Approach) during the year, which provided information concerning the application of risk classification of retail customers. Another course focused on customer investments, savings and payments. In addition, a new course was produced on the subject of financial conditions for farmers and their financial requirements for bank and insurance products.

## **Leadership programme**

Approximately 63% of Länsförsäkringar's managers are men and 37% are women. Leadership is measured using a leadership index, according to which the bank's managers received an extremely positive ranking.

Annual surveys are conducted to identify and retain employees with excellent leadership qualities so as to





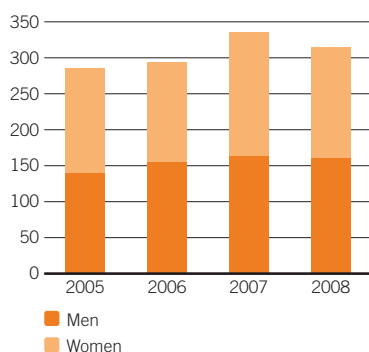
provide them with the appropriate platform to develop successfully. These surveys are also used as a basis in succession planning and selected employees are offered places in various leadership training programmes to ensure future leadership within Länsförsäkringar.

Every year, new employees are offered an opportunity to participate in Länsförsäkringar's trainee programme, which is certified and fulfils the requirements of such organisations as the Swedish Association of Graduate Engineers.

### Strong brand

The efforts to further advance Länsförsäkringar's positions in the battle for business-critical competencies yielded results during the past year and Länsförsäkringar strengthened its brand in the recruitment market. For the sixth consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's 2008 Företagsbarometer survey. The intention is to become one of the ten most attractive employers among Swedish economics students in all industries by 2010.

EMPLOYEES BY GENDER



# Environment: Increasing efficiency



The banking operations' environmental targets increasing efficiency in customer processes, improving and simplifying Internet services and reducing the amount of paper used. Länsförsäkringar works actively to reduce its impact on the environment caused by its offices and business activities. In its business activities and particularly in its insurance operations, Länsförsäkringar focuses its environmental work on reducing the amount of damage and the environmental impact caused by any damage that occurs.

## Increased efficiency in the bank

The environmental work of the banking operations focuses on increasing efficiency in customer processes, improving and simplifying Internet services and reducing the amount of paper used. For example, the annual statements from the fund company and the bank are sent to customers together in one envelope. 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%. The number of accounts opened online increased by 150%. 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.

## Länsförsäkringar's environmental work

Länsförsäkringar works actively to reduce its impact on the environment caused by its offices and business activities. The direct impact on the environment derives primarily from business travel and the consumption of electricity, heating and paper. To reduce this direct impact on the environment, train travel is increasingly used for business trips. The company-car

policy approves only environmentally friendly cars and offers the option of the early replacement of company cars. During 2008, the percentage of environmentally friendly cars rose to more than 70%.

One target is to reduce the flow of paper both within Länsförsäkringar and sent to customers. To reduce the consumption of paper, digital solutions and efficient printing and copying solutions are being developed. The expansion of the Internet channel offers more opportunities to reduce the amount of paper sent to customers.

In its business activities, particularly in its insurance operations, Länsförsäkringar focuses its environmental work on reducing the amount of damage and the environmental impact caused by any damage that occurs. Offering training courses for the employees of the regional insurance companies and improving customer awareness concerning the environmental impact caused by damages are priorities in this area. For example, for many years Länsförsäkringar has offered agricultural customers the "Safe Farm" solution, which provides insurance for farms and horse operations and creates a safer farm with fewer claims and lower insur-

ance premiums. This insurance solution also means that agricultural properties comprise collateral with a lower risk for the banking operations. The "Safe Farm" insurance solution is a collaboration between the Federation of Swedish Farmers (LRF) and Länsförsäkringar.

During the year, Länsförsäkringar Liv invested SEK 1 billion in the World Bank's environmental bond, with a credit rating of AAA, that yields a slightly higher return than a Swedish government bond.



# Board of Directors' Report

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

## GROUP

### Ownership and Group structure

Länsförsäkringar Bank is part of the Länsförsäkringar AB Group, with Länsförsäkringar AB as the Parent Company, which is owned by 24 independent and customer-owned regional insurance companies and 14 local insurance companies. The regional insurance companies offer customer products via their three core businesses: banking operations, non-life insurance and life assurance. Länsförsäkringar Bank is 100 per cent owned by Länsförsäkringar AB (publ) (556549-7020).

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). All companies have their registered offices in Stockholm.

### Operations

The Group offers private individuals and farmers payment services, savings and lending products. It also carries out commercial lending activities through the wholly owned subsidiary Wasa Kredit in the form of leasing and instalment plans.

Länsförsäkringar Bank works through 24 independent regional insurance companies who are responsible for providing service, distribution and sales of the bank's products. The bank's customers are served through any of the more than 110 (100) branches of the regional insurance companies that conduct banking operations for advisory and other services. The bank branches are located at, or adjacent to, the regional insurance branches. Regional insurance companies are reimbursed for sales, administration and customer care through a reimbursement system based on volumes managed.

The total number of customers in the Banking Group amounted to 700,000 (665,000).

### 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 various 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. Läns hem Fastighetsförmedling's approximately 70 branches 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 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 Swedish Quality Index (SQI), Länsförsäkringar strengthened its position as the bank with Sweden's most satisfied bank customers in the retail market and increased its lead over other Swedish banks, particularly in terms of customer loyalty. Within the banking operations, the number of customers rose to 700,000 (665,000), an increase of 5%, and the number of household financing customers rose to 160,000 (129,000), an increase of 24%. A total of 82 of these customers are also customers in Länsförsäkringar's non-life insurance and/or life assurance operations.

Household financing customers have personal accounts and bank cards and are active Internet banking customers. According to the SQI, Länsförsäkringar also 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 104 billion (85), an increase of 22 % compared with the same period last year. Lending to the public rose by 17 percent or SEK 12 billion to SEK 79 billion (67). All lending occurred in Sweden and was in Swedish kronor. Mortgage lending in the subsidiary Länsförsäkringar Hypotek increased by 13% or SEK 6 billion to SEK 54 billion (48). Deposits from the public rose by 18%, or SEK 5 billion, to SEK 35 billion (30). The volume of managed funds declined by 20% or SEK 14 billion to SEK 51 billion (65) due to the decline in value of the stock market.

### Lending

Lending to the public rose by 17%, or SEK 12 billion, to SEK 79 billion (67).

Mortgage lending in the subsidiary Länsförsäkringar Hypotek increased by 13% or SEK 6 billion to SEK 54 billion (48). First-lien mortgages for agricultural and forestry properties continued to grow substantially and amounted to SEK 3,226 M (0) at the end of the year. On December 31, 2008, the market share for household and mortgage lending amounted to 3.5% (3.2) and the share of market growth for 2008 was 6.4%, according to Statistics Sweden.

### Credit quality

The credit portfolio, totalling SEK 79 billion (67), has maintained a high level of quality and has not been impacted by the slowdown of the real economy. A total of 87 percent (89) of the portfolio comprises household credits.\* Of the total portfolio, 77 percent (78) pertains to mortgage lending. Mortgage lending secured by collateral in private residences comprised 84% (85) and tenant-owned apartments to 16 percent (15). In geographic terms, the credit portfolio has a favourable spread across Sweden. The lending in the agricultural segment comprises approximately 8% (5) of the credit portfolio, half of which is first-lien mortgages mainly to family owned agricultural properties.

\* According to product-defined portfolio.

### Deposits

Deposits to customer accounts rose by 18%, or SEK 5 billion, to SEK 35 billion (30), and this increase is primarily attributable to fixed-interest accounts.

On December 31, 2008, the market share for deposits amounted to 3.2%(2.9) and the share of market growth for 2008 was 6.3%, according to Statistics Sweden.

### Borrowing and liquidity

Debt securities in issue rose by 7%, or SEK 3 billion, to SEK 49 billion (46), of which covered bonds amounted to SEK 42 billion (37). The primary financing in the capital market takes place through the subsidiary Länsförsäkringar Hypotek.

Borrowing issued under Länsförsäkringar Bank's various programmes amounted to SEK 7 billion (9). Liquidity remained favourable and the credit quality of the liquidity portfolio is high. All liquidity is invested in Swedish securities. The percentage of government securities amounted to 72% on December 31, 2008 and the remaining portion of the portfolio primarily comprised covered bonds.

### Rating

Länsförsäkringar Bank has been assigned a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The rating for short-term borrowing is A-1 according to Standard & Poor's. Moody's short-term rating is P-1 and Länsförsäkringar Bank's Financial Strength Rating is C. The subsidiary Länsförsäkringar Hypotek's covered bonds have the highest rating, Aaa, from Moody's and AAA from Standard & Poor's. Länsförsäkringar Hypotek is one of four players that have covered bonds with the highest rating from both agencies.

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

\* Refers to the company's covered bonds.

### Capital adequacy

Länsförsäkringar applies the new 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 agricultural and 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 10.4%, while the Tier 1 ratio was 8.6%.

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 new rules, the capital requirement, excluding transition rules, amounted to SEK 2,309 M on December 31, 2008, a decrease of 48% compared with SEK 4,475 M according to the Basel I regulations. For more information on the calculation of capital adequacy, refer to Note 48. For information regarding the new capital targets, refer to "Key events after the end of the year."



## Earnings and profitability

Profit before loan losses excluding restructuring costs rose to SEK 337 M (290) and operating profit excluding restructuring costs rose to SEK 272 M (238). This corresponds to an average return on shareholders' equity of 4.9% (5.0). Profit before loan losses including restructuring costs rose to SEK 310 M (290) and operating profit including restructuring costs amounted to SEK 245 M (238). This corresponds to a return on shareholders' equity of 4.4% (5.0).

## Income

Net interest income rose by 19% to SEK 1,211 M (1,017), an increase attributable to higher lending and deposit volumes to the public, a higher return on shareholders' equity and cash flows and relatively improved borrowing costs for mortgages.

A total of SEK 11 M (12) was charged against net interest income for mandatory government deposit insurance.

The investment margin was 1.30% (1.43). This lower investment margin was attributable to a change in the product mix in the lending portfolio and the larger liquidity portfolio during the year. The investment margin strengthened compared with the preceding quarter. Net commission income declined to negative SEK 138 M (neg: 45).

This decline was attributable to lower fund management volumes as a result of the year's stock-market decline and higher compensation to the regional insurance companies.

Payment commission increased net commission. Income rose by a total of 11% to SEK 1,225 M (1,106). In total, income increased in all operating areas during the year, with the exception of the fund operations, whose income was impacted negatively by share-price trends.

## Expenses

Operating expenses excluding restructuring costs rose 9% or SEK 71 M to SEK 888 M (816). Operating expenses including restructuring costs rose 12% or SEK 98 M to SEK 915 M (816), of which SEK 27 M pertains to restructuring costs.

The remaining increase is attributable to restructuring in the Länsförsäkringar AB Group and to a certain extent to the number of new employees, higher management costs and an increase in amortisation of capitalised development costs.

Restructuring costs totalling SEK 27 M refer to severance pay and pension provisions in the Banking Group in conjunction with the reorganisation in the Länsförsäkringar AB Group. The cost/income ratio before loan losses and excluding restructuring costs amounted to 0.72 (0.74). The cost/income ratio was 0.75 (0.74) before loan losses and including restructuring costs.

## Loan losses

Loan losses remain low and the credit portfolio is of excellent quality. Loan losses amounted to SEK 65 M (51), net, with the majority of losses pertaining to the subsidiary Wasa Kredit.

Depending on the product, provisions were mostly made after collective assessment and only to a limited extent after individual review.

Doubtful receivables rose to SEK 255 M (176), corresponding to a gross share of doubtful receivables amounting to 0.29% (0.24) and a net share totalling 0 percent (0). The value of the collateral has not been taken into consideration in the reporting of doubtful receivables.

## Key events during the year

- In February, Länsförsäkringar Bank began offering the market first-lien mortgages for agricultural and forestry properties.
- In May, Håkan Danielsson became the CEO of the Parent Company Länsförsäkringar AB and the Board Chairman of Länsförsäkringar Bank.
- In August, the Länsförsäkringar AB Group announced its plan to restructure the company to enhance competitiveness and improve the use of shared resources.
- On September 1, 2008, Mats Ericsson, the former President of Länsförsäkringar Halland and the Deputy Chairman of Länsförsäkringar Bank, was appointed as the company's new President.

## Presidents during the year

President Tomas Johansson fell ill in February and in his absence, Representative for the President Anders Borgcrantz became Acting President. Tomas Johansson passed away in June and Anders Borgcrantz served as Acting President until August. On September 1, Mats Ericsson took office as President of the company.

January 1 – February 12: Tomas Johansson

February 13 – August 31: Acting President (Representative for the President) Anders Borgcrantz

September 1 – December 31: Mats Ericsson

## Key events after year-end

- On January 1, 2009, the Länsförsäkringar AB Group was reorganised to enhance competitiveness and make the use of joint resources more efficient.
- In February 2009, the bank's Board of Directors decided on a new capital adequacy target since the Basel II regulations will take full effect in 2010. The Tier 1 ratio shall amount to 12 percentage points when Basel II is fully implemented. A deviation of approximately  $\pm 0.5$  percentage points is permitted for the target. The basis for the determination of the capital adequacy target is the Banking Group's internal capital adequacy assessment process, which considered all risks requiring capital. The highly specific market conditions that have prevailed and are expected to last for a long period were also taken into account.

## Environment

The environmental work of the banking operations focused on increasing efficiency in customer processes, improving and simplifying Internet services and reducing the amount of paper used. For example, the annual statements from the fund company and the bank are sent to customers together in one envelope. During the year, the number of posted loan statements cancelled by customers rose by 50 percent and the number of posted bank statements that were cancelled also rose by 50 percent. The number of accounts opened online increased by 150 %. 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 environmental.

Länsförsäkringar works actively to reduce its impact on the environment caused by its offices and business activities. The direct impact on the environment derives primarily from business travel and the consumption of electricity, heating and paper. To reduce this direct impact on the environment, train travel is increasingly used for business trips. The company-car policy approves only environmentally friendly cars and offers the option of the early replacement of company cars. During 2008, the percentage of environmentally friendly cars rose to more than 70%. One of the targets of the developments carried out in Länsförsäkringar is to reduce the flow of paper both within Länsförsäkringar and sent to customers. To reduce the consumption of paper, digital solutions and efficient printing and copying solutions are being developed. The expansion of the Internet channel offers more opportunities to reduce the amount of paper sent to customers.

## Employees

The banking 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. If the employee fulfils these goals, the target contract results in extra remuneration based on the bank's results. 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 Banking Group has 315 (335) employees, of whom 155 (172) are women. The average age among employees is 41 and

77% have worked for the company for up to ten years. The average length of employment is 7.4 years. Employee turnover is a low 10% (9). Employee loyalty to the bank is strong and employee satisfaction is very high. At 3.0%, sickness absence is extremely low, but this figure has continued to drop slightly in recent years. Whenever an employee is absent due to illness, he or she is contacted by a nurse who provides medical advice. In addition, all employees are covered by medical insurance.

The bank training programme during the year included courses in new laws, regulations and products and is adapted to the market strategy. A new commercial training programme for the private segment in banking, life assurance and non-life insurance activities was established for the entire Länsförsäkringar Alliance during the year.

Two new training courses were offered to employees during the year. In addition, a new course was produced on the subject of financial conditions for farmers and their financial requirements for bank and insurance products.

Approximately 63% of managers are men and 37% are women. Leadership is measured using a leadership index, according to which the bank's managers received an extremely positive ranking.

Annual surveys are conducted to identify and retain employees with excellent leadership skills so as to provide them with the appropriate platform to develop successfully. These surveys are also used as a basis in succession planning.

The efforts to further advance Länsförsäkringar's positions in the battle for business-critical competencies yielded results during the past year and Länsförsäkringar strengthened its brand in the recruitment market. For the sixth consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's 2008 Företagsbarometer survey. The intention is to become one of the ten most attractive employers among Swedish economics students in all industries by 2010.

## Expectations regarding future development

The banking operations intend 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 remains to conduct sales and marketing activities to customers in Länsförsäkringar's customer base. The banking operations will not expand its product offering to any substantial extent but rather will focus its efforts on its established products.

## PARENT COMPANY

Deposits and some lending are conducted by the Parent Company. Lending to the public amounted to SEK 16 billion (11) and deposits from the public amounted to SEK 35 billion (30). Debt securities in issue amounted to SEK 7 billion (9). Most of the lending operations are conducted through Länsförsäkringar Hypotek.

### Strategic partnerships

The cooperation with Svensk Kassaservice (Swedish Cashier Service), allowing customers to make cash deposits and withdrawals at slightly more than 500 Svensk Kassaservice offices and its partners, and with some 2,300 rural mail carriers, was discontinued. Instead, an agreement was signed with Forex Bank for free withdrawals and deposits at Forex Bank's some 100 outlets throughout Sweden.

The partnership agreement with Landshypotek signed at year-end 1997 expired in February 2008.

An online share-trading service was developed in cooperation with NASDAQ OMX and began operating in November 2002.

In 2003, the Parent Company acquired 10% of the shares in Finanssiell ID Teknik BID AB.

From the beginning of 2004, the bank's customers were able to order an electronic Bank ID.

Since June 2006, bank card customers have been able to withdraw cash at 1,400 ICA supermarkets throughout Sweden. This was the result of a partnership agreement signed on April 3. Based on the agreement, bank card customers can withdraw a maximum of SEK 2,000 in one transaction without making a purchase.

### Earnings

Loss before loan losses amounted to SEK 16 M (pos: 4) and operating loss to SEK 24 M (3). Loss after tax amounted to SEK 18 M (0).

Operating income amounted to SEK 469 M (382). Expenses, excluding loan losses, amounted to SEK 485 M (378). Loan losses for the year amounted to SEK 8 M (7).

#### Proposed distribution of the Parent Company's unappropriated earnings (SEK)

SEK	
Retained earnings	2,838,401,046
Fair value reserve	-10,856,000
Shareholders' contributions received	500,000,000
<b>Net loss for the year</b>	<b>-18,498,910</b>
<b>Total</b>	<b>3,309,046,130</b>
The Board proposes that profit be appropriated so that the following amount is carried forward	
	3,309,046,130

The Group's unappropriated earnings amount to SEK 3,150,703,000.

## SUBSIDIARIES

### Länsförsäkringar Hypotek AB

Retail mortgage lending in the bank's mortgage institution increased by 13%, or SEK 6 billion, to SEK 54 billion (48). Up to 75% of the market value of retail mortgage loans are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit amounted to SEK 129 M (58). The number of customers rose to 115,000 (106,000).

SEK M	2008	2007
Total assets	57,461	48,332
Lending volume	53,592	47,555
Net interest income	361	236
Operating profit	129	58

### Wasa Kredit AB

Wasa Kredit is a finance company whose operations focus on car financing, computer financing, financing for heavy machinery as well as such leisure segments as campers and boats. Wasa Kredit's operating profit amounted to SEK 106 M (98). The company's lending volume totalled SEK 9 billion (9). Leasing assets have risen while the unsecured loan stock declined slightly.

SEK M	2008	2007
Total assets	8,956	9,245
Lending volume	8,582	8,501
Net interest income	361	339
Operating profit	106	98

### Länsförsäkringar Fondförvaltning AB

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 4.2% (3.9). The volume of managed funds declined by 20% or SEK 14 billion to SEK 51 billion (65). The company manages 29 (31) investment funds with different investment orientations. The mutual funds are available as direct fund savings, via various unit-linked products and through the PPM system. Despite the turbulent market situation, the company's net inflow was positive, totalling SEK 2.4 billion for the year. Operating profit amounted to SEK 36 M (83). This decline in profit was due to the decline in value of the stock market, which reduced managed fund volumes.

SEK M	2008	2007
Total assets	168	263
Assets under management	51,336	64,562
Net commission	218	277
Net inflow	2,356	1,796
Operating profit	36	83

For more information on the Group and the bank's reported earnings, financial position, average number of employees and capital adequacy, refer to the following income statement, balance sheet, cash-flow statement, changes in shareholders' equity and notes.

All figures in the Annual Report are reported in SEK 000s unless specified otherwise.

## RISKS AND CAPITAL MANAGEMENT

### Risks

The Länsförsäkringar Bank Group is exposed to several risks, including:

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

The risks arise as part of the banking operations. Risks must be managed and the Board of Directors, which is ultimately responsible for the banking operations and, as a result, for protecting the Group's assets, is also responsible for generating risk awareness in the Banking Group. 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. The Banking Group should be characterised by a low risk profile, the foundation of which is based on lending operations that focus on customer's residential property and agriculture operations. The financial risks, which primarily comprise interest-rate risk and liquidity 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 and that liquidity be invested solely in Swedish securities with high credit quality.

The overall guidelines and strategies for risk-taking state that volume growth and higher profitability should not be generated at the expense of a more numerous 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 Banking Group and the risk that the counterparty's pledged collateral will not cover the bank's receivables.

The Banking Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to approximately 90% of the Banking Group's assets. This means that a considerable portion of its credit exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The Standardised Approach is currently used for other exposures.

The Banking Group's lending portfolio consists entirely of credits within Sweden and more than 75% of lending for customer's residential properties in the form of private homes and tenant-owned apartments. As indicated in the following table, first-lien mortgages with loan-to-value ratios amounting to less than 75% of the market value at the time the mortgage is granted account for the largest percentage of this segment. Lending is conducted through the 24 regional insurance companies, which provide a local base and close customer relationships.

Low loan-to-value ratios, combined with a favourable geographic spread and local base, are the pillars of the company's ability to ensure that the lending portfolio maintains a high credit quality.

Lending to the agricultural and forestry segment also increased substantially in 2008. The segment is an excellent complement to the bank's mortgage loans since a large share pertains to lending to family owned farming and forestry businesses. Together with mortgages, this segment corresponds to approximately 85% of the total lending portfolio of the Banking Group.

#### Lending portfolio

The table below shows the distribution of lending by segment.

SEK M	Dec. 31, 2008	%	Dec. 31, 2007	%
Mortgage loans	60,374	77	52,477	78
Agricultural	6,506	8	3,093	5
Unsecured	3,818	5	3,702	6
Leasing	3,739	5	3,679	5
Instalments	3,634	5	3,693	5
Multi-family dwellings	527	1	431	1
Other	273	0	220	0
Lending to the public, gross	78,871	100	67,295	100
Provisions	-307		-255	
<b>Lending to the public, net</b>	<b>78,564</b>		<b>67,040</b>	

#### Distribution of the lending portfolio

SEK M	Mortgage loans	Agricultural	Unsecured	Leasing	Instalments	Multi-family dwellings	Other	Total
Länsförsäkringar Hypotek	53,065					527	43	53,635
Länsförsäkringar Bank	7,309	6,506	2,464				230	16,509
Wasa Kredit			1,354	3,739	3,634			8,727
<b>Total</b>	<b>60,374</b>	<b>6,506</b>	<b>3,818</b>	<b>3,739</b>	<b>3,634</b>	<b>527</b>	<b>273</b>	<b>78,871</b>



### 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 within the Banking Group 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

### 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 Banking Group, 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 for the Banking Group 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 8 M (pos: 29).

### Financing risk

Financing risk means that the Banking Group, 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 Banking Group's financing risk decreases. 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. In 2007, Länsförsäkringar Hypotek also received a rating of AAA/Aaa for the covered bonds issued by the company.

### 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.

### Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events. This definition also includes legal risks. Based on this definition, operational risk encompasses the entire Banking Group.

Operational risk is primarily categorised into the following areas:

- Internal fraud
- External crime
- Legal risks
- Damage to physical assets
- Interruptions and disturbances to operations and systems
- Risk of error

All significant processes within the Banking Group and the banking operations of the regional insurance companies are required to perform an analysis of the operational risk associated with the process. These risk analyses are included in the Banking Group's total risk assessment in accordance with the Basel regulations. Since the operations, the external environment and threat profile are constantly changing, quality assurance of the processes must be regularly performed. This is carried out to ensure that the risks remain within the Banking Group's tolerance level. Risk analysis is one of the tools used to prepare the basis for decision-making to introduce measures for handling significant risks. The purpose of the analysis is to:

- Identify and reduce significant operational risks
- Plan security activities
- Create awareness of operational risks
- Comply with the Swedish Financial Supervisory Authority's requirements for measuring and assessing operational risk

Every part of the organisation is responsible for planning an annual risk analysis.

## Incident management

The Banking Group has developed an IT system for reporting operational risk events or incidents. This system enables all employees to report possible incidents. The system automatically divides the incidents into the categories established by the Swedish Financial Supervisory Authority. Risk Control periodically prepares a summary of the incidents in its reports. Incident management is an important part of the Banking Group's operational risk management. Incident statistics contribute to the annual assessment and forecast of operational risk. Incident reporting enables the company to quickly identify critical problems and act upon these.

## Model for assessing operational risk

Assessment of identified operational risk is based on a model that is applied throughout the operations. Each identified risk is assessed on the following basis:

- Consequences – how will the operation be affected if the risk occurs?
- Probability – how likely is it that the risk will occur?

These factors are totalled to determine a risk value for the operational risk. Management within the Banking Group is responsible for performing the risk analyses – that is, identifying and assessing operational risk – within their area of responsibility. All employees have a responsibility to report incidents. Management is responsible for taking action against intolerable risks within their areas of responsibility.

Earnings risk is defined by the Banking Group as volatility in earnings that creates a risk of lower income due to an unexpected decrease in income as a result of such factors as competition or volume reductions. Earnings risk is associated with all of the Banking Group's products and portfolios. A considerable portion of Banking Group's business operations is retail mortgage lending.

Retail mortgage lending has a low level of volatility and thus a low earnings risk.

## Capital management and 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 regulations aimed at financial companies' internal capital adequacy assessment processes are based on principles and are comprehensive in nature. To a large extent, this means that Länsförsäkringar Bank has the option and an obligation to design its process and, in the long run, its scope and level of sophistication. 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.

In February 2009, the bank's Board of Directors set a new capital adequacy target. The Tier 1 ratio shall amount to 12 percentage points when Basel II is fully implemented. A deviation of +/- 0.5 percentage points is permitted for the target.

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

The Banking Group's key figures	2004	2005	2006	2007	2008
Return on shareholders' equity excluding restructuring costs, %	4.3	4.1	4.6	5.0	4.9
Return on shareholders' equity, %	4.3	4.1	4.6	5.0	4.4
Return on total capital, %	0.3	0.4	0.4	0.3	0.3
Investment margin, %	2.18	1.85	1.62	1.43	1.30
Cost/income ratio before loan losses and excluding restructuring costs	0.81	0.79	0.77	0.74	0.72
Cost/income ratio before loan losses	0.81	0.79	0.77	0.74	0.75
Cost/income ratio after loan losses and excluding restructuring costs	0.86	0.84	0.80	0.78	0.78
Cost/income ratio after loan losses	0.86	0.84	0.80	0.78	0.80
Capital adequacy ratio, %	11.4 <sup>1)</sup>	11.3 <sup>1)</sup>	10.6 <sup>1)</sup>	10.6 <sup>2)</sup>	10.4 <sup>2)</sup>
Tier 1 ratio, %	9.0 <sup>1)</sup>	9.0 <sup>1)</sup>	8.6 <sup>1)</sup>	8.8 <sup>2)</sup>	8.6 <sup>2)</sup>
Percentage of doubtful receivables, gross, % <sup>3)</sup>	0.61	0.51	0.27	0.24	0.29
Percentage of doubtful receivables, net, % <sup>3)</sup>	0.14	0.03	0	0	0
Provision ratio for doubtful receivables, % <sup>3)</sup>	76	95	139	149	121
Impairment level, %	0.11	0.10	0.07	0.07	0.07

<sup>1)</sup> According to Basel I.

<sup>2)</sup> According to the Basel II transition rules.

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

## Five-year summary

(SEK M)	Group					Parent Company				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
<b>Income statement</b>										
Interest income	7,463.2	4,541.1	2,579.2	2,105.8	2,051.0	2,885.2	2,174.3	1,598.3	1,273.3	1,284.1
Interest expense	-6,251.7	-3,524.2	-1,652.1	-1,232.4	-1,221.3	-2,401.7	-1,738.4	-1,210.5	-918.2	-915.7
<b>Net interest income</b>	<b>1,211.5</b>	<b>1,016.9</b>	<b>927.1</b>	<b>873.4</b>	<b>829.7</b>	<b>483.5</b>	<b>435.9</b>	<b>387.8</b>	<b>355.1</b>	<b>368.4</b>
Net commission	-138.3	-44.5	-33.0	-69.7	-111.3	-215.2	-221.4	-214.0	-230.7	-244.0
Dividends received	2.6	3.3	3.4	3.4	3.2	0.1	0.4	0.1	0.0	0.0
Net profit/loss from financial transactions	1.4	2.1	14.5	10.3	14.8	-4.4	1.9	4.6	4.8	14.8
Other operating income	147.7	128.2	111.2	135.9	152.2	205.4	164.8	158.4	167.1	147.9
<b>Total operating income</b>	<b>1,224.9</b>	<b>1,106.0</b>	<b>1,023.2</b>	<b>953.3</b>	<b>888.6</b>	<b>469.4</b>	<b>381.6</b>	<b>336.9</b>	<b>296.3</b>	<b>287.1</b>
General administration expenses	-862.5	-779.4	-756.3	-717.3	-680.1	-443.1	-350.4	-331.6	-320.6	-298.1
Depreciation/amortisation	-52.3	-37.0	-30.9	-33.4	-37.1	-41.9	-27.2	-20.5	-22.3	-25.3
<b>Total expenses before loan losses</b>	<b>-914.8</b>	<b>-816.4</b>	<b>-787.2</b>	<b>-750.7</b>	<b>-717.2</b>	<b>-485.0</b>	<b>-377.6</b>	<b>-352.1</b>	<b>-342.9</b>	<b>-323.4</b>
<b>Profit/loss before loan losses</b>	<b>310.1</b>	<b>289.6</b>	<b>236.0</b>	<b>202.6</b>	<b>171.4</b>	<b>-15.6</b>	<b>4.0</b>	<b>-15.2</b>	<b>-46.6</b>	<b>-36.3</b>
Loan losses, net	-65.1	-51.1	-37.8	-48.6	-44.8	-8.3	-7.5	-15.2	3.7	-8.0
<b>Profit/loss from banking operations / Operating profit/loss</b>	<b>245.0</b>	<b>238.5</b>	<b>198.2</b>	<b>154.0</b>	<b>126.6</b>	<b>-23.9</b>	<b>-3.5</b>	<b>-30.4</b>	<b>-42.9</b>	<b>-44.3</b>
Tax	-67.7	-62.9	-59.4	-44.7	59.4	5.4	3.5	7.1	11.3	107.4
<b>Net profit for the year</b>	<b>177.3</b>	<b>175.6</b>	<b>138.8</b>	<b>109.3</b>	<b>186.0</b>	<b>-18.5</b>	<b>-0.0</b>	<b>-23.3</b>	<b>-31.6</b>	<b>63.1</b>
<b>Balance sheet</b>										
Cash and central bank account balances	81.3	71.5	72.6	75.6	146.4	81.3	71.5	72.6	75.6	72.2
Treasury bills and other eligible bills	-	7,964.1	-	-	-	-	7,964.1	-	-	-
Lending to credit institutions	9,830.9	5,233.7	2,113.5	1,296.7	1,577.2	36,254.1	24,554.9	43,293.3	36,875.5	29,923.5
Lending to the public	78,563.9	67,040.0	53,883.6	47,093.5	39,426.5	16,389.8	10,983.8	9,264.2	8,387.0	8,005.7
Bonds and other interest-bearing securities	10,445.6	3,105.3	5,607.4	2,602.8	1,197.7	10,946.4	3,105.3	5,607.3	2,602.8	1,197.7
Shares and participations	10.8	11.1	9.5	7.5	5.2	3,172.2	3,047.5	2,655.9	2,451.9	1,916.6
Derivatives	2,546.2	545.5	168.3	-	-	1,060.6	293.3	24.3	-	-
Fair value changes of interest-rate hedged items in portfolio hedge	1,131.9	-247.7	-101.3	-	-	87.9	-0.5	-	-	-
Intangible assets	327.3	246.8	143.6	101.4	82.0	213.3	183.3	123.2	86.8	67.7
Property and equipment	20.5	20.6	7.6	12.2	17.3	16.1	13.2	0.2	1.2	3.4
Deferred tax assets	14.4	5.1	0.9	-	-	11.7	2.6	0.8	-	-
Other assets	273.5	371.0	309.3	283.2	307.4	93.6	89.5	46.2	73.7	111.3
Prepaid expenses and accrued income	890.1	726.6	322.6	188.3	255.9	284.3	262.5	435.7	241.9	242.1
<b>Total assets</b>	<b>104,136.4</b>	<b>85,093.6</b>	<b>62,537.6</b>	<b>51,661.2</b>	<b>43,015.6</b>	<b>68,611.3</b>	<b>50,571.0</b>	<b>61,523.7</b>	<b>50,796.4</b>	<b>41,540.2</b>
Liabilities to credit institutions	9,112.6	707.2	350.8	308.4	195.5	18,730.0	5,866.3	526.4	769.3	248.6
Deposits and borrowing from the public	35,090.2	29,735.3	24,379.4	21,534.8	20,047.8	35,197.9	29,901.5	24,035.4	20,772.3	19,109.4
Debt securities in issue	48,985.3	45,980.7	31,634.6	24,849.8	18,154.6	7,201.3	8,967.4	31,634.6	24,849.9	18,154.6
Derivatives	1,546.8	300.6	426.0	-	-	1,039.9	211.0	352.8	-	-
Fair value changes of interest-rate hedged items in portfolio hedge	1,024.6	-215.4	-45.6	-	-	32.8	-	-	-	-
Deferred tax liabilities	60.0	64.4	15.4	-	-	-	-	-	-	-
Other liabilities	762.4	1,805.5	491.9	295.1	375.7	321.5	268.5	171.6	131.1	198.6
Accrued expenses and deferred income	1,973.3	1,727.5	1,037.1	752.5	728.6	523.8	385.8	463.5	265.5	230.7
Provisions	40.3	14.1	13.9	19.7	21.8	31.8	9.2	7.4	4.3	6.4
Subordinated debt	1,250.0	1,150.0	1,050.0	1,050.0	1,050.0	1,250.0	1,150.0	1,050.0	1,050.0	1,050.0
Shareholders' equity	4,290.9	3,823.7	3,184.1	2,850.9	2,441.6	4,282.3	3,811.3	3,282.0	2,954.0	2,541.9
<b>Total shareholders' equity, provisions and liabilities</b>	<b>104,136.4</b>	<b>85,093.6</b>	<b>62,537.6</b>	<b>51,661.2</b>	<b>43,015.6</b>	<b>68,611.3</b>	<b>50,571.0</b>	<b>61,523.7</b>	<b>50,796.4</b>	<b>41,540.2</b>

## Income statement

SEK 000s	Note	Group		Parent Company	
		2008	2007	2008	2007
Interest income	4	7,463,175	4,541,060	2,885,197	2,174,305
Interest expense	5	-6,251,692	-3,524,157	-2,401,665	-1,738,445
<b>Net interest income</b>		<b>1,211,483</b>	<b>1,016,903</b>	<b>483,532</b>	<b>435,860</b>
Dividends received	6	2,598	3,330	80	364
Commission income	7	806,016	918,879	161,921	143,551
Commission expense	8	-944,353	-963,426	-377,135	-364,989
Net profit/loss from financial transactions	9	1,447	2,073	-4,460	1,935
Other operating income	10	147,725	128,255	205,440	164,880
<b>Total operating income</b>		<b>1,224,916</b>	<b>1,106,014</b>	<b>469,378</b>	<b>381,601</b>
Personnel costs	11	-331,102	-276,289	-152,795	-105,063
Other administration expenses	12, 13, 14	-531,353	-503,133	-290,327	-245,364
<b>Total administration expenses</b>		<b>-862,455</b>	<b>-779,422</b>	<b>-443,122</b>	<b>-350,427</b>
Depreciation/amortisation and write-off of tangible and intangible assets	15	-52,351	-37,035	-41,853	-27,189
<b>Total expenses before loan losses</b>		<b>-914,806</b>	<b>-816,457</b>	<b>-484,975</b>	<b>-377,616</b>
<b>Profit/loss before loan losses</b>		<b>310,110</b>	<b>289,557</b>	<b>-15,597</b>	<b>3,985</b>
Loan losses, net	16	-65,062	-51,063	-8,254	-7,479
<b>Total operating profit/loss</b>		<b>245,048</b>	<b>238,494</b>	<b>-23,851</b>	<b>-3,494</b>
Tax	17	-67,716	-62,914	5,352	3,480
<b>Net profit/loss for the year</b>		<b>177,332</b>	<b>175,580</b>	<b>-18,499</b>	<b>-14</b>
Earnings per share before and after dilution, SEK (number of shares: 9,548,708)		18.57	18.39		



## Balance sheet

SEK 000s	Note	Group		Parent Company	
		2008	2007	2008	2007
ASSETS					
Cash and central bank account balances		81,311	71,517	81,311	71,517
Treasury bills and other eligible bills	18	–	7,964,124	–	7,964,124
Lending to credit institutions	19	9,830,898	5,233,671	36,254,141	24,554,908
Lending to the public	20	78,563,848	67,039,996	16,389,773	10,983,774
Bonds and other interest-bearing securities	22	10,445,590	3,105,321	10,946,421	3,105,321
Shares and participations	23	10,812	11,089	10,812	11,089
Shares and participations in subsidiaries	24	–	–	3,161,400	3,036,400
Derivatives	25	2,546,176	545,525	1,060,603	293,285
Fair value changes of interest-rate hedged items in portfolio hedge	26	1,131,891	–247,682	87,859	–509
Intangible assets	27	327,306	246,805	213,301	183,288
Property and equipment	28	20,505	20,596	16,137	13,242
Deferred tax assets	29	14,415	5,077	11,660	2,575
Other assets	30	273,479	370,986	93,639	89,493
Prepaid expenses and accrued income	31	890,136	726,552	284,284	262,531
Total assets		104,136,367	85,093,577	68,611,341	50,571,038
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY					
Liabilities to credit institutions	32	9,112,615	707,233	18,729,955	5,866,277
Deposits and borrowing from the public	33	35,090,228	29,735,323	35,197,874	29,901,508
Debt securities in issue	34	48,985,315	45,980,690	7,201,341	8,967,414
Derivatives	25	1,546,789	300,606	1,039,946	211,030
Fair value changes of interest-rate hedged items in portfolio hedge	26	1,024,562	–215,459	32,795	–
Deferred tax liabilities	29	60,001	64,358	–	–
Other liabilities	35	762,377	1,805,524	321,479	268,543
Accrued expenses and deferred income	36	1,973,256	1,727,529	523,843	385,751
Provisions	37	40,282	14,041	31,812	9,225
Subordinated debt	38	1,250,000	1,150,000	1,250,000	1,150,000
Total liabilities and provisions		99,845,425	81,269,845	64,329,045	46,759,748
SHAREHOLDERS' EQUITY					
	39				
Share capital (9,548,708 shares, par value SEK 100 per share)		954,871	954,871	954,871	954,871
Other capital contributed		2,977,480	2,477,480	18,380	18,380
Reserves		–10,856	–361	–10,856	–361
Retained earnings		192,115	216,162	3,338,400	2,838,414
Net profit/loss for the year		177,332	175,580	–18,499	–14
Total shareholders' equity		4,290,942	3,823,732	4,282,296	3,811,290
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		104,136,367	85,093,577	68,611,341	50,571,038
Memorandum items					
	40				
For own liabilities, pledged assets		12,650,000	1,605,000	12,650,000	1,605,000
Other pledged assets		None	None	None	None
Contingent liabilities		86,276	91,168	59,051	72,025
Commitments		3,149,650	2,871,239	4,639,695	40,280,187
Other notes					
Company information	1				
Accounting policies	2				
Segment reporting	3				
Investment commitments	41				
Assets and liabilities by category	42				
Valuation techniques for fair value	43				
Liquidity exposure from financial instruments	44				
Anticipated recovery and settlement terms for assets, provisions and liabilities	45				
Fixed-rate interest terms	46				
Credit risk	47				
Capital-adequacy analysis	48				
Disclosure on related parties	49				
Events after the balance-sheet date	50				

# Cash-flow statement

(indirect method)

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
<b>Cash and cash equivalents, January 1</b>	<b>4,597,955</b>	<b>1,835,287</b>	<b>4,276,374</b>	<b>1,725,259</b>
<b>Operating activities</b>				
Operating profit/loss	245,048	238,494	-23,851	-3,494
Adjustment of non-cash items	-156,159	297,154	142,520	140,351
<i>Change in assets of operating activities</i>				
Change in eligible treasury bills	7,964,124	-7,964,124	7,964,124	-7,964,124
Change in lending to subsidiaries	-	-	-7,082,816	21,889,501
Change in lending to the public	-11,624,568	-13,235,530	-5,423,909	-1,730,913
Change in bonds and other interest-bearing securities	-7,353,745	2,505,003	-7,854,731	2,503,995
Change in derivatives	-2,000,651	-377,196	-767,318	-268,917
Change in other assets	97,507	-61,650	-4,146	-43,315
<i>Change in liabilities of operating activities</i>				
Change in deposits and borrowing from the public	5,354,905	5,355,935	5,354,905	5,795,216
Change in deposits from subsidiaries			4,996,650	4,811,887
Change in debt securities in issue	3,004,625	14,346,080	-1,766,073	-22,667,197
Change in other liabilities	-1,043,146	1,313,657	52,935	96,923
Change in derivatives	1,246,183	-125,348	828,916	-141,817
<b>Cash flow from operating activities</b>	<b>-4,265,877</b>	<b>2,292,475</b>	<b>-3,582,794</b>	<b>2,418,096</b>
<b>Investing activities</b>				
Acquisition of property and equipment	-7,272	-18,896	-5,092	-13,145
Disposal of property and equipment	98	229	-	-
Acquisition of intangible assets	-125,310	-134,540	-69,392	-87,236
Acquisition of shares and participations		-1,600	-	-1,600
<b>Cash flow from investing activities</b>	<b>-132,484</b>	<b>-154,807</b>	<b>-74,484</b>	<b>-101,981</b>
<b>Financing activities</b>				
Shareholders' contributions received	500,000	525,000	500,000	525,000
Shareholders' contributions paid	-	-	-125,000	-390,000
Increase in subordinated loans	100,000	100,000	100,000	100,000
<b>Cash flow from financing activities</b>	<b>600,000</b>	<b>625,000</b>	<b>475,000</b>	<b>235,000</b>
<b>NET CASH FLOW FOR THE PERIOD</b>	<b>-3,798,361</b>	<b>2,762,668</b>	<b>-3,182,278</b>	<b>2,551,115</b>
<b>Cash and cash equivalents, December 31</b>	<b>799,594</b>	<b>4,597,955</b>	<b>1,094,096</b>	<b>4,276,374</b>
<b>Non-cash items</b>				
Depreciation/amortisation	52,074	37,035	41,853	27,189
Impairment	277	-	-	-
Unrealised portion of net profit from financial items	13,476	-2,942	13,631	-1,935
Loan losses, excluding recoveries	100,716	79,182	17,910	11,324
Change in accrued expenses/income	82,142	286,420	116,340	95,397
Provisions	26,241	116	22,587	1,870
Change in deferred tax recognised in shareholders' equity	-13,695	44,816	-9,085	-1,802
Receivable/liability Group contribution before tax	-199,627	-60,599	-	4,680
Income tax	-67,716	-62,914	5,352	3,480
Fair value recognised in shareholders' equity	-10,495	-361	-10,495	-361
Fair value changes of interest-rate hedged items in portfolio hedge	-139,552	-23,599	-55,573	509
	<b>-156,159</b>	<b>297,154</b>	<b>142,520</b>	<b>140,351</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and balances at central banks	81,311	71,517	81,311	71,517
Lending to credit institutions, terms of up to 3 months <sup>1)</sup>	9,830,898	5,233,671	9,772,874	5,156,457
Liabilities to credit institutions, terms of up to 3 months	-9,112,615	-707,233	-8,760,089	-951,600
	<b>799,594</b>	<b>4,597,955</b>	<b>1,094,096</b>	<b>4,276,374</b>
<sup>1)</sup> Excluding lending to subsidiaries				
Interest received	7,254,606	4,196,385	2,844,660	2,370,323
Interest paid	5,842,499	2,970,368	2,231,087	1,937,014
Gross investments	132,582	153,436	74,484	100,381
Tax paid	9,193	7,017	4,958	3,437

## Change in shareholders' equity

Group SEK 000s	Share capital	Other capital contributed	Reserves	Retained earnings	Net profit/loss for the year	Total
<b>Opening balance, January 1, 2007</b>	<b>954,871</b>	<b>1,952,480</b>	<b>–</b>	<b>137,976</b>	<b>138,785</b>	<b>3,184,112</b>
In accordance with resolution by Annual General Meeting				138,785	–138,785	–
Change in available-for-sale financial assets, before tax			–501			–501
Tax on items recognised against shareholders' equity			140			140
<b>Total changes in shareholders' equity reported directly against shareholders' equity</b>			<b>–361</b>	<b>138,785</b>	<b>–138,785</b>	<b>–361</b>
Net profit for the year through the income statement					175,580	175,580
<b>Total change before transactions with shareholders</b>			<b>–361</b>	<b>138,785</b>	<b>36,795</b>	<b>175,219</b>
Unconditional shareholders' contribution received from Parent Company		200,000				200,000
Conditional shareholders' contribution received		325,000				325,000
Group contributions paid				–84,165		–84,165
Tax effect of Group contributions paid				23,566		23,566
<b>Closing balance, December 31, 2007</b>	<b>954,871</b>	<b>2,477,480</b>	<b>–361</b>	<b>216,162</b>	<b>175,580</b>	<b>3,823,732</b>
<b>Opening balance, January 1, 2008</b>	<b>954,871</b>	<b>2,477,480</b>	<b>–361</b>	<b>216,162</b>	<b>175,580</b>	<b>3,823,732</b>
In accordance with resolution by Annual General Meeting				175,580	–175,580	–
Change in available-for-sale financial assets, before tax			–14,229			–14,229
Tax on items recognised against shareholders' equity			3,734			3,734
<b>Total changes in shareholders' equity reported directly against shareholders' equity</b>			<b>–10,495</b>	<b>175,580</b>	<b>–175,580</b>	<b>–10,495</b>
Net profit/loss for the year through the income statement					177,332	177,332
<b>Total change before transactions with shareholders</b>			<b>–10,495</b>	<b>175,580</b>	<b>1,752</b>	<b>166,837</b>
Conditional shareholders' contribution received		500,000				500,000
Group contributions paid				–277,260		–277,260
Tax effect of Group contributions paid				77,633		77,633
<b>Closing balance, December 31, 2008</b>	<b>954,871</b>	<b>2,977,480</b>	<b>–10,856</b>	<b>192,115</b>	<b>177,332</b>	<b>4,290,942</b>
<b>Parent Company SEK 000s</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Net profit/loss for the year</b>	<b>Total</b>
<b>Opening balance, January 1, 2007</b>	<b>954,871</b>	<b>18,380</b>	<b>–</b>	<b>2,332,044</b>	<b>–23,310</b>	<b>3,281,985</b>
In accordance with resolution by Annual General Meeting				–23,310	23,310	–
Change in available-for-sale financial assets, before tax			–501			–501
Tax on items recognised against shareholders' equity			140			140
<b>Total changes in shareholders' equity reported directly against shareholders' equity</b>			<b>–361</b>	<b>–23,310</b>	<b>23,310</b>	<b>–361</b>
Net profit/loss for the year through the income statement					–14	–14
<b>Total change before transactions with shareholders</b>			<b>–361</b>	<b>–23,310</b>	<b>23,296</b>	<b>–375</b>
Unconditional shareholders' contribution received from Parent Company				200,000		200,000
Conditional shareholders' contribution received				325,000		325,000
Group contributions received				6,500		6,500
Tax effect of Group contributions received				–1,820		–1,820
<b>Closing balance, December 31, 2007</b>	<b>954,871</b>	<b>18,380</b>	<b>–361</b>	<b>2,838,414</b>	<b>–14</b>	<b>3,811,290</b>
<b>Opening balance, January 1, 2008</b>	<b>954,871</b>	<b>18,380</b>	<b>–361</b>	<b>2,838,414</b>	<b>–14</b>	<b>3,811,290</b>
In accordance with resolution by Annual General Meeting				–14	14	–
Change in available-for-sale financial assets, before tax			–14,229			–14,229
Tax on items recognised against shareholders' equity			3,734			3,734
<b>Total changes in shareholders' equity reported directly against shareholders' equity</b>			<b>–10,495</b>	<b>–14</b>	<b>14</b>	<b>–10,495</b>
Net profit/loss for the year through the income statement					–18,499	–18,499
<b>Total change before transactions with shareholders</b>			<b>–10,495</b>	<b>–14</b>	<b>–18,485</b>	<b>–28,994</b>
Conditional shareholders' contribution received				500,000		500,000
<b>Closing balance, December 31, 2008</b>	<b>954,871</b>	<b>18,380</b>	<b>–10,856</b>	<b>3,338,400</b>	<b>–18,499</b>	<b>4,282,296</b>

### Specification of balance-sheet item other reserves

#### Fair value reserve

Opening reserve	–361
Change in available-for-sale financial assets	198,447
Change in derivatives in hedge accounting	–212,676
Change in tax on items recognised against shareholders' equity	3,734
Closing reserve	–10,856

#### Other capital contributed

Refers to shareholders' equity that has been provided by the owners.

#### Fair value reserve

The fair value reserve comprises the accumulated net change in fair value of available-for-sale financial assets until the asset is removed from the balance sheet.

#### Statutory reserve

The statutory reserve remains restricted shareholders' equity but no new transfers to the statutory reserve are required. The statutory reserve also includes amounts that were added to the share premium reserve prior to January 1, 2006.

#### Retained earnings including net profit/loss for the year

Retained earnings including net profit for the year includes profits in the Parent Company and subsidiaries.

## Notes to the financial statements

# Contents

<b>Note 1</b>	Company information .....	35	<b>Note 27</b>	Intangible assets .....	51
<b>Note 2</b>	Accounting policies .....	35	<b>Note 28</b>	Property and equipment .....	51
<b>Note 3</b>	Segment reporting .....	43	<b>Note 29</b>	Deferred tax assets and tax liabilities .....	52
<b>Note 4</b>	Interest income .....	44	<b>Note 30</b>	Other assets .....	53
<b>Note 5</b>	Interest expense .....	44	<b>Note 31</b>	Prepaid expenses and accrued income .....	53
<b>Note 6</b>	Dividends received .....	44	<b>Note 32</b>	Liabilities to credit institutions .....	53
<b>Note 7</b>	Commission income .....	44	<b>Note 33</b>	Deposits and borrowing from the public .....	53
<b>Note 8</b>	Commission expense .....	44	<b>Note 34</b>	Debt securities in issue .....	53
<b>Note 9</b>	Net profit/loss from financial transactions .....	44	<b>Note 35</b>	Other liabilities .....	53
<b>Note 10</b>	Other operating income .....	44	<b>Note 36</b>	Accrued expenses and deferred income .....	53
<b>Note 11</b>	Personnel costs .....	45	<b>Note 37</b>	Provisions .....	53
<b>Note 12</b>	Other administration expenses .....	46	<b>Note 38</b>	Subordinated debt .....	55
<b>Note 13</b>	Remuneration to auditors .....	46	<b>Note 39</b>	Shareholders' equity according to Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) .....	55
<b>Note 14</b>	Operational leasing .....	47	<b>Note 40</b>	Memorandum items .....	55
<b>Note 15</b>	Depreciation/amortisation and write-down of tangible and intangible assets .....	47	<b>Note 41</b>	Investment commitments .....	55
<b>Note 16</b>	Loan losses, net .....	47	<b>Note 42</b>	Financial assets and liabilities by category .....	56
<b>Note 17</b>	Tax on net profit for the year .....	47	<b>Note 43</b>	Valuation techniques for fair value .....	60
<b>Note 18</b>	Treasury bills and other eligible bills .....	48	<b>Note 44</b>	Liquidity exposure from financial instruments .....	61
<b>Note 19</b>	Lending to credit institutions .....	48	<b>Note 45</b>	Anticipated recovery and settlement terms for assets, provisions and liabilities .....	64
<b>Note 20</b>	Lending to the public .....	48	<b>Note 46</b>	Fixed-rate interest terms for assets and liabilities – interest-rate exposure .....	66
<b>Note 21</b>	Financial leasing .....	49	<b>Note 47</b>	Credit risk .....	68
<b>Note 22</b>	Bonds and other interest-bearing securities .....	49	<b>Note 48</b>	Capital-adequacy analysis .....	70
<b>Note 23</b>	Shares and participations .....	49	<b>Note 49</b>	Disclosures on related parties .....	71
<b>Note 24</b>	Shares and participations in subsidiaries .....	49	<b>Note 50</b>	Events after balance-sheet date .....	71
<b>Note 25</b>	Derivatives .....	50			
<b>Note 26</b>	Fair value changes of interest-rate hedged items in portfolio hedge .....	50			



## NOTE 1 COMPANY INFORMATION

The consolidated accounts and annual accounts for Länsförsäkringar Bank AB (publ), Corp. Reg. No. 516401-9878, were presented on December 31, 2008. Länsförsäkringar Bank AB is a bank 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 AB, Corp. Reg. No. 556549-7020, with its registered office in Stockholm. The Parent Company in the largest and smallest Group in which Länsförsäkringar Bank AB (publ) is the subsidiary and in which the consolidated accounts are prepared is Länsförsäkringar AB (publ), Stockholm

The consolidated accounts and annual accounts for Länsförsäkringar Bank AB (publ) were authorised for issue by the Board and President on March 30, 2009. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on May 11, 2009.

## NOTE 2 ACCOUNTING POLICIES

### Compliance with standards and legislation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1.2 Supplementary Accounting Rules for Groups and the Board's statements, certain supplementary regulations in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the regulations and general advice of the Swedish Financial Supervisory Authority regarding annual accounts for credit institutions and securities companies (FFFS 2008:25) were applied.

### Conditions relating to the preparation of the Parent Company's and Group's financial statements

Länsförsäkringar Bank AB's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. The functional currency is the currency in the primary financial environments in which the Group companies conduct their operations, which means that the financial statements are presented in Swedish kronor. 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 measured at fair value (see Note 43) or when fair value hedge accounting is applied. Financial assets and liabilities at fair value comprise derivative instruments, financial instruments classified as financial assets and financial liabilities at fair value through profit or loss or as available-for-sale financial assets.

The Group accounting policies stated below have been applied to all periods presented in the consolidated financial statements and in the reporting and consolidation of the Parent Company and its subsidiaries.

### New or revised IFRS or interpretations

The new and revised standards and interpretation statements described below will take effect in future financial years and have not been applied in advance during the preparation of these financial statements.

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

IFRS 8 *Operating Segments* defines what an operating segment is and specifies the information to be submitted about operating segments in financial reporting. The standard, which has been approved by the EU, is to be applied for financial years starting on or after January 1, 2009. The company's preliminary assessment is that this new standard will not result in any changes to the existing division of segments.

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 financial years starting on or after January 1, 2009.

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, which 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
- 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 to Owners
- 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 policies 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 judgments made in the application and selection of the company's accounting policies are primarily attributable to:

- The selection of categories and valuation techniques 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 Bank's customer-related matters in each of the regional insurance companies' geographic areas. Refer to Note 8.

### Significant sources of uncertainty in estimates

Significant sources of uncertainty in estimates mainly comprise impairment requirements for loan losses. Loan losses are primarily assessed at the collective level 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 have resulted in an increased uncertainty in existing valuation models that is difficult to quantify.

## Description of significant accounting policies

### Consolidated accounts

The consolidated accounts include the Parent Company and all companies in which Länsförsäkringar Bank directly or indirectly holds more than 50% of the total number of votes or in another manner has a controlling influence over the operational and financial management of the company and can derive financial benefits.

These companies have been included in the consolidated accounts in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsid-

iary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined on the basis of an acquisition analysis performed when the acquisition takes place.

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated accounts are prepared.

### Shareholders' contributions

Shareholders' contributions are recognised in the consolidated balance sheet as other capital contributed.

### Untaxed reserves

Untaxed reserves in the consolidated balance sheet have been divided into deferred tax liabilities and shareholders' equity. Changes in deferred tax liabilities due to changes in untaxed reserves are reported as deferred tax in the consolidated income statement.

### Related parties

Legal entities closely related to the Länsförsäkringar Bank Group include companies within the Länsförsäkringar AB Group, companies within the Länsförsäkringar Liv Group, the regional insurance companies, associated companies of the Länsförsäkringar AB Group and other related companies, comprising Mäklarservice and the realtor company Länshem Fastighetsförmedling. Legal entities closely related to the Parent Company Länsförsäkringar Bank also include its subsidiaries. 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 insurance 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 the Länsförsäkringar AB Group.

### Segment reporting

The Group's primary principle of division is business segment. A business segment is an identifiable part of the Group for accounting purposes that provides financial services that are exposed to different risks and opportunities to those found in other business segments. Geographic distribution is not applied since the operations are mainly conducted in Sweden with similar risks and opportunities. The Banking Group's segments are banking products, mortgage lending, leasing and instalments, and fund management, which complies with the Banking Group's legal structure. Pricing between the Group's segments is based on market conditions. Segment information is provided only for the Group in accordance with IAS 14.

### 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 what 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, interest expense and dividends

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, and interest from financial assets classified as available-for-sale financial assets. Interest income from financial assets at fair value through profit or loss according to the fair value option is also recognised here. 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.

Dividends from shares and participations are reported in the item "Dividends received" once the right to receive payment has been established.

### Commission income and commission expense

Commission income 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 income in the period in which the service was provided. Fees charged for significant activities, for example securities commission and card commission, 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. Commission expense deriving from financial assets or financial liabilities not valued at fair value through profit or loss comprises commission to the regional insurance companies.

### 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) and the capital gain/loss from available-for-sale financial assets.

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 hedging 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 FRA agreements (forward rate agreements) 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.

Net profit/loss on transactions at fair value through profit or loss 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 Group 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.

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 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.

#### **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.



### Impairment

The carrying amounts of the Group's assets are assessed on every balance sheet-date to determine whether there are any indications of impairment. IAS 36 is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 and deferred tax assets. The carrying amounts of the exempted assets above are tested according to the respective standard.

The Group continuously assesses assets that are not tested for impairment according to other standards if there are any indications that the assets have decreased in value. If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36.

The recoverable amount is the higher of fair value minus selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset. Impairment occurs when an asset's carrying amount exceeds its estimated recoverable amount.

### 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. Impairment for losses on guarantees is reported in the balance sheet as a provision and as loan losses in the income statement. The item loan losses 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 that are decided 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
- temporary differences attributable to participations in subsidiaries not expected to be reversed in the foreseeable future

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 loan receivables, interest-bearing securities, derivatives, and shares and participations. Liabilities include debt securities in issue, derivatives, deposits 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 party to this in accordance with the instrument's contractual conditions. A financial liability is removed from the balance sheet 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 met 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 recognised 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 40.

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 classified on initial reporting 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 reporting 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 decided to place in this category according to the Fair Value Option. Financial instruments in this category are continuously measured at fair value, with changes in value reported in the income statement. Transaction costs are expensed immediately.

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. A small number of bonds are included in the fair value option group.

#### *Loans and receivables*

Loans are initially reported in the balance sheet at cost – the amount lent to the borrower – less fees and supplements for costs received. Subsequently, loans are reported continuously at amortised cost after deductions for the impairment of loan losses.

For most loans, impairment 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. Impairment 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, not more than the impairment previously carried out is reversed.

In the income statement, the impairment of loans 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 removed 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.

Impairment for losses on guarantees is reported under liability as a provision.

#### *Held-to-maturity investments*

Held-to-maturity investments are financial assets and comprise interest-bearing securities with fixed or determinable payments and determined terms that are traded on an active market and that the company expressly intends and has the capacity to hold to maturity. Assets in this category are valued at amortised cost.

#### *Available-for-sale financial assets*

The category available-for-sale financial assets includes financial assets that have not been classified in any other category or financial assets that the company initially decided to classify in this category.

This category includes the company's liquidity surplus and holdings of shares and participations that are not reported as subsidiaries.

Assets in this category are continuously valued at fair value, with unrealised changes in value reported against shareholders' equity. Assets are recognised in the income statement once the changes in value have been realised. Changes in value due to impairment or exchange-rate differences for monetary items are reported in the income statement. Furthermore, interest on interest-bearing instruments is reported in accordance with the effective interest method in the income statement similar to dividends on shares. Any transaction costs for these instruments will be included in the cost when first reported and thereafter included in the continuous valuations.

#### *Financial liabilities at fair value through profit or loss*

This category includes financial liabilities held for trading and other financial liabilities that the company has initially decided to place in this category according to the Fair Value Option.

The company's holding for trading comprises derivatives that are financial hedging instruments, but to which hedge accounting is not applied.

#### *Other financial liabilities*

All of the bank's financial liabilities, excluding derivatives, are included here. The liabilities are valued at amortised cost which, when hedge accounting is applied, is adjusted for changes in fair value regarding the hedged risk (for further information, refer to the section on hedge accounting below.)

#### *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 measured at fair value, plus a supplement for transaction costs, with the exception of derivatives and instruments that belong to the category of financial assets reported at fair value through profit or loss, excluding transaction costs.

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 final 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 and deposits with fixed interest rates are valued based on the STIBOR swap curve, plus an interest margin corresponding to an average margin mark-up. Investments in shares and participations that are not listed in an active market and whose fair value cannot be calculated in a reliable manner have been valued at cost.

### *Hedge accounting*

The bank's derivative instruments, which comprise interest and currency swaps, forward rate agreements and purchased interest caps, 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 hedging, the bank has chosen to apply hedge accounting.

The hedge-accounting strategy defined and applied by the bank 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 80–125%. 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 Group also includes hedges with interest-rate ceilings for interest-rate risk associated with borrowing at variable interest rates. The loans are reported at amortised cost and the interest-rate ceiling is reported at fair value in the income statement.

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.

Evaluation 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.

### *Leasing*

Lease agreements are classified in the consolidated accounts either as financial or operational leasing. Financial leasing exists if the financial risks and benefits associated with ownership have essentially been transferred to the lessee. If this is not the case, then this is a matter of operational leasing.

The Banking Group's assets that are leased under financial lease agreements are not reported as tangible assets since the risks associated with ownership are transferred to the lessee. Instead, the lease agreements are reported as lending to the lessee regarding future leasing fees. Initially, an amount corresponding to the present value of all minimum lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these agreements are reported in part as repayment of lease receivables and in part as interest income.

Both the Parent Company and the Group are lessees in the form of internal and external lease contracts classified as operational leasing (where expenses are reported as rents).

In addition, both the Group and Parent Company are, to a limited extent, lessees of company cars and office equipment. These expenses are recognised in their entirety as rental charges.

### *Intangible assets*

Intangible assets primarily comprise proprietary and acquired intangible assets with determinable useful lives that are expected to be of significant value to the operation in future years. These assets are reported at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset is put into operation.

The Group's proprietary intangible assets are reported only if all of the following conditions are fulfilled:

- there is an identifiable asset.
- it is probable that the developed asset will generate future financial benefits.
- the cost of the asset can be calculated in a reliable manner.
- it is technically and commercially usable and sufficient resources exist to complete development and thereafter use or sell the intangible asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses, such as directly attributable expenses for salaries and materials.

The periods of amortisation are determined based on a useful life that varies between three and five years and amortisation takes place straight-line. The periods of amortisation are not dependent on any categories but are determined individually for each asset. Useful lives are retested at year-end of every financial year. Impairment requirements are tested in accordance with IAS 36 Impairment of Assets.

Additional expenses for capitalised intangible assets are reported as an asset in the balance sheet only when these expenses increase the future financial benefits of the specific asset to which they pertain. All other expenses are expensed as they arise.

## Property, plant and equipment

### Equipment

Property and equipment are reported as assets in the balance sheet when, based on information available, it is likely that the future financial benefits associated with the holding will accrue to the company and that the cost of the asset can be calculated in a reliable manner.

Equipment is reported at cost less accumulated depreciation and any accumulated impairment. Depreciation according to plan takes place following the straight-line method over the asset's expected useful life, commencing when the asset is put into operation.

Depreciation and any scrapping and divestments are reported in the income statement. Impairment requirements are tested in accordance with IAS 36 Impairment of Assets. Useful lives are retested at the end of every financial year.

#### Useful lives of equipment:

Office equipment	5 years
Improvements to leased premises	5–7 years
Cars	5 years
Computer equipment	3–5 years

## Provisions

A provision is reported in the balance sheet when the Group has a legal or informal obligation as a result of an event that has occurred and it is probable that a flow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

A restructuring provision is recognised when an established, detailed and formal restructuring plan exists, and the restructuring process has either commenced or been publically announced. No provisions are established for future operating expenses.

Where the effect of when a payment is made is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

## 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 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.

### Financial guarantees

Guarantee agreements issued by the company, which comprise leasing guarantees and credit guarantees, entail that the company has a commitment to compensate the holder when the holder incurs a loss due to a specific debtor not making due payments to the holder in accordance with original or changed contractual conditions.

Financial guarantee agreements are initially recognised at fair value, which normally means the amount that the company received as compensation for the guarantee issued. When the agreement is subsequently valued, the liability for the financial guarantee is reported at the higher of the amounts to be recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount that was originally reported less deductions, where applicable, for accumulated allocations, reported in accordance with IAS 18 Revenue.

## Parent Company's accounting policies

The Parent Company's accounting policies described below have been consistently applied to all periods presented in the Parent Company's financial statements.

The Parent Company 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 regarding annual accounts for credit institutions and securities companies (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities.

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in certain cases for tax reasons.

The main deviations compared with the Group's policies are described below:

### Remuneration to employees

#### Defined-benefit pension plans

The Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations contain rules that mean that defined-benefit pension plans are reported differently compared with the provisions of IAS 19 Employee Benefits. Application of the Pension Obligations Vesting Act is a prerequisite for the right to make tax deductions. Accordingly, the regulations regarding defined-benefit pension plans stipulated in IAS 19 need not be applied to legal entities.

### Participations in subsidiaries

Participations in subsidiaries are reported in the Parent Company in accordance with the cost method.

Only dividends received are recognised as income on the condition that such dividends derive from profit earned after the acquisition. Dividends exceeding these earned profits are considered to be a repayment of the investment and reduce the carrying amount of the participation. The adaptations to RFR 2:2 as a result of changes in IAS 27 Consolidated and Separate Financial Statements pertaining to dividends from subsidiaries, associated companies and joint ventures have not led to any adjustments to the company's reporting.

### 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.

### NOTE 3 SEGMENT REPORTING

Group	Bank	Hypotek	Leasing and instalment plans	Funds	Eliminations	Total
<b>2008</b>						
<b>Income statement</b>						
Net interest income	483,532	361,027	360,932	5,992	–	1,211,483
Net commission	–215,214	–174,791	33,722	217,946	–	–138,337
Net profit/loss from financial items at fair value	–4,460	8,458	–2,551	–	–	1,447
Other operating income	205,520	79	48,911	6,264	–110,451	150,323
<b>Total operating income</b>	<b>469,378</b>	<b>194,773</b>	<b>441,014</b>	<b>230,202</b>	<b>–110,451</b>	<b>1,224,916</b>
Other expenses	–443,123	–65,539	–269,584	–192,727	108,518	–862,455
Depreciation/amortisation and write-off of tangible and intangible assets	–41,852	–	–8,779	–1,720	–	–52,351
Profit/loss before loan losses	–15,597	129,234	162,651	35,755	–1,933	310,110
Loan losses, net	–8,254	–197	–56,611	–	–	–65,062
<b>Operating profit/loss</b>	<b>–23,851</b>	<b>129,037</b>	<b>106,040</b>	<b>35,755</b>	<b>–1,933</b>	<b>245,048</b>
<b>Balance sheet</b>						
<b>Total assets</b>	<b>68,611,341</b>	<b>67,427,138</b>	<b>8,956,057</b>	<b>168,017</b>	<b>–41,026,186</b>	<b>104,136,367</b>
Liabilities	64,329,045	65,076,053	8,211,297	94,845	–37,865,815	99,845,425
Shareholders' equity	4,282,296	2,351,085	744,760	73,172	–3,160,371	4,290,942
<b>Total liabilities and shareholders' equity</b>	<b>68,611,341</b>	<b>67,427,138</b>	<b>8,956,057</b>	<b>168,017</b>	<b>–41,026,186</b>	<b>104,136,367</b>
<b>2007</b>						
<b>Income statement</b>						
Net interest income	435,860	236,451	339,481	5,111	–	1,016,903
Net commission	–221,438	–127,593	28,432	276,052	–	–44,547
Net profit/loss from financial items at fair value	1,935	–57	195	0	–	2,073
Other operating income	165,244	294	43,195	1,064	–78,212	131,585
<b>Total operating income</b>	<b>381,601</b>	<b>109,095</b>	<b>411,303</b>	<b>282,227</b>	<b>–78,212</b>	<b>1,106,014</b>
Other operating expenses	–350,427	–53,571	–261,328	–195,713	81,617	–779,422
Depreciation/amortisation and write-off of tangible and intangible assets	–27,189	–	–5,950	–3,896	–	–37,035
<b>Profit before loan losses</b>	<b>3,985</b>	<b>55,524</b>	<b>144,025</b>	<b>82,618</b>	<b>3,405</b>	<b>289,557</b>
Loan losses, net	–7,479	2,564	–46,148	–	–	–51,063
<b>Operating profit/loss</b>	<b>–3,494</b>	<b>58,088</b>	<b>97,877</b>	<b>82,618</b>	<b>3,405</b>	<b>238,494</b>
<b>Balance sheet</b>						
<b>Total assets</b>	<b>50,571,038</b>	<b>48,332,251</b>	<b>9,244,716</b>	<b>262,604</b>	<b>–23,317,032</b>	<b>85,093,577</b>
Liabilities	46,759,748	46,105,844	8,498,872	188,465	–20,283,084	81,269,845
Shareholders' equity	3,811,290	2,226,407	745,844	74,139	–3,033,948	3,823,732
<b>Total liabilities and shareholders' equity</b>	<b>50,571,038</b>	<b>48,332,251</b>	<b>9,244,716</b>	<b>262,604</b>	<b>–23,317,032</b>	<b>85,093,577</b>

Income is attributable to Sweden in its entirety. Income deriving from trading between segments amounts to SEK 110,451 (78,212).



**NOTE 4 INTEREST INCOME**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
Interest income on lending to credit institutions	125,843	100,640	1,091,702	1,272,558
Interest income on lending to the public	4,094,539	2,956,402	806,207	565,045
Interest income on interest-bearing securities	628,334	210,037	628,334	210,037
Interest income on derivatives				
– Hedge accounting	2,492,727	1,214,343	163,596	5,214
– Non-hedge accounting	116,748	59,416	195,358	121,451
Other interest income	4,984	222	–	–
<b>Total interest income</b>	<b>7,463,175</b>	<b>4,541,060</b>	<b>2,885,197</b>	<b>2,174,305</b>
<i>of which interest income on doubtful receivables</i>	<i>3,791</i>	<i>2,400</i>	<i>3,369</i>	<i>1,978</i>
<i>of which interest income from financial items not valued at fair value</i>	<i>4,772,700</i>	<i>3,169,595</i>	<i>2,445,243</i>	<i>1,949,934</i>
Average interest rate on lending to the public during the year	5.7%	4.9%	5.9%	5.6%

**NOTE 5 INTEREST EXPENSE**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
Interest expense, liabilities to credit institutions	65,711	6,860	228,552	99,018
Interest expense, deposits and borrowing from the public	1,235,230	780,562	1,239,028	773,487
Interest expense, subordinated debt	73,467	52,500	73,467	52,500
Interest expense, interest-bearing securities	2,277,335	1,416,165	507,162	674,852
Interest expense, derivatives				
– Hedge accounting	2,236,114	1,197,273	148,286	5,756
– Non-hedge accounting	352,648	59,286	194,072	121,321
Other interest expense, including government deposit insurance	11,187	11,511	11,098	11,511
<b>Total interest expense</b>	<b>6,251,692</b>	<b>3,524,157</b>	<b>2,401,665</b>	<b>1,738,445</b>
<i>of which interest expense from financial items not valued at fair value</i>	<i>3,662,930</i>	<i>2,267,598</i>	<i>2,059,307</i>	<i>1,611,368</i>
Average interest rate on deposits from the public during the year	3.8%	2.9%	3.8%	2.9%

**NOTE 6 DIVIDENDS RECEIVED**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
Dividends received on shares	2,598	3,330	80	364

**NOTE 7 COMMISSION INCOME**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
Payment commission	70,975	62,734	70,975	62,734
Lending commission	63,484	64,410	9,333	10,629
Deposit commission	4,922	3,544	4,922	3,544
Financial guarantees	172	231	172	231
Securities commission	597,620	735,677	7,676	14,130
Card operations	70,188	51,470	70,188	51,470
Other commission	–1,345	813	–1,345	813
<b>Total commission income</b>	<b>806,016</b>	<b>918,879</b>	<b>161,921</b>	<b>143,551</b>

**NOTE 8 COMMISSION EXPENSE**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
Payment commission	76,500	80,015	57,943	56,227
Securities commission	351,213	419,179	3,886	5,101
Card operations	57,274	53,078	57,274	53,078
Remuneration to regional insurance companies	448,936	398,785	249,622	239,058
Other commission	10,430	12,369	8,410	11,525
<b>Total commission expense</b>	<b>944,353</b>	<b>963,426</b>	<b>377,135</b>	<b>364,989</b>
<i>of which commission expense from financial items not valued at fair value</i>	<i>448,936</i>	<i>398,785</i>	<i>249,622</i>	<i>239,058</i>

**NOTE 9 NET PROFIT/LOSS FROM FINANCIAL TRANSACTIONS**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
<b>Change in fair value</b>				
Interest-related instruments	–444,654	–28,026	–283,241	–338
Currency-related instruments	68,849	5,138	–721	2,165
Change in fair value of hedged item	352,234	23,598	268,253	–509
Interest compensation	10,095	2,232	2,078	617
<b>Capital gain/loss</b>				
Interest-related instruments	12,233	–869	7,691	–
Other financial assets	2,690	–	1,480	–
<b>Total net profit/loss from financial items at fair value</b>	<b>1,447</b>	<b>2,073</b>	<b>–4,460</b>	<b>1,935</b>

	Group		Parent Company	
	2008	2007	2008	2007
<b>Profit/loss by valuation category</b>				
Derivative assets intended for risk management, non-hedge accounting	1,039,940	257,922	771,214	235,603
Other financial assets at fair value through profit or loss	54,389	–14,833	54,389	–14,833
Derivative liabilities intended for risk management, non-hedge accounting	52,335	300,587	–582,472	152,529
Other financial liabilities at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	9,914	–	9,914	–
Loans and receivables	11,305	2,232	2,078	617
Financial liabilities at amortised cost	–1,158,061	–540,101	–257,344	–372,023
Change in fair value of derivatives that are hedging instruments in a hedge of fair value	–360,609	–27,331	–270,492	551
Change in fair value of hedged item with regard to the hedged risk in hedges of fair value	352,233	23,597	268,253	–509
<b>Total net profit/loss from financial items at fair value</b>	<b>1,447</b>	<b>2,073</b>	<b>–4,460</b>	<b>1,935</b>

**NOTE 10 OTHER OPERATING INCOME**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
Compensation from the regional insurance companies	94,996	97,481	94,996	97,481
Other income	52,729	30,774	110,444	67,399
<b>Total other operating income</b>	<b>147,725</b>	<b>128,255</b>	<b>205,440</b>	<b>164,880</b>

**NOTE 11 PERSONNEL COSTS**

	Group		Parent Company	
	2008	2007	2008	2007
<b>Average number of employees</b>				
Men	168	164	49	45
Women	161	148	72	59
<b>Total number of employees</b>	<b>329</b>	<b>312</b>	<b>121</b>	<b>104</b>

**Salaries, other remuneration and social security expenses**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
<b>Salaried employees</b>				
Salaries and remuneration	172,961	151,663	76,750	54,514
<i>of which variable remuneration</i>	<i>6,727</i>	<i>11,357</i>	<i>1,119</i>	<i>2,264</i>
Social security expenses	113,460	96,465	54,318	37,569
<i>of which pension costs</i>	<i>46,413</i>	<i>36,756</i>	<i>23,811</i>	<i>16,157</i>

**Board of Directors, President and Executive Vice Presidents**

Salaries and remuneration	17,452	16,330	6,962	7,996
<i>of which salaries to President and Executive Vice President</i>	<i>15,399</i>	<i>14,365</i>	<i>5,605</i>	<i>6,716</i>
<i>of which variable remuneration to President and Executive Vice President</i>	<i>1,956</i>	<i>2,551</i>	<i>551</i>	<i>1,110</i>
Social security expenses	13,228	13,126	5,199	6,122
<i>of which pension costs</i>	<i>6,281</i>	<i>6,171</i>	<i>2,687</i>	<i>2,799</i>
Other personnel costs	14,001	-1,295	9,566	-1,138

**Total salaries, remuneration and social security expenses**

Salaries and remuneration	190,413	167,993	83,712	62,510
<i>of which variable remuneration</i>	<i>8,683</i>	<i>13,908</i>	<i>1,670</i>	<i>3,374</i>
Social security expenses	126,688	109,591	59,517	43,691
<i>of which pension costs</i>	<i>52,694</i>	<i>42,927</i>	<i>26,498</i>	<i>18,956</i>
Other personnel costs	14,001	-1,295	9,566	-1,138
<b>Total personnel costs</b>	<b>331,102</b>	<b>276,289</b>	<b>152,795</b>	<b>105,063</b>

**Variable remuneration**

Variable remuneration is paid to managers who have a bonus agreement. Remuneration is based on attained targets met in accordance with the business plan, the Employee Commitment Index, the leadership index and other individual goals. Variable remuneration may amount to not more than one month's salary or a maximum of two months' salary for senior executives.

Variable remuneration is paid to sales staff within the finance company Wasa kredit. 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.

**Sickness absence**

%	Group		Parent Company	
	2008	2007	2008	2007
Total sickness absence as a percentage of ordinary working hours	3.0	2.9	2.3	2.8
Percentage of absence pertaining to absence during a consecutive period of 60 days or more	41.1	48.2	53.2	53.2

**Sickness absence as a percentage of each group's ordinary working hours:****Sickness absence by gender**

Total of overall working hours for men	1.3	0.9	1.7	0.7
Total of overall working hours for women	4.7	5.0	2.7	4.6

**Sickness absence by age category**

Absence for employees aged 29 or younger	2.2	1.6	1.0	1.9
Absence for employees aged 30-49	2.5	2.4	1.5	1.7
Absence for employees aged 50 or older	4.8	5.0	4.3	5.5

**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 other senior executives comprises basic salary, variable salary, other benefits and pension costs. Senior executives are the eight persons who, together with the President, comprise the Senior Management Team.

Variable salary is maximised to three monthly salaries for the President and to two monthly salaries for other senior executives.

Pension benefits and other benefits for the President and other senior executives are included as part of total remuneration.

**Remuneration and other benefits during the year, SEK 000s**

Group	Basic salary	Variable remuneration	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary
<b>2008</b>						
President Mats Ericsson	765	123	74	708	1,671	44%
Former Executive Vice President Tomas Johansson	1,000	-	31	771	1,802	50%
Executive Vice President Anders Borgcrantz	2,278	280	59	620	3,236	25%
Executive Vice President Gunilla Forsmark Karlsson	2,165	278	39	757	3,239	32%
Executive Vice President Bengt Jerning	1,124	150	54	451	1,779	34%
Chairman	-	-	-	-	-	-
Deputy Chairman Ylva Thunqvist	171				171	
Former Deputy Chairman Mats Ericsson	181				181	
Board member Christer Villard	205				205	
Board member Leif Johansson	246				246	
Board member Lennart Käll	205				205	
Board member Thomas Gustafsson	123				123	
Board member Ingemar Larsson	140				140	
Former Board member Hans Benndorf	85				85	
Other senior executives (3 people)	3,538	651	107	1,168	5,465	28%
<b>Total 2008</b>	<b>12,226</b>	<b>1,482</b>	<b>364</b>	<b>4,475</b>	<b>18,548</b>	<b>-</b>

**NOTE 11 PERSONNEL COSTS, cont.**

Group	Basic salary	Variable remuneration	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary
<b>2007</b>						
President Tomas Johansson	2,464	600	62	1,586	4,712	56%
Executive Vice President Anders Borgcrantz	1,974	330	60	857	3,221	37%
Executive Vice President Gunilla Forsmark Karlsson	2,061	330	37	784	3,212	36%
Executive Vice President Bengt Jerneing	1,081	180	60	429	1,750	34%
Chairman	–	–	–	–	–	–
Deputy Chairman Mats Ericsson	282	–	–	–	282	–
Board member Christer Villard	202	–	–	–	202	–
Board member Leif Johansson	242	–	–	–	242	–
Board member Hans Benndorf	202	–	–	–	202	–
Board member Lennart Käll	134	–	–	–	134	–
Board member Ylva Thunqvist	134	–	–	–	134	–
Former Board member Lena Wahlgren	84	–	–	–	84	–
Other senior executives (4 people)	3,908	701	114	1,412	6,135	30%
<b>Total 2007</b>	<b>12,768</b>	<b>2,141</b>	<b>333</b>	<b>5,068</b>	<b>20,310</b>	<b>–</b>

**Variable remuneration**

Variable remuneration includes anticipated bonus for the financial year.

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

Other benefits pertain to company car and interest benefits. Pension costs pertain to the impact on net profit for the year.

**Pensions**

The retirement age for the President and Executive Vice President is 60 years. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium for the President shall amount to 17% of pensionable salary up to 20 basic amounts, 42% of salary between 20 and 30 basic amounts, and 67% of salary over 30 basic amounts. The pension premium for the Executive Vice President shall amount to 14% 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 retirement age for other senior executives is 65. The terms and conditions comply with the pension agreement between the FAO and FTF.

**Severance pay**

A period of notice of six months shall apply if the President resigns of his own accord. If termination of employment is issued by the company, the period of notice is 12 months. In addition, the President shall also be entitled to severance pay corresponding to 12 months' salary. A mutual period of notice of six months applies to the Executive Vice President. If termination of employment is issued by the company, the Executive Vice President shall also be entitled to severance pay corresponding to 18 months' salary. For other senior executives, the bank applies the terms stipulated in the central agreements between the labour market parties.

**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.

**Loans to senior executives**

	Banking Group		Parent Company		LFAB Group	
	2008	2007	2008	2007	2008	2007
Board members	19,935	24,414	3,444	10,985	81,822	98,802
of which loans from Bank	3,777	5,716	1,586	1,813	23,856	21,452
of which loans from Hypotek	16,158	18,698	1,858	9,172	57,967	77,350
of which loans from Wasa Kredit	–	–	–	–	–	–
<b>President and Executive Vice Presidents</b>	<b>315</b>	<b>301</b>	<b>113</b>	<b>–</b>	<b>13,140</b>	<b>4,495</b>
of which loans from Bank	315	301	113	–	3,869	1,197
of which loans from Hypotek	–	–	–	–	9,272	3,298
of which loans from Wasa Kredit	–	–	–	–	–	–
<b>Senior executives</b>	<b>6,036</b>	<b>8,972</b>	<b>1,829</b>	<b>1,858</b>	<b>66,704</b>	<b>65,603</b>
of which loans from Bank	2,795	3,443	979	1,008	18,174	17,154
of which loans from Hypotek	3,241	5,529	850	850	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. Personnel loans may amount to a maximum of SEK 500,000. 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.

**Gender distribution in company management**

	Group		Parent Company	
%	2008	2007	2008	2007
<b>Percentage women</b>				
Board of Directors	17	19	22	30
Other senior executives which pertains to the President and other persons in company management	25	29	30	36

**NOTE 12 OTHER ADMINISTRATION EXPENSES**

	Group		Parent Company	
SEK 000s	2008	2007	2008	2007
Costs for premises	32,234	35,326	15,955	14,727
IT costs	196,916	161,032	154,425	125,665
Consultant costs	42,652	27,321	35,295	22,658
Marketing	34,096	35,168	18,451	12,218
Management costs	98,354	116,008	5,354	5,478
Other administration expenses	127,101	128,278	60,847	64,618
<b>Total administration expenses</b>	<b>531,353</b>	<b>503,133</b>	<b>290,327</b>	<b>245,364</b>

**NOTE 13 REMUNERATION TO AUDITORS**

Audit fees	Group		Parent Company	
SEK 000s	2008	2007	2008	2007
<b>KPMG Bohlins</b>				
– Audit	2,942	1,913	1,417	901
– Other assignments	1,172	2,265	625	579
<b>Deloitte</b>				
– Audit	563	–	–	–
– Other assignments	–	–	–	–

Audit assignments pertain to a review of the Annual Report and 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 14 OPERATIONAL LEASING**

These agreements pertain to internal and external lease contracts where the Parent Company and the Group are lessees.

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
<b>Irrevocable lease payments</b>				
Within 1 year	15,346	22,560	14,923	11,556
Between 1 and 5 years	12,766	1,369	–	–
More than 5 years	–	–	–	–
<b>Total operational leasing</b>	<b>28,112</b>	<b>23,929</b>	<b>14,923</b>	<b>11,556</b>

**NOTE 15 DEPRECIATION/AMORTISATION AND WRITE-OFF OF TANGIBLE AND INTANGIBLE ASSETS**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
Depreciation of tangible assets	7,265	5,681	2,196	68
Amortisation of intangible assets	44,810	31,354	39,381	27,121
	<b>52,075</b>	<b>37,035</b>	<b>41,577</b>	<b>27,189</b>
Impairment of financial fixed assets	276	–	276	–
<b>Total depreciation/amortisation and impairment</b>	<b>52,351</b>	<b>37,035</b>	<b>41,853</b>	<b>27,189</b>

**NOTE 16 LOAN LOSSES, NET**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
<i>Specific provisions for individually assessed loan receivables</i>				
Write-off of confirmed loan losses during the year	61,120	61,904	1,843	1,720
Reversed impairment recognised in the year-end accounts as confirmed loan losses	–58,401	–59,508	–	–
Loan losses during the year	71,437	78,742	–3,871	1,978
Payment received for prior confirmed loan losses	–35,654	–28,119	–9,656	–3,845
Reversed loan losses no longer required	–26,344	–29,175	–	–10,350
<b>Net expense for the year for individually assessed receivables</b>	<b>12,158</b>	<b>23,844</b>	<b>–11,684</b>	<b>–10,497</b>
<i>Collective impairment of individually assessed receivables</i>	–	–	–	–
<i>Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk</i>				
Write-off of confirmed loan losses during the year	5,286	12,261	5,286	12,261
Payment received for prior confirmed loan losses	–	–	–	–
Provision/reversal of impairment for loan losses	52,450	29,906	19,484	20,663
<b>Net expense for the year for collectively assessed receivables</b>	<b>57,736</b>	<b>42,167</b>	<b>24,770</b>	<b>32,924</b>
<b>Net expense for the year for fulfilment of guarantees</b>	<b>–4,832</b>	<b>–14,948</b>	<b>–4,832</b>	<b>–14,948</b>
<b>Net expense of loan losses for the year</b>	<b>65,062</b>	<b>51,063</b>	<b>8,254</b>	<b>7,479</b>

All information pertains to receivables from the public.

**NOTE 17 TAX ON NET PROFIT FOR THE YEAR**

SEK 000s	Group		Parent Company	
	2008	2007	2008	2007
<b>Current tax</b>				
Tax expense/tax income for the period	77,632	23,566	–	–1,820
<b>Total current tax</b>	<b>77,632</b>	<b>23,566</b>	<b>–</b>	<b>–1,820</b>
<b>Deferred tax</b>				
Change in deferred tax expense on temporary differences	–6,780	39,388	–5,856	–1,636
Deferred tax as a result of lowered tax rate	–3,136	–	504	–
Tax value in loss carryforwards	–	–40	–	–24
<b>Total deferred tax</b>	<b>–9,916</b>	<b>39,348</b>	<b>–5,352</b>	<b>–1,660</b>
<b>Total reported tax expense</b>	<b>67,716</b>	<b>62,914</b>	<b>–5,352</b>	<b>–3,480</b>

**Reconciliation of effective tax rate**

Profit/loss before tax	245,048	238,493	–23,851	–3,494
Tax in accordance with applicable tax rate for Parent Company	68,613	66,778	–6,678	–978
Tax on non-deductible costs	3,305	2,875	1,167	816
Tax on non-taxable income	–987	–1,953	–32	–1,682
Increase in loss carryforwards without corresponding capitalising of deferred tax	–	–191	–230	0
Tax attributable to earlier years	76	–4,621	–82	–1,636
Changed tax rates	–3,291	–	504	–
Other	–	26	–	–
<b>Total tax on net profit for the year</b>	<b>67,716</b>	<b>62,914</b>	<b>–5,351</b>	<b>–3,480</b>

Applicable tax rate	28%	28%	28%	28%
Effective tax rate	28%	26%	–22%	–100%

**Tax items reported directly against shareholders' equity**

Current tax in received/paid Group contribution	77,633	23,566	–	–1,820
Tax on available-for-sale financial assets	3,734	140	3,734	140

**NOTE 18 TREASURY BILLS AND OTHER ELIGIBLE BILLS**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Carrying amount</b>				
Swedish government	–	7,964,124	–	7,964,124
<b>Total eligible treasury bills</b>	<b>–</b>	<b>7,964,124</b>	<b>–</b>	<b>7,964,124</b>
Fair value	–	7,964,124	–	7,964,124
Amortised cost	–	7,941,441	–	7,941,441
Par value	–	8,000,000	–	8,000,000
Remaining term of not more than 1 year	–	7,964,124	–	7,964,124

**NOTE 19 LENDING TO CREDIT INSTITUTIONS**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Lending to subsidiaries	–	–	26,481,265	19,398,451
Deposit, Swedish banks	9,652,000	5,096,000	9,652,000	5,096,000
Other lending to credit institutions	178,898	137,671	120,876	60,457
<b>Total lending to credit institutions</b>	<b>9,830,898</b>	<b>5,233,671</b>	<b>36,254,141</b>	<b>24,554,908</b>
True repurchase transactions amounts to SEK 7,600,954,000 (–), of which SEK 7,600,954,000 (–) with Group companies.				
Payable on demand	178,898	137,671	32,730	37,805
Remaining term of not more than 3 months	9,652,000	5,096,000	33,394,500	21,238,282
Remaining term of more than 3 months but not more than 1 year	–	–	627,370	505,665
Remaining term of more than 1 year but not more than 5 years	–	–	1,271,927	2,773,156
Remaining term of more than 5 years	–	–	927,614	–
<b>Total lending to credit institutions</b>	<b>9,830,898</b>	<b>5,233,671</b>	<b>36,254,141</b>	<b>24,554,908</b>

**NOTE 20 LENDING TO THE PUBLIC**

Loan receivables are geographically attributable in their entirety to Sweden.

	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Loan receivables, gross</b>				
Public sector	138,882	133,085	3,065	–
Corporates	5,520,954	4,923,172	712,216	486,665
Retail	73,210,755	62,240,075	15,793,784	10,590,651
Other	415	6,170	192	6,170
<b>Total lending to the public</b>	<b>78,871,006</b>	<b>67,302,502</b>	<b>16,509,257</b>	<b>11,083,486</b>

<b>Impairment of individually assessed loan receivables</b>				
Corporates	–31,090	–38,215	–	–
Retail	–49,604	–47,634	–	–
<b>Total individual provisions</b>	<b>–80,694</b>	<b>–85,849</b>	<b>–</b>	<b>–</b>

<b>Impairment of collectively assessed loan receivables</b>				
Corporates	–30,091	–21,490	–3,756	–2,773
Retail	–196,373	–155,167	–115,728	–96,939
<b>Total collective provisions</b>	<b>–226,464</b>	<b>–176,657</b>	<b>–119,484</b>	<b>–99,712</b>

<b>Total impairment</b>	<b>–307,158</b>	<b>–262,506</b>	<b>–119,484</b>	<b>–99,712</b>
-------------------------	-----------------	-----------------	-----------------	----------------

<b>Loan receivables, net</b>				
Public sector	138,882	133,085	3,065	–
Corporates	5,459,773	4,863,467	708,604	483,892
Retail	72,964,778	62,037,274	15,677,912	10,493,712
Other	415	6,170	192	6,170
<b>Total loan receivables, net</b>	<b>78,563,848</b>	<b>67,039,996</b>	<b>16,389,773</b>	<b>10,983,774</b>

<b>Payable on demand</b>				
Remaining term of not more than 3 months	507,673	125,422	404,359	57,790
Remaining term of more than 3 months but not more than 1 year	2,106,604	1,229,276	1,415,337	478,093
Remaining term of more than 1 year but not more than 5 years	6,756,486	7,984,864	661,968	1,412,426
Remaining term of more than 5 years	69,193,085	57,700,433	13,908,109	9,035,464
	<b>78,563,848</b>	<b>67,039,996</b>	<b>16,389,773</b>	<b>10,983,774</b>

<b>Doubtful loan receivables</b>				
Corporates	38,318	45,411	2,410	842
Retail	216,286	130,676	74,259	51,269
<b>Total doubtful loan receivables</b>	<b>254,604</b>	<b>176,087</b>	<b>76,669</b>	<b>52,111</b>

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.

<b>Reconciliation of impairment covering loan losses</b>				
Opening balance	–262,506	–244,473	–99,712	–88,995
Reversed earlier impairment of loan losses recognised in the year-end accounts as confirmed losses	58,401	66,165	–	–
Reversed impairment of loan losses no longer required	67,451	64,862	–	10,350
Impairment of loan losses during the year	–253,980	–210,910	–19,772	–21,067
Payment pertaining to probable loan losses for the year	64,171	50,914	–	–
Value of collateral pertaining to probable loan losses for the year	19,305	10,936	–	–
<b>Closing balance</b>	<b>–307,158</b>	<b>–262,506</b>	<b>–119,484</b>	<b>–99,712</b>



**NOTE 21 FINANCIAL LEASING**

Financial lease agreements specified by maturity structure where the Group is the lessor

Group Dec. 31, 2008	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Gross investment	1,564,283	2,265,686	204,232	4,034,201
Present value of future minimum lease payments	1,399,123	2,135,959	203,626	3,738,708

Group Dec. 31, 2007	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Gross investment	1,630,443	2,240,267	35,966	3,906,676
Present value of future minimum lease payments	1,441,641	2,090,744	32,078	3,564,463

Group	2008	2007
Unearned financial income	295,493	342,213
Non-guaranteed residual values accruing to the lessor	–	–
Provision for doubtful receivables regarding minimum lease payments	39,738	42,215
Variable portion of leasing fees included in net profit for the year	16,068	14,175

Financial leasing is included in lending to the public.

**NOTE 22 BONDS AND OTHER INTEREST-BEARING SECURITIES**

Issued by organisations other than public bodies

	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Carrying amount</b>				
Swedish mortgage institutions (guaranteed by Swedish government)	1,990,717	–	1,990,717	–
Swedish mortgage institutions (not guaranteed)	5,473,701	3,105,321	5,974,532	3,105,321
Other Swedish issuers (guaranteed by Swedish government)	2,981,172	–	2,981,172	–
	<b>10,445,590</b>	<b>3,105,321</b>	<b>10,946,421</b>	<b>3,105,321</b>
Fair value	10,445,590	3,105,321	10,946,421	3,105,321
Amortised cost	10,230,356	3,142,507	10,731,187	3,142,507
Par value	10,300,000	3,100,000	10,800,000	3,100,000
Remaining term of not more than 1 year	6,006,176	1,496,804	6,507,007	1,496,804
Remaining term of more than 1 year	4,439,414	1,608,517	4,439,414	1,608,517
<b>Market status</b>				
Securities listed	10,445,590	3,105,321	10,946,421	3,105,321

**NOTE 23 SHARES AND PARTICIPATIONS**

	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Other shares and participations	10,432	10,709	10,432	10,709
Tenant-owned apartments	380	380	380	380
<b>Total shares and participations</b>	<b>10,812</b>	<b>11,089</b>	<b>10,812</b>	<b>11,089</b>

All shares are unlisted.

**NOTE 24 SHARES AND PARTICIPATIONS IN SUBSIDIARIES**

The bank has a total of three wholly-owned subsidiaries with registered offices in Stockholm.

Parent Company	Dec. 31, 2008			Dec. 31, 2007		
	Number of shares	Par value	Carrying amount	Number of shares	Par value	Carrying amount
Wasa Kredit AB (556311-9204)	875,000	87,500	637,772	875,000	87,500	637,772
Länsförsäkringar Hypotek AB (556244-1781)	70,335	70,335	2,358,628	70,335	70,335	2,233,628
Länsförsäkringar Fondförvaltning AB (556364-2783)	15,000	1,500	165,000	15,000	1,500	165,000
<b>Total shares and participations in subsidiaries</b>			<b>3,161,400</b>			<b>3,036,400</b>

	Dec. 31, 2008				Dec. 31, 2007			
	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total
Carrying amount at beginning of period	637,772	2,233,628	165,000	3,036,400	537,772	1,958,628	150,000	2,646,400
Unconditional shareholders' contributions				0	100,000	200,000	15,000	315,000
Conditional shareholders' contribution		125,000		125,000		75,000		75,000
<b>Carrying amount at end of period</b>	<b>637,772</b>	<b>2,358,628</b>	<b>165,000</b>	<b>3,161,400</b>	<b>637,772</b>	<b>2,233,628</b>	<b>165,000</b>	<b>3,036,400</b>

Shareholders' equity and profit/loss after tax in subsidiaries	2008		2007	
	Shareholders' equity	Net profit/loss for the year	Shareholders' equity	Net profit/loss for the year
Wasa Kredit AB (including 73.7% of untaxed reserves)	744,761	74,988	749,693	–51,364
Länsförsäkringar Hypotek AB	2,351,085	92,818	2,226,407	41,673
Länsförsäkringar Fondförvaltning AB	73,172	25,601	74,139	59,352
	<b>3,169,018</b>	<b>193,407</b>	<b>3,050,239</b>	<b>49,661</b>

**NOTE 25 DERIVATIVES**

	Group				Parent Company			
	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2008		Dec. 31, 2007	
	Par value	Fair value	Par value	Fair value	Par value	Fair value	Par value	Fair value
<b>Derivative instruments with positive values</b>								
<i>Derivatives in hedge accounting</i>								
Interest-rate derivatives	32,667,500	1,029,388	20,495,000	262,462	2,020,000	28,960	180,000	968
Currency derivatives	1,394,406	427,434	–	–	–	–	–	–
<i>Other derivatives</i>								
Interest-rate derivatives	1,850,000	3,499	1,000,000	23,777	2,525,000	21,127	2,025,000	53,015
Currency derivatives	5,433,140	1,085,855	9,206,140	259,286	5,074,184	1,010,516	8,847,184	239,302
<b>Total derivative instruments with positive values</b>	<b>41,345,046</b>	<b>2,546,176</b>	<b>30,701,140</b>	<b>545,525</b>	<b>9,619,184</b>	<b>1,060,603</b>	<b>11,052,184</b>	<b>293,285</b>
Remaining term of not more than 1 year	14,597,390	307,954	11,408,000	54,995	4,338,434	140,208	4,343,000	18,042
Remaining term of more than 1 year	26,747,656	2,238,222	19,293,140	490,530	5,280,750	920,395	6,709,184	275,243
<b>Derivative instruments with negative values</b>								
<i>Derivatives in hedge accounting</i>								
Interest-rate derivatives	31,726,000	1,452,902	22,677,500	270,398	4,561,000	298,904	80,000	418
<i>Other derivatives</i>								
Interest-rate derivatives	3,250,000	54,550	1,000,000	24,832	4,125,000	72,274	2,425,000	57,178
Currency derivatives	232,928	39,337	155,779	5,376	3,408,802	668,768	6,757,579	153,434
<b>Total derivative instruments with negative values</b>	<b>35,208,928</b>	<b>1,546,789</b>	<b>23,833,279</b>	<b>300,606</b>	<b>12,094,802</b>	<b>1,039,946</b>	<b>9,262,579</b>	<b>211,030</b>
Remaining term of not more than 1 year	12,695,000	193,362	64,099	2,177	3,670,000	63,617	4,040,025	17,025
Remaining term of more than 1 year	22,513,928	1,353,427	23,769,180	298,429	8,424,802	976,329	5,222,554	194,005

**NOTE 26 FAIR VALUE CHANGES OF INTEREST-RATE HEDGED ITEMS IN PORTFOLIO HEDGE**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Assets</b>				
Carrying amount at beginning of year	–247,682	–101,380	–509	–
Changes during the year	1,379,573	–146,302	88,368	–509
<b>Carrying amount at year-end</b>	<b>1,131,891</b>	<b>–247,682</b>	<b>87,859</b>	<b>–509</b>
<b>Liabilities</b>				
Carrying amount at beginning of year	–215,459	–45,558	–	–
Changes during the year	1,240,021	–169,901	32,795	–
<b>Carrying amount at year-end</b>	<b>1,024,562</b>	<b>–215,459</b>	<b>32,795</b>	<b>–</b>

## NOTE 27 INTANGIBLE ASSETS

### Parent Company

SEK 000s	Developed internally		Acquired		Total	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Cost</b>						
Opening cost	367,612	280,376	16,999	16,999	384,611	297,375
Acquisitions during the year	64,379	87,236	5,015	–	69,394	87,236
<b>Closing cost</b>	<b>431,991</b>	<b>367,612</b>	<b>22,014</b>	<b>16,999</b>	<b>454,005</b>	<b>384,611</b>
<b>Amortisation</b>						
Opening accumulated amortisation	–192,016	–167,778	–9,307	–6,424	–201,323	–174,202
Amortisation for the year	–35,590	–24,238	–3,791	–2,883	–39,381	–27,121
<b>Closing accumulated amortisation</b>	<b>–227,606</b>	<b>–192,016</b>	<b>–13,098</b>	<b>–9,307</b>	<b>–240,704</b>	<b>–201,323</b>
<b>Total intangible assets</b>	<b>204,385</b>	<b>175,596</b>	<b>8,916</b>	<b>7,692</b>	<b>213,301</b>	<b>183,288</b>

SEK 000s	Developed internally		Acquired		Total	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Cost</b>						
Opening cost	451,524	316,984	16,999	16,999	468,523	333,983
Acquisitions during the year	120,295	134,540	5,015	–	125,310	134,540
<b>Closing cost</b>	<b>571,819</b>	<b>451,524</b>	<b>22,014</b>	<b>16,999</b>	<b>593,833</b>	<b>468,523</b>
<b>Amortisation</b>						
Opening accumulated amortisation	–212,411	–183,940	–9,307	–6,424	–221,718	–190,364
Amortisation for the year	–41,018	–28,471	–3,791	–2,883	–44,809	–31,354
<b>Closing accumulated amortisation</b>	<b>–253,429</b>	<b>–212,411</b>	<b>–13,098</b>	<b>–9,307</b>	<b>–266,527</b>	<b>–221,718</b>
<b>Total intangible assets</b>	<b>318,390</b>	<b>239,113</b>	<b>8,916</b>	<b>7,692</b>	<b>327,306</b>	<b>246,805</b>

## NOTE 28 PROPERTY AND EQUIPMENT

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Equipment</b>				
Opening cost	79,153	76,917	35,625	23,864
Reclassification	–366	–	–366	–
Purchases	7,272	18,896	5,092	13,145
Sales/scraping	–522	–16,660	–	–1,384
<b>Closing cost</b>	<b>85,537</b>	<b>79,153</b>	<b>40,351</b>	<b>35,625</b>
Opening depreciation	–58,557	–69,307	–22,383	–23,699
Reclassification	366	–	366	–
Sales/scraping	424	16,431	–	1,384
Depreciation for the year	–7,265	–5,681	–2,197	–68
<b>Closing accumulated depreciation</b>	<b>–65,032</b>	<b>–58,557</b>	<b>–24,214</b>	<b>–22,383</b>
<b>Closing residual value according to plan</b>	<b>20,505</b>	<b>20,596</b>	<b>16,137</b>	<b>13,242</b>
<b>Property and equipment</b>	<b>20,505</b>	<b>20,596</b>	<b>16,137</b>	<b>13,242</b>

**NOTE 29 DEFERRED TAX ASSETS AND TAX LIABILITIES**

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

Parent Company	Assets		Liabilities		Net	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>SEK 000s</b>						
Other financial investment assets	-3,874	-141	-	-	-3,874	-141
Liabilities	-7,651	-2,396	-	-	-7,651	-2,396
Utilisation of loss carryforwards	-135	-38	-	-	-135	-38
<b>Deferred tax asset (-) /deferred tax liability (+)</b>	<b>-11,660</b>	<b>-2,575</b>	<b>-</b>	<b>-</b>	<b>-11,660</b>	<b>-2,575</b>
Offset	-	-	-	-	-	-
<b>Net deferred tax asset (-) /deferred tax liability (+)</b>	<b>-11,660</b>	<b>-2,575</b>	<b>-</b>	<b>-</b>	<b>-11,660</b>	<b>-2,575</b>

The Parent Company and Group have no temporary differences with tax effects in Group companies.

**Change in deferred tax in temporary differences and loss carryforwards**

	Amount at beginning of year	Reported in the income statement	Reported directly against share- holders' equity	Amount at year-end
<b>2008</b>				
Other financial investment assets	-141	-	-3,733	-3,874
Liabilities	-2,396	-5,255	-	-7,651
Utilisation of loss carryforwards	-38	-97	-	-135
<b>Deferred tax asset (-)/ tax liability (+)</b>	<b>-2,575</b>	<b>-5,352</b>	<b>-3,733</b>	<b>-11,660</b>
<b>2007</b>				
Other financial investment assets	760	-760	140	140
Other assets	-	2,397	-	2,397
Liabilities	13	25	-	38
<b>Deferred tax asset (-)/ tax liability (+)</b>	<b>773</b>	<b>1,662</b>	<b>140</b>	<b>2,575</b>

Group	Assets		Liabilities		Net	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>SEK 000s</b>						
Other financial investment assets	-3,874	-141	-	-	-3,874	-141
Liabilities and provisions	-10,266	-4,882	446	954	-9,820	-3,928
Utilisation of loss carryforwards	-275	-54	-	-	-275	-54
Untaxed reserves	-	-	59,555	63,404	59,555	63,404
<b>Deferred tax asset (-) /deferred tax liability (+)</b>	<b>-14,415</b>	<b>-5,077</b>	<b>60,001</b>	<b>64,358</b>	<b>45,586</b>	<b>59,281</b>
Offset	-	-	-	-	-	-
<b>Net deferred tax asset (-) /deferred tax liability (+)</b>	<b>-14,415</b>	<b>-5,077</b>	<b>60,001</b>	<b>64,358</b>	<b>45,586</b>	<b>59,281</b>

The Parent Company and Group have no temporary differences with tax effects in Group or associated companies.

**Change in deferred tax in temporary differences and loss carryforwards**

	Amount at beginning of year	Reported in the income statement	Reported directly against share- holders' equity	Amount at year-end
<b>2008</b>				
Other financial investment assets	-140	-	-3,733	-3,873
Liabilities	-4,932	-5,340	-	-10,272
Utilisation of loss carryforwards	-5	-265	-	-270
<b>Deferred tax asset (-)/ tax liability (+)</b>	<b>-5,077</b>	<b>-5,605</b>	<b>-3,733</b>	<b>-14,415</b>
<b>2007</b>				
Other financial investment assets	760	-760	140	140
Other assets	-	4,755	-	4,755
Liabilities	158	19	-	177
Utilisation of loss carryforwards	1	4	-	5
<b>Deferred tax asset (-)/ tax liability (+)</b>	<b>919</b>	<b>4,018</b>	<b>140</b>	<b>5,077</b>

**NOTE 30 OTHER ASSETS**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Accounts receivable	217,101	290,764	15,500	15,634
Other assets	56,378	80,222	78,139	73,859
<b>Total other assets</b>	<b>273,479</b>	<b>370,986</b>	<b>93,639</b>	<b>89,493</b>

**NOTE 31 PREPAID EXPENSES AND ACCRUED INCOME**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Accrued interest income	763,767	555,198	234,431	193,894
Other accrued income	66,636	51,945	35,045	41,753
Prepaid expenses	59,733	119,409	14,808	26,884
<b>Total prepaid expenses and accrued income</b>	<b>890,136</b>	<b>726,552</b>	<b>284,284</b>	<b>262,531</b>

**NOTE 32 LIABILITIES TO CREDIT INSTITUTIONS**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Swedish banks	8,501,437	343,000	8,501,437	343,000
Other Swedish credit institutions	611,178	364,233	10,228,518	5,523,277
<b>Total liabilities to credit institutions</b>	<b>9,112,615</b>	<b>707,233</b>	<b>18,729,955</b>	<b>5,866,277</b>

Genuine repurchase transactions amount to SEK – (343,000).

Payable on demand	612,615	707,233	10,229,955	5,866,277
Remaining term of not more than 3 months	8,500,000	–	8,500,000	–
<b>Liabilities to credit institutions</b>	<b>9,112,615</b>	<b>707,233</b>	<b>18,729,955</b>	<b>5,866,277</b>

**NOTE 33 DEPOSITS AND BORROWING FROM THE PUBLIC**

Mkr	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Deposits from insurance companies	3,801,271	3,412,588	3,801,271	3,412,588
Deposits from households	28,843,993	24,308,498	28,843,993	24,308,498
Deposits from other Swedish public	2,444,964	2,014,237	2,552,610	2,180,422
<b>Total deposits and borrowing from the public</b>	<b>35,090,228</b>	<b>29,735,323</b>	<b>35,197,874</b>	<b>29,901,508</b>
Payable on demand	35,090,228	29,735,323	35,197,874	29,901,508

**NOTE 34 DEBT SECURITIES IN ISSUE**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Commercial papers	5,082,608	6,557,936	5,082,608	6,557,936
Bond loans <sup>1)</sup>	43,809,216	39,206,736	2,025,242	2,193,460
Cashier's cheques issued	93,491	216,018	93,491	216,018
<b>Total debt securities in issue</b>	<b>48,985,315</b>	<b>45,980,690</b>	<b>7,201,341</b>	<b>8,967,414</b>

Remaining term of not more than 1 year	13,706,668	14,779,901	5,827,758	6,893,575
Remaining term of more than 1 year	35,278,647	31,200,789	1,373,583	2,073,839

<sup>1)</sup> Covered bonds in the Group amount to SEK 000s 41,783,974 (37,013,276)

Securities issued in foreign currency	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
EUR	575,000	184,000	983,000	229,800
CHF	240,000	–	–	–

**NOTE 35 OTHER LIABILITIES**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Accounts payable	22,606	89,763	22,606	36,414
Withheld preliminary tax, customers	252,679	145,855	197,522	149,133
Unpaid Group contributions, Länsförsäkringar AB	277,260	1,165	–	–
Other liabilities	209,832	1,568,741	101,351	82,996
<b>Total other liabilities</b>	<b>762,377</b>	<b>1,805,524</b>	<b>321,479</b>	<b>268,543</b>

**NOTE 36 ACCRUED EXPENSES AND DEFERRED INCOME**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Accrued holiday pay	14,621	12,527	6,152	5,276
Accrued social security expenses	6,115	12,212	4,743	4,020
Accrued interest expense	1,559,340	1,150,147	387,143	216,565
Other accrued expenses	245,904	296,200	125,805	159,890
Prepaid rent	147,276	256,443	–	–
<b>Total accrued expenses and deferred income</b>	<b>1,973,256</b>	<b>1,727,529</b>	<b>523,843</b>	<b>385,751</b>

**NOTE 37 PROVISIONS**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Provisions for guarantees	2,119	3,011	2,119	3,011
Provisions for early retirement in accordance with the pension agreement	12,000	11,030	5,194	6,214
Provision for restructuring costs	25,324	–	24,499	–
Other provisions	839	–	–	–
	<b>40,282</b>	<b>14,041</b>	<b>31,812</b>	<b>9,225</b>

**Provision for guarantees**

Carrying amount at beginning of period	3,011	3,413	3,011	3,413
Unutilised amount reversed during the period	<b>–892</b>	<b>–402</b>	<b>–892</b>	<b>–402</b>
Carrying amount at end of period	2,119	3,011	2,119	3,011



# NOTE 37 PROVISIONS, cont.

## Guarantees

Guarantees include leasing guarantees and credit guarantees.

## 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).

According to the 2006 pension agreement for the insurance sector, persons born in 1955 or earlier can voluntarily retire at the age of 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on a summary of the ages and annual pensions calculated as an average per age group. A probability assessment has determined that 20% will utilise the option for early retirement.

## Pensions and benefits to senior executives

	Group	
	Dec. 31, 2008	Dec. 31, 2007
<b>Defined-benefit pension plans</b>		
Present value of unfunded commitments	11,459	10,408
<b>Present value of net commitments</b>		
Unrecognised accumulated actuarial gains/losses	322	595
Adjustment	219	27
<b>Net amount pertaining to defined-benefit plans (see below)</b>	<b>12,000</b>	<b>11,030</b>

The net amount is reported in the following items in the balance sheet:

Provisions	12,000	11,030
------------	--------	--------

## Change in pension liability reported in the balance sheet:

Opening liability, January 1	11,030	10,512
Pension costs for the year according to specification below	778	778
Adjustment	192	-260
<b>Closing liability, December 31</b>	<b>12,000</b>	<b>11,030</b>

## Change in present value for the year:

Commitments for defined-benefit plans, January 1	10,408	10,226
Costs for service during current period	389	389
Interest expense	389	389
Actuarial gains/loss	273	-596
<b>Commitments for defined-benefit plans, December 31</b>	<b>11,459</b>	<b>10,408</b>

## Costs reported in the income statement:

Costs for service during current period	389	389
Costs for service during prior periods	-	389
Interest expense on commitments	389	-
<b>Total net expenses in the income statement</b>	<b>778</b>	<b>778</b>

Costs are reported in the following lines in the income statement:

Personnel costs	778	778
-----------------	-----	-----

## Assumptions pertaining to defined-benefit commitments:

Discount rate	2.4%	4.3%
Expected rate of salary increase	3.5%	2.6%
Future increase of pensions	20.0%	20.0%

Historic information	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Present value of defined-benefit commitments	11,459	10,408	10,226

	Parent Company	
	Dec. 31, 2008	Dec. 31, 2007
<b>Pension commitments</b>		
Provisions for pensions	5,194	6,214
<b>Total</b>	<b>5,194</b>	<b>6,214</b>

## The year's change in capital value of own obligations for which there are no separated assets:

Opening capital value on January 1, 2007 in accordance with Swedish principles for calculation of pension commitments	6,214	3,942
Cost excluding interest expense charged to earnings	-398	2,094
Interest expense	200	178
Pensions paid	-822	-
Other change in capital value	-	-
<b>Capital value at December 31, 2007</b>	<b>5,194</b>	<b>6,214</b>

<b>Net pension commitments</b>	<b>5,194</b>	<b>6,214</b>
--------------------------------	--------------	--------------

## The company's own pensions

Cost excluding interest expense	-398	2,094
Interest expense	200	178
Pensions paid	-822	-
<b>Cost of the company's own pensions</b>	<b>-1,020</b>	<b>2,272</b>

<b>Reported net cost attributable to pensions</b>	<b>-1020</b>	<b>2272</b>
---	--------------	-------------

## Assumptions pertaining to defined-benefit commitments:

Discount rate	3.5%	3.5%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%
<b>Memorandum items</b>	<b>20,775</b>	<b>24,857</b>

## 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.

	Group		Parent Company	
SEK 000s	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Expenses for defined-contribution plans	39,315	35,100	17,604	14,900

**NOTE 38 SUBORDINATED DEBT**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Subordinated loans	1,250,000	1,150,000	1,250,000	1,150,000
<b>Total</b>	<b>1,250,000</b>	<b>1,150,000</b>	<b>1,250,000</b>	<b>1,150,000</b>

**Parent Company**

Specification of subordinated loans from Länsförsäkringar AB

	Par amount	Carrying amount	Coupon rate of interest
Subordinated loans 2007/2017 LFAB	180,000	180,000	Variable 3 months
Subordinated loans 2008/2013 LFAB	580,000	580,000	Variable 3 months
Subordinated loans perpetual LFAB <sup>1)</sup>	290,000	290,000	Variable 3 months
Subordinated loans 2007/2017 LFAB	100,000	100,000	Variable 3 months
Subordinated loans 2008/2013 LFAB	100,000	100,000	Variable 3 months
	<b>1,250,000</b>	<b>1,250,000</b>	

<sup>1)</sup> The terms of the loan are such that the loan qualifies as a Tier 1 capital contribution in accordance with the requirements of the Swedish Financial Supervisory Authority.

The subordinated loans are subordinate to the bank's other liabilities, which means that they carry entitlement to payment only after the other creditors have received payment.

**NOTE 39 SHAREHOLDERS' EQUITY ACCORDING TO SWEDISH ANNUAL ACCOUNTS ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES (ÅRKL)**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Restricted shareholders' equity</b>				
Share capital	954,871	954,871	954,871	954,871
Statutory reserve	18,480	18,480	18,380	18,380
Other funds	166,888	163,039		
	<b>1,140,239</b>	<b>1,136,390</b>	<b>973,251</b>	<b>973,251</b>
<b>Non-restricted shareholders' equity</b>				
Fair value reserve	-10,856	-361	-10,856	-361
Retained earnings	2,984,227	2,512,124	3,338,400	2,838,414
Net profit/loss for the year	177,332	175,579	-18,499	-14
	<b>3,150,703</b>	<b>2,687,342</b>	<b>3,309,045</b>	<b>2,838,039</b>
<b>Total shareholders' equity</b>	<b>4,290,942</b>	<b>3,823,732</b>	<b>4,282,296</b>	<b>3,811,290</b>

The changes in shareholders' equity for the period and division according to IFRS are contained in the Change in shareholders' equity report.

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 35.

Conditional shareholders' contributions received:

In 2007	325,000
In 2008	500,000
<b>Total</b>	<b>825,000</b>

**NOTE 40 MEMORANDUM ITEMS**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>For own liabilities, pledged assets / collateral</b>				
Pledged securities in the Riksbank	11,340,000	1,600,000	11,340,000	1,600,000
Pledged securities in VPC	1,300,000	5,000	1,300,000	5,000
Collateral provided for derivatives	10,000	–	10,000	–
	<b>12,650,000</b>	<b>1,605,000</b>	<b>12,650,000</b>	<b>1,605,000</b>
<b>Contingent liabilities</b>				
Guarantees	38,276	43,006	38,276	43,006
Early retirement at age 62 in accordance with pension agreement, 80%	48,000	44,000	20,775	24,857
Other contingent liabilities	–	4,162	–	4,162
	<b>86,276</b>	<b>91,168</b>	<b>59,051</b>	<b>72,025</b>

**Commitments**

Loans approved but not disbursed	597,052	457,576	188,075	187,361
Overdraft facilities approved but not utilised	1,492,425	1,428,593	3,744,299	39,107,756
Card facilities approved but not utilised	707,321	642,070	707,321	642,070
Commitments resulting from repurchase transactions	352,852	343,000	–	343,000
	<b>3,149,650</b>	<b>2,871,239</b>	<b>4,639,695</b>	<b>40,280,187</b>

The carrying amount of financial assets provided as collateral for borrowing in the form of covered bonds totals SEK 000s 51,984 (45,271). The collateral is transferred to bond holders in the event of bankruptcy.

An assumption regarding the number of employees likely to utilise the option of early retirement was made in determining the contingent liabilities for early retirement according to pension agreements. The assumption is based on historical data. The pension agreement expires in 2017.

**NOTE 41 INVESTMENT COMMITMENTS**

No investment commitments exists.

**NOTE 42 ASSETS AND LIABILITIES BY CATEGORY**

Group Dec. 31, 2008	Loans and receivables	Financial assets at fair value through profit or loss	Held for trading	Derivatives used in hedge accounting	Available-for- sale financial assets	Non- financial assets	Total	Fair value
		Financial assets valued according to fair value option						
Assets								
Cash and central bank account balances	81,311						81,311	81,311
Lending to credit institutions	9,830,898						9,830,898	9,830,898
Lending to the public	78,563,848						78,563,848	79,886,041
Bonds and other interest-bearing securities		1, 640,437			8,805,153		10,445,590	10,445,590
Shares and participations					10,812		10,812	10,812
Derivatives			1,089,354	1,456,822			2,546,176	2,546,176
Fair value changes of interest-rate hedged items in portfolio hedge	1,131,891						1,131,891	1,131,891
Intangible assets						327,306	327,306	
Property and equipment						20,505	20,505	
Deferred tax assets						14,415	14,415	
Other assets	217,101					56,378	273,479	
Prepaid expenses and accrued income	44,299	1,558	2,587	620,063	95,262	126,367	890,136	
Total assets	89,869,348	1,641,995	1,091,941	2,076,885	8,911,227	544,971	104,136,367	

Group Dec. 31, 2008	Financial liabilities at fair value through profit or loss	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non- financial liabilities	Total	Fair value
	Financial liabilities valued according to fair value option						
Liabilities							
Liabilities to credit institutions				9,112,615		9,112,615	9,112,615
Deposits and borrowing from the public				35,090,228		35,090,228	35,271,415
Debt securities in issue				48,985,315		48,985,315	50,883,282
Derivatives		93,887	1,452,902			1,546,789	1,546,789
Fair value changes of interest-rate hedged items in portfolio hedge				1,024,562		1,024,562	1,024,562
Deferred tax liabilities					60,001	60,001	
Other liabilities	252,679				509,699	762,378	
Accrued expenses and deferred income		1,563	660,417	897,359	413,917	1,973,256	
Provisions					40,282	40,282	
Subordinated debt				1,250,000		1,250,000	1,250,000
Total liabilities	252,679	95,450	2,113,319	96,360,079	1,023,899	99,845,426	

## NOTE 42 ASSETS AND LIABILITIES BY CATEGORY, cont.

Parent Company Dec. 31, 2008	Loans and receivables	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
		Financial assets valued according to fair value option	Held for trading					
Assets								
Cash and central bank account balances	81,311						81,311	81,311
Lending to credit institutions	36,254,141						36,254,141	36,254,141
Lending to the public	16,389,773						16,389,773	16,617,054
Bonds and other interest-bearing securities		1,640,437			9,305,984		10,946,421	10,946,421
Shares and participations					10,812		10,812	10,812
Shares and participations in subsidiaries						3,161,400	3,161,400	3,161,400
Derivatives			1,031,643	28,960			1,060,603	1,060,603
Fair value changes of interest-rate hedged items in portfolio hedge	87,859						87,859	87,859
Intangible assets						213,301	213,301	
Property and equipment						16,137	16,137	
Deferred tax assets						11,660	11,660	
Other assets	15,500					78,139	93,639	
Prepaid expenses and accrued income	84,794	1,558	15,044	37,774	95,262	49,852	284,284	
Total assets	52,913,378	1,641,995	1,046,687	66,734	9,412,058	3,530,489	68,611,341	
Parent Company Dec. 31, 2008		Financial liabilities at fair value through profit or loss		Derivatives used in hedge accounting	Other financial liabilities	Non- financial liabilities	Total	Fair value
		Financial liabilities valued according to fair value option	Held for trading					
Liabilities								
Liabilities to credit institutions					18,729,955		18,729,955	18,729,955
Deposits and borrowing from the public					35,197,874		35,197,874	35,379,061
Debt securities in issue					7,201,341		7,201,341	7,237,361
Derivatives			741,042	298,904			1,039,946	1,039,946
Fair value changes of interest-rate hedged items in portfolio hedge					32,795		32,795	32,795
Other liabilities		197,521				123,958	321,479	
Accrued expenses and deferred income			18,247	144,162	224,734	136,700	523,843	
Provisions						31,812	31,812	
Subordinated debt					1,250,000		1,250,000	1,250,000
Total liabilities		197,521	759,289	443 066	62,636 699	292,470	64,329,045	

## NOTE 42 ASSETS AND LIABILITIES BY CATEGORY, cont.

Group Dec. 31, 2007	Loans and receivables	Financial assets at fair value through profit or loss	Held for trading	Derivatives used in hedge accounting	Available-for- sale financial assets	Non- financial assets	Total	Fair value
		Financial assets valued according to fair value option						
Assets								
Cash and central bank account balances	71,517						71,517	71,517
Treasury bills and other eligible bills					7,964,124		7,964,124	7,964,124
Lending to credit institutions	5,233,671						5,233,671	5,233,671
Lending to the public	67,039,996						67,039,996	67,161,742
Bonds and other interest-bearing securities		1,608,517			1,496,804		3,105,321	3,105,321
Shares and participations					11,089		11,089	11,089
Derivatives			283,063	262,462			545,525	545,525
Fair value changes of interest-rate hedged items in portfolio hedge	-247,682						-247,682	-247,682
Intangible assets						246,805	246,805	
Property and equipment						20,596	20,596	
Deferred tax assets						5,077	5,077	
Other assets	290,764					80,222	370,986	
Prepaid expenses and accrued income	60,642			480,906	13,650	171,354	726,552	
<b>Total assets</b>	<b>72,448,908</b>	<b>1,608,517</b>	<b>283,063</b>	<b>743,368</b>	<b>9,485,667</b>	<b>524,054</b>	<b>85,093,577</b>	

Group Dec. 31, 2007	Financial liabilities at fair value through profit or loss	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non- financial liabilities	Total	Fair value
	Financial liabilities valued according to fair value option						
Liabilities							
Liabilities to credit institutions				707,233		707,233	707,233
Deposits and borrowing from the public				29,735,323		29,735,323	30,361,892
Debt securities in issue				45,980,690		45,980,690	45,624,916
Derivatives		30,208	270,398			300,606	300,606
Fair value changes of interest-rate hedged items in portfolio hedge				-215,459		-215,459	-215,459
Deferred tax liabilities					64,358	64,358	
Other liabilities	89,763				1,715,761	1,805,524	
Accrued expenses and deferred income			429,049	721,098	577,382	1,727,529	
Provisions					14,041	14,041	
Subordinated debt				1,150,000		1,150,000	1,150,000
Total liabilities	89,763	30,208	699,447	78,078,885	2,371,542	81,269,845	



NOTE 42 ASSETS AND LIABILITIES BY CATEGORY, cont.

Parent Company Dec. 31, 2007	Loan receivables and accounts receivable	Financial assets at fair value through profit or loss	Held for trading	Derivatives used in hedge accounting	Available-for- sale financial assets	Non- financial assets	Total	Fair value
		Financial assets valued according to fair value option						
Assets								
Cash and central bank account balances	71,517						71,517	71,517
Treasury bills and other eligible bills					7,964,124		7,964,124	7,964,124
Lending to credit institutions	24,554,908						24,554,908	24,554,908
Lending to the public	10,983,774						10,983,774	10,993,589
Bonds and other interest-bearing securities		1,608,517			1,496,804		3,105,321	3,105,321
Shares and participations					11,089		11,089	11,089
Shares and participations in subsidiaries						3,036,400	3,036,400	3,036,400
Derivatives			292,317	968			293,285	293,285
Fair value changes of interest-rate hedged items in portfolio hedge	-509						-509	-509
Intangible assets						183,288	183,288	
Property and equipment						13,242	13,242	
Deferred tax assets						2,575	2,575	
Other assets	15,634					73,859	89,493	
Prepaid expenses and accrued income	67,136		59,919	53,189	13,650	68,637	262,531	
Total assets	35,692,460	1,608,517	352,236	54,157	9,485,667	3,378,001	50,571,038	

Parent Company Dec. 31, 2007	Financial liabilities at fair value through profit or loss	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non- financial liabilities	Total	Fair value
	Financial liabilities valued according to fair value option						
Liabilities							
Liabilities to credit institutions				5,866,277		5,866,277	5,866,277
Deposits and borrowing from the public				29,901,508		29,901,508	30,528,077
Debt securities in issue				8,967,414		8,967,414	8,889,862
Derivatives		210,612	418			211,030	211,030
Fair value changes of interest-rate hedged items in portfolio hedge							
Deferred tax liabilities							
Other liabilities	36,417				232,126	268,543	
Accrued expenses and deferred income		65,198	61,538	89,829	169,186	385,751	
Provisions					9,225	9,225	
Subordinated debt				1,150,000		1,150,000	1,150,000
Total liabilities	36,417	275,810	61,956	45,975,028	410,537	46,759,748	

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 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 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 43 VALUATION TECHNIQUES FOR FAIR VALUE**

Determination of fair value through published price quotations  
or valuation techniques

	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
<b>Group Dec. 31, 2008</b>				
<b>Assets</b>				
Bonds and other interest-bearing securities	10,445,590			10,445,590
Shares and participations			10,812	10,812
Derivatives		2,546,176		2,546,176
<b>Liabilities</b>				
Derivatives		1,546,789		1,546,789
<b>Group Dec. 31, 2007</b>				
<b>Assets</b>				
Bonds and other interest-bearing securities	3,105,321			3,105,321
Shares and participations			11,089	11,089
Derivatives		545,525		545,525
<b>Liabilities</b>				
Derivatives		300,606		300,606
<b>Parent Company Dec. 31, 2008</b>				
<b>Assets</b>				
Bonds and other interest-bearing securities	10,946,421			10,946,421
Shares and participations			10,812	10,812
Derivatives		1,060,603		1,060,603
<b>Liabilities</b>				
Derivatives		1,039,946		1,039,946
<b>Parent Company Dec. 31, 2007</b>				
<b>Assets</b>				
Bonds and other interest-bearing securities	3,105,321			3,105,321
Shares and participations			11,089	11,089
Derivatives		293,285		293,285
<b>Liabilities</b>				
Derivatives		211,030		211,030

**NOTE 44 LIQUIDITY EXPOSURE FROM FINANCIAL INSTRUMENTS**

Remaining term of contract, including interest (undiscounted values) 2008

Group	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows
<b>Assets</b>							
Cash and central bank account balances	81,311						81,311
Lending to credit institutions	76,841	9,667,440					9,744,281
Lending to the public		510,629	2,116,951	6,761,556	69,316,129		78,705,264
Bonds and other interest-bearing securities		1,007,498	5,233,912	4,624,375			10,865,785
Other assets						5,214,720	5,214,720
<b>Total assets</b>	<b>158,152</b>	<b>11,185,567</b>	<b>7,350,863</b>	<b>11,385,931</b>	<b>69,316,129</b>	<b>5,214,720</b>	<b>104,611,361</b>
<b>Liabilities</b>							
Liabilities to credit institutions	1,437	8,580,794					8,582,231
Deposits and borrowing from the public	23,562,224	8,018,722	2,941,080	568,202			35,090,228
Debt securities in issue	93,491	3,411,821	10,790,999	35,610,525	431,638		50,338,474
Other liabilities		29,008				5,378,259	5,407,267
Subordinated debt				1,250,000			1,250,000
<b>Total liabilities</b>	<b>23,657,152</b>	<b>20,040,345</b>	<b>13,732,079</b>	<b>37,428,727</b>	<b>431,638</b>	<b>5,378,259</b>	<b>100,668,200</b>
<b>Difference assets and liabilities</b>	<b>-23,499,000</b>	<b>-8,854,778</b>	<b>-6,381,216</b>	<b>-26,042,796</b>	<b>68,884,491</b>	<b>-163,539</b>	<b>3,943,161</b>
Unrecognised loan commitments		-597,052					-597,052
<b>Total difference, excluding derivatives</b>	<b>-23,499,000</b>	<b>-9,451,830</b>	<b>-6,381,216</b>	<b>-26,042,796</b>	<b>68,884,491</b>	<b>-163,539</b>	<b>3,346,109</b>

Parent Company	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows
<b>Assets</b>							
Cash and central bank account balances	81,311						81,311
Lending to credit institutions	32,730	33,391,724	665,991	873,052	662,614		35,626,111
Lending to the public		407,307	1,425,655	666,794	14,009,502		16,509,257
Bonds and other interest-bearing securities		1,007,498	5,753,912	4,624,375			11,385,785
Other assets						3,649,654	3,649,654
<b>Total assets</b>	<b>114,041</b>	<b>34,806,529</b>	<b>7,845,558</b>	<b>6,164,221</b>	<b>14,672,116</b>	<b>3,649,654</b>	<b>67,252,118</b>
<b>Liabilities</b>							
Liabilities to credit institutions	9,976,266	8,580,794				172,895	18,729,955
Deposits and borrowing from the public	23,669,870	8,018,722	2,941,080	568,202			35,197,874
Debt securities in issue	93,491	3,299,000	2,498,659	1,373,590			7,264,740
Other liabilities		29,008				264,947	293,955
Subordinated debt				1,250,000			1,250,000
<b>Total liabilities</b>	<b>33,739,627</b>	<b>19,927,524</b>	<b>5,439,739</b>	<b>3,191,792</b>		<b>437,842</b>	<b>62,736,524</b>
<b>Difference, assets and liabilities</b>	<b>-33,625,586</b>	<b>14,879,005</b>	<b>2,405,819</b>	<b>2,972,429</b>	<b>14,672,116</b>	<b>3,211,812</b>	<b>4,515,594</b>
Unrecognised loan commitments		-188,075					-188,075
<b>Total difference, excluding derivatives</b>	<b>-33,625,586</b>	<b>14,690,930</b>	<b>2,405,819</b>	<b>2,972,429</b>	<b>14,672,116</b>	<b>3,211,812</b>	<b>4,327,519</b>

NOTE 44 LIQUIDITY EXPOSURE FROM FINANCIAL INSTRUMENTS, cont

Group Dec. 31, 2008 SEK 000s	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives at fair value through profit or loss</b>					
– currency derivatives	24,836	191,133	1,500,713		1,716,682
– interest-rate derivatives	9,475	–79,200	–19,200		–88,925
<i>Derivatives in hedge accounting</i>					
– currency derivatives	–17,472	41,657	418,028	141,951	584,164
– interest-rate derivatives	–267,827	102,511	–349,448	–309,979	–824,744
<b>Total difference, derivatives</b>	<b>–250,988</b>	<b>256,101</b>	<b>1,550,092</b>	<b>–168,028</b>	<b>1,387,178</b>

Parent Company Dec. 31, 2008 SEK 000s	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives at fair value through profit or loss</b>					
– currency derivatives	14,426	114,680	873,072		1,002,178
– interest-rate derivatives	9,475	–79,200	–19,200		–88,925
<i>Derivatives in hedge accounting</i>					
– interest-rate derivatives	–27,600	–119,782	–433,976	–29,184	–610,542
<b>Total difference, derivatives</b>	<b>–3,698</b>	<b>–84,302</b>	<b>419,896</b>	<b>–29,184</b>	<b>302,712</b>

Group Dec. 31, 2007 SEK 000s	On demand	< 12 months	1–5 years	> 5 years	Without maturity/ Change in value	Total carrying amount
<b>Assets</b>						
Cash and central bank account balances	71,517					71,517
Treasury bills and other eligible bills		8,000,000			–35,876	7,964,124
Lending to credit institutions		5,233,671				5,233,671
Lending to the public		1,354,697	7,984,864	57,700,434		67,039,996
Bonds and other interest-bearing securities		1,500,000	1,600,000		5,322	3,105,322
Derivatives					545,525	545,525
Other asset items					1,133,422	1,133,422
<b>Total assets</b>	<b>71,517</b>	<b>16,088,368</b>	<b>9,584,864</b>	<b>57,700,434</b>	<b>1,648,393</b>	<b>85,093,577</b>
<b>Liabilities</b>						
Liabilities to credit institutions	707,233					707,233
Deposits and borrowing from the public	29,735,323					29,735,323
Derivatives					300,606	300,606
Debt securities in issue		14,779,901	30,881,460	216,018	103,311	45,980,690
Subordinated debt				760,000	390,000	1,150,000
Other liability items and shareholders' equity					7,219,725	7,219,725
<b>Total liabilities and shareholders' equity</b>	<b>30,442,556</b>	<b>14,779,901</b>	<b>30,881,460</b>	<b>976,018</b>	<b>8,013,642</b>	<b>85,093,577</b>

## NOTE 44 LIQUIDITY EXPOSURE FROM FINANCIAL INSTRUMENTS, cont

Parent Company Dec. 31, 2007 SEK 000s	On demand	< 12 months	1–5 years	> 5 years	Without maturity/ Change in value	Total carrying amount
<b>Assets</b>						
Cash and central bank account balances	71,517					71,517
Treasury bills and other eligible bills		8,000,000			–35,876	7,964,124
Lending to credit institutions		21,781,752	2,773,156			24,554,908
Lending to the public		535,383	1,412,426	9,035,964		10,983,773
Bonds and other interest-bearing securities		1,500,000	1,600,000		5,322	3,105,322
Derivatives					293,285	293,285
Other asset items					3,598,109	3,598,109
<b>Total assets</b>	<b>71,517</b>	<b>31,817,135</b>	<b>5,785,582</b>	<b>9,035,964</b>	<b>3,860,840</b>	<b>50,571,038</b>
<b>Liabilities</b>						
Liabilities to credit institutions	5,866,277					5,866,277
Deposits and borrowing from the public	29,901,508					29,901,508
Derivatives					211,030	211,030
Debt securities in issue		6,893,575	1,824,630	216,018	33,192	8,967,415
Subordinated debt			760,000	390,000		1,150,000
Other liability items and shareholders' equity					4,474,808	4,474,808
<b>Total liabilities and shareholders' equity</b>	<b>35,767,785</b>	<b>6,893,575</b>	<b>2,584,630</b>	<b>606,018</b>	<b>4,719,030</b>	<b>50,571,038</b>

Group Dec. 31, 2007 SEK 000s	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives at fair value through profit or loss</b>					
– currency derivatives	9,067	–19,358	209,210		198,919
– interest-rate derivatives	19,227	–17,935	–88,384		–87,093
<i>Derivatives in hedge accounting</i>					
– interest-rate derivatives	–135,325	59,314	–264,935	–339,419	–680,365
<b>Total difference derivatives</b>	<b>–107,031</b>	<b>22,020</b>	<b>–144,110</b>	<b>–339,419</b>	<b>–568,539</b>

Parent Company Dec. 31, 2007 SEK 000s	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives at fair value through profit or loss</b>					
– currency derivatives	1,952	–1,536	72,921		73,337
– interest-rate derivatives	19,227	–17,935	–88,384		–87,093
<i>Derivatives in hedge accounting</i>					
– interest-rate derivatives	1	859	–30,004	–7,754	–36,899
<b>Total difference, derivatives</b>	<b>21,180</b>	<b>–18,613</b>	<b>–45,467</b>	<b>–7,754</b>	<b>–50,654</b>



**NOTE 45 ANTICIPATED RECOVERY AND SETTLEMENT TERMS FOR ASSETS, PROVISIONS AND LIABILITIES**

Group SEK 000s	Dec. 31, 2008			Dec. 31, 2007		
	within 12 months	after 12 months	Total	within 12 months	after 12 months	Total
<b>Amount expected to be recovered</b>						
<b>Assets</b>						
Cash and central bank account balances	81,311		81,311	71,517		71,517
Treasury bills and other eligible bills				7,964,124		7,964,124
Lending to credit institutions	9,830,898		9,830,898	5,233,671		5,233,671
Lending to the public	3,095,390	75,468,458	78,563,848	1,765,243	65,274,752	67,039,995
Bonds and other interest-bearing securities	6,006,176	4,439,414	10,445,590	1,496,804	1,608,517	3,105,321
Shares and participations		10,812	10,812		11,089	11,089
Derivatives	307,954	2,238,222	2,546,176	54,995	490,530	545,525
Fair value changes of interest-rate hedged items in portfolio hedge		1,131,891	1,131,891		-247,682	-247,682
Intangible assets	44,810	282,496	327,306	31,354	215,451	246,805
Property and equipment	7,265	13,240	20,505	5,681	14,915	20,596
Deferred tax assets		14,415	14,415		5,077	5,077
Other assets	273,479		273,479	370,986		370,986
Prepaid expenses and accrued income	890,136		890,136	726,552		726,552
<b>Total assets</b>	<b>20,537,419</b>	<b>83,598,948</b>	<b>104,136,367</b>	<b>17,720,927</b>	<b>67,372,649</b>	<b>85,093,576</b>
<b>Amount expected to be settled</b>						
<b>Liabilities and provisions</b>						
Liabilities to credit institutions	9,112,615		9,112,615	707,233		707,233
Deposits and borrowing from the public	1,897,848	33,192,380	35,090,228	1 617 217	28,118,106	29,735,323
Debt securities in issue	13,706,668	35,278,647	48,985,315	14,779,901	31,200,789	45,980,690
Derivatives	193,362	1,353,427	1,546,789	2,177	298,429	300,606
Fair value changes of interest-rate hedged items in portfolio hedge		1,024,562	1,024,562		-215,459	-215,459
Deferred tax liabilities		60,001	60,001		64,358	64,358
Other liabilities	762,377		762,377	1,805,524		1,805,524
Accrued expenses and deferred income	1,973,256		1,973,256	1,727,529		1,727,529
Provisions		40,282	40,282		14,041	14,041
Subordinated debt		1,250,000	1,250,000		1,150,000	1,150,000
<b>Total liabilities and shareholders' equity</b>	<b>27,646,126</b>	<b>72,199,299</b>	<b>99,845,425</b>	<b>20,639,581</b>	<b>60,630,264</b>	<b>81,269,845</b>

## NOTE 45 ANTICIPATED RECOVERY AND SETTLEMENT TERMS FOR ASSETS, PROVISIONS AND LIABILITIES, cont.

Parent Company SEK 000s	Dec. 31, 2008			Dec. 31, 2007		
	within 12 months	after 12 months	Total	within 12 months	after 12 months	Total
<b>Amount expected to be recovered</b>						
<b>Assets</b>						
Cash and central bank account balances	81,311		81,311	71,517		71,517
Treasury bills and other eligible bills				7,964,124		7,964,124
Lending to credit institutions	34,328,215	1,925,926	36,254,141	5,156,457	19,398,451	24,554,908
Lending to the public	1,932,939	14,456,834	16,389,773	602,884	10,380,890	10,983,774
Bonds and other interest-bearing securities	6,507,007	4,439,413	10,946,421	1,500,000	1,605,322	3,105,322
Shares and participations		10,812	10,812		11,089	11,089
Shares and participations in subsidiaries		3,161,400	3,161,400		3,036,400	3,036,400
Derivatives	140,208	920,395	1,060,603	18,042	275,243	293,285
Fair value changes of interest-rate hedged items in portfolio hedge		87,859	87,859		-509	-509
Intangible assets	39,381	173,920	213,301	27,121	156,167	183,288
Property and equipment	2,196	13,941	16,137	68	13,174	13,242
Deferred tax assets		11,660	11,660		2,575	2,575
Other assets	93,639		93,639	89,493		89,493
Prepaid expenses and accrued income	284,284		284,284	262,531		262,531
<b>Total assets</b>	<b>43,409,180</b>	<b>25,202,161</b>	<b>68,611,341</b>	<b>15,692,237</b>	<b>34,878,802</b>	<b>50,571,039</b>
<b>Amount expected to be settled</b>						
<b>Liabilities and provisions</b>						
Liabilities to credit institutions	18,729,955		18,729,955	5,866,277		5,866,277
Deposits and borrowing from the public	1,897,848	33,300,026	35,197,874	1,617,217	28,284,291	29,901,508
Debt securities in issue	5,827,758	1,373,583	7,201,341	6,893,575	2,073,839	8,967,414
Derivatives	63,617	976,329	1,039,946	17,025	194,005	211,030
Fair value changes of interest-rate hedged items in portfolio hedge		32,795	32,795			-
Other liabilities	321,479		321,479	268,543		268,543
Accrued expenses and deferred income	523,843		523,843	385,751		385,751
Provisions		31,812	31,812		9,225	9,225
Subordinated debt		1,250,000	1,250,000		1,150,000	1,150,000
<b>Total liabilities</b>	<b>27,364,500</b>	<b>36,964,545</b>	<b>64,329,045</b>	<b>15,048,388</b>	<b>31,711,360</b>	<b>46,759,748</b>

The anticipated recovery term for lending and deposits from the public has been estimated using historical data on the level of renewal and level of redemption.

**NOTE 46 FIXED-RATE INTEREST TERMS FOR ASSETS AND LIABILITIES – INTEREST-RATE EXPOSURE, SEK 000s**

Group Dec. 31, 2008	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
<b>Assets</b>									
Cash and central bank account balances	81,311								81,311
Lending to credit institutions	9,830,898								9,830,898
Lending to the public	27,464,063	20,178,459	4,265,428	4,872,457	14,490,396	4,935,166	2,502,294	-144,415	78,563,848
Bonds and other interest-bearing securities		987,524	3,930,526	1,062,605	3,373,420	894,302		197,213	10,445,590
Other assets								5,214,720	5,214,720
<b>Total assets</b>	<b>37,376,272</b>	<b>21,165,983</b>	<b>8,195,954</b>	<b>5,935,062</b>	<b>17,863,816</b>	<b>5,829,468</b>	<b>2,502,294</b>	<b>5,267,518</b>	<b>104,136,367</b>
<b>Liabilities</b>									
Liabilities to credit institutions	9,112,615								9,112,615
Deposits and borrowing from the public	23,562,224	8,018,721	555,077	2,386,004	374,268	193,934			35,090,228
Debt securities in issue	2,039,625	12,792,813	8,622,758	1,061,436	18,549,461	5,460,503	365,228	93,491	48,985,315
Other liabilities	29,008							5,378,259	5,407,267
Subordinated debt		1,250,000							1,250,000
Shareholders' equity								4,290,942	4,290,942
<b>Total liabilities and shareholders' equity</b>	<b>34,743,472</b>	<b>22,061,534</b>	<b>9,177,835</b>	<b>3,447,440</b>	<b>18,923,729</b>	<b>5,654,437</b>	<b>365,228</b>	<b>9,762,692</b>	<b>104,136,367</b>
<b>Difference, assets and liabilities</b>	<b>2,632,800</b>	<b>-895,551</b>	<b>-981,881</b>	<b>2,487,622</b>	<b>-1,059,913</b>	<b>175,031</b>	<b>2,137,066</b>	<b>-4,495,174</b>	
Interest-rate derivatives, net par value	300,000	-1,770,000	6,860,000	-4,060,000	1,598,367	99,923	-2,035,055		993,235
Net exposure	2,932,800	-2,665,551	5,878,119	-1,572,378	538,454	274,954	102,011	-4,495,174	

Parent Company Dec. 31, 2008	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
<b>Assets</b>									
Cash and central bank account balances	81,311								81,311
Lending to credit institutions	25,732,855	7,600,954		627,370	1,271,919		927,614	93,428	36,254,140
Lending to the public	12,033,048	2,402,369	379,089	194,080	1,011,401	305,041	184,228	-119,483	16,389,773
Bonds and other interest-bearing securities		987,524	4,431,545	1,062,605	3,373,420	894,302		197,025	10,946,421
Other assets								4,939,695	4,939,695
<b>Total assets</b>	<b>37,847,214</b>	<b>10,990,847</b>	<b>4,810,634</b>	<b>1,884,055</b>	<b>5,656,740</b>	<b>1,199,343</b>	<b>1,111,842</b>	<b>5,110,665</b>	<b>68,611,340</b>
<b>Liabilities</b>									
Liabilities to credit institutions	18,729,955								18,729,955
Deposits and borrowing from the public	23,669,870	8,018,721	555,077	2,386,004	374,268	193,934			35,197,874
Debt securities in issue	119,625	5,164,808	1,178,287	626,997	18,133			93,491	7,201,341
Other liabilities	29,008							1,920,866	1,949,874
Subordinated debt		1,250,000							1,250,000
Shareholders' equity								4,282,296	4,282,296
<b>Total liabilities and shareholders' equity</b>	<b>42,548,458</b>	<b>14,433,529</b>	<b>1,733,364</b>	<b>3,013,001</b>	<b>392,401</b>	<b>193,934</b>		<b>6,296,653</b>	<b>68,611,340</b>
<b>Difference, assets and liabilities</b>	<b>-4,701,244</b>	<b>-1,435,573</b>	<b>3,077,270</b>	<b>-1,780,605</b>	<b>3,908,889</b>	<b>1,005,409</b>	<b>1,111,842</b>	<b>-1,185,988</b>	
Interest-rate derivatives, net par value		-20,000	375,000	350,000	-3,655,000	-1,036,000	-155,000		
Net exposure	-4,701,244	-3,462,682	3,452,270	-778,946	1,609,339	-30,591	956,842	-1,185,988	

NOTE 46 FIXED-RATE INTEREST TERMS FOR ASSETS AND LIABILITIES – INTEREST-RATE EXPOSURE, SEK 000s, cont.

Group Dec. 31, 2007	<3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years	Without interest	Total
<b>Assets</b>								
Cash and central bank account balances							71,517	71,517
Treasury bills and other eligible bills	7,964,124							7,964,124
Lending to credit institutions	5,233,671							5,233,671
Lending to the public	40,441,029	261,412	5,687,467	12,280,027	6,059,066	2,310,995		67,039,996
Bonds and other interest-bearing securities	1,496,804	583,477	1,025,040					3,105,321
Other assets							1,678,948	1,678,948
<b>Total assets</b>	<b>55,135,628</b>	<b>844,889</b>	<b>6,712,507</b>	<b>12,280,027</b>	<b>6,059,066</b>	<b>2,310,995</b>	<b>1,750,465</b>	<b>85,093,577</b>
<b>Liabilities</b>								
Liabilities to credit institutions	707,233							707,233
Deposits and borrowing from the public	28,585,016	329,101	455,468	286,016	79,722			29,735,323
Debt securities in issue	19,307,509	864,123	150,012	18,368,748	7,074,281		216,017	45,980,690
Subordinated debt	1,150,000							1,150,000
Other liabilities and provisions							3,696,599	3,696,599
Shareholders' equity							3,823,732	3,823,732
<b>Total liabilities and shareholders' equity</b>	<b>49,749,758</b>	<b>1,193,224</b>	<b>605,480</b>	<b>18,654,764</b>	<b>7,154,003</b>		<b>7,736,348</b>	<b>85,093,577</b>
Interest-rate derivatives, fixed interest to be received				13,900,000	5,897,500			19,797,500
Interest-rate derivatives, fixed interest to be paid	1,520,000	2,875,000	3,240,000	10,360,000	4,965,000	2,415,000		25,375,000
	<b>1,520,000</b>	<b>2,875,000</b>	<b>3,240,000</b>	<b>24,260,000</b>	<b>10,862,500</b>	<b>2,415,000</b>		<b>45,172,500</b>
Parent Company Dec. 31, 2007	<3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years	Without interest	Total
<b>Assets</b>								
Cash and central bank account balances							71,517	71,517
Treasury bills and other eligible bills	7,964,124							7,964,124
Lending to credit institutions	24,143,906		177,090	167,707	66,205			24,554,908
Lending to the public	10,432,453	35,833	66,412	262,404	137,261	49,411		10,983,774
Bonds and other interest-bearing securities	1,496,804	583,477	1,025,040					3,105,321
Other assets							3,891,394	3,891,394
<b>Total assets</b>	<b>44,037,287</b>	<b>619,310</b>	<b>1,268,542</b>	<b>430,111</b>	<b>203,466</b>	<b>49,411</b>	<b>3,962,911</b>	<b>50,571,038</b>
<b>Liabilities</b>								
Liabilities to credit institutions	5,866,277							5,866,277
Deposits and borrowing from the public	28,751,201	329,101	455,468	286,016	79,722			29,901,508
Debt securities in issue	7,869,143	864,123		17,990	140		216,018	8,967,414
Subordinated debt	1,150,000							1,150,000
Other liabilities and provisions							874,549	874,549
Shareholders' equity							3,811,290	3,811,290
<b>Total liabilities and shareholders' equity</b>	<b>43,636,621</b>	<b>1,193,224</b>	<b>455,468</b>	<b>304,006</b>	<b>79,862</b>		<b>4,901,857</b>	<b>50,571,038</b>
Interest-rate derivatives, fixed interest to be received	100,000	150,000	300,000	680,000	145,000	50,000		1,425,000
Interest-rate derivatives, fixed interest to be paid	120,000	150,000	300,000	2,380,000	245,000	90,000		3,285,000
	<b>220,000</b>	<b>300,000</b>	<b>600,000</b>	<b>3,060,000</b>	<b>390,000</b>	<b>140,000</b>		<b>4,710,000</b>

**NOTE 47 CREDIT RISK**

For a more detailed description of the risks in the Group and the Parent Company, refer to the Board of Directors' Report.

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Treasury bills and other eligible bills</b>	–	<b>7,964,124</b>	–	<b>7,964,124</b>
<b>Lending to credit institutions</b>	<b>9,830,898</b>	<b>5,233,671</b>	<b>36,254,141</b>	<b>24,554,908</b>
<b>Lending to the public, gross by collateral</b>				
Private homes	50,292,104	44,426,448	5,626,177	4,478,177
Tenant-owned apartments	9,622,734	8,087,767	1,214,833	873,935
Multi-family dwellings	455,355	354,757	2,789	1,583
Agricultural properties	5,290,076	1,928,867	5,290,076	1,928,867
Commercial properties	77,155	68,768	625	–
Industrial properties	33,049	13,394	915	925
Other guarantees	4,480	5,405	4,480	5,405
Other collateral	8,132,699	7,998,731	760,296	746,800
Unsecured loans	4,963,354	4,418,365	3,609,066	3,047,794
	<b>78,871,006</b>	<b>67,302,502</b>	<b>16,509,257</b>	<b>11,083,486</b>
<b>Bonds and other interest-bearing securities</b>				
AAA/Aaa	9,944,858	1,025,040	10,445,689	1,025,040
A+/A1	500,732	583,477	500,732	583,477
A-1/P1	–	1,496,804	–	1,496,804
	<b>10,445,590</b>	<b>3,105,321</b>	<b>10,946,421</b>	<b>3,105,321</b>
<b>Derivatives, fair value</b>				
AA/Aaa	–	109,586	–	109,586
AA-/Aa1	127,714	148,551	–	108,475
A+/Aa1	451,035	–	451,035	–
A+/Aa2	888,320	–	447,873	–
A/Aa3	139,740	–	47,850	–
A-/Aa1	–	39,805	–	14,747
	<b>1,606,809</b>	<b>297,942</b>	<b>946,758</b>	<b>232,808</b>
<b>Memorandum items</b>				
Loans approved but not disbursed	597,052	457,576	188,075	187,361
Unutilised card facilities	707,321	642,070	707,321	642,070
Overdraft facilities approved but not utilised	1,492,425	1,428,593	3,744,299	39,107,756
Financial guarantees	38,276	43,006	38,276	43,006
	<b>2,835,074</b>	<b>2,571,245</b>	<b>4,677,971</b>	<b>39,980,193</b>
<b>Total credit risk on the balance-sheet date, gross</b>	<b>103,589,377</b>	<b>86,474,805</b>	<b>69,334,548</b>	<b>86,920,840</b>
<b>Impairment of loan receivables</b>	<b>–307,158</b>	<b>–262,506</b>	<b>–119,484</b>	<b>–99,712</b>
<b>Total credit risk on the balance-sheet date, net</b>	<b>103,282,219</b>	<b>86,212,299</b>	<b>69,215,064</b>	<b>86,821,128</b>
<b>Mortgage loans, IRB Approach, within 75% of market value</b>				
			<b>2008</b>	<b>2007</b>
Group			53,258,016	44,953,361
Parent Company			3,589,280	2,278,055

The value of collateral for mortgage loans in the covered bond operations amounts to SEK 51,983,572,000 (45,271,016,000).

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

Collateral amounting to SEK 19,305,000 (10,936,000) on the balance-sheet date was utilised and then sold within leasing and instalments.

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.

	Group		Parent Company	
	2008	2007	2008	2007
<b>Doubtful loan receivables</b>				
Corporates	38,318	45,411	2,410	842
Retail	216,286	130,676	74,259	51,269
	<b>254,604</b>	<b>176,087</b>	<b>76,669</b>	<b>52,111</b>

<b>Doubtful loan receivables by product</b>				
Households	71,632	34,492	13,417	5,431
Agriculture	23,355	11,531	23,355	11,531
Corporates	900	270	900	270
Unsecured	36,466	31,671	36,466	31,671
Leasing and instalments	119,720	94,915	–	–
Other	2,532	3,209	2,532	3,209
	<b>254,604</b>	<b>176,087</b>	<b>76,669</b>	<b>52,111</b>

<b>Defaulted loan receivables not included in doubtful receivables</b>				
	Banking operations		Mortgage operations	
	2008	2007	2008	2007
Receivables overdue by 10 to 19 days	1	701	121	220
Receivables overdue by 20 to 39 days	21,165	20,958	38,032	23,642
Receivables overdue by 40 to 59 days	–	–	–	–
	<b>21,166</b>	<b>21,660</b>	<b>38,153</b>	<b>23,862</b>

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.

According to the IRB Approach in the Basel regulations, a defaulted loan receivable is a receivable on which the borrower has defaulted by more than ten days.

This analysis pertains exclusively to lending to the public.

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

Agreements concerning payment plans are made to a limited extent within the leasing and instalment operations if it is deemed beneficial for the customer and lessor.



#### NOTE 47 CREDIT RISK, cont.

##### 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 bank. Initially a PD is calculated for each counterparty to reflect the risk of default within the next 12 months. This PD is then adjusted to reflect the average default proportion over several business cycles. Finally a safety-margin is added to PD to ensure that the risk is not underestimated. After the PD calculation all counterparties are ranked and allocated to PD grades.

Finally, the estimate is adjusted to reflect the average proportion of default over several economic cycles.

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

Dec. 31, 2008				
PD grade	PD, %	Group	PD, %	Parent Company
1	0	2,536,309,092	0.05	403,237,539
2	0.05	4,383,679,839	0.1	645,698,822
3	0.1	17,833,469,471	0.2	3,609,275,065
4	0.2	26,119,709,682	0.4	2,573,499,278
5	0.4	9,238,206,459	0.8	1,738,368,830
6	0.8	5,604,490,171	1.6	822,965,470
7	1.6	2,244,463,903	3.2	368,881,794
8	3.2	1,128,642,363	6.4	178,932,531
9	6.4	569,232,056	12.8	82,675,211
10	12.8	345,106,289	25.6	52,171,793
11	25.6	289,050,993	51.2	69,732,564
Default	100	357,830,404	100	89,661,469
<b>Total</b>		<b>70,650,190,722</b>		<b>10,635,100,366</b>

##### Retail exposures, IRB Approach

EAD according to Basel II regulations

Dec. 31, 2007			
PD grade	PD, %	Group	Parent Company
LF A	0.16	16,308,928	3,336,312
WK A	0.22	2,709,256	
LF B	0.27	24,174,901	2,279,022
WK B	0.77	2,164,617	
LF C	0.86	7,688,783	1,772,948
WK C	1.70	1,916,473	
LF D	2.53	2,560,461	580,003
WK D	4.34	923,877	
LF E	5.63	1,022,888	264,934
WK E	18.67	906,585	
LF F	11.01	407,393	120,705
LF G	32.91	421,469	133,236
WK default	100	40,093	
LF default	100	118,935	68,881
<b>Total</b>		<b>61,364,659</b>	<b>8,556,041</b>

Exposures to corporates are not risk-graded under the Basel regulations but will probably be included in the IRB Approach from 2010. The loans have good collateral and mostly comprise loans to agricultural operations and small companies.

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 entirely or partly off balance sheet, EAD is calculated by multiplying the counterparty's unutilised amount by a conversion factor.

**NOTE 48 CAPITAL-ADEQUACY ANALYSIS**

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Tier 1 capital, gross	4,591,798	4,113,732	4,583,152	4,101,290
Less intangible assets	-327,306	-246,805	-213,301	-183,288
Less deferred tax assets	-14,415	-5,077	-11,660	-2,575
Less IRB deficit	-48,733	-103,771	-6,762	-10,424
<i>Tier 1 capital, net</i>	<i>4,201,344</i>	<i>3,758,079</i>	<i>4,351,429</i>	<i>3,905,003</i>
Tier 2 capital	960,000	860,000	960,000	860,000
Deductions for Tier 2 capital	-48,733	-103,771	-6,762	-10,424
<b>Total capital base</b>	<b>5,112,611</b>	<b>4,514,309</b>	<b>5,304,667</b>	<b>4,754,579</b>
<b>Risk-weighted assets excluding transition rules</b>	<b>28,859,120</b>	<b>26,189,250</b>	<b>11,643,369</b>	<b>10,213,488</b>
<b>Risk-weighted assets including transition rules</b>	<b>49,124,533</b>	<b>42,457,725</b>	<b>13,298,419</b>	<b>10,193,013</b>
<b>Capital requirement for credit risk</b>				
Capital requirement for credit risk according to Standardised Approach	698,029	639,316	501,974	449,119
Capital requirement for credit risk according to IRB Approach	1,500,519	1,355,506	374,073	338,949
Capital requirement for operational risk	110,182	100,318	55,423	29,011
<b>Capital requirement</b>	<b>2,308,730</b>	<b>2,095,140</b>	<b>931,470</b>	<b>817,079</b>
Adjustment according to transition rules	1,621,233	1,301,478	132,404	-1,638
<b>Total capital requirement</b>	<b>3,929,963</b>	<b>3,396,618</b>	<b>1,063,874</b>	<b>815,441</b>
Tier 1 ratio before adjustment according to transition rules, %	14.56	14.35	37.37	38.23
Capital adequacy ratio before adjustment according to transition rules, %	17.72	17.24	45.56	46.55
Total capital ratio excluding transition rules *	2.21	2.15	5.69	5.82
Tier 1 ratio after adjustment according to transition rules, %	8.55	8.85	32.72	38.31
Capital adequacy ratio after adjustment according to transition rules, %	10.41	10.63	39.89	46.65
Total capital ratio including transition rules *	1.30	1.33	4.99	5.83
<b>Special disclosures</b>				
IRB provisions surplus(+)/deficit (-)	-97,465	-207,541	-13,524	-20,848
IRB Total provisions (+)	255,867	146,267	96,186	79,036
IRB Anticipated loss amount (-)	-353,332	-353,808	-109,710	-99,884

SEK 000s	Group		Parent Company	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
<b>Capital requirement</b>				
<b>Credit risk according to Standardised Approach</b>				
Exposures to institutions	71,155	152,214	28,132	137,628
Exposures to corporates	379,074	342,849	321,207	290,131
Retail exposures	25,284	21,470	-	1,516
Exposures secured on residential property	149,827	97,600	96,055	6,257
Past due items	5,548	2,259	5,005	494
Covered bonds	40,423	-	40,423	-
Other items	26,718	22,924	11,152	13,093
<b>Total</b>	<b>698,029</b>	<b>639,316</b>	<b>501,974</b>	<b>449,119</b>
<b>Credit risk according to IRB Approach</b>				
<i>Retail exposures</i>				
Exposures secured by real estate collateral	977,559	829,632	225,734	210,388
Other retail exposures	521,320	524,226	147,048	127,502
Non credit-obligation assets	1,640	1,648	1,291	1,059
<b>Total</b>	<b>1,500,519</b>	<b>1,355,506</b>	<b>374,073</b>	<b>338,949</b>
<b>Operational risk</b>				
Standardised Approach	110,182	100,318	55,423	29,011
<b>Total capital requirement for operational risk</b>	<b>110,182</b>	<b>100,318</b>	<b>55,423</b>	<b>29,011</b>
<b>Capital-adequacy analysis according to earlier rules</b>				
Tier 1 capital	4,250,077	3,861,850	4,358,191	3,915,727
Tier 2 capital	960,000	860,000	960,000	860,000
<b>Total capital base</b>	<b>5,210,077</b>	<b>4,721,850</b>	<b>5,318,191</b>	<b>4,775,727</b>
Risk-weighted assets	55,936,351	47,423,148	14,963,844	11,003,806
Capital requirement for credit risk	4,474,908	3,793,852	1,197,108	880,304
Tier 1 ratio, %	7.60	8.14	29.12	35.59
Capital adequacy ratio, %	9.31	9.96	35.54	43.40
Total capital ratio	1.16	1.24	4.44	5.43

\* 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 49 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS****Related parties**

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

From 2006, the local insurance companies that hold shares in Länsförsäkringar AB are considered to be legal entities related to the Alliance.

Related key persons are Board members, senior executives and close family members to these individuals.

**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.

The price of internal transactions is negotiated in service committees. These committees are to ensure good communication between the Group-wide units and the service centres and their customers. The committees' duties also include discussing and negotiating the content and price of intra-Group transactions. After the parties in a service committee have reached an agreement, each manager produces a budget and price list for the forthcoming year which is later approved by Group management.

**Agreements**

Significant agreements for the Parent Company are primarily out-sourcing agreements with the 24 regional insurance companies and agreements with Länsförsäkringar Stockholm for the Telephone Bank.

**Transactions**

Group	Receivables		Liabilities		Income		Expenses	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Other companies in the Länsförsäkringar AB Group	19,376	22,807	2,414,438	1,728,332	15,517	7,928	207,482	225,050
Regional insurance companies	19,280	20,792	1,624,301	2,170,219	98,858	98,788	535,553	458,299
Other related parties	–	–	19,403	38,271	2,154	1,985	297,598	261,140

Parent Company	Receivables		Liabilities		Income		Expenses	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Companies in the Banking Group	27,092,594	19,546,301	10,760,638	5,576,472	1,172,788	1,308,301	277,387	161,371
Other companies in the Länsförsäkringar AB Group	17,556	16,793	1,728,758	1,552,603	15,489	7,841	154,315	188,658
Regional insurance companies	19,280	20,792	1,568,219	2,131,228	95,072	98,771	335,028	297,397
Other related parties	–	–	–	–	2,124	1,985	–	–

For information regarding remuneration to related key persons such as members of the Board of Directors and senior executives, refer to Note 11 Personnel costs. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

**NOTE 50 EVENTS AFTER 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 distribution of the Parent Company's unappropriated earnings (SEK)

Retained earnings	2,838,401,046
Fair value reserve	-10,856,006
Shareholders' contribution received	500,000,000
Net loss for the year	-18,498,910
<b>Total</b>	<b>3,309,046,130</b>

The Board propose that profit be appropriated so that the following amount is carried forward:	3,309,046,130
--	---------------

### Signatures of the Board of Directors and the President

The Board of Directors and President affirm that this annual report provides a true and fair view of the Group's and the Parent Company's operations, financial position and earnings and describes the significant risks and uncertainty factors to which the Parent Company and the companies included in the Group are exposed.

Stockholm, March 30, 2009

Håkan Danielsson  
*Chairman*

Ingemar Larsson  
*Deputy Chairman*

Thomas Gustafsson

Leif Johanson

Lennart Käll

Christer Villard

Ingrid Ericson  
*Employee Representative*

Katarina Säter  
*Employee Representative*

Mats Ericsson  
*President*

My audit report was submitted, on March 30, 2009

Johan Bäckström  
*Authorised Public Accountant*

## Audit Report

To the General Meeting of shareholders in Länsförsäkringar Bank AB (publ)

Corporate Registration Number 516401-9878

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar Bank AB (publ) for the 2008 financial year. The annual accounts are included in the printed version of this document on pages 21–72. 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 and the consolidated accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high, but not absolute, assurance that the annual accounts and the consolidated 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 and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we 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. We 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. We believe that our audit provides a reasonable basis for our 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 consolidated accounts have been prepared in accordance with International Financial Accounting Standards (IFRS) as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and give a true and fair view of the Group's financial position and results of operations. The Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the income statements and balance sheets of the Parent Company and the Group 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 30, 2009

Johan Bäckström  
*Authorised Public Accountant*



# Corporate Governance Report

Länsförsäkringar Bank is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 24 customer-owned regional insurance companies and 14 local insurance companies.

It is Länsförsäkringar's intention to follow the Swedish Code of Corporate Governance (referred to below as the Code) in the applicable parts, with consideration of the fact that the bank is not a stock market company. The major deviations from the provision of the Code and explanations for such deviations are presented below.

- Notice and holding of an Annual General Meeting. Deviation from the provisions of the Code with respect to the fact that the company is not a stock market company and has only one shareholder.
- Composition of the Board of Directors. Deviation from the provisions of the Code that at least two Board members shall be independent in relation to the bank's major shareholders. According to the instruction for the Nomination Committee (see below), the Board of Directors shall be appropriately composed, with respect to the bank's operations, stage of development and other circumstances, and characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.
- The mandate period for Board members is, as a general rule, two years. Deviation from the provisions of the Code of a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a member irrespective of mandate period. A mandate period that is longer than one year contributes to ensuring continuity and establishing competence within the Board.
- A special section of the bank's website on corporate governance is intended to be established during 2009.

This Corporate Governance Report, including the report of the Board of Directors concerning internal control, is unaudited.

## General Meeting

The shareholder exercises its voting rights at the Annual General Meeting. Decisions are made at the Annual General Meeting pertaining to: the Annual Report, the election of members of the Board and auditors, remuneration to Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration to Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman

and other Board members, and includes remuneration for extra Board meetings and committee work, unless remuneration for such meetings and work is determined separately.

## Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee, which is charged with the duty of presenting, in consultation with the CEO of Länsförsäkringar AB, proposals for members of the Board of Directors and auditors of Länsförsäkringar Bank and other subsidiaries, and fees to these members and auditors, in addition to submitting proposals to Länsförsäkringar AB. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2008 Annual General Meeting, the Nomination Committee has comprised Karin Starrin (Chairman) (Länsförsäkringar Halland), Göran Trobro (Deputy Chairman) (Länsförsäkringar Kristianstad), Ingemar Larsson (Länsförsäkringar Göteborg och Bohuslän), Anders Stigers (Dalarnas Försäkringsbolag) and Björn Sundell (Länsförsäkringar Uppsala).

## External auditors

In accordance with the Articles of Association, Länsförsäkringar Bank shall have 1–3 auditors with 0–3 deputy auditors. Auditors are appointed for a mandate period of four years. At the 2008 Annual General Meeting, Johan Bäckström, KPMG Bohlins AB, was appointed auditor and Stefan Holmström, KPMG Bohlins AB, was appointed deputy auditor. A more detailed presentation of the auditors can be found in the Annual Report.

## Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar Bank shall comprise 6–9 Board members elected by the Annual General Meeting, with 0–6 deputies. Board members are elected for a maximum mandate period of two years. In addition, members appointed by trade unions are also members of the Board. The bank has no time limit for the length of time for which a member may sit on the Board, or an upper age limit.

Eight standard Board members were elected at the 2008 Annual General Meeting. Board member Mats Ericsson was appointed President of the bank on August 31, 2008 and in conjunction with this stepped down from the Board. Another member left the Board on September 29, 2008. The Board currently comprises eight ordinary members and one deputy. Six of the members were elected by the Annual General Meeting and two members and one deputy member were appointed by the trade unions. The Chairman of the Board is the President of the

Parent Company Länsförsäkringar AB. The President is not a member of the Board. Five members are Board members and/or Presidents of the regional insurance companies. The Chairman and Vice Chairman of the Board were appointed by the Annual General Meeting. The mandate periods and more detailed presentations of the Board members are presented in the Annual Report.

The Board is responsible for the organisation and administration of the company and shall handle and make all decisions concerning issues of material significance and an overall nature relating to the company's operations. This includes determining an appropriate organisation, the goals and strategies of the operation and guidelines for control and governance.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board and its Chairman, the number of Board meetings, procedures for reporting on the operations and financial reports as well as procedures for Board meetings, notices of meetings, presentation of material, delegation of work duties within the Board and disqualification. The Board adopted a directive for the President. Furthermore, the Board adopted a larger number of policies, instructions and guidelines for the operations.

The Board shall remain informed about the performance of the company to continuously assess the company's financial situation and position. In its work plan, the Board has stated that financial reporting is to be carried out in accordance with the established instructions and through regular Board meetings.

During the year, the Board regularly reviewed the earnings and sales trends, the financial position and risk profile in relation to the budget and business plan. The Board conducts annual strategic seminars and evaluations of its own work. The Board also annually assesses the work of the President and his terms of employment. The Board meets the company's auditors at least once per year (see also Audit Committee below).

#### **Chairman**

According to the formal work plan, the Chairman shall lead the Board's work and ensure that the Board fulfils its duties. The Chairman shall also ensure that the Board meets as required, that the Board is provided with the opportunity to participate in meetings or receive satisfactory information and documentation for decision-making, and applies an appropriate working methodology. On the basis of ongoing contact with the President, the Chairman shall also keep informed of significant events and developments within the bank between Board meetings, and shall support the President in his work.

#### **Internal audit**

The Board appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations agree with the guidelines issued by the Board and that the operations are being conducted toward the targets established by the Board. The internal audit function is also to examine and assess the organisation of the bank, its procedures, governance and control of the operations. The Board has adopted a separate instruction for the internal audit function.

#### **Distribution of Board duties**

The Board established its Presiding Officers, an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in specific instructions. None of the Committees has a general mandate to make decisions. Each Committee is to regularly report its work to the Board.

#### **Presiding Officers of the Board**

The duties of the Presiding Officers are to plan the Board meetings and prepare issues of a general nature prior to Board meetings. Until the statutory Board meeting following election in 2009, the Presiding Officers comprise Håkan Danielsson, Ingemar Larsson, Mats Ericsson and the bank's Executive Vice President Anders Borgcrantz.

#### **Audit Committee**

The Audit Committee is responsible for preparing the Board's work with quality assurance of the bank's internal control of financial reporting, risk management and risk control, compliance with regulations, other internal control issues and matters referred by the Board to the Committee. The Audit Committee has comprised three members since the Board meeting following election in 2008. All members, including the Chairman, are independent in relation to the company and management. The internal and external auditors, along with the bank's President and CFO, usually participate in the Committee's meetings. At the statutory Board meeting following election in 2008, Ylva Thunqvist (Chairman), Leif Johansson and Håkan Danielsson were appointed members of the Audit Committee. In October 2008, Ylva Thunqvist was replaced by Ingemar Larsson as the Chairman of the Audit Committee. On January 1, 2009, a joint Audit Committee was established for the Länsförsäkringar AB Group, to which the bank's Board appointed Ingemar Larsson as its representative.

#### **Remuneration Committee**

The Remuneration Committee shall prepare issues on remuneration and other terms of employment for the President and the

principles for remuneration and other terms of employment for company management. At the statutory Board meeting following election in 2008, Håkan Danielsson (Chairman) and Mats Ericsson were appointed members of the Remuneration Committee. In August 2008, Mats Ericsson was replaced by Ylva Thunqvist as member of the Remuneration Committee. In October 2008, Ylva Thunqvist was replaced by Ingemar Larsson as a Committee member.

### Meetings and attendance

The table below shows the number of meetings held since the statutory Board meeting following election in 2008 until February 2009, and the attendance by each Board member:

	Board of Directors	Audit Committee
Total number of meetings	7	2
Håkan Danielsson	7	2
Thomas Gustafsson	7	
Ingrid Ericson	7	
Mats Ericsson <sup>1)</sup>	2	
Håkan Haraldsson, deputy	5	
Leif Johansson	6	1
Lennart Käll	6	
Ingemar Larsson	5	1
Ylva Thunqvist <sup>2)</sup>	2	1
Katarina Sæther	5	
Christer Villard	3	

<sup>1)</sup> Member until August 31, 2008

<sup>2)</sup> Member until September 29, 2008

### Internal control relating to financial reporting

This report on internal control relating to financial reporting in 2008 was prepared in accordance with the Code and in accordance with the Code guidelines of October 17, 2005, that were developed by committees from the Confederation of Swedish Enterprise and FAR. The report is unaudited.

The Banking Group's internal control and risk-management processes are designed to provide reasonable assurance of the reliability of the financial reporting and that it has been prepared in accordance with legal requirements, Swedish GAAP and any other regulations applicable to the operations.

The Banking Group applies a risk-assessment and risk-management procedure to ensure that risks to which each company is exposed are managed within the framework established by the Board.

The internal control and risk-management process involves five main activities: risk assessment, control activities, information and communications, and follow-up.

### Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board of

Directors and the President have established for the company. These provisions are documented and communicated in guidance documents in the form of internal policies, guidelines and instructions. Examples of such guidance documents include reporting instructions, payment authorisation instructions and internal control instructions.

The Board of Directors has appointed an Audit Committee to prepare for the work of the Board of Directors by quality-assuring the financial reporting. Moreover, as further preparation for the financial reporting, the Board of Directors has also instituted an internal audit function to support the Board of Directors in ensuring that the company's operations are conducted in accordance with the decisions of the Board of Directors.

The Board of Directors of the Parent Company is in charge of the Banking Group's guidelines for the control and direction of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control of financial reporting. The Board shall also ensure that the company's organisation is ordered so that bookkeeping, management of assets, financial control and the company's financial circumstances otherwise are controlled in a secure manner.

Within the shared areas of the Länsförsäkringar AB Group, there is a desire to coordinate routines and find common modes of action by establishing fundamental Group-wide rules. These basic rules are described in our guidance documents – that is, policies, guidelines and instructions. The Group-wide guidance documents must be approved on an annual basis and incorporated in each subsidiary, for which process the respective President is in charge. Examples of such guidance documents are Group instructions, reporting instructions, guidelines for handling ethical issues, authorisation manuals and the Security Policy.

### Risk assessment

Risk assessment includes identifying and analysing the source of risks affecting internal control relating to financial reporting. These risks are analysed at the company level and the Group level.

### Control activities

Risks in financial reporting are controlled through carefully prepared financial statements, standardised work routines with built-in control functions and the evaluation of ongoing improvements. The financial information is analysed and reviewed at various organisational levels before being presented publicly.

Efforts are ongoing to eliminate and reduce identified significant risks affecting internal control relating to financial reporting. This includes the development and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

### Information and communications

Internal guidance documents are subject to review and reassessment at least once a year. All guidance documents, shared policies and guidelines are published internally. Every manager must ensure compliance with the regulations within his/her area of responsibility, and that the guidance documents are communicated to affected subordinate staff.

### Follow-up

An independent review function – Internal Audit – has been established to assist the Board of Directors in following up the operation's compliance with decisions made by the Board of

Directors. Through review and reporting, the Internal Audit shall form an opinion as to whether the operations are conducted in an efficient manner, if reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit function reports to the Board of Directors.

The Compliance function's task is to regularly identify, assess, monitor and report on compliance risks – that is, the risk of sanctions in accordance with laws or ordinances, and the risk of financial loss. Reporting is addressed to the CEO and to the Board of Directors of the company involved.

# 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-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, amortization 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.

# Board of Directors and auditors

## BOARD OF DIRECTORS



### Håkan Danielsson

Born 1961  
Chairman since 2008  
President and CEO of  
Länsförsäkringar AB  
Other Board appointments:  
Board member of  
Försäkringsförbundet,  
EurAPCo A.G.



### Ingemar Larsson

Born 1949  
Deputy Chairman since  
2008  
President of  
Länsförsäkringar Göteborg  
och Bohuslän  
Other Board appointments:  
Board Chairman of  
Länsförsäkringar  
Mäklarservice AB. Board  
member of Platzner  
Fastigheter Holding AB.



### Thomas Gustafsson

Born 1948  
Board member since 2008  
Lawyer  
Other Board appointments:  
Board Chairman of Dalarnas  
Försäkringsbolag, Idre  
Himmelfjäll AB and Sateba  
AB. Board member of  
Leksandsbröd AB,  
Humlegården Holding I–III  
AB and Rolf Ericson Bil AB.



### Leif Johansson

Born 1952  
Board member since 2005  
President of  
Länsförsäkringar  
Västernorrland  
Other Board appointments:  
Board member of  
Västernorrlandsfonden AB,  
Länsförsäkringar  
Västernorrland, VN  
Pensionsplaneraren AB and  
Eko Nord Invest AB.



### Lennart Käll

Born 1958  
Board member since 2007  
President and CEO of Ticket  
Travel Group  
Other Board appointments:  
Board member of  
Länsförsäkringar Stockholm  
and XN Network AB.



### Christer Villard

Born 1949  
Board member since 2006  
Other Board appointments:  
Board Chairman of  
Länsförsäkringar Stockholm,  
Wallenstam AB,  
Ramunbergets Alpina AB,  
Aptic AB, the Friends of the  
Drottningholm Theatre and  
Segulah III and IV. Board  
member of AB Segulah.  
Deputy Chairman of  
Stockholms Köpmanklubb  
and Sällskapet i Stockholm.



### Ingrid Ericson

Born 1958  
Employee representative  
since 2004  
Board member,  
Confederation of  
Professional Associations  
(SACO)  
Other Board appointments:  
Board member of  
Länsförsäkringar AB's local  
SACO Board.



### Katarina Säter

Born 1967  
Employee representative  
since 1998  
Board member, Union of  
Insurance Employees (FTF)  
No other Board  
appointments.



### Mats Ericsson

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



### Secretary to the Board:

#### Anna Rygaard

Born 1966  
Legal counsel of  
Länsförsäkringar AB

### Deputy board member:

#### Håkan Haraldsson

Born 1948. Board member  
since 2006  
Employee representative  
LFP (Länsförsäkrings-  
gruppens Personalförening),  
Other Board appointments:  
Chairman of LFP. Employee  
representative of  
Länsförsäkringar AB,  
Länsförsäkringar Fonder,  
Östgöta Brandstodsbolag  
and Länsförsäkringar  
Norrbotten.

## AUDITOR

### Johan Bäckström

Authorised Public Accountant KPMG Bohlins AB



# Senior executives

## EXECUTIVE MANAGEMENT



**Mats Ericsson**  
Born 1954  
President  
Employed since 2008



**Anders Borgcrantz**  
Born 1961  
CFO and Executive Vice President  
Employed since 2003



**Bengt Clemedtsson**  
Born 1964  
Head of Products and Processes  
Employed since 2006



**Maria Jerhamre Engström**  
Born 1969  
Head of Business Support  
Employed since 2006



**Göran Zakrisson**  
Born 1953  
Chief Risk Officer  
Employed since 2004



**Bengt Jerning**  
Born 1953  
Head of Credit and Executive Vice President  
Employed since 1991



**Eva Gottfridsdotter Nilsson**  
Born 1960  
President of Länsförsäkringar Fondförvaltning  
Employed since 2000

## EXECUTIVE MANAGEMENT IN 2008

**Tomas Johansson**  
Born 1950  
President  
Employed since 2000

**Anders Borgcrantz**  
Born 1961  
Executive Vice President, Representative for the President  
Acting President February 13, 2008  
Employed since 2003

**Bengt Clemedtson**  
Born 1964  
Head of Marketing and Business Development  
Employed since 2006

**Gunilla Forsmark Karlsson**  
Born 1958  
Executive Vice President  
Employed since 2006

**Therese Lindé**  
Born 1972  
Head of Information  
Employed since 2007

**Bengt Jerning**  
Born 1953  
Head of Lending  
Employed since 1991

**Mattias Nordin**  
Born 1967  
Head of Accounting and Business Control  
Employed since 2005

**Johan Nyman**  
Born 1969  
Head of Savings and Payments  
Employed since 2001

**Charlotte von Kraemer**  
Born 1953  
Head of HR  
Employed since 1990

# 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@jonkoping.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

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: Tegeluddsvägen 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: Tegeluddsvägen 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: Tegeluddsvägen 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: Tegeluddsvägen 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: Tegeluddsvägen 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: Tegeluddsvägen 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

