

Länsförsäkringar Hypotek

Year-end Report 2010

The year in brief

- Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the sixth consecutive year according to the 2010 Swedish Quality Index.
- Loans increased 18% to SEK 80 billion (68).
- Operating profit increased 8% to SEK 152 M (141).
- Net interest income rose 42% to SEK 406 M (285).
- Recoveries exceeded loan losses and amounted to SEK 1 M (5), net.
- The Tier 1 ratio according to Basel II was 19.7% (20.3) and the capital adequacy ratio was 22.3% (24.2).
- Covered bonds in the nominal amount of SEK 44 billion (33) were issued during the year.
- The number of customers rose 11% to 149,000 (134,000).

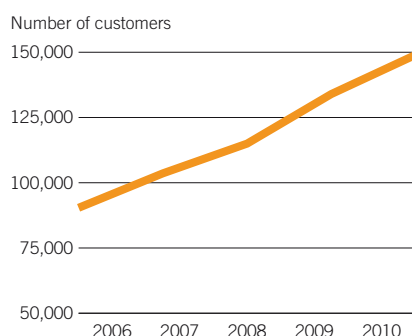
Figures in parentheses pertain to 2009.

Anders Borgcrantz, President of Länsförsäkringar Hypotek:

Our lending volumes increased and we strengthened our market position in the retail mortgage market. For the sixth consecutive year, Länsförsäkringar has Sweden's most satisfied retail mortgage customers according to the Swedish Quality Index, which is a confirmation that our business model with local, independent branches and personal customer meetings is a success. The number of customers rose and more retail mortgage customers are choosing Länsförsäkringar as their primary bank. Net interest income improved, as did operating profit. We continue to have favourable credit quality with a low percentage of impaired loans. Refinancing has been highly successful and the liquidity situation remains strong.



CUSTOMER TREND



Key figures

| | Q4 2010 | Q4 2009 | Jan-Dec 2010 | Jan-Dec 2009 |
|---|------------|------------|-----------------|-----------------|
| Return on equity, % | 3.0 | 3.1 | 3.5 | 4.1 |
| Return on total capital, % | 0.13 | 0.15 | 0.15 | 0.19 |
| Investment margin, % | 0.45 | 0.27 | 0.40 | 0.38 |
| Cost/income ratio before loan losses | 0.34 | 0.39 | 0.31 | 0.33 |
| Cost/income ratio after loan losses | 0.36 | 0.38 | 0.30 | 0.30 |
| Tier 1 ratio according to Basel II, % | 19.7 | 20.3 | 19.7 | 20.3 |
| Capital adequacy ratio according to Basel II, % | 22.3 | 24.2 | 22.3 | 24.2 |
| Percentage of impaired loans, % | 0.01 | 0 | 0.01 | 0 |
| Reserve ratio in relation to loans, % | 0.05 | 0.05 | 0.05 | 0.05 |
| Loan losses, % | 0.01 | 0 | 0 | -0.01 |

Income statement, quarterly

| SEK M | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 | Q4 2009 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income | 118.1 | 126.4 | 93.1 | 68.3 | 55.5 |
| Net commission | -62.6 | -64.4 | -42.1 | -27.1 | -27.4 |
| Net gains from financial items | -0.2 | 9.9 | -4.9 | 3.2 | 19.3 |
| Other operating income | 0 | 0 | 0 | 0 | 0.1 |
| Total operating income | 55.3 | 71.9 | 46.1 | 44.4 | 47.5 |
| Staff costs | -2.0 | -2.5 | -2.8 | -3.2 | -3.3 |
| Other administration expenses | -16.8 | -13.5 | -14.0 | -12.7 | -15.3 |
| Total operating expenses | -18.8 | -16.0 | -16.8 | -15.9 | -18.6 |
| Profit before loan losses | 36.5 | 55.9 | 29.3 | 28.5 | 28.9 |
| Loan losses, net | -1.4 | -0.1 | 1.0 | 1.8 | 0.6 |
| Operating profit | 35.1 | 55.8 | 30.3 | 30.3 | 29.5 |

Market commentary

The Swedish economy is continuing to grow robustly. Compared internationally, the Swedish economy is strong. Sweden's public finances are very healthy with public debt at 35% of GDP and a balanced government budget. The capital market remained concerned about government finances in many countries in Europe during the fourth quarter and several European countries introduced far-reaching national savings packages. Activity in the Swedish bank and housing bond market remained high during the quarter despite initial corrections when the Riksbank ended the structural liquidity support program in October.

Prices for single-family homes remained unchanged in Sweden compared with the preceding quarter, which also applies to the large metropolitan areas, according to data from Statistics Sweden. Retail mortgage lending to households continued to rise in the Swedish market, albeit with a slight decrease in the lending rate due to rising market interest rates and the so called mortgage cap.

2010 compared with 2009

Growth and customer trend

Loans to the public rose 18%, or SEK 12 billion, to SEK 80 billion (68) and Länsförsäkringar strengthened the position among mortgage lenders. The number of customers increased 11% or 15,000 to 149,000 (134,000) on December 31, 2010. 79% (77) of the mortgage customers have Länsförsäkringar as their principal bank.

Länsförsäkringar has Sweden's most satisfied retail mortgage customers according to the 2010 Swedish Quality Index. Länsförsäkringar received a top ranking for all of the criteria measured and achieved the highest ever score recorded in the mortgage survey. The quality of service was rated particularly highly by Länsförsäkringar's customers.

Earnings and profitability

Profit before loan losses rose 11% to SEK 150 M (135) and operating profit increased 8% to SEK 152 M (141), due to higher net interest income. Return on equity was 3.5% (4.1).

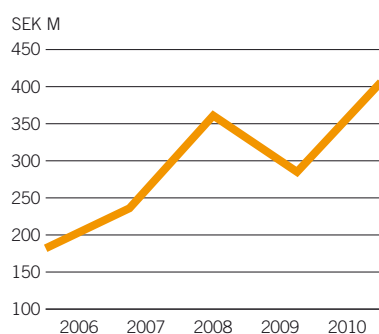
Income

Net interest income rose 42% or SEK 121 M to SEK 406 M (285). Higher interest rates in the market and pricing adapted to longer terms in the borrowing market strengthened net interest income during the year combined with larger business volumes. The investment margin improved to 0.40% (0.38). Net interest income was charged with a provision totalling SEK 15 M (10) for stability fund fees. Operating income rose a total of 8%, or SEK 16 M, to SEK 218 M (202).

Net commission declined to SEK –196 M (–161), attributable to higher compensation to the regional insurance companies.

Net gains from financial items declined to SEK 8 M (77). Due to the status of the market interest rates, customers to a lesser extent prematurely redeemed loans with longer terms of fixed interest than in the preceding year.

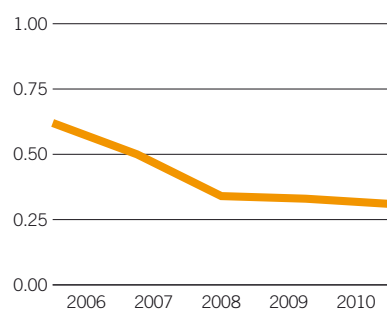
NET INTEREST INCOME



Expenses

Operating expenses increased 2% to SEK 67 M (66). The cost/income ratio rose to 0.31 (0.33) before loan losses and 0.30 (0.30) after loan losses.

COST/INCOME RATIO



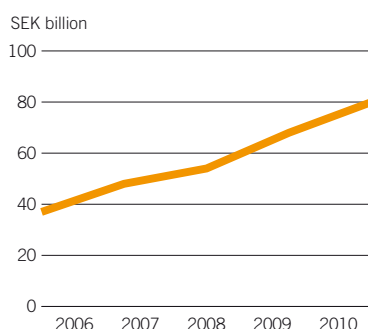
Loan losses

Recoveries exceeded loan losses, amounting to SEK 1 M (5) net, corresponding to loan losses of 0% (–0.01). The reserve amounted to SEK 42 M (42), or 0.05% (0.05) of loans. Impaired loans amounted to SEK 9 M (3), corresponding to a percentage of impaired loans of 0.01% (0). For more information regarding loan losses, reserves and impaired loans, refer to Notes 8 and 10.

Loans

Loans to the public rose 18%, or SEK 12 billion, to SEK 80 billion (68) and remained characterised by favourable credit quality. The market share for retail mortgage lending to households rose to 4.1% (3.8) on December 31, 2010 and the share of market growth during the year was 7%.

LOANS



Cover pool

Essentially all of Länsförsäkringar Hypotek's loans qualify for inclusion in the covered-bond operations, known as the cover pool, in accordance with the Swedish Covered Bonds Act (2003:1223). Lending only takes place in Sweden. The average loan-to-value ratio, LTV¹⁾ was 60% (59) and the average commitment per borrower SEK 837,000 (793,000) on December 31, 2010. Actual OC²⁾ amounted to 21.9% (18.4).

The quality of the loan portfolio remains high. The geographic distribution in Sweden is favourable and collateral comprises private homes, including single-family homes, tenant-owned apartments and, to a small extent, leisure homes.

| Cover pool | Dec 31, 2010 | Dec 31, 2009 |
|---|---------------|---------------|
| Volume, SEK billion | 77 | 65 |
| Collateral | Private homes | Private homes |
| Weighted average LTV ¹⁾ , % | 60 | 59 |
| Seasoning, months | 50 | 50 |
| Number of loans | 200,576 | 178,407 |
| Number of properties | 92,147 | 83,003 |
| Average commitment, SEK 000s | 837 | 793 |
| Average loan, SEK 000s | 382 | 366 |
| Interest-rate type, up to 12 months, % | 67 | 67 |
| Interest-rate type, more than 12 months, % | 33 | 33 |
| OC ²⁾ , actual level, % | 21.9 | 18.4 |
| Separate deposit account ³⁾ , SEK billion | 8.1 | 9.1 |
| Percentage of separate deposit account in cover pool, % | 8.2 | 11.9 |
| Substitute collateral, SEK billion | 15 | 2 |
| Impaired loans | None | None |

¹⁾ Calculated according to the "Maximum LTV (loan-to-value) per property" method.

²⁾ OC indicates the difference between the assets and liabilities 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.

³⁾ The separate deposit account comprises cash and cash equivalents pertaining to the covered-bond operations that are deposited with the Parent Company.

During a stress test of the cover pool based on a 20% price drop in the market value of the loan portfolio, the average LTV amounted to 68% compared with an actual weighted average LTV of 60% on December 31, 2010.

Borrowing

Debt securities in issue rose 46% or SEK 25 billion to 80 billion (55). During the year, covered bonds were issued in the nominal amount of SEK 44.0 billion (32.9), of which SEK 10.6 billion (0) was issued in the international market. Repurchased securities totalled a nominal SEK 8.0 billion (17.2) and matured securities amounted to a nominal SEK 10.5 billion (3.4) during the year.

Liquidity

Liquidity remains strong. On December 31, 2010, a total of SEK 8.1 billion (9.1) was deposited in the separate deposit account. Substitute collateral, which amounted to SEK 15 billion (2), comprises 80% (100) Swedish covered bonds with the highest rating and 20% (0) Swedish treasury bonds. The level of substitute collateral matches the refinancing requirement for all loans maturing in 2011.

BORROWING PROGRAMMES

| Programme | Limit, Nominal | Issued in Jan-Dec 2010 Nominal, SEK billion | Issued in Jan-Dec 2009 Nominal, SEK billion | Outstanding Dec 31, 2010 Nominal, SEK billion | Outstanding Dec 31, 2009 Nominal, SEK billion | Remaining average term, Dec 31, 2010 Years | Remaining average term, Dec 31, 2009 Years |
|-------------------------------|----------------|---|---|---|---|---|---|
| Benchmark | Unlimited | 25.8 | 21.5 | 53.7 | 35.5 | 2.8 | 2.8 |
| Medium Term Covered Note | SEK 30 billion | 7.6 | 11.4 | 13.8 | 13.6 | 1.1 | 1.1 |
| Euro Medium Term Covered Note | EUR 4 billion | 10.6 | – | 11.5 | 4.6 | 4.2 | 1.1 |
| Total | | 44.0 | 32.9 | 79.0 | 53.7 | 2.7 | 2.2 |

Borrowing by maturity

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|------------------|------|------|------|------|------|------|------|------|------|------|-------|
| Nominal, billion | 16.1 | 15.4 | 8.6 | 15.3 | 11.1 | 12.0 | – | 0.3 | – | 0.1 | 79.0 |

Rating

Länsförsäkringar's covered bonds were assigned the highest credit rating, AAA, by Standard & Poor's and the highest credit rating, Aaa, by Moody's. Länsförsäkringar Hypotek is one of four issuers in the Swedish market for covered bonds with the highest rating from both rating agencies.

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

Capital adequacy

Länsförsäkringar applies the Internal Ratings-based Approach (IRB Approach). The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The Standardised Approach is currently applied to other exposures to calculate the capital requirement for credit risk. The transition rules from Basel I to Basel II have been extended through 2011 and entail a capital requirement of 80%.

Tier 1 capital, net, amounted to SEK 3,547 M (2,836) and Tier 1 ratio according to Basel II totalled 19.7% (20.3) on December 31, 2010. The capital base amounted to SEK 4,003 M (3,374) and the capital adequacy ratio was 22.3% (24.2) in accordance with the Basel II rules. For more information on the calculation of capital adequacy, refer to Note 13.

Interest-rate risk

On December 31, 2010, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 54 M (26).

Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily credit risks and financial risks. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly satisfactory during the year.

A detailed description of risks is available in the 2009 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

Fourth quarter of 2010 compared with fourth quarter of 2009

Profit before loan losses rose to SEK 36 M (29) and operating profit increased to SEK 35 M (30), due to increased net interest income. Net interest income rose 113%, or SEK 62 M, to SEK 118 M (56), which was attributable to an improved market interest-rate scenario and pricing that is adapted to the longer terms in the borrowing market. Net gains from financial items declined to SEK 0 M (19). Return on equity was 3.0% (3.1) and the investment margin improved to 0.45% (0.27). Operating income rose a total of 16%, or SEK 7 M, to SEK 55 M (48). Net commission fell to SEK –63 M (–27) attributable to higher compensation to the regional insurance companies. Expenses remained unchanged at SEK 19 M (19) and the cost/income ratio amounted to 0.34 (0.39) before loan

losses and 0.36 (0.38) after loan losses.

Loan losses amounted to SEK 1 M (–1) net.

Events after the close of the year

It was announced in January that Mats Ericsson, Chairman of the Board in Länsförsäkringar Hypotek and President in Länsförsäkringar Bank, will leave on March 1, 2011, and become the President of Länsförsäkringar Fastighetsförmedling, Länsförsäkringar's Real Estate Agency. The President Anders Borgcrantz will take office as President in Länsförsäkringar Bank until the appointed new President Rikard Josefson assumes his new role no later than after the Summer 2011. Anders Borgcrantz will be appointed New Chairman of the Board. Göran Lauren, Representative for the President and CFO, will take office as President from March 1, 2011.

Income statement

| SEK M | Note | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|----------------------------------|------|--------------|--------------|---------------|-----------------|-----------------|--------------|
| Interest income | 3 | 1,230.8 | 782.4 | | 4,018.9 | 3,641.8 | |
| Interest expense | 4 | -1,112.7 | -726.9 | | -3,613.1 | -3,356.4 | |
| Net interest income | | 118.1 | 55.5 | 112.8% | 405.8 | 285.4 | 42.2% |
| Commission income | 5 | 0.5 | 0.5 | | 1.9 | 2.0 | |
| Commission expense | 6 | -63.1 | -27.9 | | -198.1 | -162.8 | |
| Net gains from financial items | 7 | -0.2 | 19.3 | | 8.0 | 76.8 | |
| Other operating income | | 0 | 0.1 | | 0 | 0.1 | |
| Total operating income | | 55.3 | 47.5 | 16.4% | 217.6 | 201.5 | 8.0% |
| Staff costs | | -2.0 | -3.3 | | -10.4 | -10.7 | |
| Other administration expenses | | -16.8 | -15.3 | | -57.0 | -55.4 | |
| Total operating expenses | | -18.8 | -18.6 | 1.2% | -67.4 | -66.1 | 2.1% |
| Profit before loan losses | | 36.5 | 28.9 | 26.3% | 150.2 | 135.4 | 10.9% |
| Loan losses, net | 8 | -1.4 | 0.6 | | 1.3 | 5.4 | |
| Operating profit | | 35.1 | 29.5 | 19.2% | 151.5 | 140.8 | 7.6% |
| Tax | | -16.1 | -11.6 | | -46.7 | -40.9 | |
| Profit for the period | | 19.0 | 17.9 | 6.2% | 104.8 | 99.9 | 4.9% |

Statement of comprehensive income

| SEK M | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|---|--------------|-------------|---------------|-----------------|-----------------|--------------|
| Profit for the period | 19.0 | 17.9 | 6.2% | 104.8 | 99.9 | 4.9% |
| Other comprehensive income | | | | | | |
| <i>Available-for-sale-financial assets</i> | | | | | | |
| Fair value change | -22.4 | -7.8 | | 25.9 | 14.3 | |
| Tax | 5.9 | 2.0 | | -6.8 | -3.8 | |
| Total other comprehensive income for the period, net after tax | -16.5 | -5.8 | 186.3% | 19.1 | 10.5 | 81.3% |
| Total comprehensive income for the period | 2.5 | 12.1 | -79.5% | 123.9 | 110.4 | 12.2% |

Balance sheet

| SEK M | Note | Dec 31, 2010 | Dec 31, 2009 |
|--|------|------------------|-----------------|
| Assets | | | |
| Treasury bills and other eligible bills | | 2,820.7 | – |
| Loans to credit institutions | 9 | 8,155.8 | 9,389.0 |
| Loans to the public | 10 | 79,666.7 | 67,535.9 |
| Bonds and other interest-bearing securities | | 12,483.3 | 2,056.7 |
| Derivatives | 11 | 995.9 | 1 416.8 |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge | | 126.4 | 706.6 |
| Other assets | | 1.0 | 0.1 |
| Prepaid expenses and accrued income | | 1 419.7 | 644.9 |
| Total assets | | 105,669.5 | 81,750.0 |
| Liabilities and equity | | | |
| Due to credit institutions | 9 | 17,844.4 | 20,476.2 |
| Debt securities in issue | | 79,695.4 | 54,679.5 |
| Derivatives | 11 | 1,864.8 | 842.8 |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge | | –378.9 | 754.0 |
| Deferred tax liabilities | | 10.5 | 3.7 |
| Other liabilities | | 146.3 | 127.6 |
| Accrued expenses and deferred income | | 2,363.5 | 1,406.6 |
| Provisions | | 0.2 | 0.2 |
| Subordinated liabilities | | 501.0 | 575.0 |
| Total liabilities | | 102,047.2 | 78,865.6 |
| Equity | | | |
| Share capital, 70,335 shares | | 70.3 | 70.3 |
| Statutory reserve | | 14.1 | 14.1 |
| Fair value reserve | | 29.6 | 10.5 |
| Retained earnings | | 3,403.5 | 2,689.6 |
| Profit for the year | | 104.8 | 99.9 |
| Total equity | | 3,622.3 | 2,884.4 |
| Total liabilities and equity | | 105,669.5 | 81,750.0 |
| Memorandum items | | | |
| | 12 | | |
| For own liabilities, pledged assets | | 79,628.9 | 75,188.5 |
| Other pledged assets | | None | None |
| Contingent liabilities | | 0.7 | 0.7 |
| Other commitments | | 3,226.3 | 3,064.8 |
| Other notes | | | |
| Accounting policies | 1 | | |
| Segment reporting | 2 | | |
| Capital-adequacy analysis | 13 | | |
| Disclosures on related parties | 14 | | |

Cash-flow statement in summary, indirect method

| SEK M | Jan-Dec 2010 | Jan-Dec 2009 |
|---|---------------|--------------|
| Cash and cash equivalents, January 1 | 160.6 | 0.3 |
| Cash flow from operating activities | -653.0 | -160.4 |
| Cash flow from financing activities | 515.3 | 320.7 |
| Cash flow for the year | -137.7 | 160.3 |
| Cash and cash equivalents, December 31 | 22.9 | 160.6 |

Cash and cash equivalents at the end of the period are defined as loans and liabilities due to credit institutions that are payable on demand.

Changes to the cash flow from operating activities are largely attributable to debt securities in issue 26,131.2 (12,772.7), bonds and interest-bearing securities -10,541.7 (-2,037.6) and loans to the public -12,131.5 (-13,942.3).

Changes in the cash flow from financing activities are attributable to shareholders' contribution received 745.0 (537.6) and Group contribution paid -155.6 (-129.3).

Statement of changes in shareholders' equity

| SEK M | Share capital | Statutory reserve | Fair value reserve | Retained earnings | Profit for the year | Total |
|---|---------------|-------------------|--------------------|-------------------|---------------------|----------------|
| Opening balance, January 1, 2009 | 70.3 | 14.1 | - | 2,173.9 | 92.8 | 2,351.1 |
| Profit for the year | | | | | 99.9 | 99.9 |
| Other comprehensive income for the year | | | 10.5 | | | 10.5 |
| <i>Comprehensive income for the year</i> | | | <i>10.5</i> | | <i>99.9</i> | <i>110.4</i> |
| Resolution by Annual General Meeting | | | | 92.8 | -92.8 | - |
| Group contribution paid | | | | -155.6 | | -155.6 |
| Tax on Group contribution paid | | | | 40.9 | | 40.9 |
| Conditional shareholders' contribution received | | | | 537.6 | | 537.6 |
| Closing balance, December 31, 2009 | 70.3 | 14.1 | 10.5 | 2,689.6 | 99.9 | 2,884.4 |
| Opening balance, January 1, 2010 | 70.3 | 14.1 | 10.5 | 2,689.6 | 99.9 | 2,884.4 |
| Profit for the year | | | | | 104.8 | 104.8 |
| Other comprehensive income for the year | | | 19.1 | | | 19.1 |
| <i>Comprehensive income for the year</i> | | | <i>19.1</i> | | <i>104.8</i> | <i>123.9</i> |
| Resolution by Annual General Meeting | | | | 99.9 | -99.9 | - |
| Group contribution paid | | | | -177.8 | | -177.8 |
| Tax on Group contribution paid | | | | 46.8 | | 46.8 |
| Conditional shareholders' contribution received | | | | 745.0 | | 745.0 |
| Closing balance, December 31, 2010 | 70.3 | 14.1 | 29.6 | 3,403.5 | 104.8 | 3,622.3 |

Notes

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Hypotek prepares its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528), the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued by the Swedish Financial Reporting Board pertaining to listed companies. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, shall apply all IFRS adopted by EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS.

This year-end report was prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies applied in the year-end report comply with the accounting policies and basis of calculation applied in the preparation of the 2010 Annual Report.

NOTE 2 SEGMENT REPORTING

The business of the company represents one operating segment and reporting to the chief operating decision maker thus agrees with the year's income statement and balance sheet.

NOTE 3 INTEREST INCOME

| SEK M | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|--|----------------|--------------|--------------|-----------------|-----------------|--------------|
| Loans to credit institutions | 33.9 | 9.6 | | 108.2 | 74.1 | |
| Loans to the public | 559.4 | 436.8 | | 1,910.4 | 1,974.8 | |
| Interest-bearing securities | 108.6 | 18.0 | | 389.5 | 33.7 | |
| <i>Derivatives</i> | | | | | | |
| Hedge accounting | 528.9 | 316.3 | | 1,610.7 | 1,520.2 | |
| Non-hedge accounting | – | 1.7 | | 0.1 | 39.0 | |
| Total interest expense | 1,230.8 | 782.4 | 57.3% | 4,018.9 | 3,641.8 | 10.4% |
| of which interest income on impaired loans | 0.2 | 3.2 | | 0.7 | 3.9 | |
| of which interest income from financial items not measured at fair value | 593.3 | 446.4 | | 2,018.6 | 2,048.9 | |
| Average interest rate on loans to the public during the period, % | 2.9 | 2.7 | | 2.6 | 3.3 | |

NOTE 4 INTEREST EXPENSE

| SEK M | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|---|-----------------|---------------|--------------|-----------------|-----------------|-------------|
| Due to credit institutions | -53.7 | -20.8 | | -133.7 | -180.9 | |
| Interest-bearing securities | -593.1 | -400.1 | | -2,137.2 | -1,625.1 | |
| Subordinated liabilities | -4.5 | -4.6 | | -16.2 | -21.5 | |
| <i>Derivatives</i> | | | | | | |
| Hedge accounting | -461.8 | -297.7 | | -1,310.4 | -1,480.6 | |
| Non-hedge accounting | – | -1.4 | | -0.2 | -38.1 | |
| Other interest expense | 0.4 | -2.3 | | -15.4 | -10.2 | |
| Total interest expense | -1,112.7 | -726.9 | 53.1% | -3,613.1 | -3,356.4 | 7.6% |
| of which interest expense from financial items not measured at fair value | -650.9 | -427.8 | | -2,302.6 | -1,837.7 | |

NOTE 5 COMMISSION INCOME

| SEK M | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|--|------------|------------|--------------|-----------------|-----------------|--------------|
| Lending | 0.5 | 0.5 | | 1.9 | 2.0 | |
| Total commission income | 0.5 | 0.5 | -8.2% | 1.9 | 2.0 | -4.1% |
| of which commission income from financial items not measured at fair value | 0.5 | 0.5 | | 1.9 | 2.0 | |

NOTE 6 COMMISSION EXPENSE

| SEK M | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|---|--------------|--------------|---------------|-----------------|-----------------|--------------|
| Remuneration to regional insurance companies | -62.8 | -27.7 | | -196.2 | -161.3 | |
| Other commission | -0.3 | -0.2 | | -1.9 | -1.5 | |
| Total commission expense | -63.1 | -27.9 | 126.4% | -198.1 | -162.8 | 21.7% |
| of which commission expense from financial items not measured at fair value | -62.8 | -27.7 | | -196.2 | -161.3 | |

NOTE 7 NET GAINS FROM FINANCIAL ITEMS

| SEK M | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|---|-------------|-------------|----------------|-----------------|-----------------|---------------|
| Change in fair value | | | | | | |
| Interest-related instruments | -353.5 | 153.5 | | -340.6 | 103.1 | |
| Currency-related instruments | -200.0 | -4.0 | | -447.1 | -5.3 | |
| Change in fair value of hedged items | 545.7 | -148.8 | | 752.7 | -94.8 | |
| Capital gain/loss | | | | | | |
| Interest-related instruments | - | 0.7 | | 0.1 | -4.1 | |
| Interest compensation | 7.6 | 17.9 | | 42.9 | 77.9 | |
| Total net gains from financial items | -0.2 | 19.3 | -100.9% | 8.0 | 76.8 | -89.6% |

NOTE 8 LOAN LOSSES, NET

| SEK M | Q4 2010 | Q4 2009 | Change | Jan-Dec 2010 | Jan-Dec 2009 | Change |
|---|-------------|------------|----------------|-----------------|-----------------|---------------|
| Specific reserve for individually assessed loan receivables | | | | | | |
| Write-off of confirmed loan losses during the period | -1.1 | -0.6 | | -2.4 | -2.6 | |
| Reversed earlier impairment of loan losses recognised as confirmed losses | 0.7 | 0.2 | | 0.9 | 0.2 | |
| Impairment of loan losses during the period | -1.5 | -1.3 | | -4.6 | -2.5 | |
| Payment received for prior confirmed loan losses | 1.0 | 1.2 | | 4.4 | 5.1 | |
| Reversed impairment of loan losses no longer required | 0.2 | 0.6 | | 1.2 | 1.6 | |
| Net income/expense for the period for individually assessed loan receivables | -0.7 | 0.1 | | -0.5 | 1.8 | |
| Collective reserves for individually assessed receivables | - | - | | - | - | |
| Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk | | | | | | |
| Provision/reversal of impairment of loan losses | -0.7 | 0.5 | | 1.8 | 3.6 | |
| Net income/expense for the period for collectively assessed homogenous loan receivables | -0.7 | 0.5 | | 1.8 | 3.6 | |
| Net income/expense of loan losses for the period | -1.4 | 0.6 | -336.7% | 1.3 | 5.4 | -75.5% |

All information pertains to receivables from the public.

NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS

Loans to credit institutions include investments of SEK 8,133.0 M (9,228.4) in the Parent Company. Due to credit institutions include borrowing of SEK 14,765.4 M (19,957.0) from the Parent Company.

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

NOTE 10 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

| SEK M | Dec 31, 2010 | Dec 31, 2009 |
|---|-----------------|-----------------|
| Loan receivables, gross | | |
| Corporate sector | 1 490.0 | 936.7 |
| Retail sector | 78,218.9 | 66,640.8 |
| Total loan receivables, gross | 79,708.9 | 67,577.5 |
| Impairment of individually assessed loan receivables | | |
| Retail sector | -3.4 | -1.0 |
| Total individual reserves | -3.4 | -1.0 |
| Impairment of collectively reserved loan receivables | | |
| Corporate sector | -1.0 | -0.7 |
| Retail sector | -37.8 | -39.9 |
| Total collective reserves | -38.8 | -40.6 |
| Total reserves | -42.2 | -41.6 |
| Loan receivables, net | | |
| Corporate sector | 1,489.0 | 936.0 |
| Retail sector | 78,177.7 | 66,599.9 |
| Total loans to the public, net | 79,666.7 | 67,535.9 |
| Impaired loans | | |
| Retail sector | 9.3 | 3.4 |
| Total impaired loans | 9.3 | 3.4 |

Definitions:

A loan receivable is considered impaired if a payment is more than 60 days past due or if there are other reasons to expect that the counterparty cannot meet its undertaking.

NOTE 11 DERIVATIVES

| SEK M | Dec 31, 2010 | | Dec 31, 2009 | |
|---|-----------------|----------------|-----------------|----------------|
| | Nominal value | Fair value | Nominal value | Fair value |
| Derivatives with positive values | | | | |
| <i>Derivatives in hedge accounting</i> | | | | |
| Interest | 44,117.0 | 609.7 | 37,814.5 | 814.6 |
| Currency | 1,777.7 | 401.3 | 1,394.4 | 332.4 |
| Collateral received, CSA | - | -17.0 | - | -157.8 |
| <i>Other derivatives</i> | | | | |
| Interest | 13,500.0 | 1.9 | - | - |
| Currency | - | - | 3,267.6 | 427.6 |
| Total derivatives with positive values | 59,394.7 | 995.9 | 42,476.5 | 1,416.8 |
| Derivatives with negative values | | | | |
| <i>Derivatives in hedge accounting</i> | | | | |
| Interest | 53,706.0 | 1,037.1 | 22,500.0 | 831.9 |
| Currency | 10,577.1 | 827.7 | - | - |
| <i>Other derivatives</i> | | | | |
| Currency | - | - | 91.7 | 10.9 |
| Total derivatives with negative values | 64,283.1 | 1,864.8 | 22,591.7 | 842.8 |

NOTE 12 MEMORANDUM ITEMS

| SEK M | Dec 31, 2010 | Dec 31, 2009 |
|--|-----------------|-----------------|
| For own liabilities, pledged assets | | |
| Collateral paid due to repurchase agreements | 2,975.2 | 10,076.9 |
| Loan receivables, covered bonds | 76,653.7 | 65,111.6 |
| Total for own liabilities, pledged assets | 79,628.9 | 75,188.5 |
| Other pledged assets | None | None |
| Contingent liabilities | | |
| Early retirement at age 62 in accordance with pension agreement, 80% | 0.7 | 0.7 |
| Commitments | | |
| Loans approved but not disbursed | 3,226.3 | 3,064.8 |

NOTE 13 CAPITAL-ADEQUACY ANALYSIS

| SEK M | Dec 31, 2010 | Dec 31, 2009 |
|---|-----------------|-----------------|
| Capital base | | |
| Tier 1 capital, gross | 3,592.6 | 2,873.9 |
| Less IRB deficit | -45.2 | -37.4 |
| Tier 1 capital, net | 3,547.4 | 2,836.5 |
| Tier 2 capital | 501.0 | 575.0 |
| Deductions for Tier 2 capital | -45.2 | -37.4 |
| Total capital base | 4,003.3 | 3,374.1 |
| Risk-weighted assets according to Basel II | 17,973.4 | 13,963.0 |
| Risk-weighted assets according to transition rules | 38,431.9 | 31,599.2 |
| Capital requirement | | |
| Capital requirement for credit risk according to Standardised Approach | 370.9 | 145.4 |
| Capital requirement for credit risk according to IRB Approach | 1,046.8 | 955.8 |
| Capital requirement for operational risk | 20.2 | 15.8 |
| Capital requirement according to Basel II | 1,437.9 | 1,117.0 |
| Adjustment according to transition rules | 1,636.7 | 1,410.9 |
| Total capital requirement | 3,074.6 | 2,527.9 |
| Capital adequacy | | |
| Tier 1 ratio according to Basel II, % | 19.74 | 20.31 |
| Capital-adequacy ratio according to Basel II, % | 22.27 | 24.16 |
| Capital ratio according to Basel II* | 2.78 | 3.02 |
| Tier 1 ratio according to transition rules, % | 9.23 | 8.98 |
| Capital-adequacy ratio according to transition rules, % | 10.42 | 10.68 |
| Capital ratio according to transition rules* | 1.30 | 1.33 |
| Special disclosures | | |
| IRB Provisions surplus (+) / deficit (-) | -90.4 | -74.8 |
| IRB Total provisions (+) | 40.1 | 39.1 |
| IRB Anticipated loss (-) | -130.5 | -113.9 |
| Capital requirement | | |
| Credit risk according to Standardised Approach | | |
| Exposures to institutions | 50.2 | 28.5 |
| Exposures to corporates | 1.6 | 12.5 |
| Retail exposures | 123.5 | - |
| Exposures secured on residential property | 91.5 | 85.3 |
| Past due items | 0.3 | 0.6 |
| Covered bonds | 102.4 | 16.9 |
| Other items | 1.4 | 1.6 |
| Total capital requirement for credit risk according to Standardised Approach | 370.9 | 145.4 |

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

| SEK M | Dec 31, 2010 | Dec 31, 2009 |
|--|----------------|--------------|
| Credit risk according to IRB Approach | | |
| Retail exposures | | |
| Exposures secured by real estate collateral | 971.0 | 953.4 |
| Other retail exposures | 1.7 | 2.4 |
| Total retail exposures | 972.7 | 955.8 |
| Exposures to corporates | 74.2 | – |
| Total capital requirement for credit risk according to IRB Approach | 1,046.8 | 955.8 |
| Operational risk | | |
| Standardised Approach | 20.2 | 15.8 |
| Total capital requirement for operational risk | 20.2 | 15.8 |

Capital-adequacy analysis according to Basel I

| | | |
|-------------------------------------|----------------|----------------|
| Tier 1 capital | 3,592.6 | 2,873.9 |
| Tier 2 capital | 501.0 | 575.0 |
| Total capital base | 4,093.6 | 3,448.9 |
| Risk-weighted assets | 49,452.1 | 40,667.2 |
| Capital requirement for credit risk | 3,956.2 | 3,253.4 |
| Tier 1 ratio, % | 7.26 | 7.07 |
| Capital-adequacy ratio, % | 8.28 | 8.48 |
| Capital ratio* | 1.03 | 1.06 |

*Capital ratio = total capital base / total capital requirement

In addition to the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878), 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 14 DISCLOSURES ON RELATED PARTIES

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, the 24 regional insurance companies with subsidiaries, as well as the local insurance companies that hold shares in Länsförsäkringar AB.

Normal business transactions between the related parties took place during 2010. Since December 31, 2009, no significant changes have occurred in the company's agreements with these related legal entities. Compensation to the regional insurance companies in accordance with prevailing outsourcing agreements is presented in Note 6 Commission expense.

Related key persons are Board members, senior executives and close family members to these individuals. Since December 31, 2009, no significant changes have occurred in the company's agreements with these persons.

This year-end report is a translation of the year-end report that has been reviewed by the company's auditors.

The Board of Directors and President assure that the year-end report provides a true and fair view of the development of the company's operations, position and profits, and describes the significant risks and uncertainties facing the company.

Stockholm, February 17, 2011

| | | |
|------------------------------|---------------------|---------------------|
| Mats Ericsson | Bengt Clemetson | Bengt Jerning |
| <i>Chairman of the Board</i> | <i>Board member</i> | <i>Board member</i> |

| | |
|---------------------|-------------------|
| Christer Malm | Anders Borgcrantz |
| <i>Board member</i> | <i>President</i> |

Auditor's report on the review of the financial year-end information

Introduction

I have conducted a review of the financial interim information of the year-end report for Länsförsäkringar Hypotek AB (publ), Corporate Registration Number 556244-1781, at December 31, 2010 and for the twelve-month period that ended on that date. The Board of Directors and the President are responsible for preparing and presenting this year-end report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express an opinion on this year-end report based on my review.

Focus and scope of the review

I conducted my review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and substantially more limited scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable me to obtain a level of assurance that would make me aware of all significant matters that might be identified in an audit. Therefore, a conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the year-end report has not, in all material aspects, been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, February 18, 2011

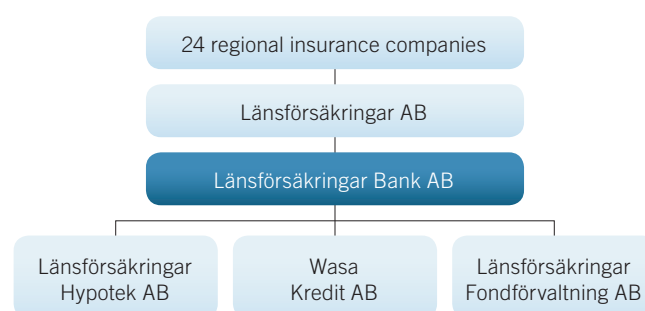
Johan Bäckström
Authorised Public Accountant

Financial calendar

Interim report, January–March 2011..... **April 29, 2011**

Interim report, January–June 2011..... **August 26, 2011**

This report contains such information that Länsförsäkringar Hypotek AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on February 21, 2011 at 11:00 a.m. Swedish time.



The Länsförsäkringar Alliance comprises 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is based on a strong belief in local presence and customer contacts are made at the regional insurance companies. The regional insurance companies offer a wide range of insurance, banking services and other financial solutions for private individuals, corporate customers and agricultural customers. The number of customers amounts to 3.4 million and the Länsförsäkringar Alliance has a joint total of 5,800 employees.

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