

# Länsförsäkringar Bank

## January–June 2010

INTERIM REPORT

### The period in brief

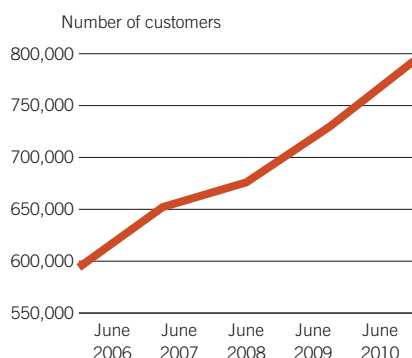
- Operating profit rose 10% to SEK 146 M (133).
- Operating income increased 5% to SEK 663 M (633).
- Net interest income rose 5% to SEK 614 M (583).
- Operating expenses were up 3% to SEK 486 M (471).
- Second-quarter net interest income increased 13% to SEK 324 M (287) and operating expenses declined 1% to SEK 251 M (254).
- Business volumes increased 17% to SEK 214 billion (184).
- Loan losses remained low amounting to SEK 31 M (28), net, corresponding to a net loan loss level of 0.06% (0.06).
- The Tier 1 ratio according to Basel II was 11.6% (12.4) and the capital adequacy ratio was 13.4% (15.0).
- The number of customers rose 9% to 793,000 (730,000) and the number of bank cards increased 22% to 247,000 (202,000).
- 89% (85) of household financing customers are also customers of Länsförsäkringar's non-life insurance and/or life assurance operations.

Figures in parentheses pertain to the same period in 2009.

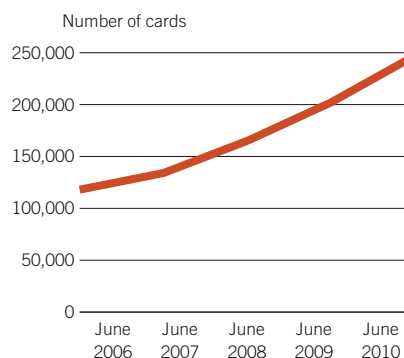
#### Mats Ericsson, President, Länsförsäkringar Bank AB:

Operating profit for the second quarter was the bank's best to date and was attributable to strong net interest income. Increased business volumes and growing market shares reinforced the position as the fifth largest retail bank and fifth largest agricultural bank. Länsförsäkringar also has Sweden's most satisfied bank customers in the retail market. Our offering is strong and the number of customers, the number of bank products per customer and the number of insurance customers who also become bank customers are continuously growing. Credit quality remained favourable with a low percentage of impaired loans and a low level of net loan losses. The liquidity and financing situation was favourable. Länsförsäkringar is well poised ahead of the forthcoming regulatory changes for banks.

#### CUSTOMER TREND



#### BANK CARD TREND



## Key figures

Group	Q 2 2010	Q 2 2009	Jan-June 2010	Jan-June 2009	Full-year 2009
Return on shareholders' equity, %	4.6	4.3	4.4	4.4	4.1
Return on total capital, %	0.21	0.22	0.20	0.24	0.22
Investment margin, %	0.87	0.99	0.85	1.04	0.96
Cost/income ratio before net loan losses	0.73	0.77	0.73	0.74	0.76
Cost/income ratio after net loan losses	0.77	0.80	0.78	0.79	0.80
Tier 1 ratio according to Basel II, %	11.6	12.4	11.6	12.4	12.5
Capital adequacy ratio according to Basel II, %	13.4	15.0	13.4	15.0	14.8
Percentage of impaired loans, %	0.27	0.26	0.27	0.26	0.21
Provision ratio in relation to loans	0.31	0.36	0.31	0.36	0.30
Net loan losses, %	0.05	0.04	0.06	0.06	0.05

## Quarterly development, Group

SEK M	Q 2 2010	Q 1 2010	Q 4 2009	Q 3 2009	Q 2 2009
Net interest income	324.1	290.3	291.1	274.2	286.8
Net profit/loss from financial transactions	-3.6	3.6	20.0	20.2	26.0
Net commission	-24.9	-10.7	1.9	-14.0	-22.8
Other operating income	46.9	37.4	36.3	38.1	39.0
<b>Total operating income</b>	<b>342.5</b>	<b>320.7</b>	<b>349.3</b>	<b>318.5</b>	<b>329.1</b>
Staff costs	-83.5	-77.9	-80.9	-72.8	-81.4
Other expenses	-167.4	-156.8	-201.0	-166.5	-172.9
<b>Total operating expenses</b>	<b>-250.9</b>	<b>-234.7</b>	<b>-281.9</b>	<b>-239.3</b>	<b>-254.4</b>
<b>Profit before loan losses</b>	<b>91.6</b>	<b>86.0</b>	<b>67.4</b>	<b>79.2</b>	<b>74.7</b>
Net loan losses	-13.3	-18.2	-5.2	-16.9	-9.9
<b>Operating profit</b>	<b>78.3</b>	<b>67.8</b>	<b>62.2</b>	<b>62.3</b>	<b>64.9</b>

## Market commentary

The Swedish economy continued to strengthen during the second quarter, while uncertainty prevailed in many parts of Europe where government-debt crises and fiscal austerity measures impeded economic development. Activity in the bank and mortgage bond market remained considerable despite the prevailing international uncertainty.

Swedish retail mortgage lending continued to grow, albeit at a slower pace from January-June 2010 compared with last year and Länsförsäkringar strengthened the position in the retail mortgage market. Prices for single-family homes rose 2% compared with the preceding quarter and the metropolitan regions of Stockholm and Gothenburg continued to experience a strong trend. Länsförsäkringar Bank's loan portfolio, which is exclusively available in Sweden, had a robust geographic spread. Deposits from retail customers increased in the Swedish market and Länsförsäkringar's position is stable and growing.

### January-June 2010 compared with January-June 2009

Growth and customer trend  
Business volumes continued to increase, by 17%, or SEK 30 billion, to SEK 214 billion (184) and the number of customers rose by 9%, or 63,000, to 793,000 (730,000). The number of household financing customers increased 22%, or 37,000, to 209,000 (172,000) and the number of products per customer also increased. The influx of new customers with a close association to Länsförsäkringar is strong. A total of 89% (85) of household financing customers are also customers of Länsförsäkringar's non-life insurance and/or life assurance operations. The number of cards increased 22%, or 45,000, to 247,000 (202,000).

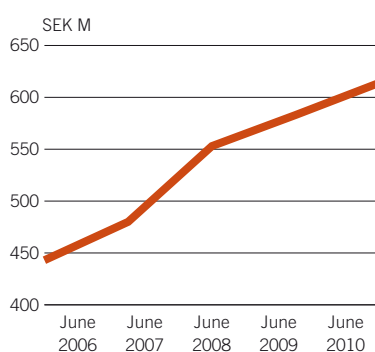
### Earnings and profitability

Profit before loan losses rose 10% to SEK 178 M (162) and operating profit 10% to SEK 146 M (133), which was primarily the result of strengthened net interest income. The return on shareholders' equity was 4.4% (4.4).

## Income

Operating income increased a total of 5% to SEK 663 M (633), which was primarily attributable to strengthened net interest income and higher commission income as a result of a larger volume of managed funds. Net interest income rose 5% to SEK 614 M (583), which was mainly the result of larger business volumes, improved margins and a higher return on the liquidity portfolio. The comparable period in the preceding year was impacted highly favourably by declining market interest rates, which resulted in lower margins and a weaker return on shareholders' equity. The investment margin for the period was 0.85% (1.04). Net interest income was charged with SEK 14 M (0) for fees to the stability fund and SEK 10 M (6) for mandatory government deposit insurance. Net commission improved to an expense of SEK 36 M (expense: 84) due to larger volume of managed funds. The net results of financial transactions declined to SEK 0 M (profit: 60). The interest rate scenario in the year-earlier period led customers to prematurely redeem loans with longer periods of fixed interest.

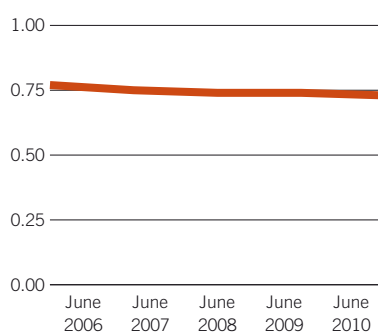
### NET INTEREST INCOME



## Expenses

Operating expenses increased 3%, or SEK 15 M, to SEK 486 M (471). The increase was primarily attributable to higher depreciation in the Parent Company and increased administrative costs due to a rise in the volume of managed funds. The cost/income ratio was 0.73 (0.74) before net loan losses and 0.78 (0.79) after net loan losses.

### COST/INCOME RATIO



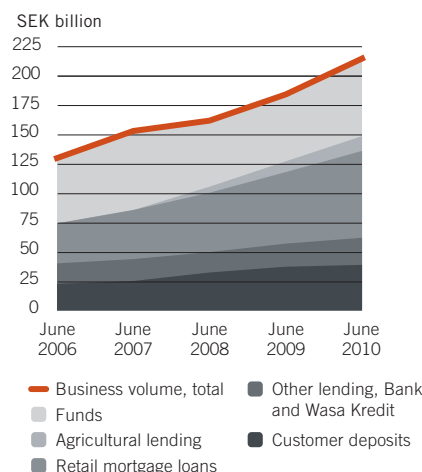
## Loan losses

Loan losses remained low amounting to SEK 31 M (28), net, corresponding to a net loan loss level of 0.06% (0.06). The reserve amounted to SEK 343 M (345), or 0.31% (0.36) of loans, and impaired loans totalled SEK 300 M (254), corresponding to a share of impaired loans of 0.27% (0.26). Loan losses and impaired loans primarily pertain to the subsidiary Wasa Kredit. For more information regarding net loan losses, provisions and impaired loans, refer to Notes 8 and 9.

## Business volumes

Business volumes continued to increase, by 17%, or SEK 30 billion, to SEK 214 billion (184). Loans to the public rose 22%, or SEK 19 billion, to SEK 109 billion (90). Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek increased 21%, or SEK 13 billion, to SEK 74 billion (61). All lending exposure occurred in Sweden and was in Swedish kronor. Deposits from the public rose 4%, or SEK 2 billion, to SEK 39 billion (37). The volume of managed funds increased 16%, or SEK 9 billion, to SEK 66 billion (57).

### BUSINESS VOLUMES



## Loans

Loans to the public rose 22%, or SEK 19 billion, to SEK 109 billion (90) and compared with year-end the increase was 10%, or SEK 10 billion. Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek increased 21%, or SEK 13 billion, to SEK 74 billion (61). On June 30, 2010, the market share for household and mortgage lending in the Swedish market amounted to 4.2% (3.7) according to Statistics Sweden. First-lien mortgage for agricultural and forestry properties rose 57% to SEK 9.4 billion (6.0) and agricultural lending increased 37% to SEK 12.5 billion (9.2).

The loan portfolio, totalling SEK 109 billion (90), had a strong geographic distribution and maintained a high level of quality. A total of 83% (84) of the portfolio comprises household credits, most of which, 75% (76), pertains to retail mortgage lending. Retail mortgage lending secured by collateral in single-family homes accounted for 81% (82) and tenant-owned apartments for 19% (18). Agricultural lending accounted for 11% (10) of the loan portfolio and the average commitment was low. First-lien mortgages, mainly to family-owned agricultural properties, accounted for 75% (65) of agricultural lending.

## Deposits

Deposits from the public rose 4%, or SEK 2 billion, to SEK 39 billion (37), with the increase primarily attributable to private and savings accounts. Compared with year-end, the increase was 3%, or SEK 1 billion. On June 30, 2010, the market share for household deposits in the Swedish market was 3.5% (3.4), and the share of market growth was strong according to Statistics Sweden.

## Borrowing

Debt securities in issue rose 40%, or SEK 23 billion, to SEK 81 billion (58), of which covered bonds accounted for SEK 72 billion (52), and compared with year-end, the increase was 31%, or SEK 19 billion. The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. In the period January-June, securities in issue amounted to a nominal SEK 29.7 billion (24.8). Repurcha-

sed securities amounted to a nominal SEK 5.4 billion (12.8) and past due securities totalled a nominal SEK 6.9 billion (3.1)

Financing is also conducted through Länsförsäkringar Bank's programme. During the period, SEK 4.0 billion (0) was issued under the MTN programme and SEK 7.1 billion (5.4) under the DCP programme.

#### Liquidity

The liquidity portfolio totalled a nominal SEK 30.3 billion (26.1) on June 30, 2010. All liquidity is invested in Swedish securities with very high credit quality. A total of 8% of the liquidity portfolio comprises securities with the government as the counterparty, 85% covered bonds with the highest credit rating and 7% mortgage certificates, commercial papers and housing bonds. The liquidity of the investments is very high.

As a result of the global economic situation in recent years, the liquidity portfolio has been maintained at an elevated level, which will be adapted to a favourable level in relation to the current situation.

#### Rating

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. The credit ratings are unchanged, with a stable outlook from both Standard & Poor's and Moody's.

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

Due to a previously announced new rating method from Standard & Poor's, Länsförsäkringar Hypotek's covered-bond programme and those of essentially all international and Swedish issuers of covered-bonds were added to a watch list and given negative outlooks.

#### Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The aim is to achieve enhanced transparency and valuation of risks to determine appropriate capital. The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The basic IRB Approach is used for agricultural exposures. The Standardised Approach is applied to other exposures to calculate the capital requirement for credit risk. Changes in the capital requirement will emerge gradually through transition rules. According to the transition rules, the capital requirement was reduced to 80% of the Basel I rules through 2011, pursuant to the Swedish Financial Supervisory Authority's general guidelines for the continued application of transition rules for capital base requirements.

Capital base amounted to SEK 5,736 M (5,205) and the capital adequacy ratio according to Basel II was 13.4% (15.0). Tier 1 capital amounted to SEK 4,959 M (4,304) and Tier 1 ratio according to Basel II totalled 11.6% (12.4). The target level for Tier 1 ratio is 12 percentage points, +/- 0.5 percentage points, when Basel II is fully implemented. During the period, the bank received a conditional shareholders' contribution of SEK 400 M. The investment portfolio comprises some current investments, which temporarily had an impact the capital adequacy ratio on June 30, 2010. For more information on the calculation of capital adequacy, refer to Note 12.

#### Interest-rate risk

On June 30, 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 42 M (neg: 44).

#### Risks and uncertainties

The Bank Group and the Parent Company are 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 second quarter of 2010. 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.

Programme	Limit, Nominal	Issued in Jan-June 2010, Nominal, SEK billion	Issued in Jan-June 2009, Nominal, SEK billion	Outstanding June 30, 2010, Nominal, SEK billion	Outstanding June 30, 2009 Nominal, SEK billion	Remaining term, June 30, 2010 Years	Remaining term, June 30, 2009 Years
<b>Länsförsäkringar Hypotek</b>							
Benchmark	Unlimited	13.8	17.6	44.1	33.3	2.9	3.3
Medium Term Covered Note	SEK 30 billion	5.3	7.2	15.0	12.1	1.1	1.2
Euro Medium Term Covered Note	EUR 4 billion	10.6	-	12.0	4.9	4.5	1.5
<b>Total</b>		<b>29.7</b>	<b>24.8</b>	<b>71.1</b>	<b>50.3</b>		
<b>Länsförsäkringar Bank</b>							
Medium Term Note	SEK 20 billion	4.0	-	4.0	0	2.2	1.0
Domestic Commercial Paper	SEK 15 billion	7.1	5.4	4.9	4.0	0.3	0.2
Euro Commercial Paper	SEK 1.5 billion	-	-	-	-	-	-
Euro Medium Term Note	EUR 2 billion	-	-	-	1.7	-	0.6
<b>Total</b>		<b>11.1</b>	<b>5.4</b>	<b>8.9</b>	<b>5.7</b>		
<b>Group total</b>		<b>40.8</b>	<b>30.2</b>	<b>80.0</b>	<b>56.0</b>		

## Second quarter of 2010 compared with second quarter of 2009

Operating profit rose 21% to SEK 78 M (65) mainly as the result of improved net interest income. The return on shareholders' equity strengthened to 4.6% (4.3). Operating income increased 4% to SEK 343 M (329). Net interest income increased 13% to SEK 324 M (287), which was attributable to improved business volumes, higher margins and a stronger return on the liquidity portfolio. The investment margin was 0.87% (0.99). Net interest income was also charged with a provision of SEK 8 M (0) for fees to the stability fund. The net result of financial transactions declined to an expense of SEK 4 M (income: 26). Net commission amounted to an expense of SEK 25 M (expense: 23). Operating expenses declined 1% to SEK 251 M (254). The cost/income ratio strengthened to 0.73 (0.77) before net loan losses and to 0.79 (0.80) after net loan losses. Net loan losses remained low amounting to SEK 13 M (10).

### Key events during the period

At the Parent Company's Annual General Meeting in May, Per-Åke Holgersson and Cristian Bille were elected new Board members. Torleif Carlsson was elected Deputy member as an employee representative.

### Events after the end of the period

In July, the Swedish Financial Supervisory Authority decided that new mortgage loans for which the residence is used as collateral should not exceed 85% of the market value of the residence. The regulations are planned to take effect on October 1, 2010.

In late July, the member nations of the Basel Committee reached an agreement on a revised proposal for capital and liquidity regulations for banks.

## Parent Company

Deposits and some loans are conducted by the Parent Company. Most of the loans and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Loans to the public rose 28%, or SEK 6 billion, to SEK 26 billion (20) in the period January-June and, compared with year-end, the increase was 12% or SEK 3 billion. Deposits from the public increased 4%, or SEK 2 billion, to SEK 39 billion (37), up 3%, or SEK 1 billion compared with year-end. Debt securities in issue rose 49%, or SEK 3 billion, to SEK 9 billion (6) and, compared with year-end, the increase was 23% or SEK 2 billion.

The company reported an improved operating loss of SEK 20 M (loss: 31) as a result of strengthened net interest income. Operating income rose 9% to SEK 239 M (220) and net interest income increased 27% to SEK 235 M (185), which was primarily attributable to improved loan and deposit volumes and a stronger return on the liquidity portfolio. Operating expenses remained essentially unchanged at SEK 252 M (250). Net loan losses were low and amounted to SEK 7 M (2).

## Subsidiaries

### Länsförsäkringar Hypotek

Retail mortgage lending in the subsidiary Länsförsäkringar Hypotek increased 21%, or SEK 13 billion, to SEK 74 billion (61) in the period January-June. Up to 75% of the market value of retail mortgage loans is granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit amounted to SEK 61 M (86) and was mainly attributable to the low market interest rate scenario. Recoveries exceeded loan losses, amounting to SEK 3 M (5), net, corresponding to a net loan loss level of -0.01% (-0.01). The number of retail mortgage customers rose to 143,000 (125,000).

SEK M	June 30, 2010	June 30, 2009
Total assets	101,670	82,618
Loan volume	73,817	60,787
Net interest income	161	171
Operating profit	61	86

### Wasa Kredit

Loan volume increased to SEK 9.9 billion (8.7) on June 30, 2010. All products increased in volume with leasing experiencing the greatest rise. Operating profit increased to SEK 60 M (57). Total income amounted to SEK 262 M (263), primarily due to increased invoicing income despite lower net interest income. Net interest income declined to SEK 218 M (226), due to the low market interest rate scenario. Expenses remained essentially unchanged and loan losses declined to at SEK 27 M (32), net.

SEK M	June 30, 2010	June 30, 2009
Total assets	10,273	9,104
Loan volume	9,867	8,743
Net interest income	218	226
Operating profit	60	57

### Länsförsäkringar Fondförvaltning

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 4.1% (4.0) on June 30, 2010. The volume of managed funds increased 16%, or SEK 9 billion, to SEK 66 billion (57) in the period January-June. The company manages 30 (30) investment funds with different investment orientations. The funds are available as direct fund savings, IPS and unit-linked insurance and through the PPM system. Operating profit rose to SEK 45 M (22).

SEK M	June 30, 2010	June 30, 2009
Total assets	217	156
Assets under management	65,953	56,846
Net commission	127	100
Net flow	-268	431
Operating profit	45	22

## Income statement Länsförsäkringar Bank Group

SEK M	Note	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
Interest income	3	1,291.9	1,325.3		2,478.3	2,910.3		5,320.7
Interest expenses	4	-967.8	-1,038.5		-1,863.9	-2,327.4		-4,172.4
<b>Net interest income</b>		<b>324.1</b>	<b>286.8</b>	<b>13.0%</b>	<b>614.4</b>	<b>582.9</b>	<b>5.4%</b>	<b>1,148.3</b>
Dividends received		0.1	0		0.2	0		0
Commission income	5	231.8	191.0		446.3	359.7		774.4
Commission expense	6	-256.7	-213.7		-481.8	-443.3		-870.2
Net profit/loss from financial transactions	7	-3.6	26.0		0	60.3		100.5
Other operating income		46.8	38.9		84.1	73.1		147.5
<b>Total operating income</b>		<b>342.5</b>	<b>329.0</b>	<b>4.1%</b>	<b>663.2</b>	<b>632.7</b>	<b>4.8%</b>	<b>1,300.5</b>
Staff costs		-83.5	-81.5	2.5%	-161.4	-151.4	6.6%	-305.1
Other administration expenses		-148.8	-155.8	-4.5%	-286.7	-286.8	0%	-611.8
<b>Total administration expenses</b>		<b>-232.3</b>	<b>-237.3</b>	<b>-2.1%</b>	<b>-448.1</b>	<b>-438.2</b>	<b>2.3%</b>	<b>-916.9</b>
Depreciation/amortisation and impairment of property and equipment/intangible assets		-18.6	-17.1	8.8%	-37.5	-33.0	13.6%	-75.5
<b>Total operating expenses</b>		<b>-250.9</b>	<b>-254.4</b>	<b>-1.4%</b>	<b>-485.6</b>	<b>-471.2</b>	<b>3.1%</b>	<b>-992.4</b>
<b>Profit before loan losses</b>		<b>91.6</b>	<b>74.6</b>	<b>22.8%</b>	<b>177.6</b>	<b>161.5</b>	<b>10.0%</b>	<b>308.1</b>
Loan losses, net	8	-13.3	-9.8	35.7%	-31.5	-28.3	11.3%	-50.4
<b>Operating profit</b>		<b>78.3</b>	<b>64.8</b>	<b>20.8%</b>	<b>146.1</b>	<b>133.2</b>	<b>9.7%</b>	<b>257.7</b>
Tax		-20.6	-17.0	21.2%	-38.4	-35.0	9.7%	-79.9
<b>Profit for the period</b>		<b>57.7</b>	<b>47.8</b>	<b>20.7%</b>	<b>107.7</b>	<b>98.2</b>	<b>9.7%</b>	<b>177.8</b>

## Statement of comprehensive income Länsförsäkringar Bank Group

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
<b>Profit for the period</b>	<b>57.7</b>	<b>47.8</b>	<b>20.7%</b>	<b>107.7</b>	<b>98.2</b>	<b>9.7%</b>	<b>177.8</b>
<b>Other comprehensive income</b>							
Change in fair value of available-for-sale financial assets	47.2	20.8	126.9%	39.2	1.1	3,463.6%	40.7
Reclassification adjustments on realised securities	-	-		-	-	-	6.8
Tax on available-for-sale financial assets	-12.4	-5.4	129.6%	-10.3	-0.2	5,050.0%	-12.5
<b>Total other comprehensive income for the period, net after tax</b>	<b>34.8</b>	<b>15.4</b>	<b>126.0%</b>	<b>28.9</b>	<b>0.9</b>	<b>3,111.1%</b>	<b>35.0</b>
<b>Total comprehensive income for the period</b>	<b>92.5</b>	<b>63.2</b>	<b>46.4%</b>	<b>136.6</b>	<b>99.1</b>	<b>37.8%</b>	<b>212.8</b>

## Balance sheet Länsförsäkringar Bank Group

SEK M	Note	June 30, 2010	June 30, 2009	Dec 31, 2009
<b>Assets</b>				
Cash and balances with central banks		76.1	71.9	80.5
Eligible treasury bills, etc.		1,999.9	15,499.2	1,999.8
Loans to credit institutions		1,607.6	6,771.0	3,215.9
Loans to the public	9	109,366.7	89,631.8	99,581.6
Bonds and other interest-bearing securities		29,056.4	14,522.0	22,701.1
Shares and participations		10.4	10.8	10.4
Derivatives	10	1,148.9	1,697.3	1,231.9
Fair value adjustment of interest-rate hedged items in the portfolio hedge		644.8	934.5	767.9
Intangible assets		323.4	323.5	329.8
Property and equipment		15.3	19.7	18.1
Deferred tax assets		2.2	2.7	2.2
Other assets		310.4	269.2	265.0
Prepaid expenses and accrued income		972.7	616.4	1,092.4
<b>Total assets</b>		<b>145,534.8</b>	<b>130,370.0</b>	<b>131,296.6</b>
<b>Liabilities, provisions and shareholders' equity</b>				
Due to credit institutions		14,576.2	25,544.2	21,232.4
Deposits and borrowing from the public		38,719.0	37,134.6	37,365.0
Debt securities in issue		80,972.3	57,708.6	62,016.2
Derivatives	10	1,409.7	1,501.2	1,195.2
Fair value adjustment of interest-rate hedged items in the portfolio hedge		1,041.8	759.2	762.1
Deferred tax liabilities		114.0	83.7	65.3
Other liabilities		475.3	328.9	652.6
Accrued expenses and deferred income		1,728.2	1,655.7	2,046.0
Provisions		17.5	13.9	17.6
Subordinated liabilities		1,250.0	1,250.0	1,250.0
<b>Total liabilities and provisions</b>		<b>140,304.0</b>	<b>125,980.0</b>	<b>126,602.4</b>
<b>Shareholders' equity</b>				
Share capital, 9,548,708 shares		954.9	954.9	954.9
Other capital contributed		3,777.5	2,977.5	3,377.5
Reserves		53.0	-10.0	24.1
Retained earnings		337.7	369.4	159.9
Profit for the period		107.7	98.2	177.8
<b>Total shareholders' equity</b>		<b>5,230.8</b>	<b>4,390.0</b>	<b>4,694.2</b>
<b>Total liabilities, provisions and shareholders' equity</b>		<b>145,534.8</b>	<b>130,370.0</b>	<b>131,296.6</b>
<b>Pledged assets, contingent liabilities and commitments</b>	<b>11</b>			
<b>Other notes</b>				
Accounting policies	1			
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## Cash-flow statement, indirect method, Länsförsäkringar Bank Group

SEK M	Jan-Jun 2010	Jan-Jun 2009
<b>Cash and cash equivalents, January 1</b>	<b>2,924.7</b>	<b>799.6</b>
Cash flow from operating activities	-2,363.1	664.9
Cash flow from investing activities	-28.4	-28.3
Cash flow from financing activities	115.8	-
<b>Net cash flow for the period</b>	<b>-2,275.7</b>	<b>636.6</b>
Exchange rate differences in cash and cash equivalents	0	-
<b>Cash and cash equivalents, June 30</b>	<b>649.0</b>	<b>1,436.2</b>

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

Changes to the cash flow from operating activities are largely attributable to debt securities in issue, bonds and interest-bearing securities and loans to the public.

Changes to the cash flow from financing activities is attributable to shareholders' contribution received.

## Statement of changes in shareholders' equity Länsförsäkringar Bank Group

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings	Profit for the period	Total
<b>Opening balance, January 1, 2009</b>	<b>954.9</b>	<b>2,977.5</b>	<b>-10.9</b>	<b>192.1</b>	<b>177.3</b>	<b>4,290.9</b>
Total comprehensive income for the period			0.9		98.2	99.1
Resolution by Annual General Meeting				177.3	-177.3	-
<b>Closing balance, June 30, 2009</b>	<b>954.9</b>	<b>2,977.5</b>	<b>-10.0</b>	<b>369.4</b>	<b>98.2</b>	<b>4,390.0</b>
<b>Opening balance, July 1, 2009</b>	<b>954.9</b>	<b>2,977.5</b>	<b>-10.0</b>	<b>369.4</b>	<b>98.2</b>	<b>4,390.0</b>
Total comprehensive income for the period			34.1		79.6	113.7
Conditional shareholders' contribution received		400.0				400.0
Group contribution paid				-284.2		-284.2
Tax on Group contribution paid				74.7		74.7
<b>Closing balance, December 31, 2009</b>	<b>954.9</b>	<b>3,377.5</b>	<b>24.1</b>	<b>159.9</b>	<b>177.8</b>	<b>4,694.2</b>
<b>Opening balance, January 1, 2010</b>	<b>954.9</b>	<b>3,377.5</b>	<b>24.1</b>	<b>159.9</b>	<b>177.8</b>	<b>4,694.2</b>
Total comprehensive income for the period			28.9		107.7	136.6
Resolution by Annual General Meeting				177.8	-177.8	-
Conditional shareholders' contribution received		400.0				400.0
<b>Closing balance, June 30, 2010</b>	<b>954.9</b>	<b>3,777.5</b>	<b>53.0</b>	<b>337.7</b>	<b>107.7</b>	<b>5,230.8</b>



## Notes – Länsförsäkringar Bank Group

### NOTE 1 ACCOUNTING POLICIES

This interim report complies with the requirements of IAS 34, Interim Financial Reporting.

The Group prepared its report in accordance with International Financial Reporting Standards (IFRS), with accompanying interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission. Furthermore, certain provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559), the Swedish Securities Market Act (2007:528), the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25), and the Swedish Financial Reporting Board's recommendation RFR 1.3 Supplementary Accounting Rules for Groups and statements (UFR) were applied.

The accounting policies and calculation methods used in this interim report are the same as those applied in the 2009 Annual Report.

### NOTE 2 SEGMENT REPORTING

SEK M Income statement, Jan-Jun 2010	Banking operations	Finance companies	Hypotek	Funds	Eliminations	Total
Net interest income	234.8	218.1	161.4	0.1		614.4
Net commission	-110.1	16.9	-69.2	127.1		-35.3
Net profit/loss from financial transactions	2.1	-0.4	-1.7	-		0
Intra-Group income	53.2	1.9	-	-	-55.1	0
Other income	59.0	25.1	0	0		84.1
<b>Total income</b>	<b>238.9</b>	<b>261.7</b>	<b>90.5</b>	<b>127.2</b>	<b>-55.1</b>	<b>663.2</b>
Intra-Group expenses	-1.9	-9.2	-21.2	-22.8	55.1	0
Other expenses	-250.2	-164.9	-11.5	-59.0		-485.6
<b>Total expenses</b>	<b>-252.1</b>	<b>-174.1</b>	<b>-32.7</b>	<b>-81.8</b>	<b>55.1</b>	<b>-485.6</b>
<b>Profit/loss before loan losses</b>	<b>-13.2</b>	<b>87.6</b>	<b>57.8</b>	<b>45.4</b>	<b>0</b>	<b>177.6</b>
Loan losses, net	-7.0	-27.3	2.8	-		-31.5
<b>Operating profit/loss</b>	<b>-20.2</b>	<b>60.3</b>	<b>60.6</b>	<b>45.4</b>	<b>0</b>	<b>146.1</b>

#### Balance sheet, June 30, 2010

<b>Total assets</b>	<b>77,473.0</b>	<b>10,273.1</b>	<b>101,670.4</b>	<b>216.5</b>	<b>-44,098.2</b>	<b>145,534.8</b>
Liabilities	72,387.2	9,489.4	98,339.7	109.6	-40,021.9	140,304.0
Shareholders' equity	5,085.8	783.7	3,330.7	106.9	-4,076.3	5,230.8
<b>Total liabilities and shareholders' equity</b>	<b>77,473.0</b>	<b>10,273.1</b>	<b>101,670.4</b>	<b>216.5</b>	<b>-44,098.2</b>	<b>145,534.8</b>

#### Income statement, Jan-Jun 2009

Net interest income	185.0	226.2	171.0	0.7		582.9
Net commission	-97.7	14.0	-99.8	99.8		-83.7
Net profit from financial transactions	19.0	0.2	41.1	-		60.3
Intra-Group income	60.8	2.0		0.1	-62.9	0
Other income	52.9	20.3	0	0.1		73.3
<b>Total income</b>	<b>220.0</b>	<b>262.7</b>	<b>112.3</b>	<b>100.7</b>	<b>-62.9</b>	<b>632.8</b>
Intra-Group expenses	-2.1	-10.0	-22.2	-28.6	62.9	0
Other expenses	-247.8	-164.1	-9.5	-49.9		-471.3
<b>Total expenses</b>	<b>-249.9</b>	<b>-174.1</b>	<b>-31.7</b>	<b>-78.5</b>	<b>62.9</b>	<b>-471.3</b>
<b>Profit/loss before loan losses</b>	<b>-29.9</b>	<b>88.6</b>	<b>80.6</b>	<b>22.2</b>	<b>0</b>	<b>161.5</b>
Loan losses, net	-1.6	-31.8	5.1			-28.3
<b>Operating profit/loss</b>	<b>-31.5</b>	<b>56.8</b>	<b>85.7</b>	<b>22.2</b>	<b>0</b>	<b>133.2</b>

#### Balance sheet, June 30, 2009

<b>Total assets</b>	<b>89,761.3</b>	<b>9,104.0</b>	<b>82,618.1</b>	<b>155.8</b>	<b>-51,269.2</b>	<b>130,370.0</b>
Liabilities	85,501.4	8,317.4	80,203.9	66.2	-48,108.8	125,980.1
Shareholders' equity	4,259.9	786.7	2,414.2	89.6	-3,160.4	4,390.0
<b>Total liabilities and shareholders' equity</b>	<b>89,761.3</b>	<b>9,104.1</b>	<b>82,618.1</b>	<b>155.8</b>	<b>-51,269.2</b>	<b>130,370.0</b>

### NOTE 3 INTEREST INCOME

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
Interest income on loans to credit institutions	0.5	6.1	-91.8%	1.3	26.0	-95.0%	34.4
Interest income on loans to the public	727.5	774.8	-6.1%	1,424.9	1,686.7	-15.5%	3,148.9
Interest income on interest-bearing securities	198.0	103.3	91.7%	343.0	228.9	49.8%	436.2
<i>Interest income on derivatives</i>							
Hedge accounting	365.2	433.5	-15.8%	707.6	939.3	-24.7%	1,663.9
Non-hedge accounting	0.7	7.6	-90.8%	1.5	29.4	-94.9%	37.3
Other interest income	0	0	-	-	0	-	0
<b>Total interest income</b>	<b>1,291.9</b>	<b>1,325.3</b>	<b>-2.5%</b>	<b>2,478.3</b>	<b>2,910.3</b>	<b>-14.8%</b>	<b>5,320.7</b>
of which interest income on impaired loans	1.2	0.8		1.8	1.2		4.4
of which interest income from financial items not valued at fair value	736.0	871.3		1,448.0	1,997.7		3,219.9
Average interest rate on loans to the public during the period, including net leasing	2.7	3.6		2.7	4.0		3.5

### NOTE 4 INTEREST EXPENSE

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
Interest expense on due to credit institutions	24.9	23.4	6.4%	43.3	62.6	-30.8%	105.6
Interest expense for deposits and borrowing from the public	37.6	110.5	-66.0%	79.8	301.4	-73.5%	419.7
Interest expense, interest-bearing securities	572.8	428.6	33.6%	1,018.5	918.8	10.9%	1,739.5
Interest expense, subordinated liabilities	9.5	11.4	-16.7%	18.9	27.0	-30.0%	47.4
<i>Interest expense, derivatives</i>							
Hedge accounting	304.1	438.0	-30.6%	669.4	960.9	-30.3%	1,761.3
Non-hedge accounting	4.1	21.6	-81.0%	9.1	48.6	-81.3%	61.3
Other interest expense, including government deposit insurance	14.8	5.0	196.0%	24.9	8.1	207.4%	37.6
<b>Total interest expense</b>	<b>967.8</b>	<b>1,038.5</b>	<b>-6.8%</b>	<b>1,863.9</b>	<b>2,327.4</b>	<b>-19.9%</b>	<b>4,172.4</b>
of which interest expense from financial items not measured at fair value	659.7	578.8		1,185.5	1,317.9		2,349.7
Average interest rate on deposits from the public during the period	0.4	1.2		0.4	1.7		1.2

### NOTE 5 COMMISSION INCOME

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
Payment mediation commission	19.7	19.4	1.5%	36.7	35.7	2.8%	75.4
Lending commission	18.0	16.6	8.4%	35.4	33.0	7.3%	67.2
Deposit commission	1.6	1.8	-11.1%	3.4	3.9	-12.8%	6.6
Financial guarantees	0	0	0%	0.2	0.1	100.0%	0.2
Securities commission	172.3	135.2	27.4%	335.8	255.2	31.6%	558.2
Card operations	19.5	18.1	7.7%	33.5	32.3	3.7%	67.0
Other commission	0.7	-0.1	800.0%	1.3	-0.5	-360.0%	-0.2
<b>Total commission income</b>	<b>231.8</b>	<b>191.0</b>	<b>21.4%</b>	<b>446.3</b>	<b>359.7</b>	<b>24.1%</b>	<b>774.4</b>
of which commission income from financial items not measured at fair value	39.1	36.5		72.5	69.3		141.0

### NOTE 6 COMMISSION EXPENSE

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
Payment mediation commission	20.9	20.6	1.5%	42.3	41.1	2.9%	78.1
Securities commission	92.0	73.0	26.0%	180.2	139.6	29.1%	299.6
Card operations	20.5	16.8	22.0%	38.2	31.8	20.1%	70.3
Remuneration to regional insurance companies	119.2	100.7	18.4%	213.1	225.9	-5.7%	412.4
Other commission	4.1	2.6	57.7%	8.0	4.9	63.3%	9.8
<b>Total commission expense</b>	<b>256.7</b>	<b>213.7</b>	<b>20.1%</b>	<b>481.8</b>	<b>443.3</b>	<b>8.7%</b>	<b>870.2</b>
of which commission expense from financial items not measured at fair value	119.2	100.7		213.1	225.9		412.4

**NOTE 7 NET PROFIT/LOSS FROM FINANCIAL TRANSACTIONS**

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
<b>Change in fair value</b>							
Interest-related instruments	34.3	-49.6		155.8	-35.5		200.9
Currency-related instruments	332.2	-13.6		305.8	-1.9		-5.2
Change in fair value of hedged item	-378.2	66.2		-479.3	58.0		-177.0
<b>Capital gain/loss</b>							
Interest-related instruments	-5.8	-0.7		-8.1	-3.6		-0.8
Other financial assets	-	-		0	-		0.7
Interest compensation	13.9	23.7		25.8	43.3		81.9
<b>Total net profit from financial transactions</b>	<b>-3.6</b>	<b>26.0</b>	<b>-113.8%</b>	<b>0</b>	<b>60.3</b>	<b>-100.0%</b>	<b>100.5</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
<b>Specific reserve for individually assessed loan receivables</b>							
Write-off of confirmed loan losses during the period	3.3	2.1		7.2	2.7		92.4
Reversed earlier impairment of loan losses recognised in the interim accounts as confirmed losses	-1.3	-0.6		-2.1	-0.6		-77.6
Impairment of loan losses during the period	23.6	30.7		47.6	96.7		37.4
Payment received for prior confirmed loan losses	-5.1	-4.6		-10.6	-9.8		90.2
Reversed impairment of loan losses no longer required	-2.4	0.6		-5.7	-9.1		-22.6
<b>Net expense for the period for individually assessed loan receivables</b>	<b>18.1</b>	<b>28.2</b>	<b>-35.8%</b>	<b>36.4</b>	<b>79.9</b>	<b>-54.4%</b>	<b>119.8</b>
<b>Collective reserves for individually assessed receivables</b>							
	-	-		-	-		-
<b>Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk</b>							
Write-off of confirmed loan losses during the period	0	0		-	-		-
Payment received for prior confirmed loan losses	0	0		-	-		-
Provision/reversal of impairment for loan losses	-4.8	-18.2		-4.8	-51.2		-63.7
<b>Net expense for the period for collectively assessed homogenous loan receivables</b>	<b>-4.8</b>	<b>-18.2</b>		<b>-4.8</b>	<b>-51.2</b>		<b>-63.7</b>
Net expense for the period for fulfilment of guarantees	0	-0.2	-100%	-0.1	-0.4	-75.0%	-5.7
<b>Net expense of loan losses for the period</b>	<b>13.3</b>	<b>9.8</b>	<b>35.7%</b>	<b>31.5</b>	<b>28.3</b>	<b>11.3%</b>	<b>50.4</b>

**NOTE 9 LOANS TO THE PUBLIC**

Loan receivables are geographically attributable in their entirety to Sweden.

<b>SEK M</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>Dec 31, 2009</b>
<b>Loan receivables, gross</b>			
Public sector	212.5	153.9	169.6
Corporate sector	7,843.8	6,220.3	6,862.1
Retail sector	101,625.4	83,596.8	92,847.1
Other	28.0	5.9	10.8
<b>Total loan receivables, gross</b>	<b>109,709.7</b>	<b>89,976.9</b>	<b>99,889.6</b>
<b>Provision for individually appraised loan receivables</b>			
Corporate sector	-63.7	-53.5	-44.7
Retail sector	-119.5	-116.3	-98.8
Other	-	0	-
<b>Total individual reserves</b>	<b>-183.2</b>	<b>-169.8</b>	<b>-143.5</b>
<b>Provision for loan receivables in collective reserve</b>			
Corporate sector	-25.6	-27.3	-23.5
Retail sector	-134.1	-148.0	-141.0
Other	-0.1	0	0
<b>Total collective reserves</b>	<b>-159.8</b>	<b>-175.3</b>	<b>-164.5</b>
<b>Total reserves</b>	<b>-343.0</b>	<b>-345.1</b>	<b>-308.0</b>
<b>Loan receivables, net</b>			
Public sector	212.5	153.9	169.6
Corporate sector	7,754.5	6,139.5	6,793.9
Retail sector	101,371.8	83,332.5	92,607.3
Other	27.9	5.9	10.8
<b>Total loan receivables, net</b>	<b>109,366.7</b>	<b>89,631.8</b>	<b>99,581.6</b>
<b>Impaired loans</b>			
Corporate sector	104.0	110.8	57.6
Retail sector	196.0	221.4	155.0
<b>Total impaired loans</b>	<b>300.0</b>	<b>332.2</b>	<b>212.6</b>

**Definitions:**

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

# NOTE 10 DERIVATIVES

SEK M	June 30, 2010		June 30, 2009		December 31, 2009	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	43,697.5	932.2	34,252.6	861.5	39,894.5	828.1
Currency	1,394.4	470.7	1,394.4	381.9	1,394.4	332.4
<i>Other derivatives</i>						
Interest	335.0	0.5	3,550.0	0.6	235.0	0.6
Currency	-	-	5,433.1	1,085.2	4,535.8	593.5
Collateral received, CSA	-	-254.5	-	-631.9	-	-522.7
<b>Total derivatives with positive values</b>	<b>45,426.9</b>	<b>1,148.9</b>	<b>44,630.1</b>	<b>1,697.3</b>	<b>46,059.7</b>	<b>1,231.9</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	45,654.0	1,260.2	38,031.0	1,449.7	29,263.0	1,164.2
Currency	10,577.1	149.5	-	-	-	-
<i>Other derivatives</i>						
Interest	0	0	600.0	12.5	600.0	7.4
Currency	-	-	232.9	39.0	232.9	23.6
<b>Total derivatives with negative values</b>	<b>56,231.1</b>	<b>1,409.7</b>	<b>38,863.9</b>	<b>1,501.2</b>	<b>30,095.9</b>	<b>1,195.2</b>

# NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND UNDERTAKINGS

SEK M	June 30, 2010	June 30, 2009	Dec 31, 2009
<b>For own liabilities, pledged assets/collateral</b>			
Pledged securities in the Riksbank	14,540.0	14,840.0	23,040.0
Pledged securities in Euroclear	1,150.0	1,300.0	3,096.0
Collateral provided for derivatives	10.0	10.0	10.0
Loan receivables, covered bonds	70,958.6	58,661.1	65,111.6
Commitments resulting from repurchase transactions	1,775.0	4,166.9	519.2
Other securities collateral	5.0	-	5.0
<b>Total for own liabilities, pledged assets/collateral</b>	<b>88,438.6</b>	<b>78,978.0</b>	<b>91,781.8</b>
<b>Other pledged assets/collateral</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>
<b>Contingent liabilities/guarantees</b>			
Guarantees	31.1	35.9	32.5
Early retirement at age 62 in accordance with pension agreement	61.7	48.0	61.7
<b>Total contingent liabilities/guarantees</b>	<b>92.8</b>	<b>83.9</b>	<b>94.2</b>
<b>Commitments</b>			
Loans approved but not disbursed	1,136.0	1,002.3	811.6
Unutilised portion of overdraft facilities	1,720.1	1,496.5	1,774.7
Unutilised portion of credit card facilities	897.8	711.5	779.5
<b>Total commitments</b>	<b>3,753.9</b>	<b>3,210.3</b>	<b>3,365.8</b>

**NOTE 12 CAPITAL-ADEQUACY ANALYSIS**

<b>SEK M</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>Dec 31, 2009</b>
<b>Capital base</b>			
Tier 1 capital, gross	5,467.8	4,690.0	4,960.1
Less intangible assets	-323.4	-323.5	-329.8
Less deferred tax assets	-2.2	-2.7	-2.1
Less/plus IRB deficit/surplus	-183.2	-59.3	-106.6
<b>Tier 1 capital, net</b>	<b>4,959.0</b>	<b>4,304.5</b>	<b>4,521.6</b>
Tier 2 capital	960.0	960.0	960.0
Deductions for Tier 2 capital	-183.2	-59.3	-106.6
<b>Total capital base</b>	<b>5,735.8</b>	<b>5,205.2</b>	<b>5,375.0</b>
<b>Risk-weighted assets according to Basel II</b>	<b>42,818.8</b>	<b>34,733.8</b>	<b>36,331.3</b>
<b>Risk-weighted assets according to transition rules</b>	<b>59,851.3</b>	<b>50,850.5</b>	<b>55,197.5</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	583.3	904.7	1,004.0
Capital requirement for credit risk according to IRB Approach	2,708.4	1,746.1	1,774.6
Capital requirement for operational risk	133.8	127.9	127.9
<b>Capital requirement</b>	<b>3,425.5</b>	<b>2,778.7</b>	<b>2,906.5</b>
Adjustment according to transition rules	1,362.6	1,289.3	1,509.3
<b>Total capital requirement</b>	<b>4,788.1</b>	<b>4,068.0</b>	<b>4,415.8</b>
<b>Capital adequacy</b>			
Tier 1 ratio according to Basel II, %	11.58	12.39	12.45
Capital-adequacy ratio according to Basel II, %	13.40	14.99	14.79
Capital ratio according to Basel II *	1.67	1.87	1.85
Tier 1 ratio according to transition rules, %	8.29	8.46	8.19
Capital-adequacy ratio according to transition rules, %	9.58	10.24	9.74
Capital ratio in relation to capital requirement according to transition rules *	1.20	1.28	1.22
<b>Special disclosures</b>			
<b>IRB provisions surplus (+)/deficit (-)</b>	<b>-366.5</b>	<b>-118.6</b>	<b>-213.2</b>
IRB Total provisions (+)	308.5	293.2	249.2
IRB Anticipated loss (-)	-675.0	-411.8	-462.4
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	92.2	133.3	93.4
Exposures to corporates	151.2	397.3	396.6
Retail exposures	32.0	30.0	30.3
Exposures secured on residential property	70.0	242.2	313.8
Past due items	0.6	5.3	8.0
Covered bonds	219.1	73.9	143.6
Other items	18.2	22.8	18.3
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>583.3</b>	<b>904.7</b>	<b>1,004.0</b>

**NOTE 12 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK M

June 30, 2010 June 30, 2009 Dec 31, 2009

**Credit risk according to IRB Approach****Retail exposures**

Exposures secured by real estate collateral	1,376.6	1,171.0	1,230.9
Other retail exposures	592.1	573.5	542.2
<b>Total retail exposures</b>	<b>1,968.7</b>	<b>1,744.5</b>	<b>1,773.1</b>
Exposures to corporates	738.5	-	-
Non credit-obligation assets	1.2	1.6	1.5
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>2,708.4</b>	<b>1,746.1</b>	<b>1,774.6</b>

**Operational risk**

Standardised Approach	133.8	127.9	127.9
<b>Total capital requirement for operational risk</b>	<b>133.8</b>	<b>127.9</b>	<b>127.9</b>

**Capital-adequacy analysis according to Basel I**

Tier 1 capital	5,142.2	4,363.8	4,628.2
Tier 2 capital	960.0	960.0	960.0
<b>Total capital base</b>	<b>6,102.2</b>	<b>5,323.8</b>	<b>5,588.2</b>
Risk-weighted assets	80,541.0	65,416.2	72,328.6
Capital requirement for credit risk	6,443.3	5,233.3	5,786.3
Tier 1 ratio, %	6.38	6.67	6.40
Capital-adequacy ratio, %	7.58	8.14	7.73
Capital ratio in relation to capital requirement *	0.95	1.02	0.97

\* Capital ratio in relation to capital requirement = total capital base/total capital requirement

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 13 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS**

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 and the local insurance companies that hold shares in Länsförsäkringar AB.

Normal business transactions between the related parties took place between January and June 2010. Since December 31, 2009, no significant changes have occurred in the company's agreements with these related legal entities. The Banking Group's 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.



## Income statement Länsförsäkringar Bank AB

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
Interest income	304.9	377.9		606.9	926.5		1,573.0
Interest expenses	-186.7	-285.4		-372.1	-741.5		-1,152.5
<b>Net interest income</b>	<b>118.2</b>	<b>92.5</b>	<b>27.8%</b>	<b>234.8</b>	<b>185.0</b>	<b>26.9%</b>	<b>420.5</b>
Dividends received	0.1	0		0.2	0		0
Commission income	52.8	44.7		94.7	82.2		171.9
Commission expense	-108.5	-89.4		-205.0	-179.9		-364.1
Net profit from financial transactions	1.2	6.5		2.1	19.0		23.5
Other operating income	55.0	61.3		112.1	113.6		228.0
<b>Total operating income</b>	<b>118.8</b>	<b>115.6</b>	<b>2.8%</b>	<b>238.9</b>	<b>219.9</b>	<b>8.6%</b>	<b>479.8</b>
Staff costs	-27.3	-31.2		-55.7	-58.1		-105.3
Other administration expenses	-87.4	-93.6		-168.7	-168.3		-355.0
<b>Total administration expenses</b>	<b>-114.7</b>	<b>-124.8</b>	<b>-8.1%</b>	<b>-224.4</b>	<b>-226.4</b>	<b>-0.9%</b>	<b>-460.3</b>
Depreciation/amortisation and impairment of property and equipment/intangible assets	-13.7	-12.0		-27.7	-23.4		-51.5
<b>Total operating expenses</b>	<b>-128.4</b>	<b>-136.8</b>	<b>-6.1%</b>	<b>-252.1</b>	<b>-249.8</b>	<b>0.9%</b>	<b>-511.8</b>
<b>Loss before loan losses</b>	<b>-9.6</b>	<b>-21.2</b>	<b>-54.7%</b>	<b>-13.2</b>	<b>-29.9</b>	<b>-55.9%</b>	<b>-32.0</b>
Loan losses, net	-2.0	3.3	-160.6%	-7.0	-1.6	337.5%	-4.6
<b>Operating loss</b>	<b>-11.6</b>	<b>-17.9</b>	<b>-35.2%</b>	<b>-20.2</b>	<b>-31.5</b>	<b>-35.9%</b>	<b>-36.6</b>
Tax	3.0	4.7		5.3	8.3		3.2
<b>Loss for the period</b>	<b>-8.6</b>	<b>-13.2</b>	<b>-34.8%</b>	<b>-14.9</b>	<b>-23.2</b>	<b>-35.8%</b>	<b>-33.4</b>

## Statement of comprehensive income Länsförsäkringar Bank AB

SEK M	Q 2 2010	Q 2 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change	Full-year 2009
<b>Loss for the period</b>	<b>-8.6</b>	<b>-13.2</b>	<b>-34.8%</b>	<b>-14.9</b>	<b>-23.2</b>	<b>-35.8%</b>	<b>-33.4</b>
<b>Other comprehensive income/loss</b>							
Change in fair value of available-for-sale financial assets	2.7	20.9		1.7	1.1		26.3
Reclassification adjustments on realised securities	-	-		-	-		6.8
Tax on available-for-sale financial assets	-0.7	-5.5		-0.5	-0.2		-8.7
<b>Total other comprehensive income for the period, net after tax</b>	<b>2.0</b>	<b>15.4</b>		<b>1.2</b>	<b>0.9</b>		<b>24.4</b>
<b>Total comprehensive income/loss for the period</b>	<b>-6.6</b>	<b>2.2</b>	<b>-400.0%</b>	<b>-13.7</b>	<b>-22.3</b>	<b>-38.6%</b>	<b>-9.0</b>

## Balance sheet Länsförsäkringar Bank AB

SEK M	June 30, 2010	June 30, 2009	Dec 31, 2009
<b>Assets</b>			
Cash and balances with central banks	76.1	71.9	80.5
Eligible treasury bills, etc.	1,999.9	15,499.2	1,999.8
Loans to credit institutions	32,558.4	35,311.6	31,721.9
Loans to the public	25,683.4	20,102.3	22,963.3
Bonds and other interest-bearing securities	12,328.1	14,522.0	20,644.4
Shares and participations	10.4	10.8	10.4
Shares and participations in Group companies	4,073.0	3,161.4	3,699.0
Derivatives	7.9	417.3	242.1
Fair value adjustment of interest-rate hedged items in the portfolio hedge	49.1	76.0	61.3
Intangible assets	221.0	212.1	221.2
Property and equipment	10.6	14.3	12.5
Current tax assets	-	-	4.7
Other assets	110.7	117.9	84.9
Prepaid expenses and accrued income	344.4	244.6	389.9
<b>Total assets</b>	<b>77,473.0</b>	<b>89,761.4</b>	<b>82,135.9</b>
<b>Liabilities, provisions and shareholders' equity</b>			
Due to credit institutions	22,233.9	39,103.8	29,955.5
Deposits and borrowing from the public	38,771.4	37,219.5	37,481.2
Debt securities in issue	9,010.7	6,036.8	7,336.6
Derivatives	286.0	1,110.0	779.9
Fair value adjustment of interest-rate hedged items in the portfolio hedge	0.1	21.4	8.1
Deferred tax liabilities	42.0	23.7	3.1
Other liabilities	378.9	157.8	196.0
Accrued expenses and deferred income	409.5	571.1	421.3
Provisions	4.8	7.3	4.8
Subordinated liabilities	1,250.0	1,250.0	1,250.0
<b>Total liabilities and provisions</b>	<b>72,387.3</b>	<b>85,501.4</b>	<b>77,436.5</b>
<b>Shareholders' equity</b>			
Share capital, 9,548,708 shares	954.9	954.9	954.9
Statutory reserve	18.4	18.4	18.4
Fair value reserve	14.8	-10.0	13.6
Retained earnings	4,112.5	3,319.9	3,745.9
Loss for the period	-14.9	-23.2	-33.4
<b>Total shareholders' equity</b>	<b>5,085.7</b>	<b>4,260.0</b>	<b>4,699.4</b>
<b>Total liabilities, provisions and shareholders' equity</b>	<b>77,473.0</b>	<b>89,761.4</b>	<b>82,135.9</b>
<b>Memorandum items</b>			
Assets pledged as security for own liabilities	17,273.7	16,160.0	26,151.0
Contingent liabilities	42.0	56.7	43.3
Other commitments	4,965.2	4,532.7	4,458.2
<b>Other notes</b>			
Accounting policies	1		
Capital-adequacy analysis	2		
Disclosures on related parties	3		

## Cash-flow statement, indirect method, Länsförsäkringar Bank AB

SEK M	Jan-Jun 2010	Jan-Jun 2009
<b>Cash and cash equivalents, January 1</b>	<b>2,764.2</b>	<b>1,094.1</b>
Cash flow from operating activities	-2,438.5	285.7
Cash flow from investing activities	-386.0	-20.4
Cash flow from financing activities	400.0	-
<b>Net cash flow for the period</b>	<b>-2,424.5</b>	<b>265.3</b>
Exchange rate differences in cash and cash equivalents	-	-
<b>Cash and cash equivalents, June 30</b>	<b>339.7</b>	<b>1,359.4</b>

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

Changes to the cash flow from operating activities are largely attributable to debt securities in issue, bonds and interest-bearing securities and loans to the public.

Changes to the cash flow from financing activities is attributable to shareholders' contribution received.

## Statement of changes in shareholders' equity Länsförsäkringar Bank AB

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Loss for the period	Total
<b>Opening balance, January 1, 2009</b>	<b>954.9</b>	<b>18.4</b>	<b>-10.9</b>	<b>3,338.4</b>	<b>-18.5</b>	<b>4,282.3</b>
Total comprehensive income/loss for the period			0.9		-23.2	-22.3
Resolution by Annual General Meeting				-18.5	18.5	-
<b>Closing balance, June 30, 2009</b>	<b>954.9</b>	<b>18.4</b>	<b>-10.0</b>	<b>3,319.9</b>	<b>-23.2</b>	<b>4,260.0</b>
<b>Opening balance, July 1, 2009</b>	<b>954.9</b>	<b>18.4</b>	<b>-10.0</b>	<b>3,319.9</b>	<b>-23.2</b>	<b>4,260.0</b>
Total comprehensive income/loss for the period			23.6	0	-10.2	13.4
Group contributions received				35.3		35.3
Tax effect of Group contributions received				-9.3		-9.3
Conditional shareholders' contribution received				400.0		400.0
<b>Closing balance, December 31, 2009</b>	<b>954.9</b>	<b>18.4</b>	<b>13.6</b>	<b>3,745.9</b>	<b>-33.4</b>	<b>4,699.4</b>
<b>Opening balance, January 1, 2010</b>	<b>954.9</b>	<b>18.4</b>	<b>13.6</b>	<b>3,745.9</b>	<b>-33.4</b>	<b>4,699.4</b>
Total comprehensive income/loss for the period			1.2		-14.9	-13.7
Resolution by Annual General Meeting				-33.4	33.4	0
Conditional shareholders' contribution received				400.0		400.0
<b>Closing balance, June 30, 2010</b>	<b>954.9</b>	<b>18.4</b>	<b>14.8</b>	<b>4,112.5</b>	<b>-14.9</b>	<b>5,085.7</b>

## Notes – Länsförsäkringar Bank AB

### NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Bank AB prepared 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), and the Swedish Financial Reporting Board's recommendation RFR 2.3 Accounting for Legal Entities. The accounting policies and calculation methods in this interim report are the same as those applied in the 2009 Annual Report.

### NOTE 2 CAPITAL ADEQUACY

SEK M	June 30, 2010	June 30, 2009	Dec 31, 2009
<b>Capital base</b>			
Tier 1 capital, gross	5,360.9	4,560.0	4,975.8
Less intangible assets	-221.0	-212.1	-221.2
Less deferred tax assets	0	0	0
Less/plus IRB deficit/surplus	-64.7	-13.0	-13.2
<b>Tier 1 capital, net</b>	<b>5,075.2</b>	<b>4,334.9</b>	<b>4,741.4</b>
Tier 2 capital	960.0	960.0	960.0
Deductions for Tier 2 capital	-64.7	-13.0	-13.2
<b>Total capital base</b>	<b>5,970.5</b>	<b>5,281.8</b>	<b>5,688.2</b>
<b>Risk-weighted assets according to Basel II</b>	<b>17,482.5</b>	<b>14,841.7</b>	<b>15,836.6</b>
<b>Risk-weighted assets according to transition rules</b>	<b>17,482.5</b>	<b>15,379.5</b>	<b>17,535.8</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	177.9	679.8	747.8
Capital requirement for credit risk according to IRB Approach	1,155.5	439.8	451.3
Capital requirement for operational risk	65.2	67.8	67.8
<b>Capital requirement</b>	<b>1,398.6</b>	<b>1,187.3</b>	<b>1,266.9</b>
Adjustment according to transition rules	-	43.0	135.9
<b>Total capital requirement</b>	<b>1,398.6</b>	<b>1,230.4</b>	<b>1,402.8</b>
<b>Capital adequacy</b>			
Tier 1 ratio according to Basel II, %	29.03	29.21	29.94
Capital-adequacy ratio according to Basel II, %	34.15	35.59	35.92
Capital ratio according to Basel II *	4.27	4.45	4.49
Tier 1 ratio according to transition rules, %	29.03	28.19	27.04
Capital-adequacy ratio according to transition rules, %	34.15	34.34	32.44
Capital ratio in relation to capital requirement according to transition rules *	4.27	4.29	4.05
<b>Special disclosures</b>			
<b>IRB provisions surplus (+)/deficit (-)</b>	<b>-129.5</b>	<b>-26.1</b>	<b>-26.4</b>
IRB Total reserves (+)	121.8	97.9	94.1
IRB Anticipated loss (-)	-251.3	-124.0	-120.5
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	35.3	90.8	62.7
Exposures to corporates	42.5	320.1	312.9
Exposures secured on residential property	5.0	174.6	228.5
Past due items	0.6	5.8	7.3
Covered bonds	84.3	73.9	126.8
Other items	10.0	14.6	9.7
<b>Total capital requirement according to the Standardised Approach</b>	<b>177.7</b>	<b>679.8</b>	<b>747.8</b>

## NOTE 2 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M June 30, 2010 June 30, 2009 Dec 31, 2009

### Credit risk according to IRB Approach

#### Retail exposures

Exposures secured by real estate collateral	296.8	269.2	277.5
Other retail exposures	186.0	169.4	172.8
<b>Total retail exposures</b>	<b>482.8</b>	<b>438.6</b>	<b>450.3</b>
Exposures to corporates	671.8	-	-
Non credit-obligation assets	-	1.1	1.0
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,154.6</b>	<b>439.7</b>	<b>451.3</b>

#### Operational risk

Standardised Approach	65.2	67.8	67.8
<b>Total capital requirement for operational risk</b>	<b>65.2</b>	<b>67.8</b>	<b>67.8</b>

### Capital-adequacy analysis according to Basel I

Tier 1 capital	5,139.9	4,347.9	4,754.6
Tier 2 capital	960.0	960.0	960.0
<b>Total capital base</b>	<b>6,099.9</b>	<b>5,307.9</b>	<b>5,714.6</b>
Risk-weighted assets	23,943.0	19,631.8	22,332.4
Capital requirement for credit risk	1,915.4	1,570.5	1,786.6
Tier 1 ratio, %	21.47	22.15	21.29
Capital-adequacy ratio, %	25.48	27.04	25.59
Capital ratio in relation to capital requirement *	3.18	3.38	3.20

\* Capital ratio in relation to capital requirement = total capital base/total capital requirement

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 3 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

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 and the local insurance companies that hold shares in Länsförsäkringar AB.

Normal business transactions between the related parties took place between January and June 2010. Since December 31, 2009, no significant changes have occurred in the company's agreements with these related legal entities.

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 six-month report has been reviewed by the company's auditors.

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 material risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

Stockholm, August 24, 2010

Sten Dunér Chairman of the Board	Ingemar Larsson Vice Chairman	Cristian Bille Board member	Per-Åke Holgersson Board member
Leif Johanson Board member	Örian Söderberg Board member	Christer Villard Board member	Ingrid Ericson Board member <sup>1)</sup>
Katarina Säter Board member <sup>1)</sup>	Mats Ericsson President		

<sup>1)</sup> Employee representative

## Auditor's report on the review of the financial interim information

### Introduction

I have conducted a review of the financial interim information in the summary (interim report) for Länsförsäkringar Bank AB (publ), Corporate Registration Number 516401-9878, at June 30, 2010 and for the six-month period that ended on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express an opinion on this interim 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 of 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 interim report has not, in all material respects, been prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and for the Parent Company in accordance with the Swedish Annual Accounts Act of Credit Institutions and Securities Companies.

Stockholm, August 24, 2010

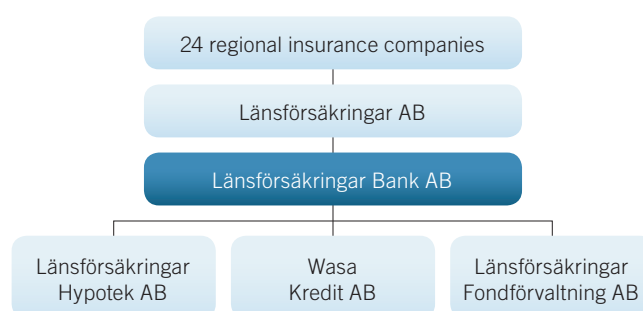
Johan Bäckström  
*Authorised Public Accountant*

## Financial calendar

Interim report, January – September..... **October 26, 2010**

Year-end report..... **February 21, 2011**

Länsförsäkringar Bank AB (publ) discloses the information provided herein pursuant to the Swedish Securities Markets Act. The information was submitted for publication at 11:00 CET on August 24, 2010.



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 slightly more than 3.3 million and the Länsförsäkringar Alliance has a joint total of 5,800 employees.

### For further information, please contact:

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