2010

Länsförsäkringar Bank
Annual Report

Contents

Sweden's most satisfied customers in the fifth largest bank

Länsförsäkringar Bank is the fifth largest retail bank in Sweden with 826,000 customers and a business volume of SEK 232 billion. A strong local presence and a complete and reasonably priced offering to households and farmers have afforded the bank a strong position and the most highly satisfied retail bank customers. Business continued to grow in 2010 and market shares were strengthened in all key areas: deposits, loans and retail mortgage lending.

The basis of the banking operations is the Länsförsäkringar Alliance's large customer base, strong brand and local presence. Customer contact is handled by 125 branches of the 24 local regional insurance companies across Sweden.

Banking operations, which are conducted solely in Sweden, enjoy profitable growth. Operating profit for 2010 amounted to SEK 345 M, corresponding to a return on equity of 4.9%. Mortgages to private individuals with single-family homes, as collateral accounted for 81% of total loans of SEK 118 billion at year-end 2010. Deposits amounted to SEK 42 billion and the volume of managed funds was SEK 72 billion.

According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years and Sweden's most satisfied retail mortgage customers for the sixth consecutive year.

About Länsförsäkringar Bank

Länsförsäkringar Bank
Banking services – savings, lending and payments

Länsförsäkringar Hypotek
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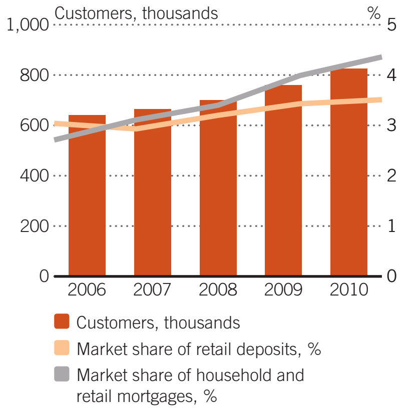
Länsförsäkringar Bank is part of the Länsförsäkringar Alliance, which comprises 24 local, independent and customer-owned regional insurance companies that jointly own Länsförsäkringar AB with subsidiaries. Länsförsäkringar AB is the financial hub of the Länsförsäkringar Alliance and is responsible for conducting joint business activities, strategic development activities and providing service that generates economies of scale. The aim is to create possibilities for the regional insurance companies to continue to grow and be successful in their respective markets. Länsförsäkringar Bank is a subsidiary of Länsförsäkringar AB and the Parent Company of the Bank Group. The Bank Group includes Länsförsäkringar Hypotek, Länsförsäkringar Fondförvaltning and Wasa Kredit. The Länsförsäkringar Alliance has 5,900 employees and offers a broad range of insurance, pension, banking and financial services to 3.4 million customers.

2010 in brief

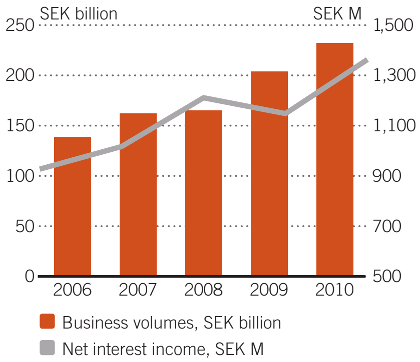
- Operating profit increased 34% to SEK 345 M (258).
- Net interest income rose 19% to SEK 1,363 M (1,148).
- Loan losses remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05).
- Business volumes rose 14% to SEK 232 billion (204).
- The Tier 1 ratio according to Basel II was 11.8% (12.5) and the capital adequacy ratio was 13.5% (14.8).
- The number of customers rose 9% to 826,000 (759,000) and the number of bank cards increased 19% to 266,000 (223,000).
- The number of customers with Länsförsäkringar as their primary bank increased 15% to 223,000 (194,000) and the number of products per customer is increasing.
- During the year a number of new branches were opened and the number of bank and mortgage advisors continued to increase.

KEY FIGURES	2010	2009	2008	2007	2006
Return on equity, %	4.9	4.1	4.4	5.0	4.6
Return on total capital, %	0.24	0.22	0.26	0.34	0.35
Investment margin, %	0.93	0.96	1.30	1.43	1.62
Cost/income ratio before loan losses	0.71	0.76	0.75	0.74	0.77
Cost/income ratio after loan losses	0.75	0.80	0.80	0.78	0.80
Tier 1 ratio according to Basel II, %	11.8	12.5	14.6	14.4	–
Tier 1 ratio according to transition rules, %	8.2	8.2	8.6	8.8	8.6[1)]
Capital adequacy ratio according to Basel II, %	13.5	14.8	17.7	17.2	–
Capital adequacy ratio according to transition rules, %	9.4	9.7	10.4	10.6	10.6[1)]
Percentage of impaired loans, %	0.17	0.21	0.22	0.41	0.49
Reserve ratio in relation to loans, %	0.24	0.30	0.35	0.36	0.42
Loan losses in relation to lending, %	0.05	0.05	0.07	0.07	0.07

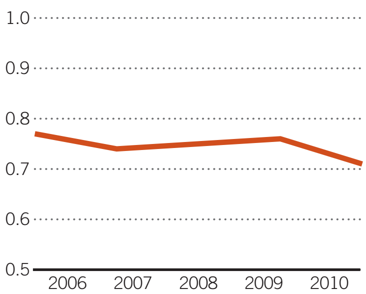
[1)] In accordance with Basel I.



CUSTOMERS AND MARKET SHARES
The number of customers rose by 67,000, or 9%, to 826,000 in 2010. Länsförsäkringar is growing in the loan and deposit markets.



BUSINESS VOLUMES AND NET INTEREST INCOME
Total business volumes increased 14% to SEK 232 billion. Business volumes have risen an average of 14% since 2006. Net interest income rose to SEK 1,363 M (1,148) in 2010.



COST/INCOME RATIO BEFORE LOAN LOSSES
The cost/income ratio before loan losses strengthened to 0.71 (0.76) due to higher income and lower costs.

Personal customer meetings form the foundation of our banking relationship and our values are central to ensuring a long-term relationship. We always endeavour to be a clear, straight-forward and trustworthy bank that listens to our customers and the needs that they have. This approach enables us to establish trust with our customers. That is one of the reasons why Länsförsäkringar has Sweden's most satisfied retail bank and mortgage customers.

STATEMENT BY THE PRESIDENT

The bank with Sweden's most satisfied customers

Continued success

We are building a successful full-service bank and the bank grew in all areas during the year; retail mortgages and agricultural lending, deposits, investment funds, bank cards, leasing and hire purchase. Total business volumes rose to SEK 232 billion. Our market position was further strengthened and Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years and Sweden's most satisfied retail mortgage customers for the sixth consecutive year. Länsförsäkringar also holds Sweden's strongest financial brand and our broad and attractive banking offering, combined with the values that we represent, have translated into success among customers. This proves that our business model and strategy are effective – and are generating highly favourable earnings.

Success in remaining local and close to customers

The bank is part of the Länsförsäkringar Alliance and the banking offering supplements insurance and pension customers' needs for banking services that provide financial security. The regional insurance companies, which are independent and customer-owned, handle all customer contact in the local markets throughout Sweden and, accordingly, are flexible, close and accessible to provide rapid and reliable information to customers. The local market knowledge that has been built up by the regional insurance companies is practically unbeatable. Personal customer meetings form the foundation of our banking relationship and our values are central to ensuring a long-term relationship. We always endeavour to be a clear, straight-forward and trustworthy bank that listens to our customers and the needs that they have. This approach enables us to establish trust with our customers. That is one of the reasons why Länsförsäkringar has Sweden's most satisfied retail bank and mortgage customers.

The most satisfied customers are growing in numbers

The number of bank customers rose 67,000 to 826,000 during the year. A total of 92% of customers who have Länsförsäkringar as their primary bank also have at least one insurance policy or a pension with Länsförsäkringar and almost eight of ten retail mortgage customers have Länsförsäkringar as their primary bank. The aim is to stimulate profitable growth and to have the most satisfied customers and to offer bank customers also to become full-service customers, meaning that they combine their bank and insurance commitments with Länsförsäkringar. Bank relationships provide us with great potential for offering customers more products and services in the areas of banking, pensions and insurance.

Housing prices and economy of Swedish households

The netwealth and debt of Swedish households rose during the year, as did their disposable incomes. Households have healthy repayment capacity and solid savings in relation to their incomes. The trend in housing prices was positive and retail mortgage lending rose, although not as sharply as in the preceding year. New-build investments increased which meant that the immense demand for housing which is a characteristic of Sweden in contrast with many other countries, started to be mart. Housing investments have been low for many years and it will take many more years until supply and demand balance out. Swedish housing prices are displaying a positive trend, although settling of the trend may, of course, occur over time.

The Riksbank, Sweden's central bank, started to hike the key interest rate during the year, which had a slight impact on lending volume. On October 1, 2010, the Swedish Financial Supervisory Authority introduced a mortgage cap on new loans of a maximum of 85% of the market value of the property used as collateral.

The aim of the mortgage cap is to maintain stable economic growth. The high level of quality in the banking operation's loan portfolio remained, with loans granted solely in Sweden and with favourable geographic distribution. The majority of loans are household loans and most of the loan portfolio comprises mortgages with single-family homes or tenant-owned apartments as collateral. Reserves, impaired loans and loan losses remained low.

Strong Swedish economy

The Swedish economy continued to grow robustly and was the strongest since 1970, with 5.5% GDP growth in 2010 according to statistics Sweden. For the fourth quarter the growth rate was 7.3%. Compared internationally, this rate is very high.

Sweden's public finances are very healthy with public debt at 35% of GDP and a balanced government budget.

Strong rating

The bank's credit ratings remained unchanged with a stable outlook due to favourable capitalisation and stable liquidity. Combined with growth, excellent credit quality and profitability, this show that the bank represents stability and low-risk operations also on a long-term basis.

New regulations

Basel III is a major regulatory change that the banking sector has been presented with in recent years. Based on the requirements that have already been announced, Länsförsäkringar deems that the bank will be able to meet the new capital adequacy and liquidity targets.

Even stronger bank position

The bank's employees and the regional insurance companies' bank advisors and employees performed an excellent work in 2010 and customer confidence has provided stable growth that positions Länsförsäkringar as the fifth largest player in the Swedish banking sector. This position is a powerful entry into a market exposed to intensely fierce competition. Our success is based on a persistent business model and strategy that was determined about ten years ago. Put simply, we have kept to this strategy and it has ultimately proven to be the right choice.

But we have not finished; we are continuing our work. For example, based on our business model we are creating bank services for small businesses. This is an area in which we see potential since many of the Länsförsäkringar Alliance's customers are businesses. Savings will also be central in the near future and we will offer products and services that enhance private savings and financial security. All of these initiatives are aimed at meeting the needs of our customers.

Our main approach is to remain close to customers with a strong and attractive offering that continues to earn us the trust to build up the bank with more satisfied customers every year.

Stockholm, March 2011

ANDERS BORGCRANTZ
President

The banking operations began in 1996 in a bid to develop and expand existing relationships with the Länsförsäkringar Alliance's customers. The initiative was successful and the bank is now the fifth largest in Sweden. The operations reported profitable growth in 2010 and have Sweden's most satisfied retail bank and mortgage customers.

BUSINESS CONCEPT, OBJECTIVES AND STRATEGY

A successful strategy

Business concept

The business concept is to offer a complete range of reasonably priced banking services to private individuals and farmers.[1] These banking services are offered in such a straight-forward and clear manner that customers perceive Länsförsäkringar to be a reliable and sound choice.

Länsförsäkringar wants to be the first choice in banking, insurance and pensions for customers.

Mission of Länsförsäkringar Bank

The mission of Länsförsäkringar Bank is to work together with Länsförsäkringar AB to conduct business activities, develop products, concepts, channels and tools, and provide service to the regional insurance companies in areas generating economies of scale so that these companies can offer their customers a full range of banking services.

Objectives

Länsförsäkringar Bank's objectives are as follows:

- Achieve profitable growth
- Have the most satisfied customers
- Increase the percentage of customers who combine their banking, insurance and pension commitments with Länsförsäkringar.

The objectives of the banking operations contribute to the aims of the Länsförsäkringar Alliance.

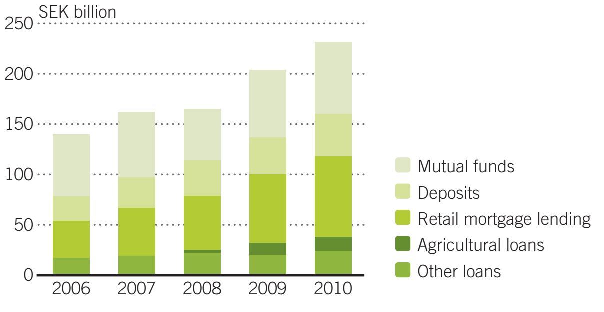
Objective fulfilment

Länsförsäkringar Bank had a business volume of SEK 232 billion in 2010 that have risen an average of 14% on an annual basis since 2006. Profitability was stable with a return on equity of 4.9% in 2010 and an average of 4.7% over the past five years.

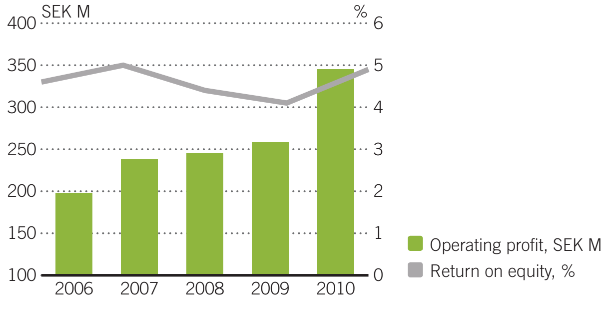
According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years and Sweden's most satisfied retail mortgage customers for the sixth consecutive year. These awards, which Länsförsäkringar has won for many years in a row, strongly demonstrate that Länsförsäkringar has extremely satisfied bank and mortgage customers.

The number of customers who have Länsförsäkringar as their primary bank rose 15% to 223,000 in 2010. Of these customers, 92% also have insurance and/or a pension with Länsförsäkringar.

[1] An offering to small businesses has been offered since 2010. This offering is under development.



BUSINESS VOLUMES
Business volumes increased SEK 28 billion, or 14%, to SEK 232 billion during the year. Business volumes have risen an average of 14% per year since 2006. All savings, deposit and lending volume rose in 2010.



OPERATING PROFIT AND RETURN ON EQUITY
Operating profit rose 34% to SEK 345 M and return on equity strengthened to 4.9%. The average return on equity in the past five years is 4.7%.

Strategy

The strategy for the banking operations is based on the Länsförsäkringar Alliance's existing infrastructure:

- A large customer base
- A strong brand
- The regional insurance companies' local market presence, market knowledge and personal service

The strategy is to market the bank offering to selected target groups in Länsförsäkringar Alliance's customer base. All customer contact is handled by the 24 regional insurance companies.

Large customer base

The Länsförsäkringar Alliance has 3.4 million customers and the prioritised target groups in the banking operations are the 1.7 million home insurance customers and the 188,000 agricultural customers. Home insurance customers are offered mortgages and the option of making Länsförsäkringar their primary bank. Agricultural customers are offered first-lien mortgages for agricultural properties and the option of making Länsförsäkringar their primary bank. With this approach, customers will have broader and more lucrative commitments with Länsförsäkringar, while Länsförsäkringar will secure even stronger and more long-term relationships with its customers.

A strong brand

Länsförsäkringar has the strongest financial brand in the Swedish market, according to SIFO Research International's 2010 survey.

Value basis

Länsförsäkringar's value basis is a key contributory factor to the success of the strategy. These values have been built on a long-term approach and strong core values for many years; customer owned, local and availability.

Customer-owned

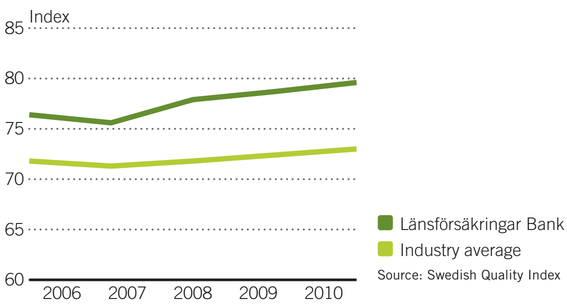
The main focus of a customer-owned regional insurance company differs from the main focus of many listed companies. It is natural to conduct business operations focusing on the best interests of customers and concentrating on their financial security. Over time, this strategy builds up a company with stable growth and profitability at low risk.

Local

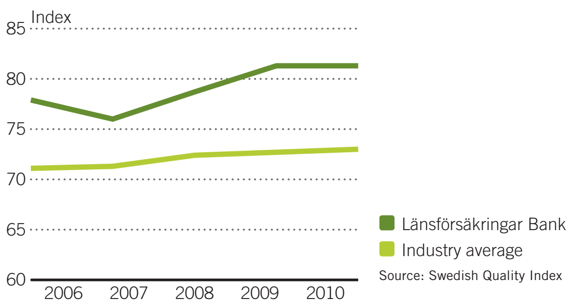
The local branches know their customers and their markets the best and can therefore establish strong and trusting customer relationships.

Available

The element of independence allows the regional insurance companies to remain flexible so that they can adapt to local conditions and customer needs. Availability translates to presence and rapid and reliable decisions for customers.



CUSTOMER SATISFACTION, RETAIL BANKING
According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years.



CUSTOMER SATISFACTION, RETAIL MORTGAGE
According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the sixth consecutive year.

The number of customers is continuously rising and more customers are choosing Länsförsäkringar as their primary bank. With personal customer services and a strong local presence, Länsförsäkringar strives to build long-term and deep customer relations.

CUSTOMERS

Local presence and personal service

Growth

With personal customer services and strong local presence, Länsförsäkringar strives to build long-term and deep customer relations.

The number of customers rose 67,000, or 9% to 826,000 in 2010. The number of customers who have Länsförsäkringar as their primary bank rose 29,000, or 15%, to 223,000. These customers have an average of 4.6 banking products and close contact with the bank and Länsförsäkringar. Most of them are also insurance and pension customers. In addition, almost eight of ten retail mortgage customers also have Länsförsäkringar as their primary bank.

Close and local

Customer meetings and sales take place at 125 of the branches of the regional insurance companies located in Sweden. Länsförsäkringar Fastighetsförmedling's 130 branches are also part of the full-service offering. Customers highly value the personal contact provided by the 24 local, independent and customer-owned regional insurance companies, which establishes trusting and long-term relationships. The companies' local presence and independence leads to unique market knowledge that creates the conditions for well-balanced, customised offerings.

Personal service

Customers should always feel a sense of trust and that they are well taken care of by Länsförsäkringar's advisors and employees. Offers are adapted to customers and clear and straightforward; it is easy for customers to see what is beneficial for them and what makes Länsförsäkringar different.

Close relations promote growth

Customers benefit from having a close and long-term relationship with Länsförsäkringar. Accordingly, those customers who combine their banking, insurance and pension commitments with Länsförsäkringar are rewarded with very reasonably priced offers that contribute to each customers' financial security.

Sweden's most satisfied bank customers

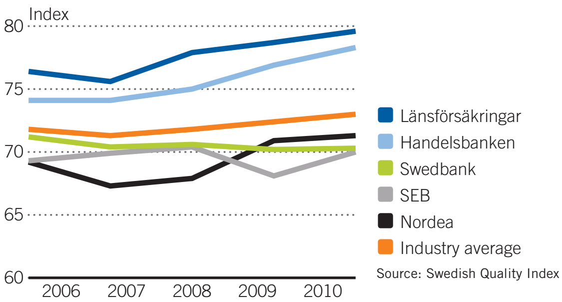
For the sixth time in seven years, Länsförsäkringar has Sweden's most satisfied retail bank customers, according to the 2010 Swedish Quality Index. The bank received the highest ranking for all of the categories measured, including image, customer expectations, product range, service quality, value-for-money

In the personal meetings with a new bank customer, we endeavour to serve in a committed meeting and to establish a close-relationship. The Länsförsäkringar brand is very down-to-earth and our growth has a knock-on effect. In Skaraborg, we work in customer teams centred around customers as homeowners and insurance and bank customers. Our strength lies in our household financing concept and mortgages. We are customer-oriented and helpful since we have a legacy to manage and add to," says Christer Bromander, Head of Retail Market, Länsförsäkringar Skaraborg.

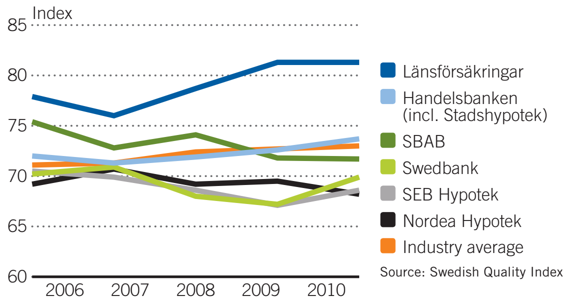
and loyalty. The largest difference compared with other banks was noted in loyalty. Generally, service quality has grown in importance to customers compared with previous years. More than 10% of customers in the banking market changed bank since the preceding year. The survey also revealed that customers who combine their commitments with one sole bank are generally more satisfied than those using several different banks.

Sweden's most satisfied retail mortgage customers

Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the sixth consecutive year according to the 2010 Swedish Quality Index. Again in this survey, Länsförsäkringar was awarded the highest ranking in all of the categories surveyed. The largest difference with other mortgage lenders was also loyalty. Image is, in general, the most important element to customers, which reflects the reliability of mortgage providers, according to the Swedish Quality Index.



CUSTOMER SATISFACTION, RETAIL BANKING SERVICES
Länsförsäkringar received the highest marks of all Swedish banks in the Swedish Quality Index's customer satisfaction survey 2010 and the highest ranking for all of the categories measured. The largest difference compared with other banks was noted in loyalty.



CUSTOMER SATISFACTION, RETAIL MORTGAGES
Länsförsäkringar received the highest marks of all Swedish mortgage providers in the Swedish Quality Index's 2010 customer satisfaction survey and posted the highest results in the survey's history. Länsförsäkringar received the highest ranking for all of the categories measured and the largest difference compared with other mortgage providers was noted in loyalty.

The recovery in export, the stronger SEK, increasing investments and improved labour market were some of the factors that contributed to robust Swedish growth of 5.5% in 2010. The trend in housing prices in Sweden remained positive and was primarily attributable to high domestic demand for housing. Housing investments have been low for almost 20 years, which has resulted in a serious supply deficit in the housing market. Households' wealth rose and they have high savings in relation to disposable income.

ECONOMIC ENVIRONMENT AND MARKET

A strong Sweden, turmoil in Europe

Strong Swedish growth

Sweden reported very strong growth in 2010, the strongest since 1970, with GDP growth of 5.5%. The growth rate was 7.3% for the fourth quarter. The year was characterised by the recovery in export, the stronger SEK, increasing investments and an improved labour market. Sweden's minority government continues to garner broad parliamentary support for its restrained fiscal policy and public finances, which are highly robust, were further strengthened during the year. Government debt amounted to 35% of GDP and the government budget was balanced.

Major differences in a troubled economic climate

The global economy recovered during the year, although major differences between countries remain, for example in Europe. Large-scale stimulus packages were needed in the US and Japan, while emerging markets, led by China and India, posted highly favourable growth of 10.3% and 8.6%, respectively.

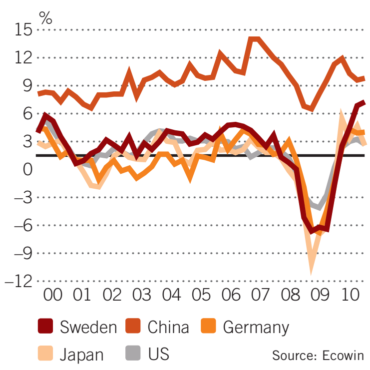
Parts of Europe experienced debt problems and the economic climates of countries in this region differ considerably. Germany reported growth of about 4%, while Greece and Ireland were forced to ask for financial support from the eurozone and announced far-reaching austerity measures. Spain and Portugal also experience financial problems, but resolved them without the need for external aid in 2010. Two stability facilities have been established to date in the eurozone to provide loans to countries experiencing economic crises. The US continued to note weak domestic demand fuelled by high unemployment and uncertainty in the housing market, but started to recover as a result of the Federal Reserve's stimulus packages.

Stronger SEK

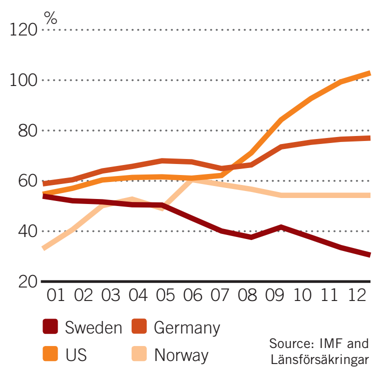
The SEK was up 9.5%, measured by the TCW index, due to the strong Swedish economy and the ensuing interest-rate rises. The strong SEK also provides confirmation that the financial market generally has a positive view of Sweden.

Interest rates

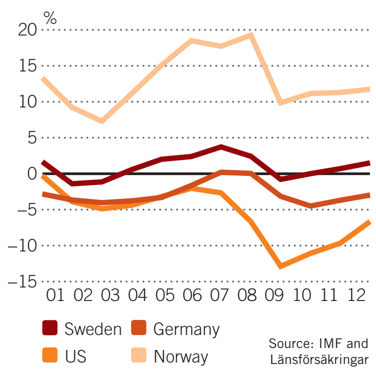
The Riksbank continued in its endeavour to normalise Swedish monetary policy and raised the key interest rate on several occasions during the year, ending the year at 1.25%. In the autumn, the Riksbank withdrew the liquidity facility it had established at the culmination of the financial crisis in the Swedish capital market. Both the Federal Reserve and European Central Bank kept their key rates at low levels 0–0.25% and 1.00%, respectively to stimulate recovery and growth.



GDP GROWTH
Sweden reported very strong economic growth in 2010 with growth of 5.5%. GDP growth for the fourth quarter was 7.3%



GOVERNMENT BUDGET (% OF GDP)
Swedish government debt amounted to 35% of GDP for 2010, indicating that the Swedish economy is strong. A restrained fiscal policy could be maintained.



GOVERNMENT BUDGET (% OF GDP)
Swedish government finances are very healthy and the government budget is balanced.

House-price trend and household's economy

The trend in housing prices in Sweden remained positive and was primarily attributable to high domestic demand for housing. The rate of Swedish growth, the housing-price trend and household debt remained relatively even and stable.

Housing investments have been low for almost 20 years, which has resulted in a serious supply deficit in the housing market. An upturn was noted in new-build construction in 2010 but it will take many years before construction levels will start satisfying the immense demand for housing that exists, particularly in the large metropolitan areas.

Sweden's economic policy remains focused on benefiting household finances and as a result elevated households' disposable incomes during the year which in turn increased private consumption. The labour market recovered and continued to improve at a healthy rate. Households' financial capital rose and households have high savings in relation to disposable income. Higher increases in disposable income provided a margin for a lower share of savings and growth in private consumption.

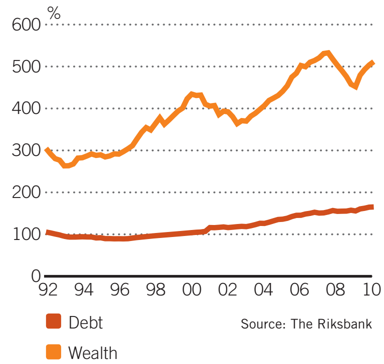
Household debt continued to rise, yet households retained a high repayment capacity. Stress tests revealed that, for example, households with the largest debts also have the best repayment capacity. Household wealth was significantly higher than household debt.

On October 1, 2010, the Swedish Financial Supervisory Authority introduced a mortgage cap on new loans of a maximum of 85% of the market value of the property used as collateral to ensure continued healthy economic growth. Furthermore, the gradual interest-rate hikes had a dampening effect on household debt. The Riksbank's stress tests indicated that households' interest expenses are relatively low in relation to disposable income.

Generally speaking, the Swedish credit scoring system is conservative and there is unique access to public credit information. A detailed overview of the financial position of borrowers can be obtained, which contributes to reducing risks.

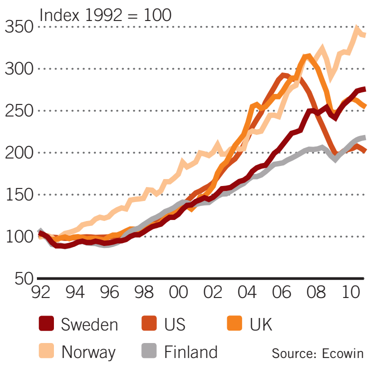
Agricultural market

In 2010, property prices continued to rise. Farmland, rose 16%, and forests 8%, according to LRF Konsult. Price trends were attributable to continued healthy demand for land and structural rationalisation to larger but fewer farms. Sweden continued to have a relatively small agricultural sector, compared internationally. Profitability in milk production improved during the year, while profitability in pig production weakened. The strong SEK had a major impact on competition in the external business environment, for example, on the export of forest raw materials. Another effect was lower incomes from EU subsidies for Swedish farmers. Healthy profitability in the agricultural secure is a requirement for continued investments.



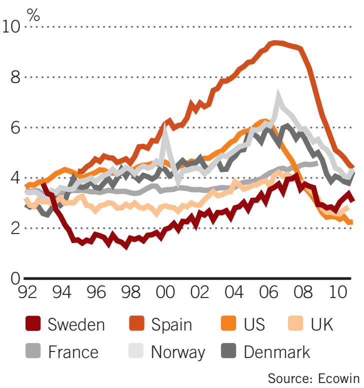
HOUSEHOLD WEALTH AND DEBT (% OF DISPOSABLE INCOME)

Swedish household wealth was significantly higher than household debt. The Riksbank's stress tests indicated that households with the largest debts also have the best repayment capacity.



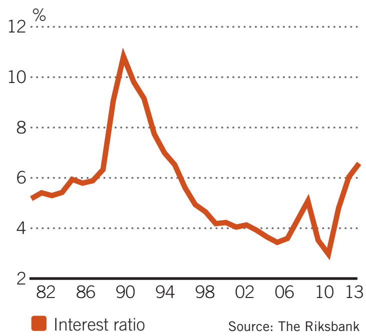
HOUSING-PRICE TRENDS

The trend in housing prices in Sweden remained strong in 2010 and was primarily attributable to high domestic demand for housing.



NEW-BUILD CONSTRUCTION

Housing investments have been low for almost 20 years, which has resulted in a serious supply deficit in the housing market in Sweden.



HOUSEHOLD'S INTEREST RATIO

The Riksbank's stress tests indicated that Swedish households' interest expenses are relatively low in relation to disposable income.

Länsförsäkringar offers a full range of banking services to private individuals and farmers. An offering to small businesses has been offered since 2010 and is continuously being developed. Banking services are straight-forward, clear and reasonably priced for customers and have generated widespread, high growth in all areas. All banking operations are conducted in Sweden and customer business operations take place at the 24 local, independent and customer-owned regional insurance companies located throughout Sweden.

OFFERING

Straight-forward, clear and reasonably priced banking services

Savings

Länsförsäkringar has a total offering in savings and is growing in the deposits market. During the year, advisory services were enhanced with more products and services to provide customers with a greater range of short and long-term savings and investment products.

Deposits

Deposits increased 11% to SEK 42 billion (37) in 2010. This increase is primarily attributable to the rising number of customers with Länsförsäkringar as their primary bank and who also move their deposits to the bank. All types of deposit accounts continued to increase. The market share of deposits from households rose to 3.5% (3.4) during the year, according to data from Statistics Sweden.

Fund market and IPS

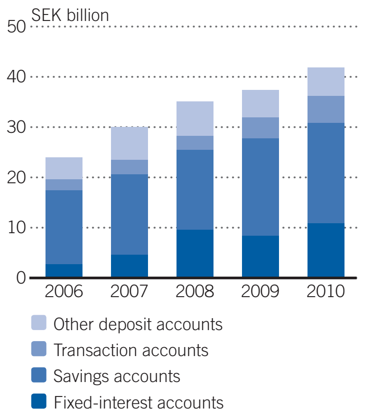
Länsförsäkringar is Sweden's fifth largest fund company with a market share of 3.9% (4.0) in 2010 according to statistics from the Swedish Investment Fund Association. Fund volumes increased 9% to SEK 72 billion (67). A total of 32 (30) mutual funds with different investment orientations are managed.

The fund offering comprises mutual funds under Länsförsäkringar's own brand, supplemented with external funds which are continuously evaluated to ensure that they meet Länsförsäkringar's return targets. The majority of own-brand funds have external managers who are also continuously evaluated to ensure that they reach return targets. External funds and external managers who do not meet return targets are replaced. One external manager was replaced during the year. The number of new fund savers rose by 20,000 during the year, demonstrating that Länsförsäkringar has an attractive fund offering.

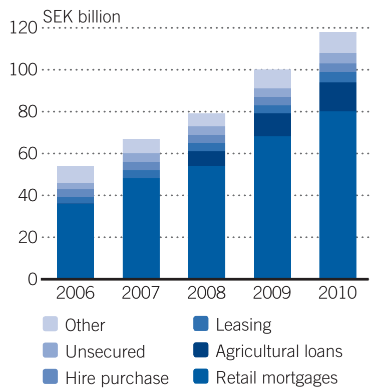
The IPS services, individual pension savings, was highly successful during the year and the number of customers rose 15,000.

Equities and other securities

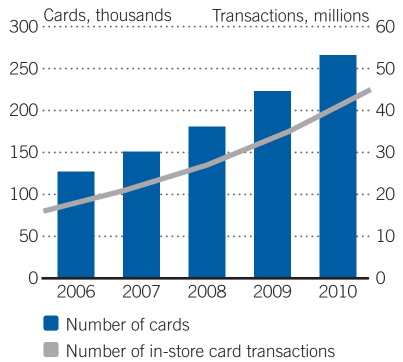
Volumes of equities and other securities are growing steadily. The number of custody accounts rose 11,000 and the volume of capital-protected investments doubled during the year.



DEPOSIT VOLUMES
Deposit volumes are continuously rising in line with the increase in the number of customers. The average bank customer has a SEK 50,000 deposit with Länsförsäkringar Bank.



LENDING VOLUME
All products increased in volume. Retail mortgages rose to SEK 80 billion (68) and agricultural volumes to SEK 14 billion (11), making Länsförsäkringar Sweden's fifth largest agricultural bank.



BANK CARDS AND IN-STORE CARD TRANSACTIONS
The number of bank cards is 266,000 (223,000), up 19% for 2010. In-store bank card transaction rose 29% to 45 million transactions in 2010.

Lending

Länsförsäkringar has a highly competitive mortgage offering in the market and is growing steadily. First-lien mortgages to agricultural properties experienced robust growth and leasing and hire purchase in Wasa Kredit are continuously rising.

Household and retail mortgages

The banking operations' loans rose 18% to SEK 118 billion (100) in 2010, of which retail mortgages in Länsförsäkringar Hypotek increased 18% to SEK 80 billion (68). First-lien mortgages up to 75% of the market value are deposited with Länsförsäkringar Hypotek and other housing loans with Länsförsäkringar Bank. The market share for household and retail mortgage lending in 2010 increased to 4.4% (4.0) and Länsförsäkringar's share of market growth in 2010 was nearly 9%, according to data from Statistics Sweden.

The work on homogenous consumer credit management based on the EU Consumer Credit Directive (CCD) was completed in 2010. For customers, the CCD will mean an increase in transparency and comparability between the consumer credits offered by different companies. The CCD was implemented in Sweden on the basis of the Swedish Consumer Credit Act which came in use on January 1, 2011.

Agricultural loans

Länsförsäkringar offers loans to agricultural properties and is Sweden's fifth largest agricultural bank. Agricultural loans rose 27% to SEK 13.8 billion (10.8), of which first-lien mortgages to agricultural properties increased by 38% to SEK 10.8 billion (7.8). Länsförsäkringar is growing in the agricultural loans market and the market share rose to almost 7% in 2010. The number of agricultural customers rose to 56,000 (54,000) and the share of agricultural customers with a commitment including banking, insurance and a pension increased 10%.

Other lending

Wasa Kredit's lending volume rose 18% to SEK 10.7 billion (9.1). All leasing, hire purchase and unsecured loan products increased in 2010 and the largest volume increase was in leasing.

Bank cards and payments

The number of cards is rising steadily and the security of payment services is being continuously developed to ensure that customers can feel secure in their payment services.

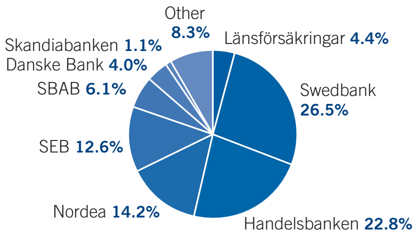
Income from payment mediation continued to increase in 2010 and bank card transactions accounted for the largest payment transaction volumes. Secure payments is a priority area. Länsförsäkringar was the first Swedish bank to launch a unique payment service with a regional blocking system for specific countries in 2010.

The number of bank cards rose 19% to 266,000 (223,000), the number of Länsförsäkringar ATMs increased to 88 (82) and the number of deposit machines rose to 8 (6). In-store bank card transactions rose 29% and payment transactions increased to a total of SEK 108 M (90), up 21%.

During the year, the work on changing the payment services in accordance with the EU Payment Services Directive (PSD) was also concluded. PSD was established to ensure the greatest possible uniformity among payment service products in the EU, thereby simplifying the payment process for customers. The PSD was implemented as two separate laws in Sweden; the Payment Services Act and the Act on Unauthorised Transactions with Payment Instruments.

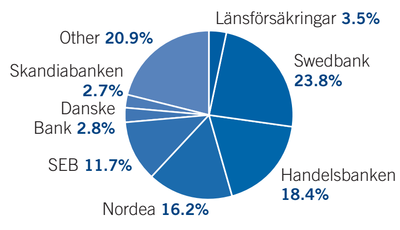
The regional insurance companies' own bank

The banking operations also offer savings and payment services to the 24 regional insurance companies as required. Business is expanding and during the year the regional insurance companies' transaction income rose 71%. The regional insurance companies' savings, particularly in funds and capital-protected investments, also increased.



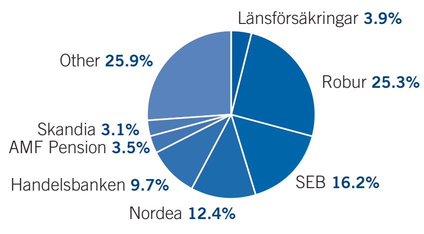
Source: Statistics Sweden

MARKET SHARE OF HOUSEHOLD AND RETAIL MORTGAGES
With a share of market growth of almost 9%, Länsförsäkringar increased the market share from 4.0% in 2009 to 4.4% in 2010.



Source: Statistics Sweden

MARKET SHARE OF DEPOSITS IN RETAIL MARKET
With a market share of 3.5%, Länsförsäkringar retained the position as the fifth largest bank in the deposits market.



Source: Moneymate

MARKET SHARE OF INVESTMENT FUND VOLUMES
Länsförsäkringar is Sweden's fifth largest investment fund company with a market share of 3.9%. The investment fund volumes total SEK 72 billion. Two new investment funds were added to the offering in 2010.

The loan portfolio of SEK 118 billion (100) comprises household credits to a total of 81% (84) and retail mortgages to 74% (75). The portfolio is evenly distributed throughout Sweden and no loans were granted outside the country. The percentage of impaired loans declined to 0.17% (0.21) and the loan losses was unchanged at 0.05% (0.05).

CREDIT QUALITY

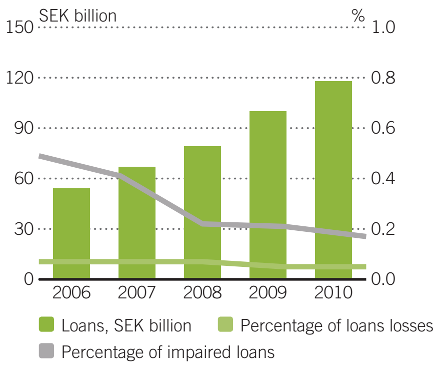
Continued high credit quality

The Group's loan portfolio

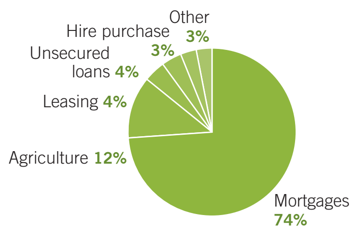
Total loans in the Bank Group rose 18% to SEK 118 billion (100) during the year. A total of 81% (84) of the loan portfolio comprises household credits according to the IRB Approach. The geographic distribution of the loan portfolio encompasses all of Sweden, and no loans were granted outside Sweden. Mortgages account for 74% (75) of the loan portfolio and agricultural loans for 12% (11). Combined, these loans account for approximately 86% (86) of the Bank Group's loan portfolio.

Retail mortgages

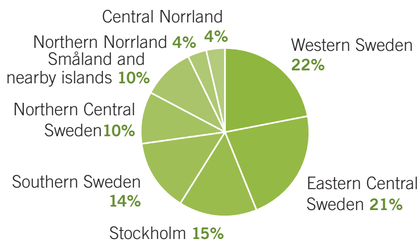
A total of 81% (81) of the collateral for retail mortgages comprises single-family homes and 19% (19) tenant-owned apartments. The average commitment was unchanged at SEK 0.9 M (0.9). Some 34% (37) of retail mortgage customers have a commitment of less than SEK 1 M and only 8% (7) of borrowers have a commitment of more than SEK 3 M. The mortgage portfolio has a favourable geographic spread throughout Sweden. Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223). The collateral in the cover pool comprises only private homes to maintain a homogenous risk profile. Market-value analyses of the mortgage portfolio are continuously



LOANS, PERCENTAGE OF IMPAIRED LOANS AND PERCENTAGE OF LOAN LOSSES
Total loans rose 18% to SEK 118 billion, while impaired loans fell to SEK 209 M. The loan losses remained unchanged at 0.05%.



LOAN PORTFOLIO BY PRODUCT
Retail mortgages accounted for 74% of the loan portfolio. Loans to the agricultural segment accounted for 12% and other loans pertain to leasing, hire purchase and unsecured loans.



LOAN PORTFOLIO BY GEOGRAPHIC REGION
All loans exist in Sweden and are evenly distributed throughout the country in relation to the population.

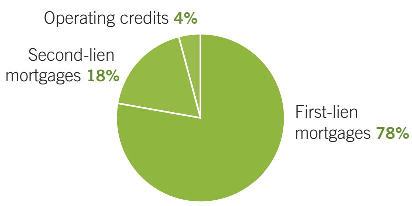
performed and market values are updated every year for all single-family homes, tenant-owned apartments and leisure homes.

Agricultural loans

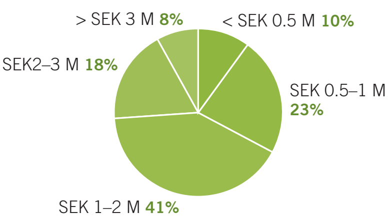
Small-scale family-owned agricultural operations accounted for 93% (93) of agricultural loans. Some 78% (72) of agricultural loans are first-lien mortgages and other loans pertain to second-lien mortgages and operating credits. The average commitment per borrower was SEK 1.5 M (1.3). The mortgage portfolio has a favourable geographic spread throughout Sweden.

Impaired loans and reserves

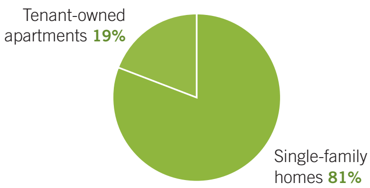
Impaired loans decreased to SEK 209 M (213), which corresponds to 0.17% (0.21) of the loan portfolio before reserves. Reserves declined to SEK 286 M (308) and the reserve ratio in relation to loans was 0.24% (0.30). Loan losses remained low at SEK 60 M (50), corresponding to a loan loss of 0.05% (0.05). Most of these loan losses are attributable to Wasa Kredit, which has operations with higher margins. The lower level of impaired loans and lower reserves was mainly due to the improved credit quality of Wasa Kredit's loan portfolio. Impaired loans and loan losses continued to account for a minor percentage of total loans. For more information concerning credit risks and credit quality, refer to Risk and capital management on page 24.



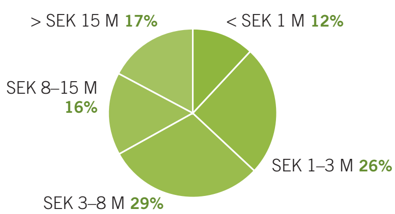
AGRICULTURAL LOANS BY PRODUCT
Some 78% of agricultural loans are first-lien mortgages and the remaining 22% pertain to second-lien mortgages and operating credits. The percentage of first-lien mortgages rose from 75% in 2009.



RETAIL MORTGAGE PORTFOLIO BY COMMITMENT
Slightly more than one third of Länsförsäkringar's retail mortgage customers have a commitment of less than SEK 1 M. Only 8% of customers have a commitment of more than SEK 3 million.



MORTGAGE PORTFOLIO BY COLLATERAL
Some 81% of the collateral for mortgages loans is in single-family homes and 19% in tenant-owned apartments.



AGRICULTURAL LOANS BY COMMITMENT
The average agricultural commitment is low. Some 67% customers have a commitment of less than SEK 8 M.

The banking operations had favourable access to financing throughout the year. Financing primarily takes place through Länsförsäkringar Hypotek's covered bonds in the Swedish and European markets. Deposits are another key source of financing.

BORROWING AND LIQUIDITY

Favourable access to financing

Financing with covered bonds

Most of the loans in the banking operations' are granted using Länsförsäkringar Hypotek's covered bonds, which have the highest credit rating from Moody's (Aaa) and from Standard & Poor's (AAA), and are pledgeable with the Riksbank. At year-end, bonds accounted for 59% of the banking operations' financing sources, deposits for 29%, liabilities to credit institutions for 4%, equity for 4% and commercial papers and subordinated debt for the remainder. Deposits in the Bank Group amounted to 71% of financing, excluding Länsförsäkringar Hypotek.

Objectives and strategy

The aim of the borrowing operations is to cover short and long-term capital requirements at a price in line with relevant competitors' prices. The primary source of financing is long-term borrowing in bonds in Sweden, with benchmark loans for the institutional market. Refinancing maintains a high level of diversification in terms of a variety of markets and investors. The maturity terms of long-term borrowing are adjusted through swap agreements to achieve a fixed-interest period that matches the fixed-interest period of the loans. All currency risk is hedged by using derivatives.

Short-term borrowing takes place through Länsförsäkringar Bank's commercial papers.

Borrowing instruments

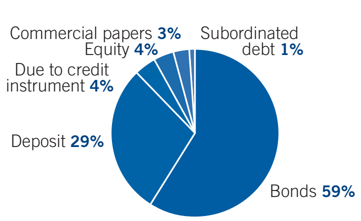
Borrowing primarily takes place using benchmark loans for the institutional market, with issues concentrated to large volumes in a number of bond loans that provide the conditions for high liquidity. Benchmark bonds with maturity periods of one to five years are issued through on-tap issues in the Swedish market. Borrowing also takes place with a Medium Term Covered Note programme (MTCN) in the Swedish market and a Euro Medium Term Covered Note programme (EMTCN) in the European market. Furthermore, Floating Rate Notes (FRN) loans are also issued regularly, normally in large volumes to generate higher liquidity.

Länsförsäkringar Bank has a domestic commercial paper programme for short-term borrowing in the Swedish market, a Medium Term Note programme (MTN) in the Swedish market and a Euro Medium Term Note programme (EMTN) in the European market. There is also a Euro Commercial Paper programme (ECP) for short-term borrowing in the European market.

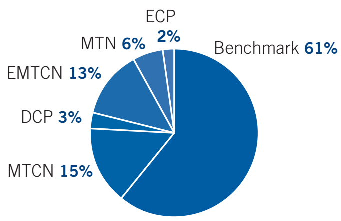
There are five market makers for selling and trading in covered bonds. In addition, the Parent Company, Länsförsäkringar Bank, is a dealer for Länsförsäkringar Hypotek's MTCN programme.

Stability in Sweden and turmoil in Europe

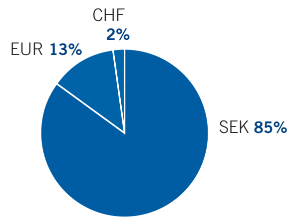
The financial markets were characterised by recovery 2010. Sweden's recovery was strong, while there was concern for the economic imbalances of the eurozone. Several countries experiences major budgetary problems and were forced to introduce far-reaching austerity measures during the year. There was a certain level of uncertainty regarding the strength and recovery of the US economy, particularly due to the continued high levels of unemployment and fears for trends in the housing market.



FINANCING SOURCES
Bonds represent the largest percentage of the Group's financing, 59%. Deposits accounted for 29% of the Group's financing.



BORROWING BY PROGRAMME
Borrowing was more diversified during the year due to a EUR 1 billion issue with covered bonds in Länsförsäkringar Hypotek in the European monetary and capital market.



BORROWING BY CURRENCY
All currency risk is hedged by using derivatives.

Sweden's borrowing market performed well during the year. In the autumn, the Riksbank withdrew the additional liquidity stimulus package which marked the end of the extraordinary measures implemented during the financial crisis. Sweden's strong growth and the Riksbank's expected normalisation of the repo rate led to a rise in short-term interest rates for most of 2010 and shallower curves with short-term rates rising more than long-term rates. Fears for government finances in primarily the eurozone led to high volatility in credit spreads during the year. The trend in Swedish housing spreads diverged slightly during the year resulting in higher financing costs for banks.

Borrowing operations during the year

The banking operations had favourable access to borrowing and financing throughout the year. Borrowing was diversified during the year by initiating borrowing in the European monetary and capital market. Borrowing rose 44% to SEK 89 billion (62), of which covered-bond borrowing increased to 46% to SEK 80 billion (55). Of total borrowing, an equivalent of a nominal SEK 13.3 billion (0) was issued in the international borrowing market. All borrowing using covered bonds is long term and the remaining borrowing takes place using commercial papers and is short term. The average remaining maturity period was 2.5 years on December 31, 2010.

Issued under programmes

Länsförsäkringar Bank issued a nominal SEK 12.1 billion (13.9) in the domestic commercial paper programme during the year. A total of a nominal SEK 5.2 billion (0) was issued under the MTN programme and a nominal SEK 2.8 billion (0) under the ECP programme.

Covered bonds totalling a nominal SEK 44.0 billion (32.9) were issued during the year in Länsförsäkringar Hypotek. Repurchases amounting to a nominal SEK 8.0 billion (17.2) were carried out in conjunction with duration extensions, and matured securities totalled a nominal SEK 10.5 billion (3.4). On December 31, 2010, Länsförsäkringar Hypotek had five outstanding benchmark loans, which will fall due between 2011 and 2016. A five-year benchmark bond LFHY 508 was successfully issued in June and benchmark bonds of a total nominal SEK 25.8 billion (21.5) were issued during the year. The outstanding volume of benchmark bonds at year-end totalled a nominal SEK 53.7 billion (35.5). Bonds issued under the MTCN programme amounted to a nominal SEK 7.6 billion (11.4) and outstanding volumes to a nominal SEK 13.8 billion (13.6) on December 31, 2010. Bonds issued under the EMTCN programme amounted to a nominal SEK 10.6 billion (0) and outstanding volumes to a nominal SEK 11.5 billion (4.6) on December 31, 2010.

In March, a EUR 1 billion five-year bond was successfully issued to increase diversification in accordance with the borrowing strategy. A public issue of CHF 125 M was also implemented during the year.

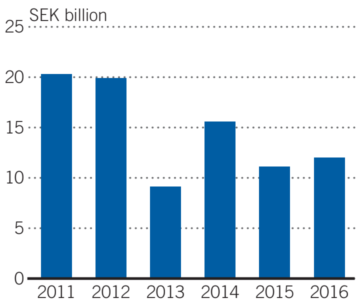
Liquidity

The liquidity portfolio amounted to a nominal SEK 25.7 billion (26.7) on December 31, 2010. All liquidity is invested in Swedish securities with high credit quality. The liquidity portfolio comprises a total of 15% securities with the government as the counterparty, 80% covered bonds with the highest credit rating and 5% day-to-day loans. The liquidity of the investments is high. For more information about liquidity and liquidity risk, refer to the section on Risk and capital management on page 28.

Strong rating

Länsförsäkringar Bank has an unchanged credit rating with a stable outlook from both Standard & Poor's and Moody's. The bank has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The rating for short-term borrowing is A-1 from Standard & Poor's and P-1 from Moody's. The Financial Strength Rating is C. Länsförsäkringar Hypotek's covered bonds maintained the highest rating (Aaa) from Moody's and the highest credit rating (AAA) from Standard & Poor's.

On October 6, Standard & Poor's confirmed that Länsförsäkringar Hypotek's covered bonds have an AAA rating with stable outlook. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.



BORROWING BY MATURITY
In addition to the distribution of borrowing presented in the table, SEK 0.3 billion is due for payment in 2018 and SEK 0.1 billion in 2020. All volumes are at nominal value. The average remaining maturity period was 2.5 years on December 31, 2010.

BORROWING PROGRAMMES

Programme	Limit, Nominal, SEK billion	Issued in 2010, Nominal, SEK billion	Issued in 2009, Nominal, SEK billion	Outstanding, Dec. 31, 2010, Nominal, SEK billion	Outstanding, Dec. 31, 2009, Nominal, SEK billion	Remaining average maturity, years Dec. 31, 2010	Remaining average maturity, years Dec. 31, 2009
Länsförsäkringar Hypotek							
Benchmark	Unlimited	25.8	21.5	53.7	35.5	2.8	2.8
MTCN	SEK 30 billion	7.6	11.4	13.8	13.6	1.1	1.1
EMTCN	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**
Länsförsäkringar Bank							
MTN	SEK 20 billion	5.2	–	5.2	0	1.6	0.5
DCP	SEK 15 billion	12.1	13.9	2.5	5.9	0.2	0.3
ECP	EUR 1.5 billion	2.8	–	1.7	–	0.2	–
EMTN	EUR 2 billion	–	–	–	1.1	–	0.2
Total		**20.1**	**13.9**	**9.4**	**7.0**	**1.0**	**0.3**
Group total		**64.1**	**46.8**	**88.4**	**60.7**	**2.5**	**2.0**

Highly competent and forward-thinking employees are needed to be able to grow and retain Sweden's most satisfied retail bank and mortgage customers year after year. Involvement in business planning, a performance-based remuneration model, attractive development opportunities, a talent and leadership programme and favourable healthcare and insurance benefits are offered to the employees of the market's strongest financial brand.

EMPLOYEES

Satisfied employees lead to satisfied customers

A strong corporate culture creates growth

The core values of Trust, Commitment and Openness form the basis of Länsförsäkringar's corporate culture and influence the stable and performance-based organization of the banking operations. As a subsidiary of Länsförsäkringar AB, the bank's employees are responsible for providing the 24 local, regional insurance companies with the conditions for growth and success in their markets. The corporate culture also emphasises opportunities for internal mobility.

A corporate culture that permeates all decisions made in the organisation ultimately benefits both employees and customers.

Employees in 2010

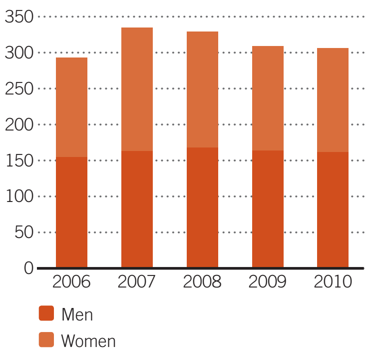
In 2010, the Bank Group had an average of 306 (309) employees, of whom women numbered 144 (145) with an average age of 43 (44) and men numbered 162 (164) with an average age of 42 (42). The bank has 63 (61) employees in managerial positions and the percentage of women in such positions rose from 28% in 2009 to 33% in 2010. For the third consecutive year, Länsförsäkringar had a representative who participated in the Ruter Dam one-year Management Development Programme for Women Managers.

Managing performance

Employees work from a clearly defined business planning model in which individual and group targets are directly linked to the overall objectives, vision and values. Following discussions between employees and managers, individual targets are set which are subsequently documented and set up in an annual target contract. This allows excellent individual performance to be rewarded and enables each employee to influence the level of remuneration they receive in addition to their fixed salary. A prerequisite for paying performance-based remuneration is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Remuneration may be paid to all employees except for managers and members of company management.[1)]

An employee survey is carried out each year which studies employee commitment, skills, requirements, responsibilities and authorities in a performance index. The 2010 survey resulted in an index of 4.1 of a total of 5.0, indicating that Länsförsäkringar is an attractive work place with committed and motivated employees.

[1)] Performance-based remuneration may also be paid to a few managers at Wasa Kredit.



NUMBER OF EMPLOYEES, SPECIFIED BY GENDER
Länsförsäkringar Bank has an average of 306 employees in 2010. Customer contact is handled by the advisors and employees of the 24 local, regional insurance companies.

Recruitment and internal mobility

Both external and internal recruitment takes place. The 24 regional insurance companies are a first-rate recruitment base for the bank and offer career development prospects for the regional insurance companies' employees. A clear trend in greater internal mobility has been noted in recent years. Some of the reasons for this are the content of target contracts and the expressed leadership policy of a good leader helping his/her fellow employees to develop further. Employees with an expanded skills set and a range of opportunities for career development are more satisfied with their employers, which ultimately leads to lower personnel turnover and more efficient and profitable business.

Länsförsäkringar AB has held a talent programme for promising young employees for several years and seven trainees with different academic background were recruited for Länsförsäkringar's 2011 Trainee Programme.

Strong brand attracts best skills

Länsförsäkringar has the market's strongest financial brand and won the title of "The Insurance Industry's Most Attractive Employer" with flying colours in Universum's Företagsbarometer survey for the eighth consecutive year.

Universum's 2010 Karriärbarometer survey, which measures the career expectations of young university graduates with a few years of professional experience, revealed that Länsförsäkringar is now the fifth most attractive employer among Swedish banks in this important category.

The 24 regional insurance companies have many local partnerships with universities, colleges and skills centres that also consolidate the bank's brand in the recruitment market.

A healthy workplace

In addition to a strong brand, business-minded corporate culture and efficient organisation, employees are offered discounted benefits and agreements for healthier living so as to motivate and increase employee competencies. Training opportunities, insurance contracts and the offer of health checks contribute to healthier employees and the Bank Group continued to have low illness absence of 3.0% (2.8) in 2010.

An environmental management system with ISO 140001 certification has been in place for many years. This certification guarantees systematic environmental activities. Active environmental work comes under the responsibility of the respective manager in the bank's organisation, meaning that such work is integrated into the business operations to a greater extent than previously.

ENVIRONMENTAL WORK

An integrated part of the business

The environmental work of the banking operations is directly linked to the Länsförsäkringar Alliance's joint environmental policy. The aim of environmental work is to reduce costs, improve customer service and achieve clear environmental gains that contribute to the sustainable development of society.

Länsförsäkringar intends for the environmental work banking and insurance operations to be credible and proactive. Environmental work is not a strategy adopted by Länsförsäkringar but a natural consequence of being a customer-owned company with local presence and broad commitment. Both Länsförsäkringar's internal and external websites provide information about the environmental activities conducted and all new employees undergo compulsory environmental training arranged by the responsible environmental coordinator.

A number of parameters in the Environmental Handbook are reviewed every year during external environmental audits. Focus is directed to heating, electricity consumption and business travel, but in addition to these areas work is actively conducted on reducing both external and internal paper flows.

Reduced flows of paper

Under Länsförsäkringar AB's environmental aspects list, the bank mainly impacts the environment through loan origination, in conjunction with deposit applications, in customer communication, through management of Internet services and the recycling of, for example, security code generators and bank cards.

Customers are offered the possibility of receiving account statements by post, although the default setting is that these statements are sent to the log-in pages of the Internet service. Customers can decide themselves if they want to have payment notifications send in paper format or via the Internet service. Paper dispatches to customers are packaged together throughout the Länsförsäkringar AB Group wherever possible. The aim is to reduce volumes of paper dispatches by 80% by changing communication with customers. This target was evaluated in 2010 to identify areas of improvement. In the long term, the target is to entirely discontinue the use of paper.

Environmentally friendly travel

Banking operations mainly contribute to reducing direct environmental impact by using train travel as far as possible. The company-car policy approves only environmentally friendly cars and the target of having 100% of environmentally friendly company cars in accordance with the policy's definition was achieved in 2010. Company bicycles and public transport travel cards are offered to the bank's employees for use during working hours. Investments were made in technical equipment in 2010 that will allow meeting to be held by telephone, video or online to reduce business travel.

Lower electricity and heating consumption

The continued efficiency enhancement of heat and cooling systems, the use of low-energy lighting, smart office lighting and electricity produced from hydroelectric power or renewable electricity are all factors that assist in reducing the direct impact of the environment in the form of emissions of carbon dioxide and other substances.

Board of Directors' Report

The Board of Directors and President of Länsförsäkringar Bank AB (publ) hereby submit the Annual Report for 2010.

GROUP

Ownership and Group structure

Länsförsäkringar Bank AB (publ) is part of the Länsförsäkringar AB Group, with Länsförsäkringar AB (publ) as the Parent Company, which is owned by 24 independent and customer-owned regional insurance companies and 14 local insurance companies. All customer contacts are made at the regional insurance companies. Länsförsäkringar AB (publ) is the financial hub of the Länsförsäkringar Alliance and is responsible for conducting joint business activities, strategic development activities and providing service that generates economies of scale. The aim is to create possibilities for the regional insurance companies to continue to grow and be successful in their respective markets.

Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) is 100% owned by Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020). The Bank Group comprises the Parent Company Länsförsäkringar Bank AB (publ) and the wholly owned subsidiaries Länsförsäkringar Hypotek AB (publ) (Corp. Reg. No. 556244-1781), Wasa Kredit AB (Corp. Reg. No. 556311-9204) and Länsförsäkringar Fondförvaltning AB (publ) (Corp. Reg. No. 556364-2783). All companies have their registered offices in Stockholm and the abbreviated forms of these company names are used in the remainder of the Board of Directors' Report.

Focus of operations

The banking operations offer banking services, primarily to private individuals and farmers. It also offers lending products for private individuals and companies through the wholly owned subsidiary Wasa Kredit AB in the form of leasing and hire purchase.

Sales, advisory services and customer services are carried out through 125 (116) of the branches of the 24 regional insurance companies and via the Internet and telephone. Sales and certain administration of banking services are carried out at the branches of the regional insurance companies. The regional insurance companies are reimbursed for sales, administration and service through a reimbursement system based on volumes managed. Another part of the full-service offering is the 130 branches (100) of Länsförsäkringar Fastighetsförmedling (formerly Länshem Fastighetsförmedling) throughout Sweden.

Market commentary

The Swedish economy continued to experience strong growth, the strongest since the 1970s 5.5% for the full-year 2010 according to Statistics Sweden. The growth rate was 7.3% for the fourth quarter. Compared internationally, this rate is very high. Sweden's government finances are very healthy with government debt at 35% of GDP and a balanced government budget. The capital market remained concerned about government finances of several countries in Europe and several European countries introduced far-reaching national savings packages. Activity in the Swedish bank and housing bond market remained high towards the end of the year despite certain initial corrections when the Riksbank ended its structural liquidity support programme in October 2010. The trend in housing prices remained positive during the year. Prices for single-family homes remained unchanged in Sweden in the fourth quarter of 2010 compared with the third quarter, which also applies to the large metropolitan areas, according to data from Statistics Sweden. Retail mortgages to households continued to increase in the Swedish market, albeit with a slight slowdown in the lending rate towards the end of the year, probably due to rising market interest rates, probably and the mortgage cap.

Sweden's most satisfied retail bank and mortgage customers

According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the sixth time in seven years and Sweden's most satisfied retail bank customers for the sixth consecutive year. The bank received the highest ranking for all of the categories measured, including image, customer expectations, product range, service quality, value-for-money and loyalty. The largest difference compared with other banks was noted in loyalty. Generally, service quality has grown in importance to customers compared with previous years. Länsförsäkringar also received the highest ranking for all of the categories measured in the mortgage survey, and in general image is the most important element to customers, which reflects the reliability of mortgage lenders.

The number of customers rose 9%, or 67,000, to 826,000 (759,000). The number of customers who have Länsförsäkringar as their primary bank rose 15%, or 29,000, to 223,000 (194,000) and of these customers, 92% (90) also have insurance and / or a pension with Länsförsäkringar. The number of products per customer is rising. The number of cards increased 19%, or 43,000, to 266,000 (223,000).

Earnings and profitability

Profit before loan losses rose 32% to SEK 405 M (308) and operating profit increased 34% to SEK 345 M (258), due to higher net interest income. Return on equity strengthened to 4.9% (4.1).

Income

Operating income increased a total of 7% to SEK 1,387 M (1,301), which was primarily attributable to a stronger net interest income and higher commission income as a result of greater volumes of managed funds. The increase in net interest income is due to higher business volumes and improved margins. Net interest income rose 19% to SEK 1,363 M (1,148). The investment margin for the period was 0.93% (0.96). Net interest income was charged with SEK 25 M

(20) for fees to the stability fund and SEK 24 M (16) for mandatory government deposit insurance. Commission income increased 19% to SEK 919 M (774) due to higher fund management volumes. Commission expense rose 23% to SEK 1,074 M (870) attributable to higher business volumes which led to increased compensation to the regional insurance companies. Net gains from financial items declined to SEK 10 M (100). Due to the higher market interest rates, customers with longer fixed interest periods were less inclined to redeem long-term loans compared with the preceding year.

Expenses

Operating expenses declined 1%, or SEK 10 M, to SEK 982 M (992) due to reduced IT and administration expenses. The cost/income ratio strengthened to 0.71 (0.76) before loan losses and to 0.75 (0.80) after loan losses.

Loan losses

Loan losses, which primarily pertain to Wasa Kredit, remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05 (0.05). The reserve ratio amounted to SEK 286 M (308), corresponding to 0.24% (0.30) in relation to loans. The lower reserves and impaired loans are mainly due to the higher credit quality of Wasa Kredit's loan portfolio. Impaired loans fell to SEK 209 M (213), corresponding to a percentage of impaired loans of 0.17% (0.21). For more information regarding loan losses, reserves and impaired loans, refer to notes 16 and 20.

Business volumes

Business volumes increased 14%, or SEK 28 billion, to SEK 232 billion (204). Loans to the public rose 18%, or SEK 18 billion, to SEK 118 billion (100). Retail mortgage lending in Länsförsäkringar Hypotek increased 18%, or SEK 12 billion, to SEK 80 billion (68). Deposits from the public rose 11%, or SEK 5 billion, to SEK 42 billion (37). The volume of managed funds increased 9% or SEK 5 billion to SEK 72 billion (67).

Loans

Loans to the public rose 18%, or SEK 18 billion, to SEK 118 billion (100). Retail mortgage lending in Länsförsäkringar Hypotek increased 18%, or SEK 12 billion, to SEK 80 billion (68). All lending exposure occurred in Sweden and in SEK. On December 31, 2010, the market share for household and retail mortgage lending in Sweden increased to 4.4% (4.0) and the share of market growth for the year was nearly 9%, according to data from Statistics Sweden. First-lien mortgage for agricultural and properties rose 38% to SEK 10.8 billion (7.8) and agricultural lending increased a total of 27% to SEK 13.8 billion (10.8). Länsförsäkringar is growing in the agricultural loans market and the market share rose to almost 7% on December 31, 2010.

The loan portfolio, totalling SEK 118 billion (100), had a robust geographic distribution and maintained a high level of quality. A total of 81% (84) of the portfolio comprised household credits. Most of the total portfolio, 74% (75), pertained to retail mortgage lending, of which 81% (82) comprised collateral in single-family dwellings and 19% (18) tenant-owned apartments. Agricultural lending accounted for 12% (11) of the loan portfolio and the average agricultural commitment was low. First-lien mortgages, mainly to family-owned agricultural properties, accounted for 78% (72) of agricultural lending.

Deposits

Deposits from the public rose 11%, or SEK 5 billion, to SEK 42 billion (37), with the increase primarily attributable to private and savings accounts. On December 31, 2010, the market share for household deposits in the Swedish market increased to 3.5% (3.4), according to data from Statistics Sweden. Länsförsäkringar continued to have a stable and growing position in deposits.

Borrowing

Debt securities in issue rose 44%, or SEK 27 billion, to SEK 89 billion (62), of which covered bonds accounted for SEK 80 billion (55). Of total borrowing, an equivalent of a nominal SEK 13.3 billion (0) was issued in the international market. The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Covered bonds in the nominal amount of SEK 44.0 billion (32.9) were issued during the year. Repurchased covered bonds totalled a nominal SEK 8.0 billion (17.2) and matured covered bonds amounted to a nominal SEK 10.5 billion (3.4).

Financing is also conducted through Länsförsäkringar Bank's programmes. During the year, SEK 5.2 billion (0) was issued under the MTN programme, SEK 12.1 billion (13.9) under the DCP programme and SEK 2.8 billion (0) under the ECP programme.

Liquidity

The liquidity portfolio totalled a nominal SEK 25.7 billion (26.7) on December 31, 2010. A total of 80% comprised covered bonds with the highest rating, 15% securities with the government as the counterparty and 5% day-to-day loans. The liquidity of the investments is high.

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.

Capital adequacy

The Bank Group 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 basic IRB Approach is used for agricultural exposures. The Standardised Approach is 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%.

The capital base amounted to SEK 5,928 M (5,375) and the capital adequacy ratio according to Basel II was 13.5% (14.8). Tier 1 capital strengthened to SEK 5,183 M (4,522) net, and the Tier 1 ratio according to Basel II totalled 11.8% (12.5). The target level for Tier 1 ratio is 12 percentage points when Basel II is fully implemented. The target level for the Tier 1 ratio is permitted to vary +/– 0.5 percentage points. For more information on the calculation of capital adequacy, refer to the section on Risk and capital management on page 36.

Events after the close of the year

It was announced in January that President Mats Ericsson would leave on March 1 and become the President of Länsförsäkringar Fastighetsförmedling. Rikard Josefson was appointed the new President of the company and will take office not later than after the summer. Anders Borgcrantz, has been serving as Acting President from March 1, 2011 until Rikard Josefson takes office.

Employees

In 2010, the Bank Group had an average of 306 (309) employees, of whom women numbered 144 (145) with an average age of 43 (44) and men numbered 162 (164) with an average age of 42 (42). The bank has 63 (61) employees in managerial positions and the percentage of women in such positions rose from 28% in 2009 to 33% in 2010. For the third consecutive year, Länsförsäkringar had a representative who participated in the Ruter Dam one-year Management Development Programme for Women Managers.

An employee survey is carried out each year which studies employee commitment, skills, requirements, responsibilities and authorities in a performance index. The 2010 survey resulted in an index of 4.1 of a total of 5.0, indicating that Länsförsäkringar is an attractive work place with committed and motivated employees.

Both external and internal recruitment take place. The 24 regional insurance companies are a first-rate recruitment base for the bank and offer excellent career development prospects for the companies' employees. A clear trend in greater internal mobility has been noted in recent years. Some of the reasons for this are the content of target contracts and the expressed leadership policy of a good leader helping his/her fellow employees to develop further. Employees with an expanded skills set and a range of opportunities for career development are more satisfied with their employers, which ultimately leads to lower personnel turnover and more efficient and profitable business. Training opportunities, insurance contracts and the offer of health checks contribute to healthier employees and the Bank Group continued to have low sickness absence of 3.0% (2.8) in 2010.

For more information about remuneration and benefits, refer to note 11 Employees, staff costs and remuneration of senior executives.

Environment

The aim of environmental work is to reduce costs, improve customer service and achieve clear environmental gains that contribute to the sustainable development of society. An environmental management system with ISO 140001 certification has been in place for many years. This certification guarantees systematic environmental activities. Active environmental work comes under the responsibility of the respective manager in the bank's organisation, meaning that such work is integrated into the business operations to a greater extent than previously.

Under Länsförsäkringar AB's environmental aspects list, the bank mainly impacts the environment through loan origination, in conjunction with deposit applications, in customer communication, through management of Internet services and the recycling of, for example, security code generators and bank cards. Paper dispatches to customers are packaged together throughout the Länsförsäkringar AB Group wherever possible. The aim is to reduce volumes of paper dispatches by 80% by changing communication with customers. This target was evaluated in 2010 to identify areas of improvement.

Banking operations mainly contribute to reducing direct environmental impact by using train travel as far as possible. The company-car policy approves only environmentally friendly cars and the target of having 100% of environmentally friendly company cars in accordance with the policy's definition was achieved in 2010. Company bicycles and public transport travel cards are offered to the bank's employees for use during working hours. Investments were made in technical equipment in 2010 that will allow meetings to be held by telephone, video or online to reduce business travel.

Expectations regarding future development

The banking operations intend to follow their strategic direction of profitable growth by further enhancing existing products and on the basis of maintaining a favourable level of capitalisation. Growth in lending will take place by paying close attention to changes in the business environment, the financial situation and the current scarcity of capital. The intention is to maintain favourable liquidity. The continued market strategy is to conduct sales and customer marketing activities targeting the customer base of the Länsförsäkringar Alliance.

PARENT COMPANY

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Loans to the public rose 20%, or SEK 5 billion, to SEK 28 billion (23). Deposits from the public rose 11%, or SEK 5 billion, to SEK 42 billion (37). Debt securities in issue increased 30%, or SEK 3 billion, to 10 billion (7).

Strategic partnerships

The company's online share-trading service and IPS offering were developed in cooperation with NasdaqOMX. Capital-protected investments are offered in partnership with SEB.

The fund market offering includes long-term partnerships with several fund companies. In addition to Länsförsäkringar Fondförvaltning, the company has agreements with SEB, Lannebo Fonder, Alfred Berg, Fortis, Catella and Carlson Fonder.

There is an agreement for cash-handling services with Forex Bank's outlets throughout Sweden. Bank card customers are also able to withdraw a maximum of SEK 2,000 in cash at ICA supermarkets across the country.

Earnings

Operating loss amounted to SEK 36 M (37). Net interest income was strengthened by higher business volumes and improved margins in deposits and rose 20% to SEK 505 M (420). Net interest income was charged with SEK 9 M (10) for fees to the stability fund and SEK 24 M (16) for mandatory government deposit insurance. Operating income declined 6% to SEK 452 M (480) due to lower net commission. Commission income increased 16% to SEK 199 M (172) attributable to higher business volumes. Commission expense rose 27 % to SEK 462 M (364), resulting in net commission expense of SEK 263 M (192), attributable to increased compensation to the regional insurance companies. Operating expenses declined 7% to SEK 473 M (512). Loan losses, net, remained low and amounted to SEK 15 M (5).

The Group's unappropriated earning amounted to SEK 4,580 M.

Proposed appropriation of the Parent Company's unappropriated earnings

SEK	
Fair value reserve	15,654,744
Retained earnings	3,712,518,900
Shareholders' contribution received	850,000,000
Group contribution received	27,770,160
Net profit / loss for the year	–25,839,652
Profit to be appropriated	**4,580,104,152**

The Board proposes that SEK 4,580,104,152 be carried forward, of which SEK 15,654,744 be allocated to the fair value reserve.

SUBSIDIARIES

Länsförsäkringar Hypotek AB

Retail mortgage lending in the bank's mortgage institution increased 18%, or SEK 12 billion, to SEK 80 billion (68). Up to 75% of the market value of retail mortgages is granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit rose to SEK 152 M (141), attributable to a higher net interest income. Recoveries exceeded loan losses, amounting to SEK 1 M (5), net, corresponding to loan losses of 0% (–0.01). The number of retail mortgage customers rose to 149,000 (134,000).

Länsförsäkringar Hypotek AB, SEK M	Dec. 31, 2010	Dec. 31, 2009
Total assets	105,670	81,750
Lending volume	79,667	67,536
Net interest income	406	285
Operating profit	152	141

Wasa Kredit

Lending volumes increased 18% to SEK 10.7 billion (9.1). All products increased in volume, with leasing experiencing the greatest rise. Operating profit rose 21% to SEK 132 M (109). Net interest income rose 2% to SEK 452 M (442). Expenses increased 1% to SEK 369 M (364) and loan losses declined to SEK 47 M (51), net.

Wasa Kredit, SEK M	Dec. 31, 2010	Dec. 31, 2009
Total assets	11,089	9,478
Lending volume	10,711	9,082
Net interest income	452	442
Operating profit	132	109

Länsförsäkringar Fondförvaltning

Länsförsäkringar's share of the fund market was 3.9% (4.0) on December 31, 2010 according to statistics from the Swedish Investment Fund Association. The volume of managed funds rose 9%, or SEK 5 billion, to SEK 72 billion (67), primarily attributable to the value growth trend. The company manages 32 (30) mutual funds with different investment orientations. The funds are offered for direct savings, IPS, unit-linked insurance and the PPM system. Operating profit rose to SEK 98 M (50).

Länsförsäkringar Fondförvaltning, SEK M	Dec. 31, 2010	Dec. 31, 2009
Total assets	263	202
Assets under management	72,433	66,659
Net flow	27	3,395
Net commission income	264	221
Operating profit	98	50

Risk and capital management

Risk management is to be performed by the employees working in the banking operations. Accordingly, risk awareness is prevalent in all day-to-day business decisions. This decentralised method of working and managing risk is a requirement for compliance with the risk tolerance set forth by the Board. The banking operations are to be characterised a low risk profile whose lending operations focus on private housing and family-owned agricultural operations. Accordingly, credit risk is the Bank Group's single largest category of risk. The types of risk that must also be managed are:

- Financial risks
- Operational risk
- Business risks

Financial risks, which primarily comprise interest-rate risk and liquidity risk, are managed in accordance with a Financial Policy adopted by the Board, which stipulates that interest-rate risks should be as low as possible and that liquidity be invested solely in Swedish securities with high credit quality. Operational risks are measured against a risk-tolerance scale established by the Board. Business risk mainly comprises earnings risk, and pertains to fluctuations in the Bank Group's earning capacity. The overall guidelines for risk tolerance and the strategies for risk-taking state that volume growth and increased profitability should not be generated at the expense of a higher number or greater risks. This imposes demands on risks inherent in the business activities being independently identified, measured, controlled, valued and reported on a continuous basis and on risks being proportionate to the size, product development and growth of the operations. Total risks are complied and compared with the capital in the Bank Group to ensure a favourable level of capitalisation.

Board of Directors

The Board is ultimately responsible for the Bank Group's operations and, as a result, for safeguarding the Group's assets and creating risk awareness in the Group. The Board achieves this goal, for example, by annually establishing central risk tolerances and risk strategies that ensure a sound and well-balanced process for risk-taking and risk management. Such a process should be characterised by a deliberate focus on changes in the operations and their surroundings. The Board is also responsible for establishing all of the methods, models, systems and processes that form the internal measurement, control and reporting of identified risks. Through the Bank Group's Compliance, Risk Control and Internal Audit functions, the Board is also responsible for ensuring that the company's regulatory compliance and management of risks are satisfactory.

President

The President is responsible for the ongoing administration of the company in accordance with the risk tolerances and risk strategies established by the Board. This means that the President is responsible for ensuring that the methods, models, systems and processes that form the internal measurement, control and reporting of identified risks work in the manner intended and decided by the Board.

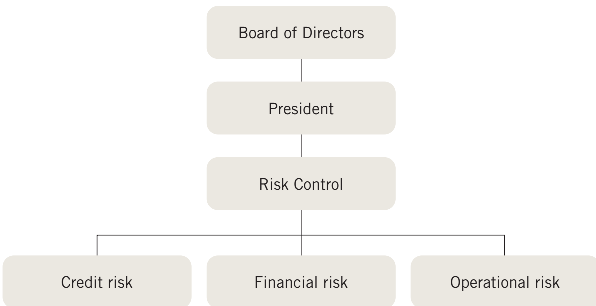
The President is the Chairman of the Asset Liability Committee (ALCO), whose main task is to follow up on capital and financial matters arising in the Bank Group.

Risk Control

Risk Control is an independent unit and has an independent position in relation to the corporate operations that it has been assigned to monitor and control. Risk Control is under the supervision of the President and is responsible to the Board for ensuring that risk policies are complied with, risk limits are monitored and non-compliance is reported to the President and the Board. In addition, Risk Control is responsible for the validation of the risk-classification system (the IRB Approach) and its use in the operations.

One of the most important tasks of the Risk Control is to work proactively to ensure that the operations have active risk management and that the risk tolerance established by the Board is converted into limits according to which the operations can conduct their activities. Risk Control is responsible for reporting any violations of limits to the President and the Board.

Hierarchy of responsibilities for Risk Control



Credit risk

Credit risk is defined as the risk of incurring losses as a result of a counterparty not being able to fulfil its commitments to the Bank Group and the risk that the counterparty's pledged collateral will not cover the company's receivables. The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to more than 81% (84) of the Bank Group's loan portfolio. This means that a considerable portion of its credit exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The bank uses the basic IRB Approach for the portion of the loan portfolio pertaining to agricultural operations. The percentage of retail mortgages of the total loan portfolio is 74% (75) and agricultural loans 12% (11). The Standardised Approach is used for other exposures. The lending portfolio is entirely comprised of loans in Sweden, which has a favourable geographic spread throughout the country. Concentration risk is primarily attributable to the product concentration in mortgages.

Credit process

The banking operations carry out balanced and consistent loan origination, with a strong system support. Loan origination is to achieve favourable and homogenous credit quality. Origination is primarily targeted toward retail mortgages for private individuals and small-scale family-owned agricultural operations with a low risk level. The maximum lending level for various types of loans and limits for the regional insurance company's loan origination are stipulated in the Board's guidelines. Decision-making authorities are dependent on the size of the loans. The banking operations impose strict requirements in terms of customer selection and customers' repayment capacity.

Credit scoring of retail loans is supported by a credit research system, which is largely automated in accordance with the advanced IRB Approach, and a joint credit scoring model for Länsförsäkringar's banking operations. Credit scoring of agricultural loans is supported by a credit research system with built-in controls to achieve favourable credit quality. Both credit scoring systems are supported by a number of decision-making bodies and a quality audit. Loan origination is primarily managed by the regional insurance companies, which also have credit responsibility for all loans. The credit rules are established by the bank's Board of Directors and apply to all regional insurance companies.

The regional insurance companies are knowledgeable about their customers, possess excellent local market awareness and have a full-service customer approach that benefits the entire business. The credit scoring model, combined with the knowledge and credit responsibility of the regional insurance companies, creates excellent conditions for balanced and consistent loan origination. The regional insurance companies continuously monitor and review the quality of the loan portfolio and borrowers' repayment capacity.

IRB system

The IRB system is a core component of the credit process and consists of methods, models, processes, controls and IT systems to support and further develop the quantification of credit risks. Specifically, the IRB system is used in conjunction with:

- Credit process
- Monitoring and reporting
- Calculation of capital requirement
- Capital allocation

Some of the core concepts in the IRB system are described below. The probability of default (PD) is the probability that a counterparty will default over a 12-month period. A counterparty is considered to be in default if a payment is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking to the bank.

A PD is initially calculated for each counterparty and is to reflect the risk of default within the next 12 months. This PD is subsequently adjusted to reflect the average proportion of default over several economic cycles. Finally, a safety margin is added to the PD to ensure that the risk is not underestimated. Following the calculation of PD, all counterparties are ranked and are divided into a PD scale. The PD scale comprises 11 risk classes (grades) for non-defaulted counterparties and one risk category for defaulted counterparties.

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

Exposure at Default (EAD) is the exposure amount that the counterparty is expected to utilise upon default. For commitments completely within the balance sheet, EAD is defined as capital liability plus accrued and past due amounts, unpaid interest and fees. For commitments wholly or partly off the balance sheet, EAD is calculated by multiplying the counterparty's unutilised amount by a conversion factor (CF). In the case of exposures for which the bank applies the IRB Approach, internal estimates of conversion factors are calculated. These estimates are calculated on the basis of internal information regarding degree of realisation, degree of utilisation and products. A safety margin is added to these estimates to ensure that the risk is not underestimated.

Dec. 31, 2010, SEK M

PD grade	PD (%)	EAD
1	0.05	4,336
2	0.10	8,061
3	0.20	33,012
4	0.40	35,700
5	0.80	17,650
6	1.60	6,997
7	3.20	2,834
8	6.40	1,343
9	12.80	822
10	25.60	436
11	51.20	544
Default	100.00	405
Total IRB Approach		**112,139**
Non IRB classified		**6,058**
Loans to the public, gross		**118,197**

Credit quality

The loan portfolio exclusively comprises loans in Sweden, with lending for private housing in the form of single-family homes and tenant-owned apartments accounting for 74% (75) of lending. As indicated in the table below, first-lien mortgages with loan-to-value ratios amounting up to 75% of the market value at the time the mortgage is granted account for the largest percentage of retail mortgages. Low loan-to-value ratios, combined with a favourable geographic distribution and local presence, are the core pillars in ensuring that the loan portfolio maintains a high level of credit quality. The rules regarding loan origination for mortgages have also been tightened with a maximum loan-to-value ratio of 85%.

Loans to the agricultural segment also increased substantially in 2010 and accounted for 12% (11) of the loan portfolio. The lending segment is an excellent complement to the bank's mortgages since a large share pertains to loans to family-owned farming businesses. Together with mortgages, this segment accounts for approximately 86% (86) of the Bank Group's total loan portfolio.

Maximum credit risk exposure not taking into consideration collateral or any other credit enhancement received, SEK M.

	Dec 31, 2010	Dec 31, 2009
Credit risk exposure for items recognised in the balance sheet.		
Cash and balances with central banks	84.8	80.5
Treasury bills and other eligible bills, etc.	4,170.0	1,999.8
Loans to credit institutions	1,529.8	3,215.9
Loans to the public	117,910.0	99,581.6
Bonds and other interest-bearing securities	21,203.3	22,701.1
Derivatives	1,041.9	1,231.9
Other assets	653.9	625.5
Accrued income	1,776.9	1,031.5
Credit risk exposure for memorandum items		
Guarantees	31.2	32.5
Loan commitments and other credit commitments	7,145.7	6,515.3
Total	**155,547.7**	**139,024.6**

Loan portfolio gross, Group

	Dec. 31, 2010		Dec. 31, 2009	
Lending segment	**SEK M**	**Share, %**	**SEK M**	**Share, %**
Retail mortgages	87,414	74	75,035	75
Agricultural loans	13,786	12	10,816	11
Unsecured loans	4,911	4	4,383	4
Leasing	5,180	4	4,198	4
Hire purchase	4,079	3	3,571	4
Multi-family dwellings	1,994	2	1,358	1
Other	832	1	529	1
Loans to the public, gross	118,197	100	99,890	100
Provisions	–287		–308	
Loans to the public, net	**117,910**		**99,582**	

Distribution of commitments in the loan portfolio, Group

	Dec. 31, 2010		Dec. 31, 2009	
Interval, SEK M	**SEK M**	**Share, %**	**SEK M**	**Share, %**
–0.5	64,189	54	55,716	56
0.5–1.0	34,732	30	27,615	28
1.0–2.5	12,924	11	11,456	11
2.5–5.0	3,795	3	3,118	3
> 5.0	2,557	2	1,985	2
Total	**118,197**	**100**	**99,890**	**100**

Lending portfolio by company, SEK M	**Retail mortgages**	**Agricultural**	**Unsecured**	**Leasing**	**Hire purchase**	**Multi-family dwellings**	**Other**	**Total**
Länsförsäkringar Hypotek (first-lien mortgages)	77,553	–	–	–	–	1,994	162	79,709
Länsförsäkringar Bank	9,861	13,786	3,343	–	–	–	670	27,660
Wasa Kredit	–	–	1,568	5,180	4,079	–	–	10,828
Total	**87,414**	**13,786**	**4,911**	**5,180**	**4,079**	**1,994**	**832**	**118,197**

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223).

Distribution of commitments in mortgage portfolio, Group

	Dec. 31, 2010			Dec. 31, 2009		
Interval, SEK M	**SEK M**	**Share, %**	**Average commitment, SEK M**	**SEK M**	**Share, %**	**Average commitment, SEK M**
–0,5	9,169	10	0.3	8,724	12	0.3
0.5–1.0	20,306	23	0.7	18,633	25	0.7
1.0–2.0	35,713	41	1.4	30,253	40	1.4
2.0–3.0	15,620	18	2.4	12,454	16	2.4
>3.0	6,606	8	3.7	4,972	7	3.8
Total	**87,414**	**100**	**0.9**	**75,035**	**100**	**0.9**

Retail mortgages by collateral, Group

	Dec. 31, 2010		Dec. 31, 2009	
Collateral	**SEK M**	**Share, %**	**SEK M**	**Share, %**
Single-family homes	70,444	81	61,120	81
Tenant-owned apartements	16,970	19	13,915	19
Total	**87,414**	**100**	**75,035**	**100**

Mortgages by county, Group

	Dec. 31, 2010		Dec. 31, 2009	
County	**SEK M**	**Share, %**	**SEK M**	**Share, %**
Blekinge	1,646	2	1,406	2
Dalarna	4,640	5	3,921	5
Gotland	1,850	2	1,554	2
Gävleborg	3,151	4	2,614	4
Halland	5,171	6	4,617	6
Jämtland	1,969	2	1,688	2
Jönköping	3,001	3	2,576	3
Kalmar	1,708	2	1,381	2
Kronoberg	1,394	2	1,220	2
Norrbotten	958	1	793	1
Skåne	10,432	12	9,351	12
Stockholm	14,212	16	12,654	17
Södermanland	2,787	3	2,432	3
Uppsala	4,779	6	4,085	6
Värmland	1,136	1	933	1
Västerbotten	2,703	3	2,348	3
Västernorrland	1,391	2	1,266	2
Västmanland	2,896	3	2,224	3
Västra Götaland	13,776	16	11,355	15
Örebro	2,481	3	1,983	3
Östergötland	5,336	6	4,636	6
Total	**87,414**	**100**	**75,035**	**100**

Agricultural loans by commitment

	Dec. 31, 2010			Dec. 31, 2009		
Interval, SEK M	**SEK M**	**%**	**Average commitment, SEK M**	**SEK M**	**%**	**Average commitment, SEK M**
–1.0	1,585	12	0.3	1,414	13	0.2
1.0–3.0	3,626	26	1.8	2,842	26	1.8
3.0–8.0	4,062	29	4.7	3,215	30	4.7
8.0–15.0	2,205	16	10.9	1,891	17	10.7
15.0–	2,308	17	25.9	1,455	14	24.2
Total	**13,786**	**100.0**	**1.5**	**10,816**	**100**	**1.3**

The average agricultural commitment amounted to SEK 1.5 M (1.3).

Agricultural loans by product

	Dec. 31, 2010			Dec. 31, 2009		
Product	**SEK M**	**%**	**Average commitment, SEK M**	**SEK M**	**%**	**Average commitment, SEK M**
First-lien mortgages	10,792	78	2.2	7,823	72	2.2
Second-lien mortgages	2,398	18	0.7	2,424	23	0.7
Operating credits	595	4	0.1	569	5	0.1
Total	**13,786**	**100**	**1.5**	**10,816**	**100**	**1.3**

Agricultural loans by corporate form

	Dec. 31, 2010			Dec. 31, 2009		
Corporate form	**SEK M**	**%**	**Average commitment, SEK M**	**SEK M**	**%**	**Average commitment, SEK M**
Sole proprietorship	12,850	93	1.5	10,018	93	1.3
Limited liability company	797	6	1.4	651	6	1.3
Partnerships and limited partnerships	94	1	0.7	99	1	0.7
Other corporate forms	45	0	0.6	49	0	0.7
Total	**13,786**	**100**	**1.5**	**10,816**	**100**	**1.3**

Impaired loans

Impaired loans amounted to SEK 209 M (213), corresponding to 0.17% (0.21) of the total loan portfolio before reserves. Loan losses totalled SEK 60 M (50), corresponding to a loan loss of 0.05% (0.05). Impaired loans and loan losses continued to account for a minor percentage of total loans.

	Group		Parent Company	
Impaired loans by product, SEK M	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Retail mortgages	15.4	8.3	6.2	4.8
Agricultural loans				–
Unsecured loans	103.6	108.7	47.1	44.0
Leasing	54.2	61.6		–
Hire purchase	27.5	25.6		–
Multi-family dwellings				–
Other	8.1	8.8	8.1	8.8
Total	**208.8**	**213.0**	**61.4**	**57.6**

	Group		Parent Company	
Non-performing loan receivables not included in impaired loans, Dec. 31, 2010 SEK M	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Receivables 10-19 days past due[1)]	0.3	0.1	0.3	0.1
Receivables 20–39 days past due	265.2	310.6	20.9	23.9
Receivables 40–60 days past due	7.6	7.9	0.1	0.4
Total	**273.1**	**318.6**	**21.3**	**24.4**

1) Excluding Wasa Kredit

Non-performing loan receivables not included in impaired loans, Dec. 31, 2010, SEK M	**Länsförsäkringar Bank**	**Länsförsäkringar Hypotek**	**Wasa Kredit**	**Group**
Receivables 10–19 days past due [1)]	0.3	0	0	0.3
Receivables 20–39 days past due	20.9	26.6	217.7	265.2
Receivables 40–60 days past due	0.1	0.3	7.2	7.6
Total	**21.3**	**26.9**	**224.9**	**273.1**

1) Excluding Wasa Kredit

A loan receivable is considered impaired if a payment is more than 60 days past due or if the counterparty for other reasons cannot meet its undertaking. The loan receivable is considered impaired to the extent that its whole amount is not covered by collateral. A non-performing loan receivable has a non-performing payment that is more than 9 days and up to 60 days past due. This analysis pertains exclusively to loans to the public.

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

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

Counterparty risk

Counterparty risk is the risk of a counterparty being unable to fulfil its commitments to Länsförsäkringar Bank, which could lead to losses. In this context, counterparty refers to counterparties for interest-rate and currency swaps. The Bank Group has a number of swap counterparties, all with high ratings and established ISDA agreements. For Länsförsäkringar Hypotek's covered bond operations, ISDA agreements are in place, as well as accompanying unilateral CSA agreements. CSA agreements involve commitments concerning delivery and receipt of collateral in the event of market changes affecting swap exposures.

	Positive values	
Derivatives, fair value, SEK M	Group Dec. 31, 2010	Parent Company Dec. 31, 2010
AA-/Aa2	40.3	–
A/Aa2	57.3	–
A+/Aa3	424.5	–
	522.1	–

Positive and negative values are netted per counterparty. Only positive values, netted, are included in the table.

Financial risks

The overall framework for the financial operations in the Bank Group is defined in the Financial Policy adopted by the Board. The Financial Policy stipulates the Board's approach to the management of financial risk. The Financial Policy primarily comprises the management of:

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

Interest-rate risk

Interest-rate risk arises if assets, liabilities and derivatives do not have matching fixed-interest periods. Whenever possible, fixed lending should be matched by means of corresponding borrowing or through interest-rate derivatives. In principle, this means that no time differences should exist. In practice, this is impossible, so the Board has established interest-rate risk limits. However, these limits are so conservative that the basic principle for matching still applies. The Financial Policy defines interest-rate risk as a parallel shift in the yield curve of 100 points. On December 31, 2010, an increase in market interest rates of 1 percentage point would have resulted in an increase in the value of interest-bearing assets and liabilities, including derivatives, of SEK 52 M (36).

Liquidity risk and financing strategy

The Board of Länsförsäkringar Bank AB decides on a Financial Policy every year which provides a framework for the financial operations of the bank and its subsidiaries. The Board stipulates the objective of financial risk management in this Policy.

The Board's main target is that liquidity and financing management should be assured by maintaining suitable long-term planning, explicit functional definitions and a high level of control. Limits and guidelines have been established for each type of risk in both the bank's own operations and the Bank Group, and are updated whenever necessary.

The Board decides on a liquidity and financing strategy that is based on the business plan for the forthcoming year and supports the fulfilment of established business objectives and financial risk management. Deviations for the established business plan result in updates to the liquidity and financing strategy. This strategy is determined annually and is reviewed at least every six months and continuously by the ALCO, and is updated whenever necessary. Major material deviations are immediately reported to the Board.

Liquidity risks are to be minimised as far as possible. Future liquidity requirements and access to funds are ensured by preparing accurate forecasts for the next 12-month period. The strategy is specified in a financing plan containing key figures and targets for fulfilment of the objectives designated by the Board. The financing plan is prepared every year and adopted by the CFO. The plan is reviewed every day in relation to targets by weekly reports to the CFO. Updates are made as necessary within the framework stipulated in the liquidity and financing strategy and the Financial Policy.

A satisfactory liquidity reserve is to be in place to ensure that sufficient liquidity is always available. The management of and investments in the reserve take place in accordance with the established limits stated in the Financial Policy.

Internal pricing is to reflect the actual cost of maintaining the required liquidity levels to achieve transparency and correct business governance.

Liquidity reserve

The liquidity reserve shall amount to a minimum of the limits stipulated in the bank's Financial Policy. The CFO performs continuous assessments of the market and market trends, including competitors, debt investors, rating agencies and authorities. These assessments comprise the basis for determining the size of the reserve above the minimum level.

Liquidity management

Liquidity risk in Länsförsäkringar Bank is managed by the Treasury unit. Liquidity risk is quantified using liquidity forecasts that contain all financial cash flows and expected cash flows, as well as the net lending increases adopted. The Treasury unit is also responsible for Länsförsäkringar Bank's liquidity portfolio. Daily report follow-ups are conducted on the size and structure of the liquidity portfolio. Accordingly, liquidity can be monitored daily based on these reports. The liquidity portfolio is dimensioned to be able to handle approximately three months of "normal" operations without borrowing activities in the capital market. "Normal" operations also encompass the expected growth of the loan portfolio. Liquidity risk is defined as the risk of the Bank Group, due to insufficient cash and cash equivalents, being unable to fulfil its commitments or only being able to fulfil its commitments by borrowing cash and cash equivalents at a significantly higher cost. This definition is closely linked to the definition of financing risk. Liquidity risk also refers to the risk of financial instruments that cannot immediately be converted to cash and cash equivalents without decreasing in value. Liquidity risks associated with the risk of financial investments decreasing in value are minimised by essentially investing exclusively in high-liquidity instruments in the form of domestic government securities, domestic covered bonds and mortgage certificates that are pledgeable at the Riksbank.

Länsförsäkringar Bank's liquidity portfolio totalled a nominal SEK 25.7 billion (26.7) on December 31, 2010. All liquidity is invested in Swedish securities with very high credit quality. A total of 80% of the liquidity portfolio comprises covered bonds with the highest credit rating, 15% securities with the government as the counterparty and 5% day-to-day loans. The liquidity of the investments is very high.

Contingency plans

Plans for managing disruptions that affect the Bank Group's liquidity are in place and updated annually. A contingency plan group has been appointed and action plans prepared and adopted by the ALCO.

General objectives of refinancing strategy

The general objective of borrowing is to ensure that the operations have the requisite refinancing for both the short and long terms and for the desired maturity periods. In addition, borrowing should contribute to the overall liquidity and competitiveness of the operations by managing the price and composition of liabilities to ensure that they are in line with those of relevant competitors. Targets are set to control various activities in terms of the market, instruments and composition of borrowing and are based on the following two objectives.

Borrowing is to:

- Ensure the short and long-term capital requirements
- Ensure that the price of debt securities in issue is in line with the prices of relevant competitors.

Strategy for ensuring short and long-term refinancing

The Group regularly meets with both current and potential investors to ensure that these investors have a clear overview of the operations that facilities the existence of limits and a willingness invest in the Group's securities over time.

The Group's refinancing activities are also based on diversification in terms of a variety of investors and markets. To ensure the success of diversification, the Group also needs to issue the type of securities sought after by the investors in the different markets. This strategy also ensures access to refinancing over time. The instruments that the company is permitted to use are regulated in the Financial Policy. Investor activities encompasses banks, fund managers, insurance companies and central banks.

Furthermore, as part of these activities the Group strives to ensure that as favourable liquidity as possible is maintained in the Group's investments, which also aids the work to secure refinancing options.

	Group		Parent Company	
Bonds and other interest-bearing securities, SEK M	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
AAA/Aaa	21,203.3	21,614.0	8,720.0	19,557.3
A/A2		3,086.9		3,086.9
	21,203.3	**24,700.9**	**8,720.0**	**22,644.2**

Financing risk

Financing risk means that the Bank Group, in the event of financing maturity, does not successfully refinance the maturity or only succeeds in borrowing at substantially increased costs. This definition is closely linked to the definition of liquidity risk. By using the largest possible number of financing sources with expanded investor bases and by distributing financing maturities over time, the Bank Group's financing risk decreases. The Financial Policy also stipulates that the average term of borrowing is to exceed the average term of the loan portfolio. The Bank Group's rating has improved in recent years to a current rating of A from Standard & Poor's and a current rating of A2 from Moody's. Länsförsäkringar Hypotek's covered bonds also have the highest rating from both Moody's and Standard & Poor's.

Currency risk

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

Fixed-interest periods for assets and liabilities – Interest-rate exposure

Group 2010, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 yearr	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	84.8								84.8
Treasury bills and other eligible bills	1,349.3					2,820.7			4,170.0
Loans to credit institutions	1,406.2							123.6	1,529.8
Loans to the public	62,755.6	21,952.2	4,213.4	5,726.2	16,394.9	5,345.6	1,676.0	–153.7	117,910.2
Bonds and other interest-bearing securities			2,830.3		9,960.6	8,412.4			21,203.3
Other assets								3,635.7	3,635.7
Total assets	**65,595.9**	**21,952.2**	**7,043.7**	**5,726.2**	**26,355.5**	**16,578.7**	**1,676.0**	**3,605.6**	**148,533.8**
Liabilities									
Due to credit institutions	4,948.6							263.7	5,212.3
Deposits and borrowing from the public	33,230.8	6,204.8	240.6	778.2	780.1	272.6		83.0	41,590.1
Debt securities in issue	1,566.3	20,568.3	7,984.4	388.4	19,885.0	25,851.3	12,906.7	97.6	89,248.0
Other liabilities								5,704.5	5,704.5
Subordinated liabilities		1,250.0							1,250.0
Equity								5,528.9	5,528.9
Total liabilities and equity	**39,745.7**	**28,023.1**	**8,225.0**	**1,166.6**	**20,665.2**	**26,123.8**	**12,906.7**	**11,677.7**	**148,533.8**
Difference, assets and liabilities	**25,850.2**	**–6,070.9**	**–1,181.3**	**4,559.6**	**5,690.3**	**–9,545.1**	**–11,230.7**	**–8,072.1**	
Interest-rate derivatives, nominal values, net	–265.3	–13,846.5	1,893.0	–4,542.4	–4,860.8	10,222.8	10,919.5		
Net exposure	**25,584.9**	**–19,917.4**	**711.7**	**17.2**	**829.6**	**677.7**	**–311.2**	**–8,072.1**	

Group 2009, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 yearr	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	80.5								80.5
Treasury bills and other eligible bills	1,999.8								1,999.8
Loans to credit institutions	3,215.9								3,215.9
Loans to the public	55,264.5	19,523.1	5,321.7	4,567.6	10,718.6	2,507.3	1,826.0	–147.2	99,581.6
Bonds and other interest-bearing securities	1,095.9	1,995.7	5,111.3	5,622.5	4,944.7	3,931.0			22,701.1
Other assets								3,717.7	3,717.7
Total assets	**61,656.6**	**21,518.8**	**10,433.0**	**10,190.1**	**15,663.3**	**6,438.3**	**1,826.0**	**3,570.5**	**131,296.6**
Liabilities									
Due to credit institutions	732.4		8,000.0	12,500.0					21,232.4
Deposits and borrowing from the public	28,637.2	6,201.9	2.0	1,086.3	962.0	475.6			37,365.0
Debt securities in issue	1,455.9	18,354.0	7,733.6	809.3	14,164.4	18,949.3	436.4	113.3	62,016.2
Other liabilities								4,738.8	4,738.8
Subordinated liabilities		1,250.0							1,250.0
Equity								4,694.2	4,694.2
Total liabilities and equity	**30,825.5**	**25,805.9**	**15,735.6**	**14,395.6**	**15,126.4**	**19,424.9**	**436.4**	**9,546.3**	**131,296.6**
Difference, assets and liabilities	**30,831.1**	**–4,287.1**	**–5,302.6**	**–4,205.5**	**536.9**	**–12,986.6**	**1,389.6**	**–5,975.8**	**0**
Interest-rate derivatives, nominal values, net	–1,366.9	–12,129.7	730.0	–2,016.5	145.8	13,246.8	–1,244.0		–2,634.5
Net exposure	**29,464.2**	**–16,416.8**	**–4,572.6**	**–6,222.0**	**682.7**	**260.2**	**145.4**	**–5,975.8**	**–2,634.4**

Fixed-interest periods for assets and liabilities – Interest-rate exposure

Parent Company 2010, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 yearr	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	84.8								84.8
Treasury bills and other eligible bills	1,349.3								1,349.3
Loans to credit institutions	27,388.6	799.4	0.1	32.7				123.6	28,344.4
Loans to the public	16,256.0	8,050.9	470.2	546.5	1,612.4	549.9	174.3	–127.7	27,532.5
Bonds and other interest-bearing securities			2,830,3		4,365.1	1,524.6			8,720.0
Other assets								5,325.3	5,325.3
Total assets	**45,078.7**	**8,850.3**	**3,300.6**	**579.2**	**5,977.5**	**2,074.5**	**174.3**	**5,321.2**	**71,356.3**
Liabilities									
Due to credit institutions	12,136.8							226.4	12,363.2
Deposits and borrowing from the public	33,363.2	6,204.8	240.6	778.2	780.1	272.6		83.0	41,722.5
Debt securities in issue	566.3	8,153.9	35.0	99.9	300.0	300.0		97.6	9,552.6
Other liabilities								914.6	914.6
Subordinated liabilities		1,250.0							1,250.0
Equity								5,553.4	5,553.4
Total liabilities and equity	**46,066.3**	**15,608.7**	**275.6**	**878.1**	**1,080.1**	**572.5**		**6,875.0**	**71,356.3**
Difference, assets and liabilities	**–987.6**	**–6,758.4**	**3,025.0**	**–298.9**	**4,897.4**	**1,502.0**	**174.3**	**–1,553.8**	
Interest-rate derivatives, nominal values, net		9,183.0	–2,942.0	85.0	–4,671.0	–1,465.0	–190.0		
Net exposure	**–987.6**	**2,424.6**	**83.0**	**–213.9**	**226.4**	**37.0**	**–15.7**	**–1,553.8**	

Parent Company 2009, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 yearr	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	80.5								80.5
Treasury bills and other eligible bills	1,999.8								1,999.8
Loans to credit institutions	25,034.0	1,966.9	78.8	4,255.9	66.2			320.1	31,721.9
Loans to the public	14,469.0	6,881.9	523.9	246.4	578.8	206.9	180.5	–124.1	22,963.3
Bonds and other interest-bearing securities	1,095.9	1,995.7	5,111.3	5,622.5	4,944.8	1,874.2			20,644.4
Other assets								4,726.0	4,726.0
Total assets	**42,679.2**	**10,844.5**	**5,714.0**	**10,124.8**	**5,589.8**	**2,081.1**	**180.5**	**4,922.0**	**82,135.9**
Liabilities									
Due to credit institutions	9,303.5		8,000.0	12,500.0				152.0	29,955.5
Deposits and borrowing from the public	28,753.4	6,201.8	2.1	1,086.3	962.0	475.6			37,481.2
Debt securities in issue	464.9	3,625.7	3,132.6		0.1			113.3	7,336.6
Other liabilities								1,413.2	1,413.2
Subordinated liabilities		1,250.0							1,250.0
Equity								4,699.4	4,699.4
Total liabilities and equity	**38,521.8**	**11,077.5**	**11,134.6**	**13,586.3**	**962.1**	**475.6**		**6,377.9**	**82,135.9**
Difference, assets and liabilities	**4,157.4**	**–233.0**	**–5,420.7**	**–3,461.5**	**4,627.7**	**1,605.5**	**180.5**	**–1,455.9**	
Interest-rate derivatives, nominal values, net	–50.0	8,313.0	–1,240.0	–10.0	–5,168.0	–1,730.0	–115.0		
Net exposure	**4,107.4**	**8,080.0**	**–6,660.7**	**–3,471.5**	**–540.3**	**–124.5**	**65.5**	**–1,455.9**	

Liquidity exposure, financial instruments

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

Group Dec. 31, 2010, SEK M	**On demand**	**< 3 months**	**> 3 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Without maturity**	**Total nominal cash flows**	**Carrying amount**	**Of which, expected recovery period of > 12 months**
Assets									
Cash and balances with central banks	84.8						84.8	84.8	
Treasury bills and other eligible bills		1,350.0		2,550.0			3,900.0	4,170.0	2,820.7
Loans to credit institutions	193.9	1,335.9					1,529.8	1,529.8	
Loans to the public		962.5	3,311.6	8,520.4	105,488.2		118,282.7	117,910.2	109,093.7
Bonds and other interest-bearing securities			2,800.0	17,775.0			20,575.0	21,203.3	18,373.0
Other assets						3,635.7	3,635.7	3,635.7	10.4
Total assets	**278.7**	**3,648.4**	**6,111.6**	**28,845.4**	**105,488.2**	**3,635.7**	**148,008.0**	**148,533.8**	**130,297.8**
Liabilities									
Due to credit institutions	66.8	5,145.5					5,212.3	5,212.3	
Deposits and borrowing from the public	30,298.4	9,220.2	1,018.8	1,052.7			41,590.1	41,590.1	34,798.7
Debt securities in issue		5,072.2	15,283.4	55,164.1	12,459.5		87,979.2	89,248.0	68,804.7
Other liabilities		30.9				5,673.6	5,704.5	5,704.5	
Subordinated liabilities					1,250.0		1,250.0	1,250.0	1,250.0
Total liabilities	**30,365.2**	**19,468.8**	**16,302.2**	**56,216.8**	**13,709.5**	**5,673.6**	**141,736.1**	**143,004.9**	**104,853.4**
Difference assets and liabilities	**–30,086.4**	**–15,820.4**	**–10,190.6**	**–27,371.4**	**91,778.8**	**–2,037.9**	**6,271.9**		
Loans approved but not disbursed		4,670.9					4,670.9		
Total difference, excluding derivatives	–30,086.4	–20,491.3	–10,190.6	–27,371.4	91,778.8	–2,037.9	1,601.0		

Group Dec. 31, 2009, SEK M	**On demand**	**< 3 months**	**> 3 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Without maturity**	**Total nominal cash flows**	**Carrying amount**	**Of which, expected recovery period of > 12 months**
Assets									
Cash and balances with central banks	80.5						80.5	80.5	
Treasury bills and other eligible bills		2,000.0					2,000.0	1,999.8	
Loans to credit institutions	3,215.9						3,215.9	3,215.9	
Loans to the public		909.8	3,042.3	6,939.1	88,980.0		99,871.2	99,581.6	95,861.6
Bonds and other interest-bearing securities		2,596.0	11,050.0	8,500.0			22,146.0	22,701.1	8,875.7
Other assets						1,367.8	1,367.8	1,367.8	10.4
Total assets	**3,296.4**	**5,505.8**	**14,092.3**	**15,439.1**	**88,980.0**	**1,367.8**	**128,681.4**	**128,946.7**	**104,747.7**
Liabilities									
Due to credit institutions	732.3		20,500.0				21,232.3	21,232.4	
Deposits and borrowing from the public	28,637.3	6,201.8	1,088.3	1,437.6			37,365.0	37,365.0	35,491.0
Debt securities in issue	113.3	8,555.3	13,758.4	38,737.5	446.0		61,610.5	62,016.2	39,586.1
Other liabilities		38.6				2,660.0	2,698.6	2,698.6	
Subordinated liabilities					1,250.0		1,250.0	1,250.0	1,250.0
Total liabilities	**29,482.9**	**14,795.7**	**35,346.7**	**40,175.1**	**1,696.0**	**2,660.0**	**124,156.4**	**124,562.2**	**76,327.1**
Difference assets and liabilities	**–26,186.5**	**–9,289.9**	**–21,254.4**	**–24,736.0**	**87,284.0**	**–1,292.2**	**4,525.0**		
Loans approved but not disbursed		4,595.5					4,595.5		
Total difference, excluding derivatives	**–26,186.5**	**–13,885.6**	**–21,254.4**	**–24,736.0**	**87,284.0**	**–1,292.2**	**–70.5**		

Liquidity exposure, financial instruments

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

Parent Company Dec. 31, 2010, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	84.8						84.8	84.8	
Treasury bills and other eligible bills		1,350.0					1,350.0	1,349.3	
Loans to credit institutions	51.4	3,278.1	24,176.9		766.0		28,272.4	28,344.4	766.0
Loans to the public		62.1	812.8	2,068.9	24,818.6		27,762.4	27,532.5	25,540.6
Bonds and other interest-bearing securities			2,800.0	5,700.0			8,500.0	8,720.0	5,889.7
Other assets						5,325.3	5,325.3	5,325.3	4,987.2
Total assets	**136.2**	**4,690.2**	**27,789.7**	**7,768.9**	**25,584.6**	**5,325.3**	**71,294.9**	**71,356.3**	**34,183.3**
Liabilities									
Due to credit institutions	8,204.7	3,932.0					12,136.7	12,363.2	
Deposits and borrowing from the public	30,430.8	9,220.2	1,018.8	1,052.7			41,722.5	41,722.5	34,798.7
Debt securities in issue		4,072.2	136.1	5,250.0			9,458.3	9,552.6	5,249.9
Other liabilities		30.9				883.7	914.6	914.6	
Subordinated liabilities					1,250.0		1,250.0	1,250.0	1,250.0
Total liabilities	**38,635.5**	**17,255.4**	**1,154.9**	**6,302.7**	**1,250.0**	**883.7**	**65,482.2**	**65,802.9**	**41,298.6**
Difference assets and liabilities	**–38,499.3**	**–12,565.2**	**26,634.8**	**1,466.2**	**24,334.6**	**4,441.6**	**5,812.7**		
Loans approved but not disbursed		1,151.2					1,151.2		
Total difference, excluding derivatives	**–38,499.3**	**–13,716.4**	**26,634.8**	**1,466.2**	**24,334.6**	**4,441.6**	**4,661.5**		

Parent Company Dec. 31, 2009, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	80.5						80.5	80.5	
Treasury bills and other eligible bills		2,000.0					2,000.0	1,999.8	
Loans to credit institutions	381.8	25,779.2	4,343.9	80.1	840.0		31,425.0	31,721.9	906.2
Loans to the public		115.2	737.1	1,610.7	20,624.4		23,087.4	22,963.3	21,977.5
Bonds and other interest-bearing securities		2,596.0	11,050.0	6,500.0			20,146.0	20,644.4	6,818.9
Other assets						4,188.9	4,188.9	4,188.9	3,709.4
Total assets	**462.3**	**30,490.4**	**16,131.0**	**8,190.8**	**21,464.4**	**4,188.9**	**80,927.8**	**81,598.8**	**33,412.0**
Liabilities									
Due to credit institutions			29,596.4				29,596.4	29,955.5	
Deposits and borrowing from the public	28,753.5	6,201.8	1,088.3	1,437.6			37,481.2	37,481.2	35,607.1
Debt securities in issue	113.3	4,092.1	3,138.0	0.1			7,343.5	7,336.6	0.1
Other liabilities		38.6				578.7	617.3	617.3	
Subordinated liabilities					1,250.0		1,250.0	1,250.0	1,250.0
Total liabilities	**28,866.8**	**10,332.5**	**33,822.7**	**1,437.7**	**1,250.0**	**578.7**	**76,288.4**	**76,640.6**	**36,857.2**
Difference assets and liabilities	**–28,404.5**	**20,157.9**	**–17,691.7**	**6,753.1**	**20,214.4**	**3,610.2**	**4,639.4**		
Loans approved but not disbursed		1,286.5					1,286.5		
Total difference, excluding derivatives	**–28,404.5**	**18,871.4**	**–17,691.7**	**6,753.1**	**20,214.4**	**3,610.2**	**3,352.9**		

Liquidity exposure, derivatives

Group 2010	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives in hedge accounting					
Currency derivatives	182.0	105.1	566.6	109.2	962.9
Interest-rate derivatives	161.7	–397.7	447.4	142.8	354.2
Other derivatives					
Currency derivatives	–4.7				–4.7
Interest-rate derivatives	–45.7				–45.7
Total difference, derivatives	**293.3**	**–292.6**	**1,014.0**	**252.0**	**1,266.7**

Group 2009	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives in hedge accounting					
Currency derivatives	–2.4	138.7	212.8	106.9	456.0
Interest-rate derivatives	–159.3	27.9	760.3	–181.7	447.2
Other derivatives					
Currency derivatives	572.7				572.7
Interest-rate derivatives	–19.2	125.0	110.0		215.8
Total difference, derivatives	**391.8**	**291.6**	**1,083.1**	**–74.8**	**1,691.7**

Parent Company 2010	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives in hedge accounting					
Currency derivatives	25.7	–367.2	–497.7	–22.1	–861.1
Interest-rate derivatives					
Other derivatives					
Currency derivatives	–4.7				–4.7
Interest-rate derivatives					
Total difference, derivatives	**21.0**	**–367.2**	**–497.7**	**–22.1**	**–861.1**

Parent Company 2009	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives in hedge accounting					
Currency derivatives					
Interest-rate derivatives	–19.7	–283.0	–564.8	–21.3	–888.8
Other derivatives					
Currency derivatives	154.0				154.0
Interest-rate derivatives	–19.2				–19.2
Total difference, derivatives	**115.1**	**–283.0**	**–564.8**	**–21.3**	**–754.0**

Operational risk

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

Operational risk is primarily categorised into the following areas:
- Internal fraud
- External crime
- Legal risks
- Damage to physical assets
- Interruptions and disturbances to operations and systems
- Business conditions
- Transaction management and process control
- Working conditions and work environment

All significant processes in the Bank Group and the banking operations of the regional insurance companies are required to perform an analysis of the operational risk associated with the process. These risk analyses are part of the Bank Group's overall risk assessment in accordance with the rules governing capital adequacy. Since the operations, their external environment and threat profile are constantly changing, the processes must be subjected to regular quality assurance. This is carried out to ensure that the risks remain within the Bank Group's tolerance level. Risk analysis is one of the tools used to prepare the basis for decision-making in order to introduce measures for managing significant risks. The purpose of risk analysis is to:
- Identify and reduce significant operational risks
- Plan security activities
- Create awareness of operational risks
- Comply with the Swedish Financial Supervisory Authority's requirements for measuring and assessing operational risk

Each part of the organisation is responsible for performing an annual risk analysis.

Incident management

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

Model for assessing operational risk

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

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

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

Business risks

Business risk primarily comprises earnings risks. Earnings risk is defined by the Bank Group as volatility in earnings that creates a risk of lower income due to an unexpected decrease in income as a result of such factors as competition or volume reductions. Earnings risk is associated with all of the Bank Group's products and portfolios. A considerable portion of the Bank Group's business operations involves retail mortgage lending. The retail mortgage lending operations have a low level of volatility and thus a low earnings risk. Business risk is managed in the internal capital adequacy assessment process (ICAAP).

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank Group's internal capital adequacy assessment process (ICAAP) was designed based on the requirements of the Basel II rules, the requirements established by the Board for the operations and the internal demands of an increasingly complex business operation. The regulations aimed at the internal capital adequacy assessment processes of financial companies are based on principles and are comprehensive in nature. To a large extent, this means that Länsförsäkringar Bank has the option and an obligation to independently design its process and, in the long run, its scope and level of sophistication. The Bank Group's procedures, implementation and results are to be reported to the Swedish Financial Supervisory Authority annually. The CFO of Länsförsäkringar Bank is responsible for conducting the process work that leads to an internal capital adequacy assessment for the Bank Group and forms the basis for business planning and Board decisions concerning capital targets and capital forecasts.

The process is to be carried out annually and includes the following activities:

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

At least once annually, the basic prerequisites for stress tests are to be reviewed by the Board. This review should act as a guide for the company's continuing work involving stress tests. Work involving stress tests is based on a number of scenarios and the impact of these scenarios on risk in the Bank Group. The Bank Group's capital target is that the Tier 1 ratio shall amount to 12 percentage points when Basel II is fully implemented. A deviation of +/–0.5 percentage points is permitted for the capital target. For more detailed information about Basel II, refer to the Pillar III report Risk and capital management in the Länsförsäkringar Bank Group on the company's website www.lansforsakringar.se/financialbank.

CAPITAL-ADEQUACY ANALYSIS, GROUP

SEK M	Dec. 31, 2010	Dec. 31, 2009
Tier 1 capital, gross	5,773.6	4,960.1
Less intangible assets	–372.7	–329.8
Less deferred tax assets	–3.1	–2.1
Less/plus IRB deficit/surplus	–214.8	–106.6
Tier 1 capital, net	**5,183.0**	**4,521.6**
Tier 2 capital	960.0	960.0
Deductions for Tier 2 capital	–214.8	–106.6
Total capital base	**5,928.2**	**5,375.0**
Risk-weighted assets according to Basel II	**43,944.2**	**36,331.3**
Risk-weighted assets according to transition rules	**63,161.2**	**55,197.5**
Total capital requirement		
Capital requirement for credit risk according to Standardised Approach	725.4	1,004.0
Capital requirement for credit risk according to IRB Approach	2,656.4	1,774.6
Capital requirement for operational risk	133.8	127.9
Capital requirement according to Basel II	**3,515.5**	**2,906.5**
Adjustment according to transition rules	1,537.4	1,509.3
Total capital requirement	**5,052.9**	**4,415.8**
Tier 1 ratio according to Basel II, %	11.79	12.45
Capital adequacy ratio according to Basel II, %	13.49	14.79
Capital ratio according to Basel II*	1.69	1.85
Tier 1 ratio according to transition rules, %	8.21	8.19
Capital adequacy ratio according to transition rules, %	9.39	9.74
Capital ratio according to transition rules*	1.17	1.22
Special disclosures		
IRB provisions surplus (+)/deficit (–)	–429.6	–213.2
– IRB Total reserves (+)	241.5	249.2
– IRB Anticipated loss (–)	–671.1	–462.4

SEK M	Dec. 31, 2010	Dec. 31, 2009
Capital requirement		
Credit risk according to Standardised Approach		
Exposures to institutions	77.3	93.4
Exposures to corporates	167.3	396.6
Retail exposures	190.2	30.3
Exposures secured on residential property	97.7	313.8
Past due items	1.0	8.0
Covered bonds	173.6	143.6
Other items	18.2	18.3
Total capital requirement for credit risk according to Standardised Approach	**725.4**	**1,004.0**
Credit risk according to IRB Approach		
Retail exposures		
Exposures secured by real estate collateral	1,241.0	1,230.9
Other retail exposures	626.4	542.2
Total retail exposures	*1,867.4*	*1,773.1*
Exposures to corporates	787.9	–
Non credit-obligation assets	1.0	1.5
Total capital requirement for credit risk according to IRK Approach	**2,656.4**	**1,774.6**
Operational risks		
Standardised Approach	133.8	127.9
Total capital requirement for operational risk	**133.8**	**127.9**
Capital-adequacy analysis according to Basel I		
Tier 1 capital	5,397.8	4,628.2
Tier 2 capital	960.0	960.0
Total capital base	**6,357.8**	**5,588.2**
Risk-weight assets	85,663.8	72,328.6
Capital requirement for credit risk	6,853.1	5,786.3
Tier 1 ratio, %	6.30	6.40
Capital adequacy ratio, %	7.42	7.73
Capital ratio*	0.93	0.97

* Capital ratio = total capital base/total capital requirement

The capital base includes the Board's proposed appropriation of profit. 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).

CAPITAL-ADEQUACY ANALYSIS, PARENT COMPANY

SEK M	Dec. 31, 2010	Dec. 31, 2009
Tier 1 capital, gross	5,827.7	4,975.8
Less intangible assets	–283.8	–221.2
Less deferred tax assets	0	0
Less/plus IRB deficit/surplus	–68.5	–13.2
Tier 1 capital, net	**5,475.4**	**4,741.4**
Tier 2 capital	960.0	960.0
Deductions for Tier 2 capital	–68.5	–13.2
Total capital base	**6,367.0**	**5,688.2**
Risk-weighted assets according to Basel II	**17,713.5**	**15,836.6**
Risk weighted assets according to transition rules	**18,514.4**	**17,535.8**
Total capital requirement		
Capital requirement for credit risk according to Standardised Approach	196.3	747.8
Capital requirement for credit risk according to IRB Approach	1,155.6	451.3
Capital requirement for operational risk	65.2	67.8
Capital requirement according to Basel II	**1,417.1**	**1,266.9**
Adjustment according to transition rules	64.1	135.9
Total capital requirement	**1,481.2**	**1,402.8**
Tier 1 ratio according to Basel II, %	30.91	29.94
Capital adequacy ratio according to Basel II, %	35.94	35.92
Capital ratio according to Basel II *	4.49	4.49
Tier 1 ratio according to transition rules, %	29.57	27.04
Capital adequacy ratio according to transition rules, %	34.39	32.44
Capital ratio according to transition rules *	4.30	4.05
Special disclosures		
IRB provisions surplus (+)/deficit (–)	**–136.9**	**26.4**
– IRB Total reserves (+)	113.2	94.1
– IRB Anticipated loss (–)	–250.2	120.5

SEK M	Dec. 31, 2010	Dec. 31, 2009
Capital requirement		
Credit risk according to Standardised Approach		
Exposures to institutions	24.5	62.7
Exposures to corporates	51.4	312.9
Retail exposures	32,8	–
Exposures secured on residential property	6.2	228.5
Past due items	0.7	7.3
Covered bonds	71.2	126.8
Other items	9.4	9.7
Total capital requirement for credit risk according to Standardised Approach	**196.3**	**747.9**
Credit risk according to IRB Approach		
Retail exposures		
Exposures secured by real estate collateral	270.1	277.5
Other retail exposures	171.0	172.8
Total retail exposures	**441,1**	**450,3**
Exposures to corporates	713,7	–
Non credit-obligation assets	0.7	1.0
Total capital requirement for credit risk according to IRK Approach	**1,155.6**	**451.3**
Operational risks		
Standardised Approach	65.2	67.8
Total capital requirement for operational risk	**65.2**	**67.8**
Capital-adequacy analysis according to Basel I		
Tier 1 capital	5,543.9	4,754.6
Tier 2 capital	960.0	960.0
Total capital base	**6,503.9**	**5,714.6**
Risk-weight assets	25,282.5	22,332.4
Capital requirement for credit risk	2,022.6	1,786.6
Tier 1 ratio, %	21.93	21.29
Capital adequacy ratio, %	25.72	25.59
Capital ratio[1]	3.22	3.20

[1] Capital ratio = total capital base / total capital requirement

The capital base includes the Board's proposed appropriation of profit. 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).

Corporate Governance Report

Introduction

Länsförsäkringar Bank AB (Länsförsäkringar Bank) is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 24 customer-owned regional insurance companies and 14 local insurance companies. Länsförsäkringar AB, with its subsidiaries and owners, jointly comprise Länsförsäkringar Alliance.

Länsförsäkringar Bank complies with the Swedish Code of Corporate Governance (the Code), where appropriate, taking into consideration that the bank is not a stock market company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

- *Notice, publication of information prior to, attending and holding of an Annual General Meeting.*
  Deviation from the provisions of the Code with respect to the fact that the bank is not a stock market company and has only one shareholder.
- *Composition of Board of Directors*
  Deviation from the provision of the Code stipulating that at least two Board members shall be independent in relation to the bank's major shareholders. According to the instruction for the Nomination Committee, see below, the Board shall be appropriately composed, with respect to the bank's operations, stage of development and other circumstances, and be characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.
- *Mandate period for Board members*
  Deviation from the provision of the Code stipulating a maximum mandate period of one year. The mandate period for Board members is, as a general rule, two years. A longer mandate period contributes to ensuring continuity and establishing competence within the Board and the Annual General Meeting is supreme in dismissing and appointing a Board member irrespective of mandate period.
- *Number of members in the Audit Committee*
  Deviation from the provision of the Code stipulating that the Committee must comprise no fewer than three Board members. The Committee comprises two members. A review of the Committee's composition is in progress.

General meeting

Shareholders exercise their voting rights at the Annual General Meeting. Decisions are made at the Annual General Meeting pertaining to the Annual Report, the election of members of the Board and auditors, remuneration to Board members and auditors and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration to Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and includes remuneration for extra Board meetings and committee work, unless remuneration for such meetings and work is determined separately.

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting, in consultation with the President of Länsförsäkringar AB, proposals regarding the Board and auditors of Länsförsäkringar Bank and other subsidiaries, and fees to these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. Since the 2009 Annual General Meeting, the Nomination Committee has comprised Karin Starrin (Chairman) (Länsförsäkringar Halland), Göran Trobro (Deputy Chairman) (Länsförsäkringar Kristianstad), Ingemar Larsson (Länsförsäkringar Göteborg och Bohuslän), Anna-Greta Lundh (Länsförsäkringar Södermanland) and Björn Sundell (Länsförsäkringar Uppsala).

External auditors

In accordance with the Articles of Association, Länsförsäkringar Bank shall have between one and three auditors and between zero and three deputy auditors. Auditors are appointed for a mandate period of four years. At the 2008 Annual General Meeting, Johan Bæckström, KPMG AB, was appointed as auditor and Stefan Holmström, KPMG AB, as deputy auditor.

Composition of Board of Directors

In accordance with the Articles of Association, the Board of Länsförsäkringar Bank shall comprise between six and nine Board members elected by the Annual General Meeting, with no more than six deputies. Board members are elected for a maximum mandate period of two years. In addition, members appointed by trade-union organisations are also members of the Board. The bank has no time limit for the length of time a member may sit on the Board and no upper age limit for Board members. The Chairman and Deputy Chairman of the Board are appointed by the Annual General Meeting.

The 2010 Annual General Meeting resolved that the Board for the period up to and including the next Annual General Meeting would comprise seven members elected by the Annual General Meeting. The Board comprises a total of nine ordinary members and one deputy member, of whom two members and one deputy member were appointed by the trade-union organisations. The Chairman of the Board is the President of Länsförsäkringar AB. The President of Länsförsäkringar Bank is not a member of the Board. Five members are Board members and/or Presidents of the regional insurance companies. A more detailed presentation of the Board members is presented on page 88.

Board responsibilities

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

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

The Board shall remain informed about the performance of the company to continuously assess the company's financial situation and position. Through its formal work plan and reporting instructions, the Board has established how and when financial reporting to the Board shall occur.

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

Chairman

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

Distribution of Board duties

The Board has established an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its formal work plan or in separate instructions. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

Audit Committee

The Board of Länsförsäkringar Bank has appointed an Audit Committee, which will hold joint meetings with other audit committees within the Länsförsäkringar AB Group. The Audit Committee is responsible for preparing the work of the Board pertaining to quality assurance of the internal control of financial reporting, regulatory compliance, risk management, risk control and other internal control matters. The Committee is also responsible for matters referred to the Committee by the Board. The Committee members are independent in relation to the bank and management. The bank's internal and external auditors generally participate in the Committee's meetings. At the statutory Board meeting following the 2010 Annual General Meeting, Ingemar Larsson and Leif Johanson were appointed members of the Audit Committee.

Remuneration Committee

The Remuneration Committee shall prepare issues on remuneration and other terms of employment for the President and the principles for remuneration and other terms of employment for company management. At the statutory Board meeting following the 2010 Annual General Meeting, Sten Dunér and Ingemar Larsson were appointed as members of the Remuneration Committee.

Internal audit

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

Meetings and attendance

The table below shows the number of meetings held in each body since the 2010 Annual General Meeting until February 2011, and the attendance by each Board member:

	Board of Directors	Audit Committee	Remuneration Committee
Total number of meetings	**10**	**3**	**3**
Sten Dunér	10		3
Christian Bille	9		
Ingrid Ericson	9		
Per-Åke Holgersson	9		
Leif Johanson	9	2	
Ingemar Larsson	10	3	3
Katarina Säther	9		
Örian Söderberg	8		
Christer Villard	9		
Torleif Carlsson, deputy	8		

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Länsförsäkringar Bank is responsible for the Bank Group's guidelines for the control and governance of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control of financial reporting. The Board is also responsible for ensuring that the company's organisation is ordered so that accounting, management of assets, financial control and the company's financial circumstances otherwise are controlled in a secure manner.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board and the President have established for the bank. This procedure is documented and communicated in such guidance documents as internal policies, guidelines and instructions. Examples of such guidance documents include company instructions, report instructions, authorisation manuals and internal control instructions.

The Board has appointed an Audit Committee responsible for preparing the Board's quality assurance of the financial reporting. An independent review function, Internal Audit, has been established to assist the Board in following up the operations' compliance with Board decisions. Risks are continuously identified, analysed and monitored by the Risk Control function. The ongoing control of compliance with external and internal regulations is conducted by the Compliance function.

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

Risk assessment

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

Control activities

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

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

Information and communications

Internal guidance documents are subject to review and reassessment at least once a year. All guidance documents are published internally. Every manager must ensure that the regulations are communicated to affected subordinate staff.

Follow-up

The Internal Audit has been established to assist the Board in following up the operations' compliance with Board decisions. Based on its reviews, the Internal Audit function shall form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit function reports to the Board.

The Compliance function's task is to regularly identify, assess, monitor and report on compliance risks, meaning the risk that inadequate compliance could tarnish the reputation of the company or result in financial losses or sanctions in accordance with legislation or regulations. The Compliance function reports to the President and the Board.

For more information on the Group and the bank's recognised earnings, financial position and average number of employees, refer to the following income statement, balance sheet, cash-flow statement, changes in shareholders' equity and notes. All figures in the Annual Report are reported in SEK M unless otherwise specified.

Five-year summary for the Group

SEK M	2010	2009	2008	2007	2006
Income statement					
Interest income	5,634.4	5,320.7	7,463.2	4,541.1	2,579.2
Interest expense	–4,271.6	–4,172.4	–6,251.7	–3,524.2	–1,652.1
Net interest income	**1,362.8**	**1,148.3**	**1,211.5**	**1,016.9**	**927.1**
Net commission expense	–154.9	–95.8	–138.3	–44.5	–33.0
Dividends received	0.2	0.0	2.6	3.3	3.4
Net gains from financial items	10.0	100.5	1.4	2.1	14.5
Other operating income	168.8	147.5	147.7	128.2	111.2
Total operating income	**1,386.9**	**1,300.5**	**1,224.9**	**1,106.0**	**1,023.2**
General administration expenses	–899.2	–916.9	–862.5	–779.4	–756.3
Depreciation/amortisation	–82.3	–75.5	–52.3	–37.0	–30.9
Total expenses before loan losses	**–981.5**	**–992.4**	**–914.8**	**–816.4**	**–787.2**
Profit before loan losses	**405.4**	**308.1**	**310.1**	**289.6**	**236.0**
Loan losses, net	–60.1	–50.4	–65.1	–51.1	–37.8
Profit from banking operations/Operating profit	**345.3**	**257.7**	**245.0**	**238.5**	**198.2**
Tax	–100.0	–79.9	–67.7	–62.9	–59.4
Net profit for the year	**245.3**	**177.8**	**177.3**	**175.6**	**138.8**
Balance sheet					
Cash and balances with central banks	84.8	80.5	81.3	71.5	72.6
Treasury bills and other eligible bills	4,170.0	1,999.8	–	7,964.1	–
Loans to credit institutions	1,529.8	3,215.9	9,830.9	5,233.7	2,113.5
Loans to the public	117,910.2	99,581.6	78,563.9	67,040.0	53,883.6
Bonds and other interest-bearing securities	21,203.3	22,701.1	10,445.6	3,105.3	5,607.4
Shares and participations	10.4	10.4	10.8	11.1	9.5
Derivatives	1,041.9	1,231.9	2,546.2	545.5	168.3
Fair value changes of interest-rate-risk hedged items in portfolio hedge	140.6	767.9	1,131.9	–247.7	–101.3
Intangible assets	372.7	329.8	327.3	246.8	143.6
Property and equipment	13.1	18.1	20.5	20.6	7.6
Deferred tax assets	3.1	2.2	14.4	5.1	0.9
Other assets	254.4	265.0	273.5	371.0	309.3
Prepaid expenses and accrued income	1,799.5	1,092.4	890.1	726.6	322.6
Total assets	**148,533.8**	**131,296.6**	**104,136.4**	**85,093.6**	**62,537.6**
Due to credit institutions	5,212.3	21,232.4	9,112.6	707.2	350.8
Deposits and borrowing from the public	41,590.1	37,365.0	35,090.2	29,735.3	24,379.4
Debt securities in issue	89,248.0	62,016.2	48,985.3	45,980.7	31,634.6
Derivatives	2,093.6	1,195.2	1,546.8	300.6	426.0
Fair value changes of interest-rate-risk hedged items in portfolio hedge	–392.4	762.1	1,024.6	–215.4	–45.6
Deferred tax liabilities	72.9	65.3	60.0	64.4	15.4
Other liabilities	780.6	652.6	762.4	1,805.5	491.9
Accrued expenses and deferred income	3,130.9	2,046.0	1,973.3	1,727.5	1,037.1
Provisions	18.9	17.6	40.3	14.1	13.9
Subordinated liabilities	1,250.0	1,250.0	1,250.0	1,150.0	1,050.0
Equity	5,528.9	4,694.2	4,290.9	3,823.7	3,184.1
Total liabilities and equity	**148,533.8**	**131,296.6**	**104,136.4**	**85,093.6**	**62,537.6**
Key figures					
Return on equity, %	4.9	4.1	4.4	5.0	4.6
Return on total capital, %	0.24	0.22	0.26	0.34	0.35
Investment margin, %	0.93	0.96	1.30	1.43	1.62
Cost/income ratio before loan losses	0.71	0.76	0.75	0.74	0.77
Cost/income ratio after loan losses	0.75	0.80	0.80	0.78	0.80
Tier 1 ratio according to Basel II, %	11.8	12.5	14.6	14.4	–
Tier 1 ratio according to transition rules, %	8.2	8.2	8.6	8.8	8.6[1)]
Capital adequacy ratio according to Basel II, %	13.5	14.8	17.7	17.2	–
Capital adequacy ratio according to transition rules, %	9.4	9.7	10.4	10.6	10.6[1)]
Percentage of impaired loans, %	0.17	0.21	0.22	0.41	0.49
Reserve ratio in relation to loans, %	0.24	0.30	0.35	0.36	0.42
Loan losses in relation to lending, %	0.05	0.05	0.07	0.07	0.07

1) In accordance with Basel I.

Consolidated financial statements

Consolidated income statement

SEK M	Note	2010	2009
Interest income	4	5,634.4	5,320.7
Interest expense	5	–4,271.6	–4,172.4
Net interest income		**1,362.8**	**1,148.3**
Dividends received	6	0.2	–
Commission income	7	918.8	774.4
Commission expense	8	–1,073.7	–870.2
Net gains/losses from financial items	9	10.0	100.5
Other operating income	10	168.8	147.5
Total operating income		**1,386.9**	**1,300.5**
Staff costs	11	–311.4	–305.1
Other administration expenses	12, 13, 14	–587.8	–611.8
Total administration expenses		**–899.2**	**–916.9**
Depreciation/amortisation and impairment of property and equipment/intangible assets	15	–82.3	–75.5
Total operating expenses		**–981.5**	**–992.4**
Profit before loan losses		**405.4**	**308.1**
Loan losses, net	16	–60.1	–50.4
Operating profit		**345.3**	**257.7**
Tax	17	–100.0	–79.9
NET PROFIT FOR THE YEAR		**245.3**	**177.8**

Consolidated statement of comprehensive income

SEK M	2010	2009
Net profit for the year	**245.3**	**177.8**
Other comprehensive income		
Available-for-sale financial assets		
Change in fair value	28.8	40.7
Reclassification adjustments on realised securities	–	6.8
Tax	–7.6	–12.5
Other comprehensive income for the year, net after tax	**21.2**	**35.0**
Comprehensive income for the year	**266.5**	**212.8**

Consolidated balance sheet

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Cash and balances with central banks		84.8	80.5
Treasury bills and other eligible bills	18	4,170.0	1,999.8
Loans to credit institutions	19	1,529.8	3,215.9
Loans to the public	20, 21	117,910.2	99,581.6
Bonds and other interest-bearing securities	22	21,203.3	22,701.1
Shares and participations	23	10.4	10.4
Derivatives	24	1,041.9	1,231.9
Fair value changes of interest-rate-risk hedged items in portfolio hedge	25	140.6	767.9
Intangible assets	26	372.7	329.8
Property and equipment	27	13.1	18.1
Deferred tax assets	28	3.1	2.2
Other assets	29	254.4	265.0
Prepaid expenses and accrued income	30	1,799.5	1,092.4
TOTAL ASSETS		**148,533.8**	**131,296.6**
LIABILITIES AND EQUITY			
Due to credit institutions	31	5,212.3	21,232.4
Deposits and borrowing from the public	32	41,590.1	37,365.0
Debt securities in issue	33	89,248.0	62,016.2
Derivatives	24	2,093.6	1,195.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	25	–392.4	762.1
Deferred tax liabilities	28	72.9	65.3
Other liabilities	34	780.6	652.6
Accrued expenses and deferred income	35	3,130.6	2,046.0
Provisions	36	18.9	17.6
Subordinated liabilities	37	1,250.0	1,250.0
TOTAL LIABILITIES		**143,004.9**	**126,602.4**
EQUITY	39		
Share capital		954.9	954.9
Other capital contributed		4,227.5	3,377.5
Reserves		45.3	24.1
Retained earnings		55.9	159.9
Net profit for the year		245.3	177.8
TOTAL EQUITY		**5,528.9**	**4,694.2**
TOTAL LIABILITIES AND EQUITY		**148,533.8**	**131,296.6**

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Consolidated cash-flow statement (indirect method)

SEK M	2010	2009
Cash and cash equivalents, January 1	2,924.7	799.6
Operating activities		
Operating profit	345.3	257.7
Adjustment of non-cash items	445.3	–136.4
Change in assets of operating activities		
Change in treasury bills and other eligible bills	–2,240.6	–1,999.8
Change in loans to credit institutions	–40.8	–164.6
Change in loans to the public	–18,365.9	–21,018.6
Change in bonds and other interest-bearing securities	1,212.7	–12,265.8
Change in derivatives	–505.7	522.7
Change in other assets	10.7	8.5
Change in liabilities of operating activities		
Change in due to credit institutions	–16,039.4	21,025,3
Change in deposits and borrowing from the public	4,225.1	2,274.8
Change in debt securities in issue	28,492.1	13,597.3
Change in other liabilities	29.5	–116.7
Change in derivatives	244.2	93.2
Cash flow from operating activities	**–2,187.5**	**2,077.6**
Investing activities		
Purchase of property and equipment	–2.1	–5.7
Divestment of property and equipment	8.1	0
Acquisition of intangible assets	–126.3	–69.9
Acquisition of other financial assets	–	0.4
Cash flow from investing activities	**–120.3**	**–75.2**
Financing activities		
Shareholders' contribution received	850.0	400.0
Group contribution paid	–284.2	–277.3
Cash flow from financing activities	**565.8**	**122.7**
NET CASH FLOW FOR THE YEAR	**–1,742.0**	**2,125.1**
Cash and cash equivalents, December 31	**1,182.7**	**2,924.7**

SEK M	2010	2009
Non-cash items		
Depreciation of property and equipment/amortisation of intangible assets	78.2	71.4
Impairment of property and equipment and intangible assets	4.1	4.1
Unrealised portion of net gains/losses from financial items	–53.3	–60.5
Change in surplus value of financial assets	2.3	–
Loan losses, excluding recoveries	35.0	0.9
Change in accrued expense/income	377.7	–129.5
Provisions	1.3	–22.8
Total non-cash items	**445.3**	**–136.4**
Cash and cash equivalents comprise:		
Cash and balances with central banks	84.8	80.5
Loans to credit institutions	1,324.3	3,051.2
Due to credit institutions	–226.4	–207.0
Total cash and cash equivalents	**1,182.7**	**2,924.7**
Interest received	4,939.2	5,108.7
Interest paid	3,316.6	4,138.6
Gross investments	128.4	75.6
Income tax paid	0	–

Cash and cash equivalents is defined as cash and balance at central banks, lending and due to credit institutions payable on demand, as well as day–to–day loans and investments with the Riksbank that mature on the following banking day.

Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings	Net profit for the year	Total
Opening balance, January 1, 2009	**954.9**	**2,977.5**	**–10.9**	**192.0**	**177.3**	**4,290.8**
Net profit for the year					177.8	177.8
Other comprehensive income for the year			35.0			35.0
Comprehensive income for the year			*35.0*		*177.8*	*212.8*
Resolution by Annual General Meeting				177.3	–177.3	–
Group contribution paid				–284.2		–284.2
Tax on Group contribution paid				74.8		74.8
Conditional shareholders' contribution received		400.0				400.0
Closing balance, December 31, 2009	**954.9**	**3,377.5**	**24.1**	**159.9**	**177.8**	**4,694.2**
Opening balance, January 1, 2010	**954.9**	**3,377.5**	**24.1**	**159.9**	**177.8**	**4,694.2**
Net profit for the year					245.3	245.3
Other comprehensive income for the year			21.2			21.2
Comprehensive income for the year			*21.2*		*245.3*	266.5
Resolution by Annual General Meeting				177.8	–177.8	–
Group contribution paid				–382.4		–382.4
Tax on Group contribution paid				100.6		100.6
Conditional shareholders' contribution received		850.0				850.0
Closing balance, Dec. 31, 2010	**954.9**	**4,227.5**	**45.3**	**55.9**	**245.3**	**5,528.9**

Other capital contributed
Refers to equity that has been provided by the owners.

Reserves
The reserves comprise the accumulated net change in fair value of available-for-sale financial assets until the asset is derecognised from the balance sheet. Any impairment losses are recognised in profit and loss.

Retained earnings, including net profit for the year
Retained earnings, including net profit for the year includes profit in the Parent Company and subsidiaries. Paid and received Group contributions after tax and shareholders' contributions received are also included.

Notes to the consolidated financial statements

NOTE 1 COMPANY INFORMATION

The consolidated accounts for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on December 31, 2010. Länsförsäkringar Bank AB is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11–13. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, with its registered office in Stockholm. The Parent Company in the largest and smallest Group in which Länsförsäkringar Bank AB (publ) is the subsidiary and in which the consolidated accounts are prepared is Länsförsäkringar AB (publ), Stockholm. The consolidated accounts for Länsförsäkringar Bank AB (publ) were authorised for issue by the Board and President on March 28, 2011. Final approval of the consolidated accounts will be made by the Parent Company's Annual General Meeting on May 16, 2011.

NOTE 2 ACCOUNTING POLICIES

Compliance with standards and legislation

The consolidated accounts are prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's (the Reporting Board) recommendation RFR 1 Supplementary Accounting Rules for Groups and the Reporting Board's statements, certain supplementary regulations in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the regulations and general advice of the Swedish Financial Supervisory Authority regarding annual accounts for credit institutions and securities companies (FFFS 2008:25) were applied. The Parent Company applies the same accounting policies as the Group except for the cases described under the Parent Company's note 1 regarding accounting policies. The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

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

The Parent Company Länsförsäkringar Bank's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. The functional currency is the currency in the primary financial environments in which the Group companies conduct their operations, which means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise stated, are rounded to the nearest million (SEK M). The reporting is based on historical cost. Financial assets and liabilities are recognised at amortised cost, except for certain financial assets and liabilities that are measured at fair value, see note 43, or when fair value hedge accounting is applied. Financial assets and liabilities measured at fair value comprise derivative instruments, financial instruments classified as financial assets and financial liabilities measured at fair value in profit and loss or as available-for-sale financial assets.

The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

Judgements and estimates

The preparation of accounts in accordance with IFRS requires that management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the accounts. These judgements and estimates are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Critical judgements made in the application of the Group's accounting policies

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

- The selection of categories and valuation techniques for financial instruments. These are described in the paragraph below on financial instruments.
- The Group's compensation to the regional insurance companies, which the Group has opted to recognise as commission expense. The regional insurance companies are compensated for their work with Länsförsäkringar Bank's customer-related matters in each of the regional insurance companies' geographic areas. Refer to note 8.

Key sources of estimation uncertainty

Key sources of uncertainty in estimates mainly comprise impairment requirements for loan losses. Loans identified on an individual basis as impaired, and accordingly on which impairment losses are to be recognised, are measured at the present value of future cash flows discounted by the original effective rate. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are firstly used as support in making estimates of expected future cash flows. Such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows. Secondly, other models are used based on historic experience.

Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are identified and assessed collectively. Firstly, a method is used which is based on the information collated and processed under the framework of capital adequacy work, and secondly, estimates are based on historical values and experience-based adjustments of these values to the current situation.

Determining that a loss event has occurred for a group of receivables entails higher uncertainty since several different events may have an impact.

For a more detailed description, refer to the section Loans on page 53.

Changed accounting policies caused by new or amended IFRSs and interpretive statements

The changes applied by the Group since January 1, 2010 are described below. Other changes to IFRS applicable from 2010 did not have any significant effect on the consolidated financial statements.

Business combinations and consolidated financial statements

Effective 1 January 2010, the Group applies revised IFRS 3 Business Combinations and revised IAS 27 Consolidated and Separate Financial Statements. These amended accounting policies include the following changes: the definition of business has been changed, transaction costs attributable to business combination have been expensed, contingent consideration has been determined at fair value on the acquisition date and effects of revaluations of liabilities related to contingent consideration have been recognised as an income or expense in net profit for the year. Other new items include the introduction of two alternative methods to recognise non-controlling interests and goodwill, either at fair value, meaning the inclusion of goodwill in the non-controlling interest, or that the non-controlling interest forms a part of net assets. The choice between these two methods is to be made individually for each acquisition. Furthermore, additional acquisitions that take place after a controlling influence has been obtained are to be considered as owner transactions and recognised directly in equity, which entails a change to the Group's current policy whereby the surplus amount is recognised as goodwill.

The revised policies did not have any retroactive effect on the Group's financial statements, meaning that no amounts in the financial statements were changed.

Presentation of the financial statements

In IASB's annual improvements process, which was published in May 2010, the requirements in IAS 1 Presentation of Financial Statements were amended in regard to the presentation of the statement of changes in shareholders' equity. The Group has chosen to apply these changes in advance, from the Annual Report 2010. The changes entail that reconciliation in the statement of changes in shareholders' equity of changes for the year of each component of equity, such as reserves for other comprehensive income, does not need to specify each item in other comprehensive income. The Group has chosen, as was permitted according to this amendment, to provide disclosures with such a detailed reconciliation of the reserves and other components in equity in a note, rather than the statement of changes in shareholders' equity. In accordance with the formulations in the amended IAS 1, the previous line for comprehensive income for the year in the statement of changes in shareholders' equity has been divided with separate specification of net profit for the year, and other comprehensive income for the year. The amended presentation is applied for the current year and the comparative year. The changes have not resulted in any adjustments to the amounts in financial statements.

New IFRS and interpretations that have not yet taken effect

The new and revised standards and interpretation statements described below will not take effect until the next fiscal year, and have not been applied in advance in the preparation of these financial statements.

- IFRS 7 *Financial instruments: Disclosures.* New disclosure requirements have been added regarding financial assets that have been derecognised in their entirety or in part, meaning that further information will need to be provided regarding the Group's repurchase agreement. The amendment will not lead to any change in recognised amounts. The EU is expected to approve the changes during the second quarter of 2011, and they will come into effect in the fiscal year starting July 1, 2011 or later.
- IFRS 9 *Financial Instruments* addresses the classification and measurement of financial assets and liabilities. Under IFRS 9, all financial assets are measured at either amortised cost or fair value. The category to be used is determined based on whether the asset has characteristics similar to lending or the business model applied by the Group. There is also the option of measuring assets that fulfil the criteria for amortised cost at fair value in profit and loss (known as the fair value option) if this reduces inconsistencies in reporting. The standard will become mandatory on January 1, 2013, but early adoption is permitted provided that the EU has approved the standard. On December 31, 2010, the Group had treasury bills and other eligible bills, and bonds and other interest-bearing securities valued at a carrying amount of SEK 25,373.3 M, of which an expense of SEK 150.5 M comprises accumulated changes in fair value. Most of these items are subject to hedge accounting. Any reclassification to amortised cost will be made prospectively, as stipulated by the regulations, which means that previously recognised earnings will not be affected. A decision regarding reclassification will not be made until the new hedge accounting regulations have been established. Under IFRS 9, financial liabilities measured at fair value shall be recognised via other comprehensive income. The Group's financial liabilities are recognised at amortised cost, which is why changes in the regulations will not have any effect on the reporting.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* has been approved by the EU, and provides guidance on recognising loans converted to equities. Since the interpretive statement excludes loans to subsidiaries, and the Group's lending is primarily directed to private individuals, this interpretive statement is not expected to have any material effect on the accounts.

Other than those described above, no other new or revised IFRSs and interpretations that have not yet come into effect are expected to have any significant effect on the financial statements.

Description of significant accounting policies

Consolidated financial statements

The consolidated financial statements include the Parent Company and all companies in which Länsförsäkringar Bank directly or indirectly holds a controlling influence. A controlling influence means the direct or indirect right to formulate a Group's financial and operational strategies in order to receive financial benefits. This usually involves a requirement of more than 50% of the number of votes per participation, although a company also exercises a controlling influence when it has the right to appoint the majority of Board members.

The subsidiaries are consolidated according to the purchase method, entailing that acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined on the basis of an acquisition analysis performed when the acquisition takes place. Intra-Group receivables and liabilities, income and expenses, and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Shareholders' contributions

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

Untaxed reserves

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

Related parties

Legal entities closely related to the Länsförsäkringar Bank Group include companies within the Länsförsäkringar AB Group, companies within the Länsförsäkringar Liv Group, the regional insurance companies, associated companies of the Länsförsäkringar AB Group and other related companies, comprising Länsförsäkringar Mäklarservice AB and Länsförsäkringar Fastighetsförmedling AB. Related key persons are Board members, senior executives and their close family members. The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 24 regional insurance companies, with subsidiaries, and 14 local insurance companies, which together own 100% of Länsförsäkringar AB. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within the Länsförsäkringar AB Group.

Operating segments

The Group's division of operating segments corresponds to the structure of the internal reports that the Group's chief operating decision maker uses to monitor the operations and allocate resources between business segments. The Group identified executive management as the Group's chief operating decision maker. Accordingly, for the Länsförsäkringar Bank Group, the reports on the earnings of the various segments of the operations received by executive management form the basis of segment reporting. The legal Group structure represents the internal reporting to the President of the Bank Group, meaning that each legal entity comprise a segment.

The Bank Group comprises the Parent Company Länsförsäkringar Bank AB, and the wholly owned subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB.

The Banking Operations segment is Länsförsäkringar Bank AB's business activities, comprising deposits, some borrowing, payment mediation and lending that is not first-lien mortgages on residential properties.

The Mortgage Institution segment is the Länsförsäkringar Hypotek AB's business activities, comprising retail mortgage lending of up to 75% of market value and borrowing by issuing covered bonds.

The Finance Company segment is Wasa Kredit AB, which conducts the Bank Group's leasing operations. The Group also offers hire purchase financing and unsecured loans.

The Investment Funds segment is Länsförsäkringar Fondförvaltning AB, which manages some 32 mutual funds with different investment orientations.

Pricing between the Group's segments is based on market conditions. Segment information is provided only for the Group in accordance with IFRS 8.

The Bank Group has no single customer that, by itself, meets the 10% or more of the Group's income and thus meets the information requirements stipulated in item 34 of IFRS 8.

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date.

Non-monetary assets and liabilities are translated to the rate in effect on the date of the transaction. Exchange-rate differences arising due to the translation of balance-sheet items in foreign currency are recognised in profit and loss as exchange-rate gains or losses.

Income

Income is recognised when:

- the income can be calculated in a reliable manner,
- it is probable that the financial benefits related to the transaction will accrue to the Group,
- the expenses that have arisen and the expenses that remain to complete the service assignment can be calculated in a reliable manner.

Income is measured at the fair value of the amount that has been received or will be received.

Interest income, interest expense and dividends

Interest income and interest expense presented in the income statement comprise interest on financial assets and liabilities that is valued at amortised cost, including interest on impaired loans, and interest from available-for-sale financial assets. Interest income from financial assets measured at fair value in profit and loss according to the fair value option is also recognised here. For interest-rate derivatives that hedge financial assets, paid and accrued interest is recognised as interest income, and for interest-rate derivatives that hedge financial liabilities, these are recognised as part of interest expense. Unrealised changes in the value of derivatives are recognised in the item Net gains from financial items. Interest income on receivables and interest expense on liabilities are calculated and recognised through application of the effective interest method or, if it is considered appropriate, through application of a method that results in interest income or interest expense that is a reasonable estimate of the result that would be achieved using a calculation based on the effective interest method.

Interest income and interest expense include, where appropriate, allocated amounts of fees received, which are included in the calculation of effective interest, transaction costs and any discounts and other differences between the original value of the receivable/liability and the amount settled at maturity. Interest expense includes allocated amounts of issue expenses and similar direct transaction costs for loans raised. Dividends from shares and participations are recognised in the item "Dividends received" once the right to receive payment has been established.

Commission income and commission expense

Commission income is attributable to various types of services provided to customers. The manner in which the commission income is recognised depends on the purpose for which the fee was charged. The fees are recognised in income in line with the provision of the services or in conjunction with the performance of a significant activity. Fees charged continuously, such as advising fees and financial guarantees, are recognised as income in the period in which the service was provided. Fees charged for significant activities, for example securities commission and card commission, are recognised in income when the activity has been completed. Commission expense is dependent on the transaction and is recognised in the period in which the services are received. Commission expense attributable to financial assets or financial liabilities not measured at fair value in profit and loss comprises commission to the regional insurance companies.

Net gains from financial items

The item Net gains from financial items contains the realised and unrealised changes in value that occurred as a result of financial transactions. Capital gain/loss from disposal of financial assets and liabilities including interest compensation received when customers pay loans prematurely is recognised here. This item also includes realised and unrealised changes in the value of derivative instruments which are financial hedging instruments, but for which hedge accounting is not applied, and unrealised changes in the fair value of derivatives to which fair value hedge accounting is applied, and unrealised changes in fair value of hedged items with regard to hedged risk in the fair value hedge. The ineffective portion of the hedging instrument and exchange-rate changes are also recognised as Net gains from financial items.

Net profit/losses on transactions measured at fair value in profit and loss does not include interest or dividends.

Realised profit or loss is calculated as the difference between the purchase consideration received and the value in the balance sheet at the time of the sale.

Any impairment losses on available-for-sale financial assets are also recognised in this item.

Other operating income

Income from assignments is recognised when the financial outcome of performed assignments can be reliably calculated and the financial benefits accrue to the Group. Income is measured at the fair value of the amount that has been received or will be received. Income is paid in the form of cash and cash equivalents. Amounts received on behalf of another entity are not included in the Group's income. The criteria for income recognition are applied individually to each transaction.

Remuneration to employees

Current remuneration

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

The Group recognises the anticipated cost of bonus payments and other variable remuneration when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration after termination of employment

Pension plans

The Group utilises defined-contribution and defined-benefit pension plans. These plans are usually financed through payments from the respective Group company. The Group is generally covered by the FTP plan, which does not depend on any payments from employees. Pension commitments are recognised and measured in accordance with IAS 19 Employee Benefits.

Defined-benefit pension plans

There is only one defined-benefit pension plan in the Bank Group. This is a pension agreement from 2006 for the insurance industry, by which persons born in 1955 or earlier can voluntarily retire from age 62. The terms and conditions of this plan are designed such that the pension comprises approximately 65% of the pensionable salary at age 62.

The Group's net commitments for defined-benefit plans are calculated by making an estimate of the future remuneration that the employees will have earned over their employment in both current and earlier periods. This remuneration is discounted at a present value. The discount rate is the interest rate on the balance-sheet date of a high-quality commercial paper with a term corresponding to that of the Group's pension commitments. When there is no active market for such commercial papers, the market interest rate on government bonds with a corresponding term will be used instead. The calculation is performed by a qualified actuary by applying the Projected Unit Credit Method. Actuarial gains and losses may arise in conjunction with the determination of the present value of the commitments. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions are changed. The corridor rule is applied to actuarial gains and losses arising in conjunction with the calculation of the Group's commitments for various plans after January 1, 2006. The corridor rule entails that the portion of the accumulated actuarial gains and losses that exceeds 10% of the greater of the commitments' present value is recognised in earnings over the expected average remaining period of service for the employees encompassed by the plan. In all other cases, no actuarial gains and losses are taken into account. The carrying amount of pensions and similar commitments recognised in the balance sheet corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognised actuarial gains or losses and unrecognised expenses for service during earlier periods.

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

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

Defined-contribution pension plans

These pension plans are plans according to which the Group pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment.

Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Remuneration for termination of employment

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

Impairment

The carrying amounts of the Group's assets are assessed on every balance-sheet date to determine whether there are any indications of impairment. IAS 36 is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 Financial Instruments: Recognition and measurement, and deferred tax assets tested in accordance with IAS 12 Income Taxes. The carrying amounts of the exempted assets above are tested according to the respective standard. The Group continuously assesses assets that are not tested for impairment according to other standards if there are any indications that the assets have declined in value. If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36. An impairment loss is recognised when an estimated recoverable amount falls below the carrying amount of the asset.

Loan losses

The item Loan losses comprises confirmed and probable loan losses. Confirmed loan losses pertain to the entire receivable when there is no realistic possibility of recovery. Probable loan losses pertain to impairment for the year for the loan losses based on a calculated recoverable amount when there is an indication that impairment is required. Recoveries comprise reversed amounts of loan losses that were previously recognised as confirmed. Prior years' confirmed and probable loan losses are reversed when no impairment requirement is deemed to exist.

Tax

Income tax comprises current tax and deferred tax.

Income tax is recognised in the profit and loss, except when the underlying transaction is recognised in other comprehensive income, whereby the related tax effect is recognised in other comprehensive income, or when the underlying transaction is recognised directly against equity with the related tax effect recognised in equity.

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

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The following temporary differences are not taken into consideration:

- First recognition of assets and liabilities that are not acquisitions of operations and, at the time of the transaction, do not affect recognised or taxable earnings.
- Temporary differences attributable to participations in subsidiaries that are not expected to be reversed in the foreseeable future.

The valuation of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled.

Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

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

Earnings per share

Earnings per share has been calculated as net profit for the year attributable to the Parent Company's shareholders divided by the average number of shares. No previous or future dilution exists since no potential ordinary shares arose in reported periods nor were in existence on the balance-sheet date.

Financial assets and liabilities

Financial assets recognised in the balance sheet include loan receivables, interest-bearing securities, derivatives and shares and participations. Financial liabilities include debt securities in issue, derivatives, deposits and accounts payable.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the Group becomes party to this in accordance with the instrument's contractual conditions. A financial liability is derecognised from the balance sheet when the rights in the contract are realised, expire or the Group loses control of them. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

A financial asset and a financial liability are offset and recognised as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realise the asset and settle the liability. Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date.

Loan receivables are recognised in the balance sheet when the loan amount is paid to the borrower. Loan commitments are not recognised in the balance sheet. Instead, they are valid for three months and recognised as a commitment in note 40. In genuine repurchase transactions, the asset remains in the balance sheet of the selling party and payments received are recognised as liabilities.

Sold securities are recognised as pledged assets. Leased securities remain in the balance sheet as securities and are recognised as pledged assets.

Measurement

IAS 39 requires that derivatives be measured at fair value and also provides an option for using fair value in financial reporting. Financial instruments are initially measured at fair value, plus a supplement for transaction costs, with the exception of derivatives and instruments that belong to the category of financial assets measured at fair value in profit and loss, excluding transaction costs.

Methods for determining fair value

Financial instruments listed on an active market

For financial instruments listed on an active market, fair value is determined based on the listed buying-rate of the asset on the balance-sheet date with no additions for transaction costs (for example, brokerage commission) on the acquisition date. A financial instrument is considered to be listed on an active market if listed prices are readily available on an exchange, from a trader, broker, industry organisation, company providing up-to-date price information or and regulatory authority and these prices represent actual and regularly occurring market transactions based on commercial terms. Any future transaction costs arising in conjunction with divestments are not taken into account. The fair value of financial liabilities is determined based on the selling rate. Instruments listed on an active market are found under the balance-sheet items Treasury bills and other eligible bills and Bonds and other interest-bearing securities. The largest portion of the Group's securities holding is assigned a fair value at prices listed on an active market.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the Group determines the fair value by using a valuation technique.

The valuation techniques applied are based on market data as far as possible, whereas company-specific information is used a little as possible. The Group regularly calibrates its valuation techniques and tests their validity by comparing the outcomes of the valuation techniques with prices from observable, relevant market transactions in the same or similar instruments. Valuation techniques are used for derivative instruments (OTC derivatives). The valuation techniques used for OTC derivatives comprise analyses of discounted cash flows.

The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Holdings of unlisted equities are recognised at acquisition value for cases in which a it is not possible to determine fair value reliably. The reason that it may not be possible to measure the fair value of these holdings reliably is that Group management believes that uncertainty surrounding future cash flows and the risk adjustment required to the discount rate is too great. The Group does not intent to divest its unlisted equities in the near future. The carrying amount of unlisted equities whose fair values could not be reliably measured totals SEK 10.2 M (10.2).

Classification

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

Financial assets measured at fair value in profit and loss

This category comprises two sub-groups: Financial assets held for trading and other financial assets that the Group has initially decided to place in this category according to the Fair Value Option. Financial instruments in this category are continuously measured at fair value, with changes in value recognised in profit and loss. Transaction costs are expensed immediately.Financial assets held for trading are derivatives that are financial hedging instruments, but for which hedge accounting is not applied. A small number of bonds were previously classified in this catogory in accordance with the fair value option, but all of these holdings have now been divested and the category is not used for new investments.

Loans and receivables
Loans and receivables are financial assets that are not derivatives, that have fixed or fixable payments and that are not listed on an active market. These receivables are represented by the balance-sheet items Loans to credit institutions, Loans to the public and Other assets in the balance sheet. For further information, see the separate section Loans on page 53.

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

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

This category includes the Group's liquidity surplus and holdings of shares and participations that are not recognised as subsidiaries. Assets in this category are continuously measured at fair value, with unrealised changes in value recognised in other comprehensive income and accumulated in the fair value reserve in equity. Assets are recognised in profit and loss once the changes in value have been realised and when any impairment losses arise. Exchange-rate differences for monetary items are recognised in profit and loss. An assessment of whether any impairment has occurred takes place prior to the end of each reporting period. Objective circumstances, such as the credit rating of the issuer and market trends, are taken into account to evaluate future cash flows.

Furthermore, interest on interest-bearing instruments is recognised in accordance with the effective interest method in profit and loss as well as dividends on shares. Any transaction costs for these instruments will be included in the cost when first recognised and thereafter included in the continuous valuations.

Financial liabilities measured at fair value in profit and loss
This category includes financial liabilities held for trading and other financial liabilities that the Group has initially decided to place in this category according to the Fair Value Option.

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

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

Hedge accounting
The bank's derivative instruments, which comprise interest-rate and cross-currency swaps, and purchased interest caps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. All derivatives are measured at fair value in the balance sheet.

To avoid misleading earnings effects due to financial hedging, the bank has chosen to apply hedge accounting.

The hedge-accounting strategy defined and applied by the bank is portfolio hedging of fair value in the lending and borrowing portfolio, and a one-to-one hedging of bond portfolios. Fair value hedge accounting means that the hedged item is measured at fair value with respect to the hedged risk and that the change in fair value is recognised in profit and loss for both the hedging instrument and the hedged item.

The change in the value of the derivative is recognised in profit and loss together with the change in the value of the hedged item in profit and loss under the item Net gains from financial items. Unrealised changes in the value of hedging instruments are recognised in the item Net gains from financial items. Interest coupons (accrued, received and paid) are recognised among interest income if the hedged item is an asset or portfolio of assets or among interest expense if the hedged item is a liability or portfolio of liabilities. The application of portfolio hedging is based on the version of IAS 39 adopted by the EU, known as the "carve out" version.

To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required.

In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedge relationship can be expected to be highly effective and subsequently to have had an effectiveness in the range of 80–125%.

In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value in profit and loss. For a small number of financial hedges for which the earnings consequence of not applying hedge accounting is deemed more limited, hedge accounting is not applied due to the extra administrative work involved in hedge accounting.

Other financial hedges comprise currency risk associated with borrowing and hedging of interest-rate risk in bonds that carry fixed interest rates. The Group also includes hedges with interest-rate caps for interest-rate risk associated with borrowing at floating interest rates. The loans are recognised at amortised cost and the interest-rate cap is recognised at fair value in profit and loss.

The portfolio method that is applied implies that the lending and interest swaps used in the hedging instrument are distributed to various time pockets based on the contractual timing of interest renegotiation or maturity.

Evaluation of hedge relationships occurs at least quarterly on the official reporting occasions, but can also be carried out monthly if required. Each identified hedge relationship is expected to be effective over the entire lifetime of the hedge relationship. Effectiveness is tested using two different methods: one forward-looking (prospective) assessment and one retrospective evaluation. Ineffectiveness is recognised in profit and loss.

Loans

These assets are measured at amortised cost. Amortised cost is determined based on the effective rate calculated on the acquisition date. Accounts receivable and loan receivables are recognised in the amount at which they are expected to be received, meaning after deductions for impairment of impaired loans.

Impaired loans

A loan receivable is considered impaired if the counterparty has a payment that is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. The loan receivable is considered impaired to the extent that its whole amount is not covered by collateral.

Impairment

A continuous assessment is made as to whether objective circumstances exist suggesting indications of impairment for both impaired loans and the part of the loan portfolio where the assessment is that cash flow has deteriorated. Indications of impairment are based on objective circumstances, for example delayed or non-payment, bankruptcy or a decline in the value of the collateral, and on a reduced repayment capacity according to risk-based assessments and assumptions.

Individual impairments

For loans for which an individual impairment requirement has been identified, the loan receivable is valued at the present value of expected future cash flow, including the value of the collateral, less any selling expenses discounted by the original effective interest rate. An impairment loss is recognised if this value is lower than the carrying amount.

An individual impairment loss is recognised according to the risk-based model for retail exposure whereby the counterparty has a payment that is more than 60 days past due or if the counterparty, for other reasons such as bankruptcy, a decline in the value of the collateral or reduced repayment capacity, cannot meet its undertaking. Accordingly, the estimate of the impairment requirement for these individually identified loans is based on historic experience about cash flows from other borrowers with similar credit-risk characteristics. For leasing and hire purchase, an individual assessment is made of the future cash flow of all customer contracts terminated due to lack of solvency and of non-performing loan receivables for which an impairment requirement exists.

Collective impairments

Impairment requirements are identified and valued collectively for loans that are not deemed to have any individual impairment requirements for cases in which a measureable decline of expected future cash flows has occurred. Information collected from the framework of the Group's risk-based model and historical data on loan loss levels is used to support assessments of expected future cash flows and individual and collective impairment requirements. No impairment requirement exists for loans that maintain the same credit quality and repayment capacity based on objective circumstance, judgments and estimates. Impairment takes into consideration the capital receivable as well as accrued interest and fees.

An additional collective impairment loss for retail exposure takes place for receivables not encompassed by the impairment of loans that have individual impairment requirements. A loss is deemed to have been incurred in these groups of loans when a measureable decline in expected future cash flows occurs compared with the assessment made when the loan was originated, according to the risk-based model. Collective impairment losses are recognised for the agricultural and commercial sectors and other counterparties based on an assessment of product risk, meaning the probable future risk of loss, which varies between different industries.

For loan receivables in leasing and hire purchase whereby the counterparty has a payment that is more than 20 days past due but where the counterparty is deemed to be able to fulfil the conditions of the contract, the collective impairment requirement is assessed based on historic experience about loan losses from other borrowers with similar credit characteristics.

Takeover of collateral

The banking and mortgage operations have not taken over any collateral. The collateral is directly sold in the event of insolvency. For the leasing and hire purchase operations, collateral that can be sold is taken over. Collateral is valued by an external party and is recognised under reductions in impairment of loan losses.

Confirmed losses

Confirmed loan losses are those losses whose amount is regarded as finally established through acceptance of a composition proposal, through other claim remissions, through bankruptcy or after all of the collateral has been realised. The receivable is derecognised from the balance sheet and is recognised as a confirmed loss in profit and loss.

Leasing

Lease agreements are classified in the consolidated financial statements either as financial or operational leasing. Financial leasing exists if the financial risks and benefits associated with ownership have essentially been transferred to the lessee.

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

Both the Parent Company and the Group are lessees in the form of internal and external lease contracts classified as operational leasing, where expenses are recognised as rents. In addition, both the Group and Parent Company are, to a limited extent, lessees of company cars and office equipment. These expenses are recognised in their entirety as rental charges. These rental changes are recognised straight line over the leasing period.

Intangible assets

Intangible assets primarily comprise proprietary and acquired intangible assets with determinable useful lives that are expected to be of significant value to the operation in future years. These assets are recognised at cost less accumulated amortisation and impairment.

Amortisation is commenced when the asset is put into operation. The Group's proprietary intangible assets are recognised only if all of the following conditions are fulfilled:

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

The carrying amount of proprietary intangible assets includes all directly attributable expenses, such as directly attributable expenses for salaries and materials. The periods of amortisation are determined based on a useful life that varies between three and seven years and amortisation takes place straight-line. The periods of amortisation are not category specific and are determined individually for each asset. Useful lives are retested at the end of every fiscal year. Impairment requirements are tested in accordance with IAS 36 Impairment of Assets.

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

Property and equipment

Equipment

Property and equipment are recognised as assets in the balance sheet when, based on information available, it is likely that the future financial benefits associated with the holding will accrue to the Group and that the cost of the asset can be calculated in a reliable manner. Equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation according to plan takes place following the straight-line method over the asset's expected useful life, commencing when the asset is put into operation. Depreciation and any scrapping and divestments are recognised in profit and loss. Impairment requirements are tested in accordance with IAS 36 Impairment of Assets. Useful lives are retested at the end of every fiscal year.

Useful lives of equipment:

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

Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision.

A restructuring provision is recognised when an established, detailed and formal restructuring plan exists, and the restructuring process has either commenced or been publically announced.

No provisions are established for future operating expenses. Where the effect of when a payment is made is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

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

Loan commitments

A loan commitment can be:

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

Loan commitments are not recognised in the balance sheet. Issued irrevocable loan commitments are valid for three months and are recognised as a commitment under memorandum items. The right to cancel a loan commitment is retained if the customer's credit rating has diminished on the date of payment, which is why no probable loan losses have arisen.

Financial guarantees

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

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

NOTE 3 SEGMENT REPORTING

Group	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
SEK M						
Income statement 2010						
Net interest income	504.8	405.8	451.5	0.7	–	1,362.8
Net commission income/expense	–262.7	–196.2	38.9	264.0	1.3	–154.7
Net gains from financial items	1.9	8.0	0.1	–	–	10.0
Intra-Group income	92.5	–	4.0	–	–96.5	0
Other income	116.0	0	52.6	0.2	–	168.8
Total operating income	**452.5**	**217.6**	**547.1**	**264.9**	**–95.2**	**1,386.9**
Intra-Group expenses	–2.2	–45.1	–14.3	–33.7	95.3	0
Other administration expenses	–414.3	–22.3	–328.9	–133.0	–0.7	–899.2
Depreciation/amortisation and impairment	–56.9	–	–25.4	–	–	–82.3
Total operating expenses	**–473.4**	**–67.4**	**–368.6**	**–166.7**	**94.6**	**–981.5**
Profit/loss before loan losses	**–20.9**	**150.2**	**178.5**	**98.2**	**–0.6**	**405.4**
Loan losses, net	–14.6	1.3	–46.8	–	–	–60.1
Operating profit/loss	**–35.5**	**151.5**	**131.7**	**98.2**	**–0.6**	**345.3**
Balance sheet, Dec. 31, 2010						
Total assets	**71,356.3**	**105,669.5**	**11,089.3**	**262.5**	**–39,843.8**	**148,533.8**
Liabilities	65,802.9	102,047.2	10,211.8	189.0	–35,246.0	143,004.9
Equity	5,553.4	3,622.3	877.5	73.5	–4,597.8	5,528.9
Total liabilities and equity	**71,356.3**	**105,669.5**	**11,089.3**	**262.5**	**–39,843.8**	**148,533.8**
Other information per segment						
Investments	124.1	–	4.3	–	–	128.4
Income statement 2009						
Net interest income	420.5	285.4	441.7	0.7	–	1,148.3
Net commission income/expense	–192.2	–160.8	35.9	221.3	–	–95.8
Net gains from financial items	23.5	76.9	0.1	–	–	100.5
Intra-Group income	122.0	–	4.4	0.1	–126.5	0
Other income	106.0	0	41.8	–0.3	–	147.5
Total operating income	**479.8**	**201.5**	**523.9**	**221.8**	**–126.5**	**1,300.5**
Intra-Group expenses	–2.9	–45.9	–20.0	–57.7	120.7	–5.8
Other administration expenses	–457.4	–20.2	–335.2	–113.8	–	–926.6
Depreciation/amortisation and impairment	–51,5	–	–8,5	–	–	–60,0
Total operating expenses	**–511.8**	**–66.1**	**–363.7**	**–171.5**	**120.7**	**–992.4**
Profit/loss before loan losses	**–32.0**	**135.4**	**160.2**	**50.3**	**–5.8**	**308.1**
Loan losses, net	–4.6	5.4	–51.2	–	–	–50.4
Operating profit/loss	**–36.6**	**140.8**	**109.0**	**50.3**	**–5.8**	**257.7**
Balance sheet, Dec. 31, 2009						
Total assets	**82,135.9**	**81,750.1**	**9,478.4**	**202.4**	**–42,270.2**	**131,296.6**
Liabilities	77,436.5	78,865.7	8,739.1	128.9	–38,568.0	126,602.2
Equity	4,699.4	2,884.4	739.3	73.5	–3,702.2	4,694.4
Total liabilities and equity	**82,135.9**	**81,750.1**	**9,478.4**	**202.4**	**–42,270.2**	**131,296.6**
Other information per segment						
Investments	55.7	–	19.9	–	–	75.6

Income is attributable to Sweden in its entirety.
The segment distribution per legal entity reflects the internal reporting to the chief operating decision-maker.
The legal structure within Länsförsäkringar Bank Group is in line with the product offering to external customers.
The portion of assets and liabilities that is not distributed per segment comprise Group-wide eliminations within the Bank Group.

NOTE 4 INTEREST INCOME

SEK M	2010	2009
Loans to credit institutions	8.2	34.4
Loans to the public	3,183.9	3,148.9
Interest-bearing securities	721.5	436.2
Derivatives		
Hedge accounting	1,719.1	1,663.9
Non-hedge accounting	1.5	37.3
Other interest income	0.2	0
Total interest income	**5,634.4**	**5,320.7**
of which interest income on impaired loans	1.6	12.4
of which interest income from financial items not measured at fair value	3,214.1	3,219.9
Average interest rate on loans to the public including net leasing during the year, %	2.7	3.5

NOTE 5 INTEREST EXPENSE

SEK M	2010	2009
Due to credit institutions	–74.1	–105.6
Deposits and borrowing from the public	–244.8	–419.7
Interest-bearing securities	–2,220.9	–1,739.5
Subordinated liabilities	–47.5	–47.4
Derivatives		
Hedge accounting	–1,622.0	–1,761.3
Non-hedge accounting	–11.6	–61.3
Other interest expense	–50.7	–37.6
Total interest expense	**–4,271.6**	**–4,172.4**
of which interest expense from financial items not measured at fair value	–2,638.0	*–2,349.7*
Average interest rate on deposits from the public during the year, %	0.6	1.2

NOTE 6 DIVIDENDS RECEIVED

SEK M	2010	2009
Dividends received on shares	0.2	–
Total dividends received	**0.2**	**–**

NOTE 7 COMMISSION INCOME

SEK M	2010	2009
Payment mediation	81.1	75.4
Loans	72.9	67.2
Deposits	6.9	6.6
Financial guarantees	0.2	0.2
Securities	679.9	558.2
Bank cards	75.2	67.0
Other commission	2.6	–0.2
Total commission income	**918.8**	**774.4**
of which commission income from financial items not measured at fair value	*155.2*	*141.0*

NOTE 8 COMMISSION EXPENSE

SEK M	2010	2009
Payment mediation	–82.5	–78.1
Securities	–363.5	–299.6
Bank cards	–80.2	–70.3
Remuneration to regional insurance companies	–531.3	–412.4
Other commission	–16.2	–9.8
Total commission expense	**–1,073.7**	**–870.2**
of which commission expense from financial items not measured at fair value	*–531.3*	*–412.4*

NOTE 9 NET GAINS FROM FINANCIAL ITEMS

SEK M	2010	2009
Change in fair value		
Interest-related instruments	–82.0	200.9
Currency-related instruments	–449.5	–5.2
Change in fair value of hedged items	494.8	–177.0
Capital gains/losses		
Interest-related instruments	0.1	–0.8
Other financial assets	–	0.7
Interest compensation	46.6	81.9
Total net gains from financial items	**10.0**	**100.5**

SEK M	2010	2009
Profit/loss by valuation category		
Available-for-sale financial assets, realised	24.8	3.4
Derivative assets intended for risk management, non-hedge accounting	11.5	–492.2
Other financial assets measured at fair value in profit and loss	–7.5	21.4
Derivative liabilities intended for risk management, non-hedge accounting	–5.8	28.7
Derivatives in hedge accounting, realised	31.3	–
Loans and receivables	45.6	81.3
Financial liabilities at amortised cost	–63.2	471.9
Change in fair value of derivatives that are hedging instruments in a fair value hedge	–521.5	71.8
Change in fair value of hedged items with regard to the hedged risk in fair value hedges	494.8	–85.8
Total	**10.0**	**100.5**

NOTE 10 OTHER OPERATING INCOME

SEK M	2010	2009
Compensation from the regional insurance companies	116.0	108.6
Other income	52.8	38.9
Total other operating income	**168.8**	**147.5**

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees	2010	2009
Sweden		
Men	162	164
Women	144	145
	306	**309**

Salaries, other remuneration and social security expenses, other employees	2010	2009
Salaries and remuneration	169.2	159.0
of which variable remuneration	6.5	8.7
Social security expenses	95.2	93.4
of which pension costs	37.1	35.9
	264.4	**252.4**

Board of Directors and senior executives, number 18 (18)	2010	2009
Salaries and remuneration	20.5	21.0
of which variable remuneration	0	2.2
Social security expenses	15.7	17.1
of which pension costs	7.7	8.5
	36.2	**38.1**

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Total salaries, other remuneration and social security expenses	2010	2009
Salaries and remuneration	189.7	180.0
of which variable remuneration	6.5	10.9
Social security expenses	110.9	110.5
of which pension costs	44.8	44.4
	300.6	**290.5**

Variable remuneration

Variable remuneration is paid to all employees who are not managers. A basic prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Half of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. A maximum of SEK 12,000 may be paid to employees if the prerequisites are fulfilled.

Commission-based remuneration may be paid to certain employees, managers and senior executives at Wasa Kredit. The terms and conditions of this remuneration are regulated in collective agreements.

Sickness absence, %	2010	2009
Total of overall working hours	3.0	2.8
Total of overall working hours for men	1.2	1.3
Total of overall working hours for women	4.8	4.4
Total of overall working hours, 29 years or younger	2.2	2.6
Total of overall working hours, 30–49 years	2.5	2.5
Total of overall working hours, 50 years or older	4.8	3.7
Percentage pertaining to absence during a consecutive period of 60 days or more	35.3	34.0

Remuneration of senior executives

Remuneration to the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Senior executives are the individuals who, together with the President, comprise company management.

Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. A mutual period of notice of six months applies for other senior executives. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will also be paid, in addition to the period of notice. Otherwise, the period of notice for other senior executives follows the terms and conditions of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Pensions

The retirement age for the President is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 49% of the pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 60, 62 or 65. For cases in which the retirement age is 60 or 62, the pension between the ages of 60–65 or 62–65 is defined-contribution based. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

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

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to senior executives. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for the President. Decisions regarding remuneration to other employees who are members of company management and who report directly to the President may be delegated by the Board to the Board Chairman or the President. If decisions are delegated to the President, he shall keep the Chairman informed of the content of such decisions

Composition of Remuneration Committee

The Board shall appoint at least two members from within its ranks to form a Remuneration Committee. The Board Chairman may serve as the Chairman of the Committee. The other members must be independent in relation to the company and company management.

Policies for remuneration to senior executives

Senior executives in the Länsförsäkringar AB Group shall have market-based employment terms and conditions. Total remuneration shall be in line with the industry standard. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual medical insurance and other benefits offered to all employees.

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

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board. Remuneration to other senior executives is determined by the President in accordance with the policies for salaries and conditions for senior executives.

Number of women among senior executives, %	Dec. 31, 2010	Dec. 31, 2009
Board members	17	14
Other senior executives	27	29

Loans to senior executives

	Bank Group		Länsförsäkringar AB Group	
	2010	2009	2010	2009
Board members	**23.7**	**21.4**	**32.5**	**47.9**
of which loans from Bank	3.2	2.5	6.0	8.0
of which loans from Hypotek	20.5	18.9	26.5	39.9
of which loans from Wasa Kredit	–	–	–	–
President and Executive Vice Presidents	**0.6**	**0.7**	**19.1**	**11.2**
of which loans from Bank	0.2	0.2	3.2	2.4
of which loans from Hypotek	–	–	15.5	8.3
of which loans from Wasa Kredit	0.4	0.5	0.4	0.5
Senior executives	**0.3**	**0.3**	**16.6**	**10.5**
of which loans from Bank	0.3	0.3	2.2	1.6
of which loans from Hypotek	–	–	14.4	8.9
of which loans from Wasa Kredit	–	–	–	–

Loans granted comprise personnel loans and other loans. Personnel loans carry loan terms comparable to what applies to other employees in the Group. The interest rate for personnel loans is the repo rate less 0.5 percentage points, but can never be lower than 0.5 percentage points. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in other benefits as above. Personnel loans are restricted to SEK 500,000. The terms and conditions of other loans are market-based.

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

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2009:6) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board is to adopt a Remuneration Policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

NOTE 12 OTHER ADMINISTRATION EXPENSES

SEK M	2010	2009
Costs for premises	–33.7	–32.0
IT costs	–169.5	–206.3
Consultant costs	–42.4	–44.6
Marketing	–28.0	–28.7
Management costs	–88.4	–98.0
Other administration expenses	–225.8	–202.2
Total administration expenses	**–587.8**	**–611.8**

NOTE 13 REMUNERATION TO AUDITORS

SEK M	2010	2009
Audit fees		
KPMG		
– Audit assignments	–3.2	–1.9
– Audit activities other than audit assignment	–0.6	–0.5
– Tax consulting	–0.1	–0.2
– Other services	–0.2	–0.6
Deloitte		
– Audit activities other than audit assignment	–0.6	–0.5

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the above mentioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

NOTE 14 OPERATIONAL LEASING

These agreements pertain to internal and external lease contracts where the Group is the lessee.

SEK M	2010	2009
Lease expenses paid		
Rent for premises	–28,7	–27.1
of which, variable fees	*–2.3*	*–2.3*
Leasing fees, company cars	–7,0	–7.2
Future basic rents for irrevocable leasing contracts		
Within 1 year	–22.4	–24.8
Between 1 and 5 years	–0.7	–9.2
Total	**–23.1**	**–34.0**

NOTE 15 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT/INTANGIBLE ASSETS

SEK M	2010	2009
Depreciation of property and equipment	–7.1	–8.0
Amortisation of intangible assets	–70.8	–63.4
Total depreciation/amortisation	**–77.9**	**–71.4**
Impairment of intangible assets	–4.4	–4.1
Total depreciation/amortisation and impairment of assets	**–82.3**	**–75.5**

NOTE 16 LOAN LOSSES, NET

SEK M	2010	2009
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–123.6	–92.4
Reversed earlier impairment of loan losses recognised as confirmed losses	105.3	77.6
Impairment of loan losses during the year	–109.2	–37.4
Payment received for prior confirmed loan losses	26.2	–90.2
Reversed impairment of loan losses no longer required	17.3	22.6
Covering of losses from related companies	10.0	–
Net expense for the year for individually assessed loan receivables	**–74.0**	**–119.8**
Collective reserves for individually assessed receivables	**–**	–
Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of reserve for loan losses	13.9	63.7
Net expense for the year for collectively assessed receivables	**13.9**	**63.7**
Net expense for the year for fulfilment of guarantees	–	5.7
Net expense of loan losses for the year	**–60.1**	**–50.4**

All information pertains to receivables from the public.

NOTE 17 TAXES

SEK M	2010	2009
Current tax		
Tax expenses for the year	–100.7	–74.9
Adjustment of tax expense pertaining to prior years	–0.1	–
Total current tax	–100.8	**–74.9**
Deferred tax		
Change in deferred tax expense on temporary differences	0.8	–5.0
Total deferred tax	**0.8**	**–5.0**
Total recognised tax expense	**–100.0**	**–79.9**
Reconciliation of effective tax rate		
Profit/loss before tax	345.3	257.7
Tax in accordance with applicable tax rate for Parent Company	–90.8	–67.8
Tax on non-deductible costs	–3.8	–4.7
Tax on non-taxable income	1.8	1.3
Tax attributable to earlier years	0	0
Other	–7.2	–8.7
Total tax on net profit for the year	**–100.0**	**–79.9**
Applicable tax rate	26.3%	26.3%
Effective tax rate	29.0%	31.0%
Tax items recognised in other comprehensive income		
Tax on available-for-sale financial assets	–7.6	–12.5
Total tax attributable to other comprehensive income	**–7.6**	**–12.5**

	2010			2009		
SEK M	Before tax	Tax	After tax	Before tax	Tax	After tax
Tax attributable to other comprehensive income						
Available-for-sale financial assets	28.8	–7.6	21.2	47.5	–12.5	35.0

NOTE 18 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Carrying amount		
Swedish government	4,170.0	1,999.8
Total treasury bills and other eligible bills	**4,170.0**	**1,999.8**
Fair value	4,170.0	1,999.9
Amortised cost	4,240.4	1,999.8
Nominal value	3,900.0	2,000.0
Remaining term of not more than 1 year	1,349.3	1,999.8
Remaining term of more than 1 year	2,820.7	–

NOTE 19 LOANS TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Deposit, Swedish banks	1,250.0	2,509.0
Other loans to credit institutions	279.8	706.9
Total loans to credit institutions	**1,529.8**	**3,215.9**
Payable on demand	193.9	622.1
Remaining term of not more than 3 months	1,335.9	2,593.8
Total loans to credit institutions	**1,529.8**	**3,215.9**

NOTE 20 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		
Public sector	236.5	169.6
Corporate sector	8,723.1	6,862.1
Retail sector	109,233.4	92,847.1
Other	3.7	10.8
Total loan receivables, gross	**118,196.7**	**99,889.6**
Impairment of individually reserved loan receivables		
Corporate sector	–40.5	–44.7
Retail sector	–95.3	–98.8
Total individual reserves	**–135.8**	**–143.5**
Impairment of collectively reserved loan receivables		
Corporate sector	–24.0	–23.5
Retail sector	–126.7	–141.0
Other	0	0
Total collective reserves	**–150.7**	**–164.5**
Total impairment	**–286.5**	**–308.0**

SEK M	Dec. 31, 2010	Dec. 31, 2009
Loan receivables, net		
Public sector	236.5	169.6
Corporate sector	8,658.6	6,793.9
Retail sector	109,011.4	92,607.3
Other	3.7	10.8
Total loans to the public	**117,910.2**	**99,581.6**
Payable on demand	–	–
Remaining term of not more than 3 months	72,410.0	54,716.0
Remaining term of more than 3 months but not more than 1 year	6,326.1	11,194.6
Remaining term of more than 1 year but not more than 5 years	33,723.5	21,075.6
Remaining term of more than 5 years	5,737.1	12,903.4
	118,196.7	**99,889.6**

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions.

Impaired loans		
Corporate sector	67.9	57.6
Retail sector	140.9	155.0
Total impaired loans	**208.8**	**212.6**

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 any other reason cannot meet its undertaking. The loan receivable is considered impaired to the extent that its whole amount is not covered by collateral.

Reconciliation of impairment of loan losses

	Dec. 31, 2010			Dec. 31, 2009		
SEK M	Individual impairments	Collective impairments	Total	Individual impairments	Collective impairments	Total
Opening balance	**–143.5**	**–164.5**	**–308.0**	**–80.7**	**–226.5**	**–307.2**
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	105.3	1.8	107.1	77.6	–	77.6
Reversed impairment of loan losses no longer required	17.4	47.4	64.8	18.9	64.6	83.5
Impairment of loan losses during the year	–115.0	–35.4	–150.4	–159.3	–2.6	–161.9
Closing balance	**–135.8**	**–150.7**	**–286.5**	**–143.5**	**–164.5**	**–308.0**

NOTE 21 FINANCIAL LEASING

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

Dec. 31, 2010, SEK M	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	1,914.5	2,938.3	285.6	5,138.4
Unearned financial income [1]	255.1	255.3	7.6	518.0
Gross investment	**2,169.6**	**3,193.6**	**293.2**	**5,656.4**

Dec. 31, 2009, SEK M	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	1,528.2	2,319.3	304.9	4,152.4
Unearned financial income [1]	171.2	164.6	6.5	342.3
Gross investment	**1,699.4**	**2,483.9**	**311.4**	**4,494.7**

[1] attributable to present value calculation

	2010	2009
Provision for impaired receivables pertaining to minimum lease fees	40.9	46.4
Variable portion of leasing fees included in net profit for the year	8.4	–47.7

Financial leasing is included in loans to the public.

NOTE 22 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	Dec. 31, 2010	Dec. 31, 2009
Carrying amount		
Swedish mortgage institutions (guaranteed by Swedish government)	–	1,995.7
Swedish mortgage institutions (not guaranteed)	21,203.3	18,714.5
Other Swedish issuers	–	1,990.9
Total bonds and other interest-bearing securities	**21,203.3**	**22,701.1**
Fair value	21,203.3	22,714.1
Amortised cost	21,283.4	22,496.1
Nominal value	21,575.0	22,146.0
Market status		
Securities listed	21,203.3	22,701.1
Remaining term of not more than 1 year	2,830.3	13,825.4
Remaining term of more than 1 year	18,373.0	8,875.7

NOTE 23 SHARES AND PARTICIPATIONS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Other shares and participations	10.4	10.4
Total shares and participations	**10.4**	**10.4**

All shares are unlisted

NOTE 24 DERIVATIVES

	Dec. 31, 2010		Dec. 31, 2009	
SEK M	Nominal value	Fair value	Nominal value	Fair value
Derivates with positive values				
Derivatives in hedge accounting				
Interest	47,397.0	643.4	39,894.5	828.1
Currency	1,777.7	401.3	1,394.4	332.4
Collateral received, CSA	–	–17.0	–	–522.7
Other				
Interest	13,810.0	2.5	235.0	0.6
Currency	385.6	11.7	4,535.8	593.5
Total derivatives with positive values	**63,370.3**	**1,041.9**	**46,059.7**	**1,231.9**
Remaining term of not more than 1 year	25,593.7	128.1	11,727.7	377.9
Remaining term of more than 1 year	37,776.6	913.8	34,335.0	854.0
Derivatives with negative values				
Derivatives in hedge accounting				
Interest	61,594.0	1,260.1	29,263.0	1,164.2
Currency	10,577.1	827.7	–	–
Other				
Interest	–	–	600.0	7.4
Currency	1,343.3	5.8	232.9	23.6
Total derivates with negative values	**73,514.4**	**2,093.6**	**30,095.9**	**1,195.2**
Remaining term of not more than 1 year	9,490.3	83.6	10,682.9	214.3
Remaining term of more than 1 year	64,024.1	2,010.0	19,413.0	980.9

NOTE 25 FAIR VALUE CHANGES OF INTEREST-RATE-RISK HEDGED ITEMS IN PORTFOLIO HEDGE

SEK M	Dec. 31, 2010	Dec. 31, 2009
Assets		
Carrying amount at beginning of year	767.9	1 131.9
Changes during the year pertaining to lending	–627.3	–364.0
Carrying amount at year-end	**140.6**	**767.9**
Liabilities		
Carrying amount at beginning of year	762.1	1 024.6
Changes during the year pertaining to deposits	–5.9	–237.8
Changes during the year pertaining to borrowing	–1,148.6	–24.7
Carrying amount at year-end	**–392.4**	**762.1**

NOTE 26 INTANGIBLE ASSETS

	Internally developed IT systems		Acquired IT systems		Total	
SEK M	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Cost						
Opening cost	641.7	571.8	22.0	22.0	663.7	593.8
Acquisitions during the year	120.4	69.9	5.9	–	126.3	69.9
Divestments during the year	–8.7	–	–	–	–8.7	–
Closing cost	**753.4**	**641.7**	**27.9**	**22.0**	**781.3**	**663.7**
Amortisation						
Opening accumulated amortisation	–312.4	–253.4	–17.4	–13.1	–329.8	–266.5
Amortisation for the year	–67.1	–59.0	–3.8	–4.3	–70.9	–63.3
Divestments during the year	0.6	–	–	–	0.6	–
Closing accumulated amortisation	**–378.9**	**–312.4**	**–21.2**	**–17.4**	**–400.1**	**–329.8**
Impairment						
Opening accumulated impairment	–4.1	–	–	–	–4.1	–
Impairment for the year [1)]	–4.4	–4.1	–	–	–4.4	–4.1
Closing accumulated impairment	**–8.5**	**–4.1**	–	–	**–8.5**	**–4.1**
Total intangible assets	**366.0**	**325.2**	**6.7**	**4.6**	**372.7**	**329.8**

1) The impairment pertains to two internally developed systems. Impairment losses were recognised for commercial and technical reasons.

NOTE 27 PROPERTY AND EQUIPMENT

SEK M	Dec. 31, 2010	Dec. 31, 2009
Equipment		
Opening cost	90.7	85.5
Purchases	2.2	5.7
Sales/scrapping	–16.6	–0.5
Closing cost	**76.3**	**90.7**
Opening depreciation	–72.6	–65.0
Sales/scrapping	16.6	0.4
Depreciation for the year	–7.2	–8.0
Closing accumulated depreciation	**–63.2**	**–72.6**
Closing residual value according to plan	**13.1**	**18.1**
Total property and equipment	**13.1**	**18.1**

NOTE 28 DEFERRED TAX ASSETS AND TAX LIABILITIES

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

	Deferred tax assets		Deferred tax liabilities		Net	
SEK M	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Other financial investment assets	–	–	16.2	8.6	16.2	8.6
Liabilities, provisions	–5.9	–2.2	–	–2.8	–5.9	–5.0
Untaxed reserves	–	–	59.5	59.5	59.5	59.5
Deferred tax assets (–)/deferred tax liabilities (+)	**–5.9**	**–2.2**	**75.7**	**65.3**	**69.8**	**63.1**
Offset	2.8	–	–2.8	–	–	–
Net deferred tax asset (–) /deferred tax liability (+)	**–3.1**	**–2.2**	**72.9**	**65.3**	**69.8**	**63.1**

The Group has no temporary differences with tax effects in Group or associated companies.

Change in deferred tax in temporary differences and loss carryforwards

2010, SEK M	Amount at Jan. 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec. 31
Other financial investment assets	8.6	–	7.6	16.2
Liabilities	–5.0	–0.9	–	–5.9
Untaxed reserves	59.5	–	–	59.5
Deferred tax asset (–)/ tax liability (+)	**63.1**	**–0.9**	**7.6**	**69.8**

2009, SEK M	Amount at Jan. 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec. 31
Other financial investment assets	–3.9	–	12.5	8.6
Liabilities	–9.8	4.8	–	–5.0
Utilisation of loss carryforwards	–0.3	0.3	–	–
Untaxed reserves	59.5	–	–	59.5
Deferred tax assets (–) /deferred tax liabilities (+)	**45.5**	**5.1**	**12.5**	**63.1**

NOTE 29 OTHER ASSETS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accounts receivable	205.9	208.9
Other assets	48.5	56.1
Total other assets	**254.4**	**265.0**

NOT 30 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accrued interest income	1,673.3	975.8
Other accrued income	103.6	55.7
Prepaid expenses	22.6	60.9
Total prepaid expenses and accrued income	**1,799.5**	**1 092.4**

NOTE 31 DUE TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Swedish banks	–	20,500.0
Other Swedish credit institutions	5,212.3	732.4
Total due to credit institutions	**5,212.3**	**21,232.4**

Genuine repurchase transactions amount to SEK 4,919 M (519).

Payable on demand	66.8	6.4
Remaining term of not more than 3 months	5,145.5	729.8
Remaining term of more than 3 months but not more than 1 year	–	20,496.2

NOTE 32 DEPOSITS FROM THE PUBLIC

SEK M	Dec. 31, 2010	Dec. 31, 2009
Deposits from insurance companies	2,441.7	2,596.2
Deposits from households	36,647.8	32,245.4
Deposits from other Swedish public	2,500.6	2,523.4
Total deposits from the public	**41,590.1**	**37,365.0**
Payable on demand	41,590.1	37,365.0

Fixed-term deposits amount to SEK 11,374.9 M (8,722.6). Interest compensation is paid on premature redemption

NOTE 33 DEBT SECURITIES IN ISSUE

SEK M	Dec. 31, 2010	Dec. 31, 2009
Commercial papers	4,204.9	5,925.1
Bond loans[1)]	84,945.5	55,977.8
Cashier's cheques issued	97.6	113.3
Total debt securities in issue	**89,248.0**	**62,016.2**
Remaining term of not more than 1 year	20,451.9	22,430.0
Remaining term of more than 1 year	68,796.1	39,586.2

1) Covered bonds in the Group amount to SEK 79,695 M (54,680).

NOTE 34 OTHER LIABILITIES

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accounts payable	99.3	74.3
Withheld preliminary tax, customers	30.8	38.6
Unpaid Group contributions	352.4	284.2
Other liabilities	298.1	255.5
Total other liabilities	**780.6**	**652.6**

NOTE 35 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accrued holiday pay	15.1	14.7
Accrued social security expenses	4.1	9.1
Accrued interest expense	2,548.1	1,593.1
Other accrued expenses	362.9	271.0
Prepaid rent	200.7	158.1
Total accrued expenses and deferred income	**3,130.9**	**2,046.0**

NOTE 36 PROVISIONS

SEK M	2010	2009
Provision for pensions being paid	0.3	–
Provision for early retirement in accordance with the pension agreement	15.0	15.5
Provision for contractual obligations	1.8	1.8
Other provisions	1.8	0.3
Total provisions	**18.9**	**17.6**

Provision for contractual obligations		
Carrying amount at beginning of year	1.8	2.1
Unutilised amount reversed during the year	0	–0.3
Carrying amount at end of year	**1.8**	**1.8**

Guarantees
Guarantees include leasing guarantees and credit guarantees.

Provision for restructuring costs
Due to the restructuring of the Länsförsäkringar AB Group, a provision for restructuring costs was made in 2008. During 2009, the amounts that were utilised were deducted from the provision and the remaining monetary liabilities were transferred to other liabilities.

Defined-benefit pension plans
The Group has a defined-benefit pension plan. This is a pension agreement from 2006 for the insurance industry, by which persons born in 1955 or earlier can voluntarily retire at the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62.

Pensions and senior executive benefits

Defined-benefit pension plans	**2010**	**2009**
Present value of unfunded commitments	8.1	9.0
Unrecognised accumulated actuarial gains	3.9	3.4
Net amount pertaining to defined-benefit plans (see below)	**12.0**	**12.4**
The net amount is recognised in the following items in the balance sheet:		
Provisions	12.0	12.4
Change in pension liability recognised in the balance sheet:		
Opening liability, January 1	12.4	12.0
Pension costs for the year according to specification below	0.7	0.6
Settlement	–1.1	–
Adjustment	–	–0.2
Closing liability, December 31	**12.0**	**12.4**
Change in present value for the year:		
Commitments for defined-benefit plans, January 1	9.1	11.5
Costs for service during current year	0.3	0.4
Interest expense	0.2	0.3
Remuneration paid	–0.3	–
Actuarial gains/loss	–1.2	–3.1
Commitments for defined-benefit plans, December 31	**8.1**	**9.1**
Costs recognised in profit and loss:		
Costs for service during current year	0.3	0.3
Interest expense on commitments	0.2	0.3
Effects of reductions and settlements	0.2	–
Total net expenses in profit and loss	**0.7**	**0.6**
Costs are recognised in the following lines in the income statement:		
Staff costs	0.7	0.6
Assumptions pertaining to defined-benefit commitments:		
Discount rate	2.7%	2.7%
Expected rate of salary increase	3.0%	3.0%
Future increase of pensions	20.0%	20.0%

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

	2010	**2009**
Expenses for defined-contribution plans	12.5	13.1

Historic information

	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Present value of defined-benefit commitments	8.1	9.0	11.5	10.4	10.2
Experience-based adjustment pertaining to defined-benefit commitments	1.2	–2.8	–2.0	–	–

NOTE 37 SUBORDINATED LIABILITIES

	Dec. 31, 2010	Dec. 31, 2009
Subordinated debt	1,250.0	1,250.0
Total subordinated liabilities	**1,250.0**	**1,250.0**

Specification of subordinated loans from Länsförsäkringar AB

	Carrying amount	Coupon rate of interest
Subordinated debt 2007/2017 LFAB	180.0	Variable 3 months
Subordinated debt 2008/2018 LFAB	580.0	Variable 3 months
Subordinated debt perpetual LFAB [1]	290.0	Variable 3 months
Subordinated debt 2007/2017 LFAB	100.0	Variable 3 months
Subordinated debt 2008/2018 LFAB	100.0	Variable 3 months
	1,250.0	

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

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

NOTE 38 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	2010		2009	
	Foreign currency	SEK	Foreign currency	SEK
Debt securities in issue				
EUR	1,163.6	10,494.9	475.0	4,872.3
CHF	314.2	2,266.4	240.0	1,660.6

All amounts are hedged with currency swaps or currency forward contracts.

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

SEK M	Dec. 31, 2010	Dec. 31, 2009
Restricted equity		
Share capital (9,548,708 shares, quotient value SEK 100 per share)	954.9	954.9
Statutory reserve	18.5	18.5
Other funds	166.8	166.8
Total restricted equity	**1,140.2**	**1,140.2**
Non-restricted equity		
Reserves	45.3	24.1
Retained earnings	4,098.1	3,352.1
Net profit for the year	245.3	177.8
Total non-restricted equity	**4,388.7**	**3,554.0**
Total equity	**5,528.9**	**4,694.2**

NOTE 39 EQUITY ACCORDING TO SWEDISH ANNUAL ACCOUNTS ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES (ÅRKL), cont.

Specification of balance-sheet item Reserves

Fair value reserve	2010	2009
Opening reserve	24.1	–10.9
Change in fair value of available-for-sale financial assets	28.8	40.7
Reclassification adjustments on realised securities	–	6.8
Tax on available-for-sale financial assets	–7.6	–12.5
Closing reserve	45.3	24.1

Other changes in equity for the period and division according to IFRS are contained in the Statement of changes in shareholders' equity.

Conditional shareholders' contribution received totalled:

During 2007	325.0
During 2008	500.0
During 2009	400.0
During 2010	850.0
Total	**2,075.0**

NOTE 40 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	Dec. 31, 2010	Dec. 31, 2009
For own liabilities, pledged assets		
Pledged securities in the Riksbank	1,900.0	23,040.0
Pledged securities in Euroclear	1,150.0	3,096.0
Collateral provided for derivatives	–	10.0
Loan receivables, covered bonds	76,653.7	65,111.6
Commitments due to repurchase agreement	4,919.2	519.2
Other collateral for securities	15.0	5.0
Total pledged assets for own liabilities	**84,637.9**	**91,781.8**
Other pledged assets	None	None
Contingent liabilities		
Guarantees	31.2	32.5
Conditional shareholders' contribution	2,075.0	1,225.0
Early retirement at age 62 in accordance with pension agreement, 80%	59.8	61.7
Total contingent liabilities	**2,166.0**	**1,319.2**
Commitments		
Loans approved but not disbursed	4,670.9	4,595.5
Unutilised portion of overdraft facilities	1,755.2	1,283.4
Unutilised portion of credit card facilities	719.6	636.4
Total other commitments	**7,145.7**	**6,515.3**

Loans to the public was provided as collateral for issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool.

Other pledged securities will be transferred to the pledgee in the event of bankruptcy.

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

From 2010, the item "Loans approved by not disbursed" includes previously unrecognised loan commitments. Accordingly, comparative figures as at December 31, 2009 have been adjusted.

NOTE 41 INVESTMENT COMMITMENTS

There are no investment commitments.

NOTE 42 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

		Financial assets at fair value through profit or loss							
Dec. 31, 2010 SEK M	**Loans and receivables**	**Financial assets according to fair value option**	**Held for trading**	**Derivatives used in hedge accounting**	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Non-financial assets**	**Total**	**Fair value**
Assets									
Cash and bank balances at central banks	84.8							84.8	84.8
Treasury bills and other eligible bills					4,170.0			4,170.0	4,170.0
Loans to credit institutions	1,529.8							1,529.8	1,529.8
Loans to the public	117,910.2							117,910.2	118,146.9
Bonds and other interest-bearing securities					21,203.3			21,203.3	21,203.3
Shares and participations					10.4			10.4	10.4
Derivatives			14.1	1,027.8				1,041.9	1,041.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	140.6							140.6	140.6
Intangible assets							372.7	372.7	
Property and equipment							13.1	13.1	
Deferred tax assets							3.1	3.1	
Other assets	179.9						74.5	254.4	
Prepaid expenses and accrued income	129.9		21.8	992.9	575.2		79.7	1,799.5	
Total assets	**119,975.2**	**–**	**35.9**	**2,020.7**	**25,958.9**	**–**	**543.1**	**148,533.8**	

	Financial liabilities at fair value through profit or loss						
Dec. 31, 2010 SEK M	**Financial liabilities according to fair value option**	**Held for trading**	**Derivatives used in hedge accounting**	**Other financial liabilities**	**Non-financial liabilities**	**Total**	**Fair value**
Liabilities							
Due to credit institutions				5,212.3		5,212.3	5,212.3
Deposits and borrowing from the public				41,590.1		41,590.1	41,629.3
Debt securities in issue				89,248.0		89,248.0	90,194.6
Derivatives		5.8	2,,087.8			2,093.6	2,093.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge				–392.4		–392.4	–392.4
Deferred tax liabilities					72.9	72.9	
Other liabilities				531.4	249.2	780.6	
Accrued expenses and deferred income		24.2	693.3	1,877.1	536.3	3,130.9	
Provisions					18.9	18.9	
Subordinated liabilities				1,250.0		1,250.0	1,250.0
Total liabilities	**–**	**30.0**	**2,781.1**	**139,316.5**	**877.3**	**143,004.9**	

NOTE 42 **FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.**

Dec. 31, 2009 SEK M	Loans and receivables	Financial assets at fair value through profit or loss: Financial assets according to fair value option	Financial assets at fair value through profit or loss: Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Held-to-maturity investments	Non-financial assets	Total	Fair value
Assets									
Cash and bank balances at central banks	80.5							80.5	80.5
Treasury bills and other eligible bills						1,999.8		1,999.8	1,999.9
Loans to credit institutions	3,215.9							3,215.9	3,215.9
Loans to the public	99,581.6							99,581.6	100,569.7
Bonds and other interest-bearing securities		608.2			16,051.1	6,041.8		22,701.1	22,714.1
Shares and participations					10.4			10.4	10.4
Derivatives			71.3	1,160.6				1,231.9	1,231.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	767.9							767.9	767.9
Intangible assets							329.8	329.8	
Property and equipment							18.1	18.1	
Deferred tax assets							2.2	2.2	
Other assets	30.3						234.7	265.0	
Prepaid expenses and accrued income	52.6	11.3	1.8	581.7	249.9	74.1	121.0	1,092.4	
Total assets	**103,728.8**	**619.5**	**73.1**	**1,742.3**	**16,311.4**	**8,115.7**	**705.8**	**131,296.6**	

Dec. 31, 2009 SEK M	Financial liabilities at fair value through profit or loss: Financial liabilities according to fair value option	Financial liabilities at fair value through profit or loss: Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities							
Due to credit institutions				21,232.4		21,232.4	21,232.4
Deposits and borrowing from the public				37,365.0		37,365.0	37,426.2
Debt securities in issue				62,016.2		62,016.2	63,235.9
Derivatives		31.0	1,164.2			1,195.2	1,195.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge				762.1		762.1	762.1
Deferred tax liabilities					65.3	65.3	
Other liabilities				190.0	462.6	652.6	
Accrued expenses and deferred income		12.0	569.7	1,011.1	453.2	2,046.0	
Provisions					17.6	17.6	
Subordinated liabilities				1,250.0		1,250.0	1,250.0
Total liabilities	–	**43.0**	**1,733.9**	**123,826.8**	**998.7**	**126,602.4**	

When calculating the fair value of fixed-rate deposits and lending, anticipated future cash flows have been discounted using a discount interest rate set at the current deposit and lending rates applied.
For lending and deposits with variable interest rates, fair value corresponds to the carrying amount.

NOTE 43 FAIR VALUE VALUATION TECHNIQUES

Determination of fair value through published price quotations or valuation techniques
For information and determination of fair value, refer to the accounting policies.

Dec. 31, 2010 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Treasury bills and other eligible bills	4,170.0			4,170.0
Bonds and other interest-bearing securities	21,203.3			21,203.3
Shares and participations[1)]			10.4	10.4
Derivatives		1,041.9		1,041.9
Liabilities				
Derivatives		2,093.6		2,093.6

Dec. 31, 2009 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Bonds and other interest-bearing securities	16,659.3			16,659.3
Shares and participations[*]			10.4	10.4
Derivatives		1,231.9		1,231.9
Liabilities				
Derivatives		1,195.2		1,195.2

SEK M	Shares and participations
Opening balance, January 1, 2009	**10.4**
Total profits and losses recognised:	–
– recognised in profit/loss for the year	–
Closing balance, December 31, 2009	**10.4**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2009.	–
Opening balance, January 1, 2010	**10.4**
Total profits and losses recognised:	–
– recognised in profit/loss for the year	–
Closing balance, December 31, 2010	**10.4**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2010.	–

1) Unlisted shares and participations held for business purposes are presented in level 3. These items are initially measured at cost and impaired of objective evidence exists to recognise an impairement loss. The assessment is based on the most recent annual report and forcasted earnings

NOTE 44 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

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

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

Pricing

The pricing level of the goods and services that the Bank Group purchases and sells within the Länsförsäkringar Alliance is determined by Länsförsäkringar AB's company management once a year in conjunction with the adoption of the business plan.

Agreement

Significant agreements for the Bank Group are primarily assignment agreements with the 24 regional insurance companies and assignment agreements with Länsförsäkringar AB regarding development, service, finance and IT.

Transactions

	Receivables		Liabilities		Income		Expenses	
SEK M	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**	**2010**	**2009**	**2010**	**2009**
Länsförsäkringar AB (Parent Company)	30.4	17.8	1,663.3	1,649.0	1.5	11.2	190.2	197.5
Other companies in the Länsförsäkringar AB Group	–	–	231.3	300.7	–	–	4.0	3.9
Regional insurance companies	16.2	18.6	1,853.9	2,034.4	141.4	118.9	539.6	427.2
Länsförsäkringar Liv, Group	–	–	141.4	26.1	1.8	–	305.0	248.5
Other related parties	–	–	18.0	21.9	0.5	0.5	0.1	0.1

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

NOT 45 EVENTS AFTER BALANCE-SHEET DATE

It was announced in January that President Mats Ericsson will leave on March 1, 2011 and become the President of Länsförsäkringar Fastighetsförmedling AB. Rikard Josefson was appointed the new president of the company and will take office not later than after the summer. The Representative for the President, Anders Borgcrantz, will serve as Acting President from March 1, 2011 until Rikard Josefson takes office.

Five-year review for the Parent Company

SEK M	2010	2009	2008	2007	2006
Income statement					
Interest income	1,409.3	1,573.0	2,885.2	2,174.3	1,598.3
Interest expense	–904.5	–1,152.5	–2,401.7	–1,738.4	–1,210.5
Net interest income	**504.8**	**420.5**	**483.5**	**435.9**	**387.8**
Net commission expense	–262.8	–192.2	–215.2	–221.4	–214.0
Dividends received	0.2	0.0	0.1	0.4	0.1
Net gains from financial items	1.9	23.5	–4.4	1.9	4.6
Other operating income	208.4	228.0	205.4	164.8	158.4
Total operating income	**452.5**	**479.8**	**469.4**	**381.6**	**336.9**
General administrative expenses	–416.5	–460.3	–443.1	–350.4	–331.6
Depreciation / amortisation	–56.9	–51.5	–41.9	–27.2	–20.5
Total expenses before loan losses	**–473.4**	**–511.8**	**–485.0**	**–377.6**	**–352.1**
Profit/loss before loan losses	**–20.9**	**–32.0**	**–15.6**	**4.0**	**–15.2**
Loan losses, net	–14.6	–4.6	–8.3	–7.5	–15.2
Operating loss	**–35.5**	**–36.6**	**–23.9**	**–3.5**	**–30.4**
Tax	9.7	3.2	5.4	3.5	7.1
Net loss for the year	**–25.8**	**–33.4**	**–18.5**	**0.0**	**–23.3**
Balance sheet					
Cash and balances with central banks	84.8	80.5	81.3	71.5	72.6
Treasury bills and other eligible bills	1,349.3	1,999.8	–	7,964.1	–
Loans to credit institutions	28,344.4	31,721.9	36,254.1	24,554.9	43,293.3
Loans to the public	27,532.5	22,963.3	16,389.8	10,983.8	9,264.2
Bonds and other interest-bearing securities	8,720.0	20,644.4	10,946.4	3,105.3	5,607.3
Shares and participations	4,604.4	3,709.4	3,172.2	3,047.5	2,655.9
Derivatives	45.5	242.1	1,060.6	293.3	24.3
Fair value changes of interest-rate-risk hedged items in portfolio hedge	14.2	61.3	87.9	–0.5	–
Intangible assets	283.8	221.2	213.3	183.3	123.2
Property and equipment	8.8	12.5	16.1	13.2	0.2
Deferred tax assets	–	–	11.7	2.6	0.8
Other assets	63.9	89.6	93.6	89.5	46.2
Prepaid expenses and accrued income	304.7	389.9	284.3	262.5	435.7
Total assets	**71,356.3**	**82,135.9**	**68,611.3**	**50,571.0**	**61,523.7**
Due to credit institutions	12,363.2	29,955.5	18,730.0	5,866.3	526.4
Deposits and borrowing from the public	41,722.5	37,481.2	35,197.9	29,901.5	24,035.4
Debt securities in issue	9,552.6	7,336.6	7,201.3	8,967.4	31,634.6
Derivatives	228.8	779.9	1,039.9	211.0	352.8
Fair value changes of interest-rate-risk hedged items in portfolio hedge	–13.5	8.1	32.8	–	–
Other liabilities	216.0	199.1	321.5	268.5	171.6
Accrued expenses and deferred income	478.5	421.3	523.8	385.8	463.5
Provisions	4.8	4.8	31.8	9.2	7.4
Subordinated liabilities	1,250.0	1,250.0	1,250.0	1,150.0	1,050.0
Equity	5,553.4	4,699.4	4,282.3	3,811.3	3,282.0
Total liabilities and equity	**71,356.3**	**82,135.9**	**68,611.3**	**50,571.0**	**61,523.7**
Key figures					
Capital adequacy according to transition rules, %	34.4	32.4	39.9	46.7	45.0
Tier 1 ratio according to transition rules, %	29.6	27.0	32.7	38.3	36.9
Capital adequacy according to Basel II, %	35.9	35.9	45.6	46.6	–
Tier 1 ratio according to Basel II, %	30.9	29.9	37.4	38.2	–

Financial statements, Parent Company

Income statement – Parent Company

SEK M	Note	2010	2009
Interest income	4	1,409.3	1,573.0
Interest expense	5	–904.5	–1,152.5
Net interest income		**504.8**	**420.5**
Dividends received	6	0.2	0.0
Commission income	7	199.0	171.9
Commission expense	8	–461.8	–364.1
Net gains from financial items	9	1.9	23.5
Other operating income	10	208.4	228.0
Total operating income		**452.5**	**479.8**
Staff costs	11	–94.0	–105.3
Other administration expenses	12, 13,14	–322.5	–355.0
Total administration expenses		**–416.5**	**–460.3**
Depreciation/amortisation and impairment of property and equipment/intangible assets	15	–56.9	–51.5
Total operating expenses		**–473.4**	**–511.8**
Loss before loan losses		**–20.9**	**–32.0**
Loan losses, net	16	–14.6	–4.6
Operating loss		**–35.5**	**–36.6**
Tax	17	9.7	3.2
NET LOSS FOR THE YEAR		**–25.8**	**–33.4**

Statement of comprehensive income – Parent Company

SEK M	2010	2009
Net loss for the year	**–25.8**	**–33.4**
Other comprehensive income		
Available-for-sale financial assets		
Change in fair value	2.8	26.3
Reclassification adjustments on realised securities	–	6.8
Tax	–0.7	–8.7
Total other comprehensive income for the year, net after tax	**2.1**	**24.4**
Total comprehensive loss for the year	**–23.7**	**–9.0**

Balance sheet – Parent Company

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Cash and balances with central banks		84.8	80.5
Treasury bills and other eligible bills	18	1,349.3	1,999.8
Loans to credit institutions	19	28,344.4	31,721.9
Loans to the public	20	27,532.5	22,963.3
Bonds and other interest-bearing securities	21	8,720.0	20,644.4
Shares and participations	22	10.4	10.4
Shares and participations in Group companies	23	4,594.0	3,699.0
Derivatives	24	45.5	242.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	25	14.2	61.3
Intangible assets	26	283.8	221.2
Property and equipment	27	8.8	12.5
Current tax assets		–	4.7
Other assets	29	63.9	84.9
Prepaid expenses and accrued income	30	304.7	389.9
TOTAL ASSETS		**71,356.3**	**82,135.9**
LIABILITIES AND EQUITY			
Due to credit institutions	31	12,363.2	29,955.5
Deposits and borrowing from the public	32	41,722.5	37,481.2
Debt securities in issue	33	9,552.6	7,336.6
Derivatives	24	228.8	779.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	25	–13.5	8.1
Deferred tax liabilities	28	4.1	3.1
Other liabilities	34	211.9	196.0
Accrued expenses and deferred income	35	478.5	421.3
Provisions	36	4.8	4.8
Subordinated liabilities	37	1,250.0	1,250.0
TOTAL LIABILITIES		**65,802.9**	**77,436.5**
EQUITY ACCORDING TO SWEDISH ANNUAL ACCOUNTS ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES (ÅRKL)	39		
Share capital		954.9	954.9
Statutory reserve		18.4	18.4
Fair value reserve		15.7	13.6
Retained earnings		4,590.2	3,745.9
Net loss for the year		–25.8	–33.4
TOTAL EQUITY		**5,553.4**	**4,699.4**
TOTAL LIABILITIES AND EQUITY		**71,356.3**	**82,135.9**
Memorandum items	40		
For own liabilities, pledged assets		6,997.0	26,151.0
Other pledged assets		–	–
Contingent liabilities		2,117.3	1,268.3
Other commitments		14,526.8	4,764.9

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Cash-flow statement (indirect method) – Parent Company

SEK M	2010	2009
Cash and cash equivalents, January 1	**2,764.2**	**1,094.1**
Operating activities		
Operating profit	–35.5	–36.6
Adjustment of non-cash items	137.4	–230.1
Change in assets of operating activities		
Change in treasury bills and other eligible bills	650.7	–1,999.8
Changes in loans to subsidiaries	1,790.5	–2,314.6
Change in loans to the public	–4,572.8	–6,578.2
Change in bonds and other interest-bearing securities	11,754.4	–9,727.3
Change in derivatives	–364.9	364.9
Change in other assets	25.7	4.0
Change in liabilities of operating activities		
Change in due to credit institutions	–17,611.6	19,778.5
Change in deposits and borrowing from the public	4,241.4	2,283.3
Change in debt securities in issue	2,361.0	323.8
Change in other liabilities	15.9	–125.4
Change in derivatives	129.0	120.5
Cash flow from operating activities	**–1,478.8**	**1,863.0**
Investing activities		
Acquisition of intangible assets	–124.0	–55.7
Divestment of intangible assets	8.1	–
Change in shares in subsidiaries	–895.0	–537.6
Divestment of other financial assets	–	0.4
Cash flow from investing activities	**–1,010.9**	**–592.9**
Financing activities		
Shareholders' contribution received	850.0	400.0
Group contributions received	35.3	–
Cash flow from financing activities	**885.3**	**400.0**
NET CASH FLOW FOR THE YEAR	**–1,604.4**	**1,670.1**
Cash and cash equivalents, December 31	**1,159.8**	**2,764.2**

SEK M	2010	2009
Non-cash items		
Depreciation/amortisation	57.0	51.5
Unrealised portion of net losses from financial items	–65.5	–51.0
Loan losses, excluding recoveries	3.6	4.6
Change in accrued expense/income	142.3	–208.2
Provisions	0	–27.0
Total non-cash items	**137.4**	**–230.1**
Cash and cash equivalents comprise:		
Cash and balances with central banks	84.8	80.5
Loans to credit institutions[1]	1,301.4	2,890.8
Due to credit institutions[1]	–226.4	–207.1
Total cash and cash equivalents	**1,159.8**	**2,764.2**
Interest received	869.1	1,455.1
Interest paid	1,513.9	1,274.3
Gross investments	124.0	55.7
Tax paid	0	–

[1] Excluding loans / liabilities to subsidiaries

Cash and cash equivalents is defined as cash and balance at central banks, loans and due to credit institutions payable on demand, as well as day-to-day loans and investments with the Riksbank that mature on the following banking day.

Statement of changes in shareholders' equity – Parent Company

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Net loss for the year	Total
Opening balance, January 1, 2009	**954.9**	**18.4**	**–10.9**	**3 338.4**	**–18.5**	**4 282.3**
Net loss for the year					–33.4	–33.4
Other comprehensive income for the year			24.4			24.4
Comprehensive income/loss for the year			*24.4*		*–33.4*	*–9.0*
Resolution by Annual General Meeting				–18.5	18.5	–
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
Closing balance, December 31, 2009	**954.9**	**18.4**	**13.6**	**3,745.9**	**–33.4**	**4,699.4**
Opening balance, January 1, 2010	**954.9**	**18.4**	**13.6**	**3,745.9**	**–33.4**	**4,699.4**
Net loss for the year					–25.8	–25.8
Other comprehensive income for the year			2.1			2.1
Comprehensive loss for the year			*2.1*		*–25.8*	*–23.7*
Resolution by Annual General Meeting				–33.4	33.4	–
Group contributions received				37.7		37.7
Tax effect of Group contributions received				–9.9		–9.9
Conditional shareholders' contribution received				850.0		850.0
Closing balance, December 31, 2010	**954.9**	**18.4**	**15.7**	**4,590.2**	**–25.8**	**5,553.4**

Statutory reserve
The statutory reserve continues to comprise restricted equity but no new provisions to the statutory reserve are required. The statutory reserve also includes amounts that were added to the share premium reserve prior to January 1, 2006.

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

Retained earnings, including net profit for the year
Retained earnings, including net profit for the year includes profit in the Parent Company. Group contributions received and paid after tax and shareholders' contributions received and paid are also included.

Notes to the Parent Company's financial statements

NOTE 1 COMPANY INFORMATION

The annual accounts for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on December 31, 2010. Länsförsäkringar Bank AB is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11–13. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020) with its registered office in Stockholm. The Parent Company in the largest and smallest Group in which Länsförsäkringar Bank AB (publ) is the subsidiary and in which the consolidated accounts are prepared is Länsförsäkringar AB (publ), Stockholm. The Annual Report for Länsförsäkringar Bank (publ) was approved by the Board and President for publication on March 28, 2011. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on May 16, 2011.

NOTE 2 PARENT COMPANY'S ACCOUNTING POLICIES

The accounting policies stated below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements. The Parent Company prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Supervisory Authority's regulations and general guidelines on annual reports in credit institutions and securities companies (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The rules in RFR 2 imply that the Parent Company shall apply all IFRS and interpretive statements adopted by the EU when preparing the annual accounts to the extent that it is possible within the framework of the Annual Accounts Act, the Pension Obligation Vesting Act and taking into consideration the connection between accounting and taxation. The recommendation stipulates the exceptions and supplements to IFRS that should be done.

Differences between the Group's and the Parent Company's accounting policies

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

Remuneration to employees

Defined-benefit pension plans

The Parent Company applies different policies for the taxation of defined-benefit plans to those stipulated in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

Subsidiaries

Shares and participations in subsidiaries are recognised at cost. Transaction costs are included in the carrying amount of holdings in subsidiaries. Adaptation of RFR 2 as a result of amendments in IAS 27 Consolidated and Separate Financial Statements pertaining to dividends from subsidiaries, associated companies and joint venture has not entailed any adjustments in the company's accounting.

Group contributions and shareholders' contributions

The company recognises paid and received Group contributions and shareholders' contributions in accordance with statement UFR 2 issued by the Swedish Financial Reporting Board. Shareholders' contributions are recognised directly against the equity of the recipient and are capitalised in shares and participations from the donor to the extent that impairment is not required. Group contributions are recognised according to financial implication. This entails that Group contributions that have been paid and received with the aim of minimising the Group's total tax are recognised directly against retained earnings after deductions for their actual tax effect.

NOTE 3 SEGMENT REPORTING

Segment reporting is only submitted for the Group.

NOTE 4 INTEREST INCOME

SEK M	2010	2009
Loans to credit institutions	276.4	365.1
Loans to the public	691.1	593.7
Interest-bearing securities	332.1	411.8
Derivatives		
Hedge accounting	108.4	143.7
Non-hedge accounting	1.3	58.7
Other interest income	0.0	0.0
Total interest income	**1,409.3**	**1,573.0**
of which interest income on impaired loans	*0.8*	*2.6*
of which interest income from financial items not measured at fair value	*989.3*	*995.5*
Average interest rate on loans to the public during the year, %	2.7	3.0

NOTE 5 INTEREST EXPENSE

SEK M	2010	2009
Due to credit institutions	–177.9	–171.0
Deposits and borrowing from the public	–245.2	–420.3
Interest-bearing securities	–83.7	–123.6
Subordinated liabilities	–40.9	–47.4
Derivatives		
Hedge accounting	–311.6	–280.8
Non-hedge accounting	–11.5	–83.5
Other interest expense, including government deposit insurance	–33.7	–25.9
Total interest expense	**–904.5**	**–1 152.5**
of which interest expense from financial items not measured at fair value	*–581.4*	*–788.2*
Average interest rate on deposits from the public during the year, %	0.6	1.2

NOTE 6 DIVIDENDS RECEIVED

SEK M	2010	2009
Dividends received on shares	0.2	0
Total dividends received	**0.2**	**0**

NOTE 7 COMMISSION INCOME

SEK M	2010	2009
Payment mediation	81.1	75.4
Lending	9.7	10.5
Deposit	6.9	6.6
Financial guarantees	0.2	0.1
Securities	23.3	12.5
Bank cards	75.2	67.0
Other commission	2.6	–0.2
Total commission income	**199.0**	**171.9**
of which commission income from financial items not measured at fair value	*92.0*	*84.2*

NOTE 8 COMMISSION EXPENSE

SEK M	2010	2009
Payment mediation	–60.2	–59.3
Securities	–7.7	–1.6
Bank cards	–80.2	–70.3
Remuneration to regional insurance companies	–298.2	–224.6
Other commission	–15.5	–8.3
Total commission expense	**–461.8**	**–364.1**
of which commission expense from financial items not measured at fair value	*–298.2*	*–224.6*

NOTE 9 NET GAINS FROM FINANCIAL ITEMS

SEK M	2010	2009
Change in fair value		
Interest-related instruments	258.4	97.3
Currency-related instruments	–2.4	–
Change in fair value of hedged items	–257.8	–82.1
Capital gains/losses		
Interest-related instruments	–	3.7
Other financial assets	–	3.9
Interest compensation	3.7	0.7
Total net gains from financial items	**1.9**	**23.5**

SEK M	2010	2009
Profit/loss by valuation category		
Available-for-sale financial assets, realised	–	3.4
Derivative assets intended for risk management, non-hedge accounting	11.6	–417.0
Other financial assets measured at fair value through profit or loss	–7.5	21.4
Derivative liabilities intended for risk management, non-hedge accounting	–5.8	241.5
Loans and receivables	2.7	4.0
Financial liabilities at amortised cost	–7.2	188.5
Change in fair value of derivatives that are hedging instruments in a fair value hedge	265.9	63.8
Change in fair value of hedged items with regard to the hedged risk in fair value hedges	–257.8	–82.1
Total	**1.9**	**23.5**

NOTE 10 OTHER OPERATING INCOME

SEK M	2010	2009
Compensation from the regional insurance companies	116.0	108.6
Other income	92.4	119.4
Total other operating income	**208.4**	**228.0**

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees, Sweden	**2010**	**2009**
Men	38	41
Women	50	58
Total number of employees	**88**	**99**

Salaries, other remuneration and social security expenses, other employees	**2010**	**2009**
Salaries and remuneration	46.2	44.8
of which variable remuneration	0.4	1.4
Social security expenses	27.5	33.0
of which pension costs	11.2	14.9
	73.7	**77.8**

Board of Directors and other senior executives, 11 (15)	**2010**	**2009**
Salaries and remuneration	8.7	8.8
of which, fixed salary to the President and Executive Vice President	3.9	3.6
of which, variable remuneration to the President and Executive Vice President	0	0.4
of which fixed salary to other senior executives	3.7	3.1
of which variable salary to other senior executives	0	0.4
Social security expenses	7.7	8.1
of which pension costs	4.0	4.2
	16.4	**16.9**

Total salaries, other remuneration and social security expenses	**2010**	**2009**
Salaries and remuneration	54.9	53.6
of which variable remuneration	0.4	2.2
Social security expenses	35.2	41.1
of which pension costs	15.2	19.1
	90.1	**94.7**

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Variable remuneration

Variable remuneration is paid to all employees who are not managers. A basic prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Half of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. A maximum of SEK 12,000 may be paid to employees if the prerequisites are fulfilled.

Sickness absence, %	2010	2009
Total of overall working hours	2.0	1.7
Total of overall working hours for men	0.9	1.5
Total of overall working hours for women	2.8	1.8
Total of overall working hours, 29 years or younger	0.5	1.3
Total of overall working hours, 30–49 years	1.3	1.5
Total of overall working hours, 50 years or older	3.9	2.2
Percentage pertaining to absence during a consecutive period of 60 days or more	32.7	48.0

Remuneration to the Board

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

Remuneration of senior executives

Remuneration to the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Senior executives are the individuals who, together with the President, comprise company management.

As of 2010, no variable remuneration is paid to the President or other senior executives. Pension costs are attributable to the cost affecting the net profit/loss for the year.

Remuneration and other benefits for senior executives

2010, SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined contribution
Mats Ericsson, President	2.6		0	1.8	4.4	76
Anders Borgcrantz, Executive Vice President	2.5			0.7	3.2	23
Bengt Jerning, Executive Vice President	1.3		0	0.6	1.9	39
Ingemar Larsson, Executive Vice Chairman	0.2				0.2	
Örian Söderberg, Board member	0.2				0.2	
Christer Villard, Board member	0.2				0.2	
Leif Johansson, Board member	0.2				0.2	
Per-Åke Holgersson, Board member	0.1				0.1	
Christian Bille, Board member	0.1				0.1	
Thomas Gustafsson, previous Board member	0				0	
Other senior executives (5)						
Parent Company (3)	3.7		0	1.6	5.3	38
Subsidiaries (2)	4.4		0	1.6	6.0	38
Total 2010	**15.5**		**0**	**6.3**	**21.8**	
Total remuneration from Parent Company	8.7		0	4.0	12.7	
Total remuneration from subsidiaries	6.8		0	2.3	9.1	

2009, SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined contribution
Mats Ericsson, President	2.3	0.3	0.1	1.7	4.4	73
Anders Borgcrantz, Executive Vice President	2.1	0.3	0	0.7	3.1	27
Bengt Jerning, Executive Vice President	1.2	0.2	0	0.5	1.9	40
Ingemar Larsson, Executive Vice Chairman	0.3				0.3	
Örian Söderberg, Board member	0.1				0.1	
Thomas Gustafsson, Board member	0.2				0.2	
Christer Villard, Board member	0.2				0.2	
Leif Johansson, Board member	0.2				0.2	
Lennart Käll, previous Board member	0.1				0.1	
Other senior executives (5)						
Parent Company	3.2	0.4	0	1.4	5.0	57
Subsidiaries	2.2	0.4	0	1.0	3.6	26
Total 2009	**12.1**	**1.6**	**0.1**	**5.3**	**19.1**	
Total remuneration from Parent Company	7.8	0.9	0.1	3.6	12.4	
Total remuneration from subsidiaries	4.4	0.6	0	1.7	6.7	

Pensions

The retirement age for the President is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 49% of the pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for the Executive Vice President is 62 years. The pension between 62 and 65 is a defined-contribution plan and the pension premium is to amount to 11% of the pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The pension is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Severance pay

A mutual period of notice of six months applies to the President and the Executive Vice President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

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

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to senior executives. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of terms of employment for the President. Decisions regarding remuneration to other employees who are members of company management and who report directly to the President may be delegated by the Board to the Board Chairman or the President. If decisions are delegated to the President, he shall keep the Chairman informed of the content of such decisions.

Composition of Remuneration Committee

The Board shall appoint at least two members from within its ranks to form a Remuneration Committee. The Board Chairman may serve as the Chairman of the Committee. The other members must be independent in relation to the company and company management.

Policies for remuneration to senior executives

Senior executives in the Länsförsäkringar AB Group shall have market-based employment terms and conditions. Total remuneration shall be in line with the industry standard. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual medical insurance and other benefits offered to all employees.

Number of women among senior executives, %	Dec. 31, 2010	Dec. 31, 2009
Board members	22	25
Other senior executives	40	40

Loans to the Board, Presidents/Executive Vice Presidents and other senior executives

	Bank Group		Parent Company		Länsförsäkringar AB Group	
	2010	2009	2010	2009	2010	2009
Board members	**23.7**	**21.3**	**11.2**	**7.7**	**32.5**	**47.9**
of which loans from Bank	3.2	2.5	1.5	1.3	6.0	8.0
of which loans from Hypotek	20.5	18.8	9.7	6.4	26.5	39.9
of which loans from Wasa Kredit	–	–		–	–	–
President and Executive Vice Presidents	**0.6**	**0.7**	**0.1**	**0.1**	**19.1**	**11.2**
of which loans from Bank	0.2	0.2	0.1	0.1	3.2	2.4
of which loans from Hypotek	–	–	–	–	15.5	8.3
of which loans from Wasa Kredit	0.4	0.5	–	–	0.4	0.5
Senior executives	**0.3**	**0.3**	**0.3**	**0.3**	**16.6**	**10.5**
of which loans from Bank	0.3	0.3	0.3	0.3	2.2	1.6
of which loans from Hypotek	–	–	–	–	14.4	8.9
of which loans from Wasa Kredit	–	–	–	–	–	–

Loans granted comprise personnel loans and other loans. Personnel loans carry loan terms comparable to what applies to other employees in the Group. The interest rate for personnel loans is the repo rate less 0.5 percentage points, but can never be lower than 0.5 percentage points. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in other benefits as above. Personnel loans are restricted to SEK 500,000. The terms and conditions of other loans are market-based.

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

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2009:6) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board is to adopt a Remuneration Policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

NOTE 12 OTHER ADMINISTRATION EXPENSES

SEK M	2010	2009
Costs for premises	–13.9	–13.6
IT costs	–138.4	–164.1
Consultant costs	–32.6	–31.0
Marketing	–10.9	–10.2
Management costs	–6.7	–5.7
Other administration expenses	–120.0	–130.4
Total administration expenses	**–322.5**	**–355.0**

NOTE 13 REMUNERATION TO AUDITORS

Audit fees

SEK M	2010	2009
KPMG		
– Audit assignments	–1.6	–1.2
– Audit activities other than audit assignment	–0.3	–0.3
– Tax consulting	–	–0.1
– Other services	–	–0.3

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the abovementioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

NOTE 14 OPERATIONAL LEASING

These agreements pertain to internal and external lease contracts where the Parent Company is the lessee.

SEK M	2010	2009
Lease expenses paid		
Rent for premises	–13.4	–13.1
Leasing fees, company cars	–0.4	–0.5
Future basic rents for irrevocable leasing contracts		
Within 1 year	–13.4	–13.1

NOTE 15 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT / INTANGIBLE ASSETS

SEK M	2010	2009
Depreciation of property and equipment	–3.6	–3.7
Amortisation of intangible assets	–53.3	–47.8
Total depreciation/amortisation and impairment of assets	**–56.9**	**–51.5**

NOTE 16 LOAN LOSSES, NET

SEK M	2010	2009
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–23.4	–18.2
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	6.6	5.8
Impairment of loan losses during the year	–29.1	–43.7
Payment received for prior confirmed loan losses	2.4	1.6
Reversed impairment of loan losses no longer required	21.7	8.5
Net expense for the year for individually assessed receivables	**–21.8**	**–46.0**
Collective reserves for individually assessed receivables	–	–
Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk		
Write-off of confirmed loan losses during the year	–	–
Payment received for prior confirmed loan losses	–	–
Provision/reversal of impairment for loan losses	7.2	35.8
Net expense for the year for collectively assessed receivables	**7.2**	**35.8**
Net expense for the year for fulfilment of guarantees	**–**	**5.6**
Net expense of loan losses for the year	**–14.6**	**–4.6**

All information pertains to receivables from the public.

NOTE 17 TAX ON NET PROFIT FOR THE YEAR

SEK M	2010	2009
Current tax		
Tax expense/tax income for the year	9.9	9.2
Total current tax	**9.9**	**9.2**
Deferred tax		
Change in deferred tax expense on temporary differences	–0.2	–6.0
Total deferred tax	**–0.2**	**–6.0**
Total recognised tax expense	**9.7**	**3.2**
Reconciliation of effective tax rate		
Profit/loss before tax	–35.5	–36.6
Tax in accordance with applicable tax rate for Parent Company	9.3	9.6
Tax on non-deductible costs	–1.0	–2.6
Tax on non-taxable income	1.5	1.0
Tax on non-recognised income	–	–4.8
Tax attributable to earlier years	0.2	–
Other	–0.3	–
Total tax on net profit for the year	**9.7**	**3.2**
Applicable tax rate	26.3%	26.3%
Effective tax rate	27.2%	8.8%
Tax items reported directly against equity		
Current tax in received Group contribution	9.9	9.3
Tax items reported in other comprehensive income		
Tax on available-for-sale financial assets	–0.7	8.7

Tax attributable to other comprehensive income	**2010**			**2009**		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Available-for-sale financial assets	2,8	–0,7	2,1	33,1	–8,7	24,4

NOTE 18 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Swedish government	1,349.3	1,999.8
Total treasury bills and other eligible bills	**1,349.3**	**1,999.8**
Fair value	1,349.3	1,999.9
Amortised cost	1,349.1	1,999.8
Nominal value	1,350.0	2,000.0
Remaining term of not more than 1 year	1,349.3	1,999.8

NOTE 19 LOANS TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Loans to subsidiaries	26,957.1	28,746.3
Deposits, Swedish banks	1,250.0	2,509.0
Other loans to credit institutions	137.3	466.6
Total loans to credit institutions	**28,344.4**	**31,721.9**

True repurchase transactions amounts to SEK 1,988.0 M (9,557.6), of which SEK 1,988.1 M (9,557.6) with Group companies.

Payable on demand	51.4	381.8
Remaining term of not more than 3 months	3,357.3	9,222.5
Remaining term of more than 3 months but not more than 1 year	24,169.7	21,211.4
Remaining term of more than 1 year but not more than 5 years	–	66.2
Remaining term of more than 5 years	766.0	840.0
Total loans to credit institutions	**28,344.4**	**31,721.9**

NOTE 20 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		
Public sector	–	4.6
Corporate sector	1,359.4	1,050.1
Retail sector	26,297.1	22,021.9
Other	3.7	10.8
Total loan receivables, gross	**27,660.2**	**23,087.4**
Impairment of individually reserved loan receivables		
Corporate sector	–3.9	–0.3
Retail sector	–47.3	–40.0
Total individual reserves	**–51.2**	**–40.3**
Impairment of collectively reserved loan receivables		
Corporate sector	–6.2	–4.7
Retail sector	–70.3	–79.0
Other	0.0	–0.1
Total collective reserves	**–76.5**	**–83.8**
Total reserves	**–127.7**	**–124.1**
Loan receivables, net		
Public sector	–	4.6
Corporate sector	1,349.3	1,045.1
Retail sector	26,179.5	21,902.9
Other	3.7	10.7
Total loan receivables, net	**27,532.5**	**22,963.3**
Remaining term of not more than 3 months	24,211.6	10,033.7
Remaining term of more than 3 months but not more than 1 year	756.7	1,506.3
Remaining term of more than 1 year but not more than 5 years	2,446.9	2,363.6
Remaining term of more than 5 years	245.0	9,183.8
	27,660.2	**23,087.4**
Impaired loans		
Corporate sector	2.4	4.1
Retail sector	59.0	53.5
Total impaired loans	**61.4**	**57.6**

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 cannot meet its undertaking. The loan receivable is considered impaired to the extent that its whole amount is not covered by collateral.

NOTE 20 **LOANS TO THE PUBLIC, cont.**

Reconciliation of impairment of loan losses

	Dec. 31, 2010			Dec. 31, 2009		
SEK M	**Individual impairments**	**Collective impairments**	**Total**	**Individual impairments**	**Collective impairments**	**Total**
Opening balance	–40.3	–83.8	–124.1	–	–119.5	–119.5
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	6.6	0.0	6.6	5.8	–	5.8
Reversed impairment of loan losses no longer required	11.6	7.3	18.9	8.5	–	8.5
Impairment of loan losses during the year	–29.1	0.0	–29.1	–54.6	35.7	–18.9
Closing balance	**–51.2**	**–76.5**	**–127.7**	**–40.3**	**–83.8**	**–124.1**

NOTE 21 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	**Dec. 31, 2010**	**Dec. 31, 2009**
Carrying amount		
Swedish mortgage institutions (guaranteed by Swedish government)	–	1,995.7
Swedish mortgage institutions (not guaranteed)	8,720.0	16,657.8
Other Swedish issuers (not guaranteed by Swedish government)	–	1,990.9
	8,720.0	**20,644.4**
Fair value	8,720.0	20,657.3
Amortised cost	8,704.1	20,458.4
Nominal value	8,500.0	20,146.0
Market status		
Securities listed	8,720.0	20,644.4
Remaining term of not more than 1 year	2,830.3	13,825.5
Remaining term of more than 1 year	5,889.7	6,818.9

NOTE 22 SHARES AND PARTICIPATIONS

SEK M	**2010**	**2009**
Other shares and participations	10.4	10.4
Total shares and participations	**10.4**	**10.4**

All shares are unlisted.

NOTE 23 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

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

	Dec. 31, 2010			Dec. 31, 2009		
SEK M	**Number of shares**	**Nominal value**	**Carrying amount**	**Number of shares**	**Nominal value**	**Carrying amount**
Wasa Kredit AB (556311-9204)	875,000	87.5	787.8	875,000	87.5	637.8
Länsförsäkringar Hypotek AB (556244-1781)	70,335	70.3	3,641.2	70,335	70.3	2,896.2
Länsförsäkringar Fondförvaltning AB (556364-2783)	15,000	1.5	165.0	15,000	1.5	165.0
Total shares and participations in Group companies			**4,594.0**			**3,699.0**

	Dec. 31, 2010				Dec. 31, 2009			
SEK M	**Wasa Kredit AB**	**Länsförsäkringar Hypotek AB**	**Länsförsäkringar Fondförvaltning AB**	**Total**	**Wasa Kredit AB**	**Länsförsäkringar Hypotek AB**	**Länsförsäkringar Fondförvaltning AB**	**Total**
Carrying amount at beginning of year	637.8	2,896.2	165.0	3,699.0	637.8	2,358.6	165.0	3,161.4
Conditional shareholders' contribution	150.0	745.0		895.0		537.6		537.6
Carrying amount at end of year	**787.8**	**3,641.2**	**165.0**	**4,594.0**	**637.8**	**2,896.2**	**165.0**	**3,699.0**

	2010		2009	
Equity and profit after tax in subsidiaries, SEK M	**Equity**	**Net profit for the year**	**Equity**	**Net profit for the year**
Wasa Kredit AB (including 73.7% of untaxed reserves)	710.7	94.5	739.3	78.7
Länsförsäkringar Hypotek AB	3,622.3	104.8	2,884.4	99.9
Länsförsäkringar Fondförvaltning AB	73.5	72.2	73.5	36.9
	4,406.5	**271.5**	**3,697.2**	**215.5**

NOTE 24 DERIVATIVES

SEK M	Dec. 31, 2010 Nominal value	Dec. 31, 2010 Fair value	Dec. 31, 2009 Nominal value	Dec. 31, 2009 Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest	3,280.0	33.8	2,080.0	13.6
Collateral received, CSA		–		–364.9
Other				
Currency	385,.6	11.7	4,535.8	593.4
Total derivatives with positive values	**3,665.6**	**45.5**	**6,615.8**	**242.1**
Remaining term of not more than 1 year	1,185.6	13.2	4,910.8	229.9
Remaining term of more than 1 year	2,480.0	32.3	1,705.0	12.2
Derivatives with negative values				
Derivatives in hedge accounting				
Interest	7,888.0	223.0	6,763.0	332.3
Other				
Interest	–	–	600.0	7.4
Currency	1,343.3	5.8	3,408.8	440.2
Total derivatives with negative values	**9,231.3**	**228.8**	**10,771.8**	**779.9**
Remaining term of not more than 1 year	3,875.3	34.7	5,053.8	467.1
Remaining term of more than 1 year	5,356.0	194.1	5,718.0	312.8

NOTE 25 FAIR VALUE CHANGES OF INTEREST-RATE-RISK HEDGED ITEMS IN PORTFOLIO HEDGE

SEK M	2010	2009
Assets		
Carrying amount at beginning of year	61.3	87.9
Changes during the year pertaining to lending	–47.1	–26.6
Carrying amount at year-end	**14.2**	**61.3**
Liabilities		
Carrying amount at beginning of year	8.1	32.8
Changes during the year pertaining to deposits	–5.9	–24.7
Changes during the year pertaining to borrowing	–15.7	–
Carrying amount at year-end	**–13.5**	**8.1**

NOTE 26 INTANGIBLE ASSETS

	Internally developed IT systems		Acquired IT systems		Total	
SEK M	2010	2009	2010	2009	2010	2009
Cost						
Opening cost	487.7	432.0	22.0	22.0	509.7	454.0
Acquisitions during the year	118.1	55.7	5.9	–	124.0	55.7
Divestments during the year	–8.7	–	–	–	–8.7	–
Closing cost	**597.1**	**487.7**	**27.9**	**22.0**	**625.0**	**509.7**
Amortisation						
Opening accumulated amortisation	–271.0	–227.6	–17.5	–13.1	–288.5	–240.7
Amortisation for the year	–49.6	–43.4	–3.7	–4.4	–53.3	–47.8
Reversed amortisation, divestments	0.6	–	–	–	0.6	–
Closing accumulated amortisation	**–320.0**	**–271.0**	**–21.2**	**–17.5**	**–341.2**	**–288.5**
Total intangible assets	**277.1**	**216.7**	**6.7**	**4.5**	**283.8**	**221.2**

NOTE 27 PROPERTY AND EQUIPMENT

SEK M	Dec. 31, 2010	Dec. 31, 2009
Equipment		
Opening cost	40.3	40.3
Sales/scrapping	–16.0	–
Closing cost	**24.3**	**40.3**
Opening depreciation	–27.8	–24.2
Reversed depreciation, sales/scrapping	16.0	–
Depreciation for the year	–3.7	–3.6
Closing accumulated depreciation	**–15.5**	**–27.8**
Closing residual value according to plan	**8.8**	**12.5**
Total property and equipment	**8.8**	**12.5**

NOTE 28 DEFERRED TAX ASSETS AND TAX LIABILITIES

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

	Deferred tax assets		Deferred tax liabilities		Net	
SEK M	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Other financial investment assets	–	–	5.6	4.9	5.6	4.9
Liabilities	–1.5	–1.8	–	–	–1.5	–1.8
Deferred tax assets (–)/deferred tax liabilities (+)	**–1.5**	**–1.8**	**5.6**	**4.9**	**4.1**	**3.1**
Offset	1.5	1.8	–1.5	–1.8		
Net deferred tax asset (–) /deferred tax liability (+)	**–**	**–**	**4.1**	**3.1**	**4.1**	**3.1**

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

Change in deferred tax in temporary differences and loss carryforwards

	Amount at Jan. 1	Recognised in profit and loss	Reported in other comprehensive income	Amount at Dec. 31
2010				
Other financial investment assets	4.9	–	0.7	5.6
Liabilities	–1.8	**0.3**	–	–1.5
Utilisation of loss carryforwards	–	–	–	–
Deferred tax assets (–) / deferred tax liabilities (+)	**3.1**	**0.3**	**0.7**	**4.1**

	Amount at Jan. 1	Recognised in profit and loss	Reported in other comprehensive income	Amount at Dec. 31
2009				
Other financial investment assets	–3.9	–	8.8	4.9
Liabilities	–7.7	5.9	–	–1.8
Utilisation of loss carryforwards	–0.1	0.1	–	–
Deferred tax assets (–) / deferred tax liabilities (+)	**–11.7**	**6.0**	**8.8**	**3.1**

NOTE 29 OTHER ASSETS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accounts receivable	16.6	30.3
Other assets	47.3	54.6
Total other assets	**63.9**	**84.9**

NOTE 30 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accrued interest income	247.6	352.3
Other accrued income	42.3	3.2
Prepaid expenses	14.8	34.4
Total prepaid expenses and accrued income	**304.7**	**389.9**

NOTE 31 DUE TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Swedish banks	–	20 500.0
Other Swedish credit institutions	12 363.2	9 455.5
Total liabilities due to credit institutions	**12 363.2**	**29 955.5**

True repurchase transactions amounts to SEK – (–), of which SEK – (–) with Group companies.

Payable on demand	8 204,7	9 096.4
Remaining term of not more than 3 months	4 158,5	359.1
Remaining term of more than 3 months but not more than 1 year	–	20 500.0
	12 363.2	**29 955.5**

NOTE 32 DEPOSITS FROM THE PUBLIC

SEK M	Dec. 31, 2010	Dec. 31, 2009
Deposits from insurance companies	2,441.7	2,596.2
Deposits from households	36,647.7	32,245.5
Deposits from other Swedish public	2,633.1	2,639.5
Total deposits from the public	**41,722.5**	**37,481.2**
Payable on demand	41,722.5	37,481.2

Fixed-term deposits amount to SEK 11,374.9 (8,722.6). Interest compensation is paid on premature redemption.

NOTE 33 DEBT SECURITIES IN ISSUE

SEK M	Dec. 31, 2010	Dec. 31, 2009
Commercial papers	4,204.9	5,925.1
Bond loans	5,250.1	1,298.2
Cashier's cheques issued	97.6	113.3
Total debt securities in issue	**9,552.6**	**7,336.6**
Remaining term of not more than 1 year	4,302.7	7,336.5
Remaining term of more than 1 year	5,249.9	0.1

NOTE 34 OTHER LIABILITIES

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accounts payable	54.5	35.1
Withheld preliminary tax, customers	30.9	38.5
Other liabilities	126.5	122.4
Total other liabilities	**211.9**	**196.0**

NOTE 35 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	Dec. 31, 2010	Dec. 31, 2009
Accrued holiday pay	4.5	4.8
Accrued social security expenses	3.2	7.2
Accrued interest expense	300.8	265.4
Other accrued expenses	170.0	143.9
Total accrued expenses and deferred income	**478.5**	**421.3**

NOTE 36 PROVISIONS

SEK M	Dec. 31, 2010	Dec. 31, 2009
Provisions for guarantees	1.8	1.8
Provisions for early retirement in accordance with the pension agreement	2.7	2.7
Provisions for restructuring costs	0.3	0.3
Total provisions	**4.8**	**4.8**

Provision for guarantees

Carrying amount at beginning of year	1.8	2.1
Unutilised amount reversed during the year	0	–0.3
Carrying amount at end of year	**1.8**	**1.8**

Guarantees
Guarantees include leasing guarantees and credit guarantees.

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

SEK M	2010	2009
Pension commitments		
Provisions for pensions	2.7	2.7
Total pension commitments	**2.7**	**2.7**
The year's change in capital value of own obligations for which there are no separated assets:		
Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	2.7	5.2
Cost excluding interest expense charged to earnings	0	–2.6
Interest expense	0	0.1
Capital value at December 31	**2.7**	**2.7**
Net pension commitments	**2.7**	**2.7**
The company's own pensions		
Cost excluding interest expense	0	–2.6
Interest expense	0	0.1
Cost of the company's own pensions	**0**	**–2.5**
Recognised net cost attributable to pensions	**0**	**–2.5**
Assumptions pertaining to defined-benefit commitments:		
Discount rate	2.30%	2.30%
Percentage expected to retire voluntarily at age 62	20.0%	20.00%
Memorandum items	**11.1**	**10.8**

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

	2010	2009
Expenses for defined-contribution plans	12.5	13.1

NOTE 37 SUBORDINATED LIABILITIES

SEK M	Dec. 31, 2010	Dec. 31, 2009
Subordinated debt	1,250.0	1,250.0
Total subordinated debt	**1,250.0**	**1,250.0**

Specification of subordinated loans from Länsförsäkringar AB

SEK M	Carrying amount	Coupon rate of interest
Subordinated debt 2007/2017 LFAB	180.0	Variable 3 months
Subordinated debt 2008/2018 LFAB	580.0	Variable 3 months
Subordinated debt perpetual LFAB [1]	290.0	Variable 3 months
Subordinated debt 2007/2017 LFAB	100.0	Variable 3 months
Subordinated debt 2008/2018 LFAB	100.0	Variable 3 months
Total subordinated debt	**1,250.0**	

[1] The terms of the loan are such that the loan qualifies as a Tier 1 capital contribution in accordance with the requirements of the Swedish Financial Supervisory Authority.

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

NOTE 38 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	Dec. 31, 2010		Dec. 31, 2009	
	Foreign currency	SEK	Foreign currency	SEK
Debt securities in issue				
EUR	167.7	1,512.2	124.8	1,280.1
CHF	30.0	216.4	–	–
Total assets and liabilities in foreign currency		**1,728.6**		**1,280.1**

All amounts are hedged with currency forward contracts.

NOTE 39 EQUITY

SEK M	Dec. 31, 2010	Dec. 31, 2009
Restricted equity		
Share capital (9,548,708 shares, quotient value SEK 100 per share)	954.9	954.9
Statutory reserve	18.4	18.4
Total restricted equity	**973.3**	**973.3**
Non-restricted equity		
Fair value reserve	15.7	13.6
Retained earnings	4,590.2	3,745.9
Net loss for the year	–25.8	–33.4
Total non-restricted equity	**4,580.1**	**3,726.1**
Total equity	**5,553.4**	**4,699.4**

Specification of balance-sheet item fair value reserve

SEK M	2010	2009
Opening reserve	**13.6**	**–10.9**
Change in fair value of available-for-sale financial assets	2.8	26.3
Reclassification adjustments on realised securities	–	6.8
Tax on available-for-sale financial assets	–0.7	–8.7
Closing reserve	**15.7**	**13.6**

The other changes in equity for the year and division according to IFRS are contained in Statement of changes in shareholders' equity.

Conditional shareholders' contribution received totalled:

During 2007	325.0
During 2008	500.0
During 2009	400.0
During 2010	850.0
Total	**2,075.0**

NOTE 40 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	Dec. 31, 2010	Dec. 31, 2009
For own liabilities, pledged assets		
Pledged securities in the Riksbank	1,900.0	23,040.0
Pledged securities in Euroclear	1,150.0	3,096.0
Collateral provided for derivatives	10.0	10.0
Collateral provided for securities	5.0	5.0
Collateral provided due to repurchase agreement	3 932,0	–
Total pledged assets for own liabilities	**6,997.0**	**26,151.0**
Other pledged assets	None	None
Contingent liabilities		
Guarantees	31.2	32.5
Conditional shareholders´ contribution	2,075.0	1,225.0
Early retirement at age 62 in accordance with pension agreement, 80%	11.1	10.8
Total contingent liabilities	**2,117.3**	**1,268.3**

SEK M	Dec. 31, 2010	Dec. 31, 2009
Other commitments		
Loans approved but not disbursed	1,151.2	1,286.5
Unutilised portion of overdraft facilities	8,156.0	2,842.0
Unutilised portion of credit card facilities	719.6	636.4
Total other commitments	**10,026.8**	**4,764.9**

An assumption regarding the number of employees likely to utilise the option of early retirement was made in determining the contingent liabilities for early retirement according to pension agreements. This assumption was based on historical information. The pension agreement expires in 2017. From 2010, the item "Loans approved by not disbursed" includes previously unrecognised loan commitments. Accordingly, comparative figures as at December 31, 2009 have been adjusted.

NOTE 41 INVESTMENT COMMITMENTS

No Investment commitment exists.

NOTE 42 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

		Financial assets at fair value through profit or loss							
Dec. 31, 2010 SEK M	**Loans and receivables**	**Financial assets according to fair value option**	**Held for trading**	**Derivatives used in hedge accounting**	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Non-financial assets**	**Total**	**Fair value**
Assets									
Cash and bank balances at central banks	84.8							84.8	84.8
Treasury bills and other eligible bills					1,349.3			1,349.3	1,349.3
Loans to credit institutions	28,344.4							28,344.4	28,344.4
Loans to the public	27,532.5							27,532.5	27,550,0
Bonds and other interest-bearing securities					8,720.0			8,720.0	8,720.0
Shares and participations					10.4			10.4	10.4
Shares and participations in Group companies							4,594.0	4,594.0	
Derivatives			11.7	33.8				45.5	45.5
Fair value changes of interest-rate-risk hedged items in portfolio hedge	14.2							14.2	14.2
Intangible assets							283.8	283.8	
Property and equipment							8.8	8.8	
Deferred tax assets									
Other assets	16.6						47.3	63.9	
Prepaid expenses and accrued income	53.7			15.6	178.3		57.1	304.7	
Total assets	**56,046.2**		**11.7**	**49.4**	**10,258.0**		**4,991.0**	**71,356.3**	

	Financial liabilities at fair value through profit or loss						
Dec. 31, 2010 SEK M	**Financial liabilities according to fair value option**	**Held for trading**	**Derivatives used in hedge accounting**	**Other financial liabilities**	**Non-financial liabilities**	**Total**	**Fair value**
Liabilities							
Due to credit institutions				12,363.2		12,363.2	12,363.2
Deposits and borrowing from the public				41,722.5		41,722.5	41,761.7
Debt securities in issue				9,552.6		9,552.6	9,530.2
Derivatives		5.8	223.0			228.8	228.8
Fair value changes of interest-rate-risk hedged items in portfolio hedge				–13.5		–13.5	–13.5
Deferred tax liabilities					4.1	4.1	
Other liabilities				78.7	133.3	212.0	
Accrued expenses and deferred income		1.2	193.9	105.6	177.7	478.4	
Provisions					4.8	4.8	
Subordinated liabilities				1,250.0		1,250.0	1,250.0
Total liabilities		**7.0**	**416.9**	**65,059.1**	**319.9**	**65,802.9**	

NOTE 42 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.

Dec. 31, 2009 SEK M	Loans and receivables	Financial assets at fair value through profit or loss: Financial assets according to fair value option	Financial assets at fair value through profit or loss: Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Held-to-maturity investments	Non-financial assets	Total	Fair value
Assets									
Cash and bank balances at central banks	80.5							80.5	80.5
Treasury bills and other eligible bills						1,999.8		1,999.8	1,999.9
Loans to credit institutions	31,721.9							31,721.9	31,721.9
Loans to the public	22,963.3							22,963.3	23,037.4
Bonds and other interest-bearing securities		608.2			13,994.4	6,041.8		20,644.4	20,657.3
Shares and participations					10.4			10.4	10.4
Shares and participations in Group companies							3,699.0	3,699.0	
Derivatives			228.5	13.6				242.1	242.1
Fair value changes of interest-rate-risk hedged items in portfolio hedge	61.3							61.3	61.3
Intangible assets							221.2	221.2	
Property and equipment							12.5	12.5	
Deferred tax assets								–	
Other assets	30.3						59.3	89.6	
Prepaid expenses and accrued income	56.9	11.3	1.8	8.6	199.6	74.1	37.6	389.9	
Total assets	**54,914.2**	**619.5**	**230.3**	**22.2**	**14,204.4**	**8,115.7**	**4,029.6**	**82,135.9**	

Dec. 31, 2009 SEK M	Financial liabilities at fair value through profit or loss: Financial liabilities according to fair value option	Financial liabilities at fair value through profit or loss: Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities							
Due to credit institutions				29,955.4		29,955.4	29,955.4
Deposits and borrowing from the public				37,481.2		37,481.2	37,542.3
Debt securities in issue				7,336.6		7,336.6	7,337.5
Derivatives		447.6	332.3			779.9	779.9
Fair value changes of interest-rate-risk hedged items in portfolio hedge				8.2		8.2	8.2
Deferred tax liabilities					3.1	3.1	
Other liabilities				33.6	162.5	196.1	
Accrued expenses and deferred income		12.0	149.1	104.3	155.9	421.3	
Provisions					4.8	4.8	
Subordinated liabilities				1,250.0		1,250.0	1,250.0
Total liabilities	**–**	**459.6**	**481.4**	**76,169.3**	**326.3**	**77,436.6**	

When calculating the fair value of fixed-rate deposits and lending, anticipated future cash flows have been discounted using a discount interest rate set at the current deposit and lending rates applied.
For lending and deposits with variable interest rates, fair value corresponds to the carrying amount.

NOTE 43 FAIR VALUE VALUATION TECHNIQUES

Determination of fair value through published price quotations or valuation techniques.For information and determination of fair value, refer to the accounting policies.

Dec. 31, 2010 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Treasury bills and other eligible bills	1,349.3			1,349.8
Bonds and other interest-bearing securities	8,720.0			8,720.0
Shares and participations[1]			10.4	10.4
Derivatives		45.5		45.5
Liabilities				
Derivatives		228.8		228.8

Dec. 31, 2009 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Bonds and other interest-bearing securities	14,602.6			14,602.6
Shares and participations[1]			10.4	10.4
Derivatives		242.1		242.1
Liabilities				
Derivatives		779.9		779.9

[1] Unlisted shares and participations held for business purpose are initially measured at cost and impaired if objective evidence exists to recognise an impairment loss. The assesment is based on the most recent annual report and forecasted earnings.

SEK M	Shares and participations
Opening balance, Jan. 1, 2009	**10.4**
Total profits and losses recognised:	–
– recognised in profit for the year	–
Closing balance, Dec. 31, 2009	**10.4**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2009.	–

SEK M	Shares and participations
Opening balance, January 1, 2010	10.4
Total profits and losses recognised:	–
– recognised in profit for the year	–
Closing balance, December 31, 2010	**10.4**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2010.	–

NOTE 44 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

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

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

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

Pricing

The pricing level of the goods and services that the Länsförsäkringar AB purchases and sells within the Länsförsäkringar Alliance is determined by Länsförsäkringar AB's company management once a year in conjunction with the adoption of the business plan.

Agreements

Significant agreements for the Parent Company are primarily assignment agreements with the 24 regional insurance companies and assignment agreements regarding development, service, finance and IT. The Parent Company has agreements with its subsidiaries for Group-wide services

Transactions	Receivables		Liabilities		Income		Expenses	
SEK M	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	2010	2009	2010	2009
Companies in the Bank Group	26,978.2	28,782.6	8,270.5	9,786.6	362.3	493.3	110.1	107.4
Other companies in the Länsförsäkringar AB Group	3.6	0.6	1,508.4	1,660.3	1.4	11.7	155.4	186.7
Länsförsäkringar Liv, Group	–	–	115.6	2.6	–	–	0.1	0.1
Regional insurance companies	16.2	18.7	1,779.6	2,006.8	128.1	108.6	304.7	237.8
Other related parties	–	–	18.0	21.8	–	–	0.1	0.1

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

NOTE 45 EVENTS AFTER BALANCE-SHEET DATE

It was announced in January that President Mats Ericsson would leave on March 1, 2011 and become the President of Länsförsäkringar Fastighetsförmedling. Rikard Josefson was appointed the new President of the company and will take office not later than after the summer. The Representative for the President, Anders Borgcrantz, will be serving as President from March 1, 2011 until Rikard Josefson takes office.

PROPOSED APPROPRIATION OF PROFIT

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

Fair value reserve	15,654,744
Retained earnings	3,712,518,900
Shareholders' contribution received	850,000,000
Group contribution received	27,770,160
Net loss for the year	–25,839,652
Profit to be appropriated	**4,580,104,152**

The Board proposes that SEK 4,580,104,152 be carried forward, of which SEK 15,654,744 be allocated to the fair value reserve.

Statement from the board

The Board and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on July 19, 2002 on the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Group's and the Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Stockholm March 28, 2011

Sten Dunér
Chairman

Ingemar Larsson
Deputy Chairman

Cristian Bille

Per-Åke Holgersson

Christer Villard

Leif Johanson

Örian Söderberg

Anders Borgcrantz
President

Ingrid Ericson
Employee Representative

Katarina Säther
Employee Representative

My audit report was submitted on March 28, 2011.

Johan Bæckström
Authorised Public Accountant

Audit Report

To the annual meeting of the shareholders of Länsförsäkringar Bank AB (publ)
Corporate Registration number 516401-9878

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar Bank AB (publ) for 2010. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 20–85. The Board of Directors and the President are responsible for these accounts and the administration of the company and the application of the Annual Accounts Act of Credit Institutions and Securities Companies when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act of Credit Institutions and Securities Companies when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and thereby give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act of Credit Institutions and Securities Companies and give a true and fair view of the Group's financial position and results of operations. A Corporate Governance Report has been prepared. The Board of Directors' Report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the Annual Meeting of the Shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 28, 2011

Johan Bæckström
Authorised Public Accountant

Definitions

Capital base
Comprises the sum of Tier 1 and Tier 2 capital and the difference between expected losses and reserves established for probable loan losses.

Capital adequacy ratio
Closing capital base in relation to the risk-weighted amount at year-end.

Cost/income ratio
Total expenses in relation to total income. The cost/income ratio is calculated before and after loan losses.

Fixed-interest term
The agreed period during which the interest rate on an asset or liability is fixed.

Investment margin
Net interest in relation to average total assets.

Impaired loans
Receivables for which payments are unlikely to be made in accordance with the agreed contractual terms and after deductions for the value of collateral. A loan receivable is considered impaired if a payment is more than 60 days past due or if the counterparty for other reasons cannot meet its undertaking.

Loan losses in relation to loans
Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

Percentage of impaired loans
Impaired loans in relation to the carrying amount of loans to the public and to credit institutions.

Reserve ratio in relation to loans
Reserves for impaired loans in relation to the total of loans to the public and loans to credit institutions.

Return on equity
Earnings for the period after appropriations and standard tax as a percentage of average equity, adjusted for new share issues and dividends.

Return on total capital
Operating profit in relation to average total assets.

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

Tier 1 capital
Comprises equity, excluding fair value reserve and Tier 1 capital contributions, which following approval from the Swedish Financial Supervisory Authority may be included in Tier 1 capital. Deductions are made for intangible assets and deferred tax assets and the difference between expected losses and reserves established for probable loan losses.

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

Tier 2 capital
Primarily comprises fixed-term subordinated debt.

Board of Directors and auditors

Sten Dunér, born 1951.
Chairman since 2009 and President and CEO of Länsförsäkringar AB. Other Board appointments: Chairman of Länsförsäkringar Sak Försäkrings AB, the Swedish Insurance Federation and the Swedish Insurance Employers' Association (FAO). Board member of Länsförsäkringar Liv Försäkrings AB and property company Balder.

Örian Söderberg, born 1952.
Board member since 2009. President of Länsförsäkringar Jönköping. Other Board appointments: Board Chairman of Destination Jönköping and Board member of Wasa Kredit AB.

Christer Villard, born 1949.
Board member since 2006. Other Board appointments: Board Chairman of Länsförsäkringar Stockholm, Wallenstam AB, Aptic AB, Stockholms Köpmanklubb, The Friends of Drottningholms Slottsteater and Segulah III and IV. Board member of AB Segulah.

Ingemar Larsson, born 1949.
Deputy Chairman since 2008. President of Länsförsäkringar Göteborg och Bohuslän. Other Board appointments: Board Chairman of Länsförsäkringar Mäklarservice AB.

Leif Johanson, born 1952.
Board member since 2005 President of Länsförsäkringar Västernorrland. Other Board appointments: Board member of Länsförsäkringar Västernorrland and VN Pensionsplaneraren AB.

Per-Åke Holgersson, born 1953.
Board member since 2010. Other Board appointments: Chairman of Länsförsäkring Kronoberg. Board member of Svensk fågels stiftelse, Älmeboda LRF and Korrö Gård AB.

Katarina Säther, born 1967.
Employee representative FTF (Union of Insurance Employees) since 1998. No other Board appointments.

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

Deputy Board member:
Torleif Carlsson, born 1953.
Elected 2010. Employee representative of LFP. Other Board appointments: Deputy Board member LFP Länsförsäkringar Fondförvaltning.

Christian Bille, born 1962.
Board member since 2010. President of Länsförsäkringar Halland. Other Board appointments: Board member of Movement Medical AB.

AUDITOR
Johan Bæckström, Authorised Public Accountant, KPMG AB.

Secretary to the Board:
Anna Rygaard, born 1966.
Legal Counsel of Länsförsäkringar AB.

Executive management

Anders Borgcrantz, born 1961.
President from March 1, 2011.
Employed since 2003.

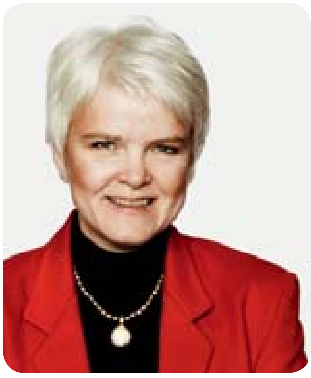
Göran Laurén, born1962.
CFO since March 1, 2011.
Employed since 2007.

Bengt Clemedtson, born 1964.
Head of Business and Products.
Employed since 2006.

Maria Jerhamre Engström, born 1969.
Head of Business Support. Employed since 2006.

Göran Zakrisson, born 1953.
Chief Risk Officer. Employed since 2004.

Bengt Jerning, born 1953.
Head of Credit and Executive Vice President. Employed since 1991.



Eva Gottfridsdotter Nilsson, born 1960.
President of Länsförsäkringar Fondförvaltning. Employed since 2000.

Lennart Käll, born 1958.
President of Wasa Kredit.
Employed since 2009.

Mats Ericsson was President during 2010.

Financial calender 2011

First quarter:
Interim report January–March April 29, 2011

Second quarter:
Interim report January–June August 26, 2011

Third quarter:
Interim report January–September October 24, 2011

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