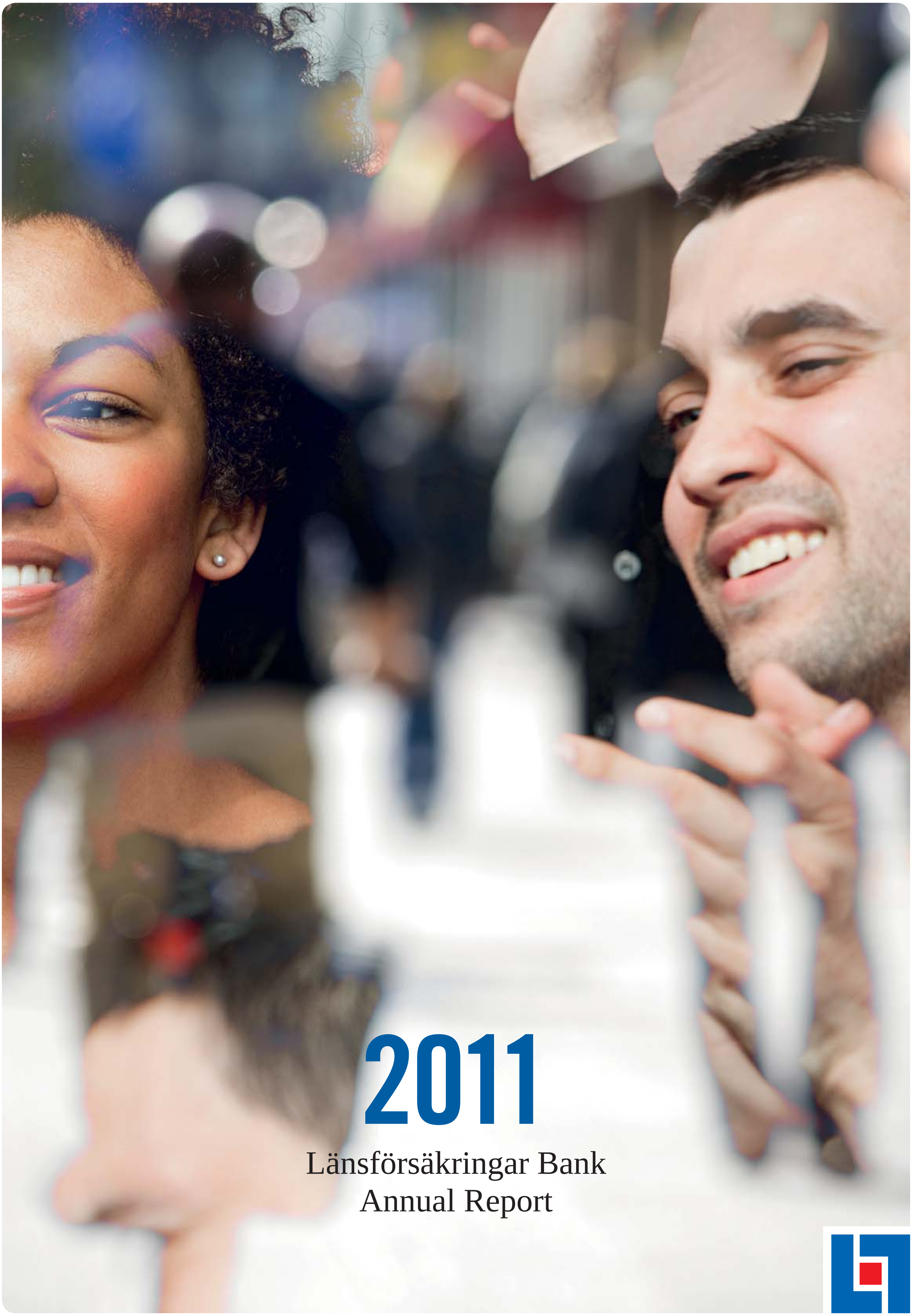


2011

Länsförsäkringar Bank
Annual Report

Contents

2011 Bank of the Year

Länsförsäkringar is a successful and assertive full-service bank with Sweden's most satisfied retail customers. The local presence combined with Länsförsäkringar being owned by its customers were the key reasons for such a high customer satisfaction rating and why Länsförsäkringar was named "2011 Bank of the Year" by Swedish financial magazine Privata Affärer.

According to the 2011 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the seventh time in eight years. Länsförsäkringar is the bank that best met customer expectations and is perceived to be the most reasonably priced. Image and loyalty also received the highest rating.

Länsförsäkringar Bank is the fifth largest retail bank in Sweden with 889,000 customers and business volumes of SEK 251 billion. In 2011, the business continued to grow in all central areas. The strategy is based on providing the regional insurance companies' customers with a banking and insurance offering. Länsförsäkringar, which is the strongest financial brand in Sweden, is the foundation of the success. Customer contact takes place at the 23 local regional insurance companies' 125 branches throughout Sweden.

The bank operates only in Sweden and has profitable growth. Operating profit for 2011 rose to SEK 385 M, corresponding to a return on equity of 4.8%. Mortgages to private individuals with single-family homes or tenant-owned apartments as collateral accounted for 72% of total loans of SEK 134 billion. Deposits grew to SEK 50 billion and the volume of managed funds was SEK 67 billion.

About Länsförsäkringar Bank

Länsförsäkringar Bank
Banking services – saving, lending and payments

Länsförsäkringar Hypotek
Retail mortgages

Länsförsäkringar Fondförvaltning
Mutual funds

Wasa Kredit
Leasing, hire purchase and unsecured loans

Länsförsäkringar Bank is part of the Länsförsäkringar Alliance, which comprises 23 local, independent and customer-owned regional insurance companies that jointly own Länsförsäkringar AB with subsidiaries. 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. Länsförsäkringar AB 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 is a market leader with 28.9% of the Swedish insurance market and is one of the largest companies in the life-assurance and pension market holding a 7.0% share. Länsförsäkringar Alliance has 5,800 employees and offers a broad range of insurance and banking services to 3.4 million customers.

2011 in brief

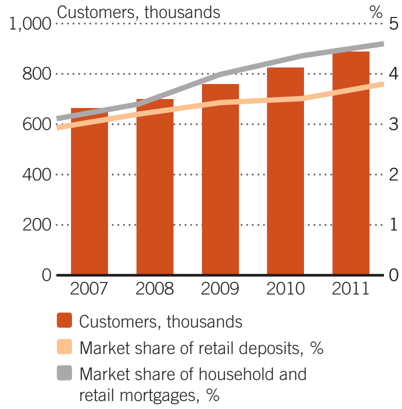
- Operating profit rose 12% to SEK 385 M (345).
- Net interest income increased 27% to SEK 1,728 M (1,363) and the return on equity was 4.8% (5.0).
- Loan losses remained low at SEK 48 M (42), net, corresponding to a loan loss of 0.04% (0.03).
- Business volumes increased 8% to SEK 251 billion (232).
- The Tier 1 ratio according to Basel II was 12.1% (11.8) and the capital adequacy ratio was 14.0% (13.5).
- The number of customers rose 8% to 889,000 (826,000) and the number of bank cards increased 15% to 306,000 (266,000).
- The number of customers with Länsförsäkringar as their primary bank rose 14% to 255,000 (223,000) and the number of products per customer is increasing.
- The banking business continued to grow during the year and the number of bank and mortgage advisors increased.
- Länsförsäkringar has Sweden's most satisfied retail bank customers according to the 2011 Swedish Quality Index.

KEY FIGURES

	2011	2010	2009	2008	2007
Return on equity, %	4.8	5.0	4.2	4.4	5.0
Return on total capital, %	0.24	0.24	0.22	0.26	0.34
Investment margin, %	1.07	0.93	0.96	1.30	1.43
Cost/income ratio before loan losses[1]	0.71	0.72	0.76	0.75	0.74
Cost/income ratio after loan losses[1]	0.75	0.75	0.80	0.80	0.78
Tier 1 ratio according to Basel II, %	12.1	11.8	12.5	14.6	14.4
Tier 1 ratio according to transition rules, %	8.0	8.2	8.2	8.6	8.8
Capital adequacy ratio according to Basel II, %	14.0	13.5	14.8	17.7	17.2
Capital adequacy ratio according to transition rules, %	9.3	9.4	9.7	10.4	10.6
Percentage of impaired loans, %	0.17	0.17	0.21	0.22	0.41
Reserve ratio in relation to loans, %	0.21	0.24	0.30	0.35	0.36
Loan losses in relation to loans, %	0.04	0.03	0.04	0.07	0.06

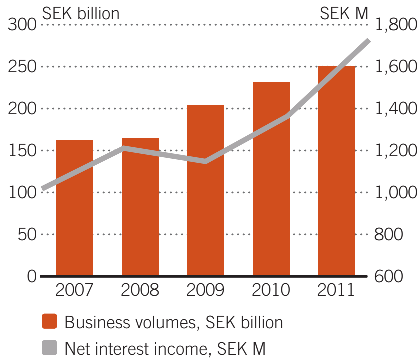
[1] After recalculation in accordance with the new accounting policy for loan losses.

CUSTOMERS AND MARKET SHARE



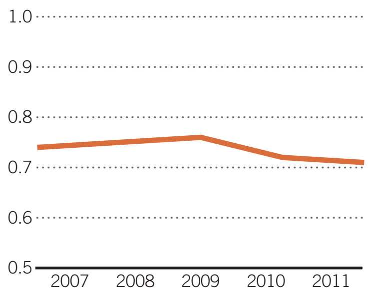
Länsförsäkringar is growing in the loan and deposit markets. The number of customers rose 63,000, or 8%, to 889,000 in 2011.

BUSINESS VOLUMES AND NET INTEREST INCOME



Business volumes rose 8% to SEK 251 billion, and the increase excluding fund volumes was 15%. Business volumes have risen an average of 12% per year since 2007. Net interest income rose to SEK 1,728 M (1,363) in 2011.

COST/INCOME RATIO BEFORE LOAN LOSSES



The cost/income ratio before loan losses strengthened to 0.71 (0.72) due to higher income.

For a long time we have been building a unique platform with a strong local offering based on making banking services as straight-forward, swift and personal as possible for our customers, providing them with security and clarity.

STATEMENT BY THE PRESIDENT

The Bank of the Year is straight-forward, quick and personal

In a year of scathing criticism towards the banks from customers and politicians, customer satisfaction at Länsförsäkringar Bank rose to a new record high. "Recently, the bank broke a new Swedish record in customer satisfaction in the Swedish Quality Index. That's impressive. Länsförsäkringar has done a great job," was the reason given by Swedish financial magazine *Privata Affärer* for naming Länsförsäkringar "Bank of the Year."

Since I only became the President of Länsförsäkringar Bank in June 2011, and therefore cannot take any of the credit for this achievement, I can simply add that I agree with this assessment. The numerous examples of excellent work and extra efforts in an uncertain situation and the broad expertise and work pride of all of our employees have been justly rewarded.

In addition to the teamwork from all of our highly skilled employees, we dare to be a little different. Länsförsäkringar comprises 23 customer-owned regional insurance companies and, accordingly, we have extensive presence throughout Sweden. That is why we get to know our customers, and our customers get to know us. And the person who you have come to know and have personal contact with, you will protect from taking unnecessary risks in troubled times. Close proximity builds trust which creates responsibility. The fact that Länsförsäkringar is owned by its customers means that we have no other primary requirement than to exist to serve the needs and wishes of every single customer.

Being different does not mean attaining established profit targets in the short-term at the customer's expense. On the contrary, it is about understanding that customer satisfaction is the key guarantee for the long-term success of the bank. The bank exists for its customers, not the other way round. Stability and a long-term approach are the main characteristics of banking operations. This equates to a successful strategy for the customer. And close proximity to customers helps us realise this strategy. We intend to continue to develop and capitalise on this positive interaction.

Financial turmoil in the world

The idea was circulated during the year that the capital-adequacy rules for Swedish banks needed to be more far-reaching than those applied in the rest of Europe, and the media perpetuated the image of the Swedish government having taken a strong line with the major banks. But stricter capital-adequacy requirements for the major banks is a way of strengthening, not weakening, these companies. The risk is that the measure will have the opposite effect to its intended purpose: competition may be distorted, promoting more intense concentration.

This debate remains current, just as the global financial crisis largely continues. Some of the debate is contained in the book published by Länsförsäkringar in December, an anthology *Vägen ur krisen* ("The Way Out of the Crisis") for which leading Swedish economists, politician, journalists and opinion-makers were invited to write about and discuss the role and future of the banks based on the current financial crisis we are experiencing.

Sweden stands strong

Sweden is a small, export-dependent country that is influenced by the economic environment. Yet Sweden's government finances are in significantly better condition compared with most other European countries. Such strong government finances provide a healthy buffer if the Swedish economy were to slow down. Dampened economic growth and rising unemployment were noted at the end of the year. Households have reduced their consumption, housing prices have fallen slightly and the increase in loans to households has slowed to a more normal rate. Meanwhile, the repayment capacity of the vast majority of households remains excellent.

Our strategy remains firm

Some larger banks with high yield requirements base themselves on their stakeholders and employers, and perform well under on this premise. However, they may find it more difficult to put the customer first as

Länsförsäkringar is able to do. I am simply stating that the customer-owned bank has the best conditions for fully concentrating on customers and on providing advice and conditions that create stability and security, combined with long-term returns. Accordingly, our loan operations have balanced and consistent loan origination that has given us a high-quality loan portfolio. Most borrowers are households across Sweden who take out loans for their single-family homes or tenant-owned apartments. Agricultural loans, which are mostly first-lien mortgages, are mainly granted to family-owned agricultural operations. All loans exist in Sweden and are in SEK. The bank has a solid credit rating since we are well capitalised and have a strong liquidity situation, which combined with growth and profitability provide sustainability and low risk.

RIKARD JOSEFSON, PRESIDENT OF LÄNSFÖRSÄKRINGAR BANK

Brand that guarantees security and stability

Immense potential in our banking operations is found in our position in non-life insurance. We are extremely strong in this market in terms of both volumes and trust. The brand that has been built up over the decades and dates back 200 years is essential to the success of the banking operations. Our offering provides a straight-forward and secure daily life for customers in a stable company. For a long time we have been building a unique platform with a strong local offering based on making banking services as straight-forward, swift and personal as possible for our customers, providing them with security and clarity. Personal meetings form the core of the customer relationship, and bank customers generally meet us more times than insurance customers, which means that we as a bank are even more able to assess customers' needs from a combined bank and insurance perspective. In addition, Länsförsäkringar has Sweden's most rapidly growing real-estate brokerage, serving as a natural customer meeting point for both banking and insurance services.

We have made significant progress. We have a large customer base in insurance and the number of bank customers is rising as is the number of customers selecting us as their primary bank. More than 93% of our customers who have selected us as their primary bank also already have an insurance policy with Länsförsäkringar. But we can be even better at clearly describing the advantages for customers by having a total banking and insurance commitment with us.

Continued success in 2011

Lending and deposit volumes grew during the year, while fund volumes declined due to the stock-market downturn and eurozone debt crisis. Market shares strengthened in most areas, demonstrating that our position in the fund market is robust despite lower fund volumes. We launched a fund transfer offering with great success and the IPS service continued to grow. During the year, marketing was improved to clarify the advantages of the fund offering to customers and a number of external fund managers were replaced to enable higher returns for these funds. We will continue to enhance our offering – to make it as attractive as possible for our customers.

Challenges for 2012

More products and services will be launched in 2012. We will also pursue the issues of security in the public debate. In January 2012, an investment savings account was launched that enables private individuals to invest profitably in shares. A young person's bank card was also launched in January. A credit card that is slightly better than many other credit cards in the market is scheduled for launch in April. The unit-linked life-assurance operations in our Parent Company marks the start of Länsförsäkringar's aim to become the first choice of pension partner among small businesses, and the bank is a key part of this work. The option of a tax deduction for savings of up to SEK 50,000 is an issue we are pushing forward. Savings, which give a high level of security, need to receive more attention and become more beneficial.

Many thanks once again to all of our employees and advisors for a successful 2011. I welcome all customers to the Bank of the Year – a bank that will continue to be slightly different, and still, I sincerely promise, keep on getting better and better.

Stockholm, March 2012

RIKARD JOSEFSON
President

A successful strategy

Länsförsäkringar is Sweden's fifth largest retail bank with profitable growth and Sweden's most satisfied retail customers. The successful strategy is based on the existing infrastructure of the Länsförsäkringar Alliance: a large customer base, a strong brand and the value basis and core values of the customer-owned regional insurance companies.

Mission

The mission of Länsförsäkringar Bank is, within the Länsförsäkringar AB Group, 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 the best possible banking services.

Strategy

The strategy, which has not been changed since 2000 a few years after the bank was founded in 1996, is to provide the regional insurance companies' customers with a banking and insurance offering. All customer contact takes place at the 125 branches of the 23 regional insurance companies. The real estate brokerage Länsförsäkringar Fastighetsförmedling also mediates customer contacts at the 143 branches.

The strategy for the banking operations is primarily based on the existing infrastructure of the Länsförsäkringar Alliance: a large customer base, a strong brand and the value basis and core values of the customer-owned regional insurance companies.

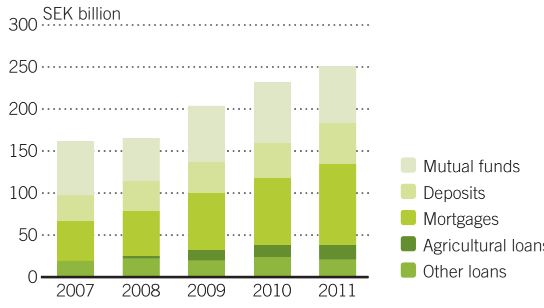
Large customer base

The Länsförsäkringar Alliance has 3.4 million customers and the prioritised target groups in the banking operations are the 2.9 million private individuals, the 1.8 million home-insurance customers and the agricultural customers. The banking offering is tailored to a variety of needs. With the entire banking and insurance offering, customers receive a secure and beneficial commitment with Länsförsäkringar, all while the customer relationship is strengthened in the long-term.

A strong brand

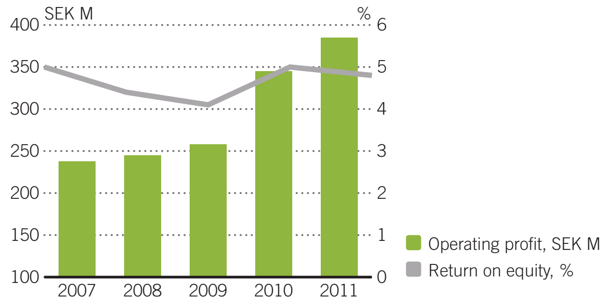
Länsförsäkringar has the strongest financial brand in Sweden according to the 2011 Reputability Barometer. Brand is of major important to customer choice particularly in times of financial concern. Länsförsäkringar, with its 200-year history, represents security and stability.

BUSINESS VOLUMES

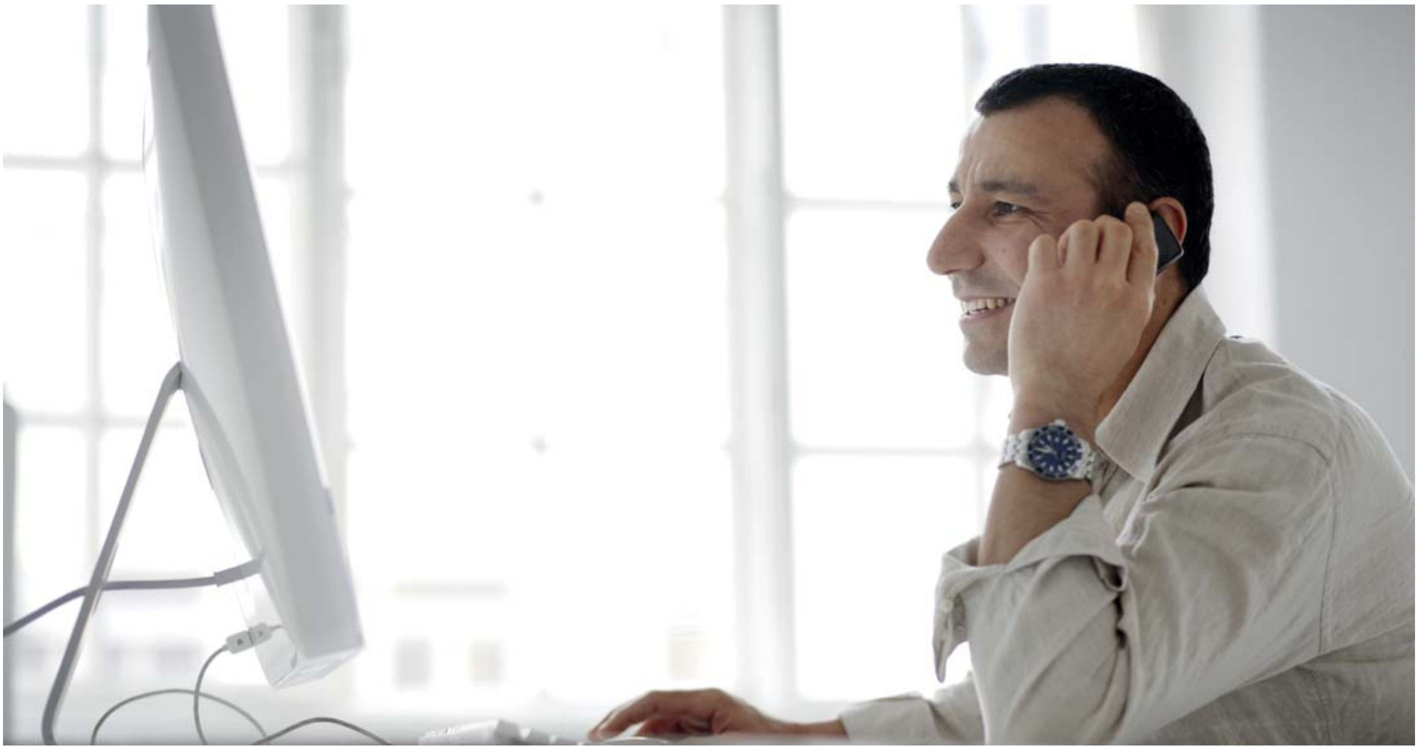


Business volumes increased by SEK 19 billion, or 8%, to SEK 251 billion in 2011. Business volumes have risen an average of 12% per year since 2007.

OPERATING PROFIT AND RETURN ON EQUITY



Operating profit rose 12% to SEK 385 M and return on equity amounted to 4.8%. The average return on equity in the past five years is 4.7%.



Local presence

Länsförsäkringar's value basis is a key contributory factor to the success of its strategy. These values have been built on a long-term approach and strong core values for many years. The local presence with customer-owned regional insurance companies make Länsförsäkringar accessible to customers in an essentially unique way. For more information about the significance of local presence, see Customers on page 6.

Objectives

Länsförsäkringar objectives are as follows:

- Achieve profitable growth.
- Have the most satisfied customers.
- Help increase the percentage of customers who combine their banking and insurance commitments.

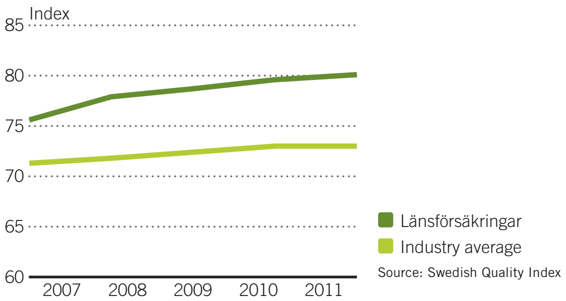
A strong position

The banking operations' business volumes have grown an average of 12% over the past five years. Profitability is stable with a return on equity of 4.8% in 2011 and an average of 4.7% over the past five years. The Bank Group strengthened its position in the Swedish and European capital markets during the year.

According to the 2011 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the seventh time in eight years and Sweden's most satisfied retail mortgage customers for the seventh consecutive year. The same survey showed that Länsförsäkringar is the bank that best met customer expectations and is perceived to be the most reasonably priced.

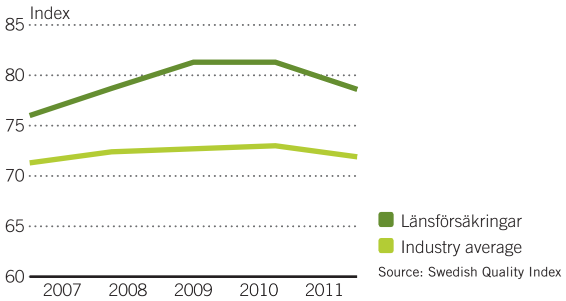
The number of customers who have chosen Länsförsäkringar as their primary bank rose 32,000 to 255,000 in 2011, and of these customers, 93% also have at least one insurance policy with Länsförsäkringar.

CUSTOMER SATISFACTION, RETAIL BANKING



According to the 2011 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the seventh time in eight years.

CUSTOMER SATISFACTION, RETAIL MORTGAGES



According to the 2011 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the seventh consecutive year.

CUSTOMERS

The customer first

Länsförsäkringar Bank's objectives and strategies differ from those of many listed companies, for example when it comes to returns and risk. The bank has low-risk business operations and a long-term approach to returns.

Local presence

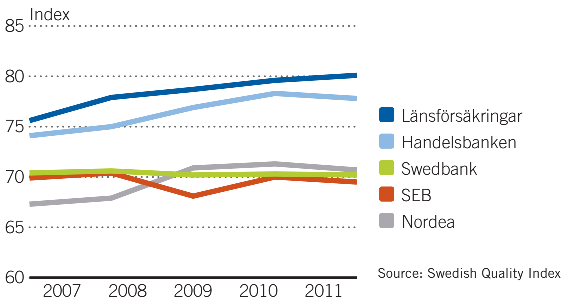
The bank is a member of the Länsförsäkringar Alliance, and the 23 regional insurance companies are owned by their customers, meaning that the customer is the ultimate principal. All of the company's priorities are assigned based on the customers' best and the focus is always on financial security for customers.

The bank has objectives and strategies that differ from many listed companies, for example the bank has low-risk business operations and a long-term approach to returns.

The *local*, regional insurance companies know their customers and markets best and therefore establishes strong and trusting customer relationships. Close proximity to a local branch offers security and a high level of service for customers.

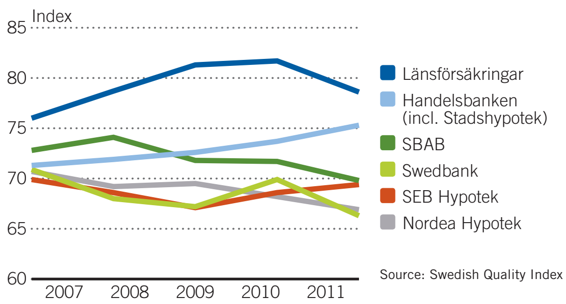
The regional insurance companies are flexible so that they can adapt to local conditions and customer requirements. The "church tower principle" (focusing busi-

CUSTOMER SATISFACTION, RETAIL BANKING



Länsförsäkringar received the highest ranking of all Swedish banks in the Swedish Quality Index 2011 customer satisfaction survey and the highest ranking for all of the categories measured in the survey. For the first time ever in this survey, a bank´s customer satisfaction rating surpassed the 80 index.

CUSTOMER SATISFACTION, RETAIL MORTGAGES



Länsförsäkringar received the highest marks of all Swedish mortgage providers in the Swedish Quality Index 2011 customer satisfaction survey. The survey showed that Länsförsäkringar is the mortgage provider that best met customer expectations and is perceived to be the most reasonably priced.

ness on the local community) combined with the systems support and credit-scoring model in the loan origination process are robust over time in terms of growth and credit quality. *Availability* means personal meetings and swift, straight-forward and reliable decisions for customers.

Personal meetings

The customer interacts with the bank in personal meetings, online, through mobile services and on the telephone. Länsförsäkringar has a broad range of banking services and can solve all customers needs – everything from mortgages and other types of loans to different forms of savings. Highly skilled advisors and employees are at customers' service and continuously endeavour to seek out and simplify new challenges based on customer needs. Personal service builds trusting and long-term relationships. Accordingly, the banking operations contribute to strengthening the relationship between banking and insurance. The breadth of Länsförsäkringar's offering provides total solutions for the customer and opportunities for the banking operations are found in the strength of non-life insurance. Länsförsäkringar's strong brand is pivotal to the bank's success.

Online and mobile services

During the year, Länsförsäkringar launched mobile services, allowing customers to interact with the bank on their mobile telephones. The mobile services provide availability, allowing access to banking services at any time of the day. Accordingly, mobile services is an area of great potential that is expected to undergo substantial development in the next few years.

The customer first

The driving force behind Länsförsäkringar's growth and profitability is to have satisfied customers. The significance of being customer owned is that the customer is primarily the only principal. This generates a business focus that provides a long-term approach and stability for customers that is essentially unique.

Stable Swedish economy and strong government finances

Swedish growth remained positive in 2011 and Sweden's government finances are in a healthy condition with low government debt and a budget surplus. The housing market entered into a calmer phase and the trend in housing prices levelled out in Sweden, although the underlying demand for housing remains stable. Households' repayment capacity is favourable and savings continued to increase.

Stable Swedish growth

The Swedish economy was driven, primarily by the export market, to a GDP growth of 3.9% in 2011 according to Statistics Sweden. Sweden experienced strong growth in the first half of the year but was affected by the financial turmoil in the economic environment during the second half. Household consumption and companies' rate of investment showed signs of a slowdown towards the end of the year, and fourth-quarter GDP growth amounted to 1.1%.

In addition, the starting position is favourable due to the healthy status of Sweden's government finances and low government debt, amounting to 32% of GDP for 2011 according to the Swedish National Debt Office and a budget surplus. The strong government finances will provide a buffer if the economic climate gets worse.

Debt crisis in Europe

Demand weakened globally during 2011 and several countries made downward adjustments to their GDP growth. Focus on the debt-laden countries of the eurozone intensified during the summer and autumn. In a bid to regain consumer confidence and stability in the EMU, among other actions an agreement on a stability pact was reached in the autumn, among other. Further savings were needed in Europe's crisis-hit countries and political tensions rose towards the end of the year. In December, the ECB introduced a three-year loan facility (LTRO), as a powerful tool for the banking sector to reduce the risk of refinancing problems and to prevent serious credit contraction.

The US noted a steep decline in demand during the first six months of 2011, while growth improved towards year-end, although the issues of the risk of deflation, a weak housing market and high unemployment remain to be solved.

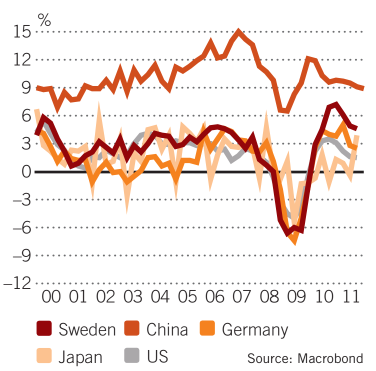
Strong government finances supported SEK

The Swedish krona (SEK) weakened marginally as a result of the uncertainty in the financial markets, yet at the same time was supported by Sweden's strong government finances. Measured under the TCW index, the SEK weakened by slightly less than 1% in 2011. The strong SEK is a confirmation that the financial market is generally maintaining a positive view of Sweden, as is particularly evident in the prices of five-year credit default swaps (CDS levels) for Sweden and in the low long-term interest rates.

Lowered interest rates

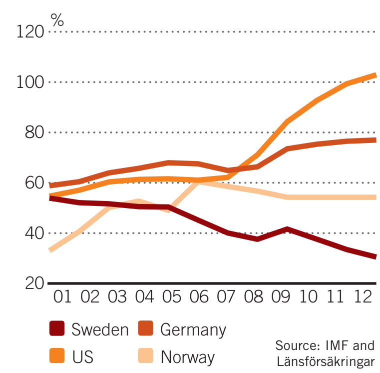
The Riksbank, Sweden's central bank, raised the key interest rate on three occasions

GDP GROWTH



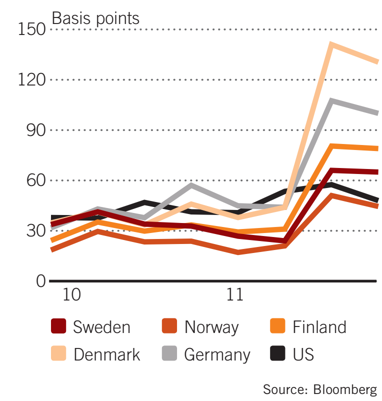
Sweden's GDP growth in 2011 was 3.9%. Towards the end of the year, Sweden was also impacted by accelerating financial concern in the economic environment, and GDP growth in the fourth quarter was 1.1%.

GOVERNMENT DEBT, % OF GDP



Swedish government debt is low and amounted to 32% of GDP for 2011.

CDS LEVELS



The financial markets have a positive view of Sweden, which is particularly evident in Swedish 5-year CDS levels.

from 1.25% to 2.0% until July to dampen the strong Swedish economy. The year ended with a cut to 1.75% in December, promoted by the weaker outlook in the economic environment, the slowdown in the Swedish economy and low inflationary pressure.

The ECB initially raised the interest rate twice from 1.0% to 1.5% when recovery appeared strong. However, because of the accelerating concern in the eurozone, the rate was cut on two occasions from 1.5% to 1.0% at the end of the year.

Low inflation and high unemployment led the Federal Reserve to leave its key interest rate unchanged at the low level of 0–0.25% and make a promise of a zero interest rate policy until mid-2013.

Housing market and housing-price trend

Activity in the Swedish housing market subdued during the year due to gloomier economic outlook, which had a marginal impact on the trend in housing prices. The prices of single-family homes declined 4% and the prices of tenant-owned apartments declined 1% in 2011, according to Real Estate Agency Statistics.

The trend in housing prices in Sweden, which has been stronger than in many other countries in recent years, was attributable to high domestic demand due to several fundamental economic factors. Low housing investments for almost 20 years comprises a key contributing reason. The Swedish Construction Federation's economic forecast shows that investments in the construction of new housing rose 9% in volume during the year but will probably fall 1% in 2012 due to the slowdown in the Swedish economy. It will take many years before construction levels will start meeting the great demand for housing that exists, particularly in the large metropolitan areas.

Households' high repayment capacity

Swedish households have healthy finances. They have a high repayment capacity and their total wealth is significantly larger than their debt relative to their disposable incomes, according to the Riksbank's *Financial Stability Report* published in November 2011. According to the Riksbank's assessments, households with the largest debts also have the best repayment capacity. In addition, the Riksbank's stress tests indicated that households' interest expenses are relatively low in relation to their disposable income.

The costs of being a home-owner have fallen due to the abolishment of property and wealth tax and to lower income taxes. Low interest rates for a number of years has also contributed to lower costs.

Swedish households' savings in relation to disposable income are high compared with households in many other countries. Household savings increased 9% in 2011, according to Statistics Sweden.

The rate of increase in household indebtedness declined since households were less willing to run into debt due to the greater turmoil in the economic environment and the slowdown of the Swedish economy. The mortgage cap[1)], rising mortgage rates and lower activity in the housing market also impacted the rate of increase.

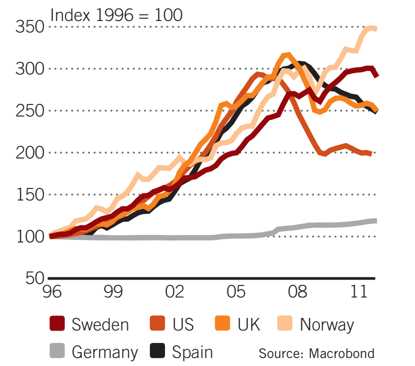
The Swedish labour market continued to have a stable development. The employment ratio was relatively favourable at 65.1% and unemployment was 7.1% on December 31, 2011, according to Statistics Sweden.

Agricultural market

Prices of forestry and agricultural properties continued to rise in 2011, according to Federation of Swedish Farmers Consulting's price statistics. The increase in prices of forestry properties was 1% and the prices of arable land rose 7%. A trend is the increasing price gap between different parts of the country, with a stronger price trend in southern Sweden compared with northern Sweden. Many Swedish farmers have several lines of business in their operations, which results in a lower risk for the individual farmer and the country as a whole.

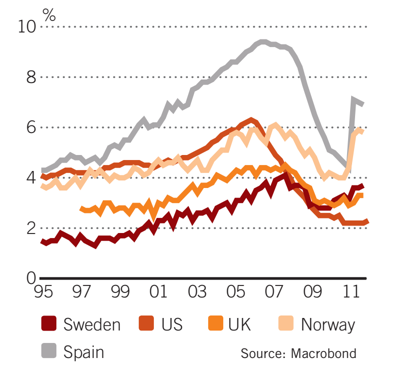
[1)] Effective October 1, 2010, the Swedish Financial Supervisory Authority introduced a mortgage cap limiting new mortgages to a maximum of 85% of the market value of the property. The conclusion of the Authority's *Risks in the Financial System 2011* report published in November 2011 was that the banks in the Swedish market have become more restrictive in granting loans at higher loan-to-value ratios and that the mortgage cap therefore has had an impact.

HOUSING-PRICE TREND



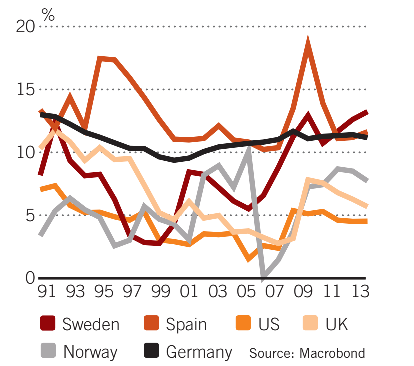
The trend in housing prices in Sweden, which has been stronger than in many other countries in recent years, weakened slightly in 2011.

HOUSING INVESTMENT, % OF GDP



Underlying domestic demand for housing remained strong in Sweden as a result of low housing investments for almost 20 years.

HOUSEHOLD SAVINGS



Swedish household savings are relatively high in relation to their disposable incomes. Household savings increased 9% in 2011.

OFFERING

Private individuals, farmers and small businesses

Länsförsäkringar offers a full range of banking services to private individuals, farmers and small businesses. A strong local offering making banking straight-forward, swift and personal for customers, providing them with security and clarity. All banking operations are conducted in Sweden and customer business operations take place at the 23 local, independent and customer-owned regional insurance companies located throughout Sweden.

Savings and deposits

Länsförsäkringar has a total offering in savings and is growing in the deposits market. During the year, this offering was enhanced with more products and services to provide customers with a greater range of savings and investment products. The fund transfer service, launched in the spring of 2011, resultet in many customers transferring their fund savings to their primary bank Länsförsäkringar during the year.

Deposits increased 19% to SEK 50 billion (42) in 2011. This increase was primarily attributable to the rising number of customers who have chosen Länsförsäkringar as their primary bank. All types of deposit accounts increased.

Bank services for small businesses is an offering that has been launched gradually showing a solid growth according to plan, primarily in deposits.

The market share, measured as deposits from households, rose to 3.8% (3.5) and the share of market growth was slightly more than 7% in 2011, according to data from Statistics Sweden.

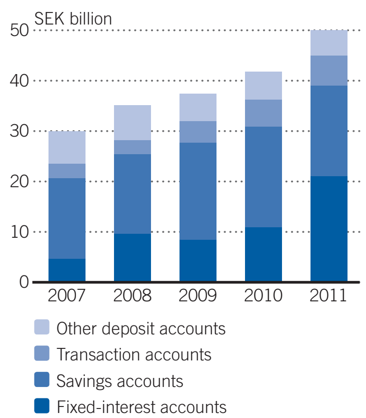
Fund market and IPS

Länsförsäkringar is Sweden's fifth largest fund company with an unchanged market share in 2011 of 3.9%, according to statistics from the Swedish Investment Fund Association. Fund volumes fell 8% to SEK 67 billion (72) due to the negative trend in asset values in the equities market during the year.

A total of 33 (32) mutual funds with different investment orientations are managed. The fund offering comprises mutual funds under Länsförsäkringar's own brand, supplemented with external funds selected by Länsförsäkringar and all other funds offered on the market. The majority of own-brand funds have external fund managers who are also continuously evaluated to ensure that they meet return targets. Selected external funds are also continuously evaluated to ensure that they meet Länsförsäkringar's return targets.

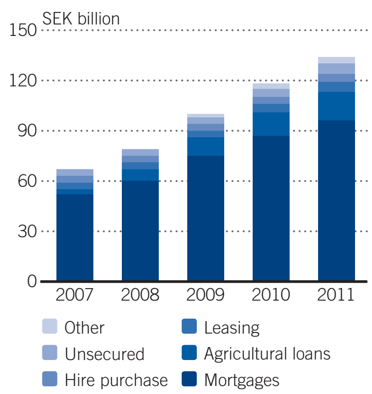
The number of new fund savers making monthly deposits rose with 11,000 during the year, demonstrating that Länsförsäkringar has an attractive fund offering.

DEPOSITS



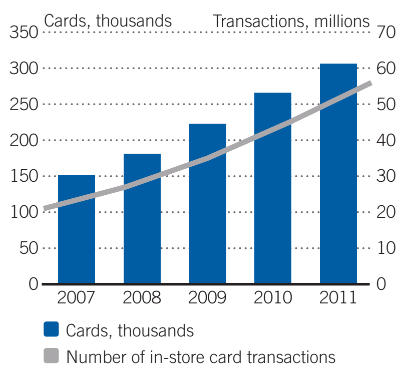
Deposits are rising at a stable rate. All types of deposit accounts are increasing, mainly fixed-interest accounts.

LOANS



Retail mortgages in the Group rose to SEK 96 billion and agricultural volumes to SEK 17 billion, making Länsförsäkringar the fourth largest agricultural mortgage provider in Sweden. Lending volumes totalled SEK 134 billion in 2011.

BANK CARDS AND IN-STORE CARD TRANSACTIONS



The number of bank cards rose to 306,000, up 15% for 2011 and an average increase of 19% over the past five years.

The IPS service, Individual Pension Savings, achieved major success again in 2011. Volumes continued to increase relatively sharply despite the weak year for the stock market.

Equities and other securities

Trading in equities and other securities is growing steadily among customers and the number of custody accounts rose considerably.

Household and retail mortgages

Länsförsäkringar has a highly attractive mortgage offering and is growing steadily in the market. First-lien mortgages for agricultural properties experienced favourable growth and Wasa Kredit's leasing, hire purchase and unsecured loans are steadily increasing.

The banking operations' loans rose 14% to SEK 134 billion (118) in 2011, of which retail mortgages in Länsförsäkringar Hypotek increased 11% to SEK 89 billion (80). Mortgages up to 75% of the market value on the date of origination are granted by Länsförsäkringar Hypotek and other mortgages with Länsförsäkringar Bank. The market share for household and retail mortgage lending increased to 4.6% (4.4) in 2011 and Länsförsäkringar captured a favourable share of market growth during the year, according to data from Statistics Sweden.

Agricultural loans

Länsförsäkringar offers loans to forestry and agricultural properties and is the fourth largest in agricultural lending in Sweden with a strengthened market share of 8.5% (7.8) during the year, according to the Agricultural Barometer. Agricultural loans rose 21% to SEK 16.7 billion (13.8), of which first-lien mortgages to agricultural properties increased 27% to SEK 13.7 billion (10.8). Some 83% (81) of these customers also have at least one insurance policy with Länsförsäkringar.

Other loans

Wasa Kredit's lending volume rose 12% to SEK 12.0 billion (10.7). All leasing, hire purchase and unsecured loan products increased in 2011 and the largest volume increase was in leasing.

Bank cards and payments

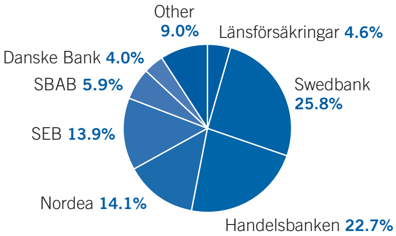
The number of cards is rising steadily and are being continuously developed to ensure that customers can feel secure and receive high level of service in their payment services. Income from payment mediation continued to increase in 2011 and bank card transactions accounted for the largest payment transaction volumes.

The number of bank cards rose 15% to 306,000 (266,000) and the number of Länsförsäkringar ATMs increased to 98 (88). In-store bank card transactions rose 23% and the number of payment transactions increased to a total of 130 million (108), up 20%.

Regional insurance companies' own bank

The bank offers mainly savings and payment services to the 23 regional insurance companies and the Länsförsäkringar AB Group's other companies. Business is expanding and the number of payment transactions rose during the year. The regional insurance companies' deposits are also growing at a stable rate.

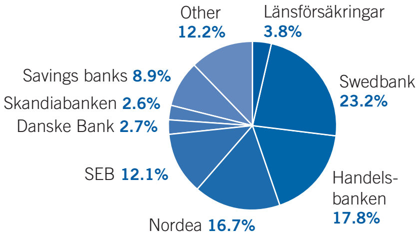
MARKET SHARE OF HOUSEHOLD AND RETAIL MORTGAGES



Source: Statistics Sweden

Länsförsäkringar strengthened its market share from 4.4% to 4.6% in 2011.

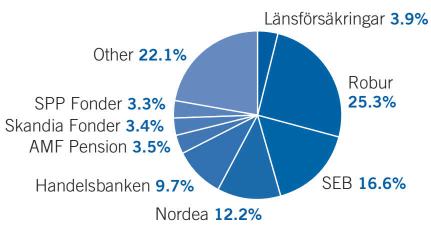
MARKET SHARE OF DEPOSITS IN RETAIL MARKET



Source: Statistics Sweden

With a market share of 3.8%, Länsförsäkringar strengthened its position as the fifth largest bank in the Swedish deposits market.

MARKET SHARE OF MUTUAL FUND VOLUMES



Source: Moneymate

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 3.9% in 2011. Mutual fund volumes total SEK 67 billion. The range of funds was expanded during the year to include the Länsförsäkringar Flex 0–100 mutual fund.

CREDIT QUALITY

Continued high credit quality

The loan portfolio grants loans exclusively in Sweden and solely in SEK. The portfolio amounted to SEK 134 billion (118) and largely comprises retail mortgages to households. The percentage of impaired loans remained unchanged at 0.17% and the loan loss level, which remained low, was 0.04% (0.03).

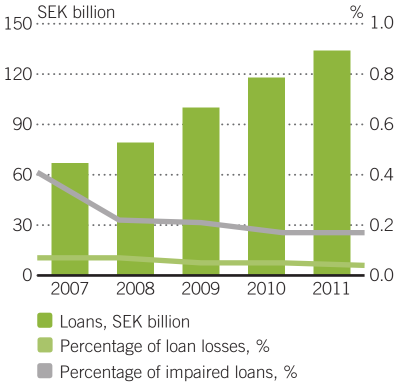
The Group's loan portfolio

The Bank Group's total loans rose 14% to SEK 134 billion (118). A total of 81% (81) of the loan portfolio comprises household credits according to the IRB Approach and the portfolio is well distributed throughout Sweden. No loans are granted outside the country or in a currency other than SEK. Mortgages account for 72% (74) of the loan portfolio and agricultural loans for 12% (12). Combined, these types of loans correspond to 84% (86) of the Bank Group's loan portfolio.

Retail mortgages

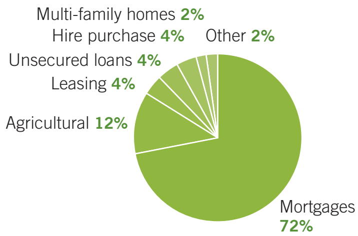
A total of 80% (81) of the collateral for retail mortgages comprises single-family homes and 20% (19) tenant-owned apartments. The average commitment was unchanged at SEK 0.9 million. Some 64% (65) of retail mortgage customers have a commitment of less than SEK 1 million and, as in the preceding year, only 2% of borrowers have a commitment of more than SEK 3 million. The mortgage portfolio has a favourable geographic distribution throughout Sweden. Essentially all lending that occurs in Länsförsäkringar Hypotek

LOANS, PERCENTAGE OF IMPAIRED LOANS AND PERCENTAGE OF LOAN LOSSES



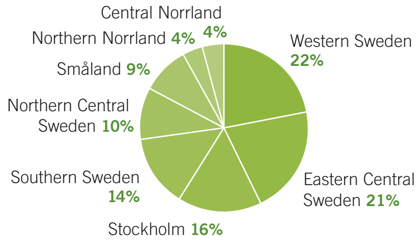
Total loans rose 14% to SEK 134 billion and the loan loss remained low at 0.04%.

PRODUCT DISTRIBUTION LOANS



Retail mortgages accounted for 72% of the loan portfolio. Loans to the agricultural segment accounted for 12% and other loans mainly pertain to leasing, hire purchase and unsecured loans.

GEOGRAPHIC DISTRIBUTION LOANS



All loans exist in Sweden and are well distributed throughout the country in relation to the population.

qualifies for inclusion in the covered-bond operations. 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 performed and market values are updated every year for all single-family homes, tenant-owned apartments and leisure homes in the Bank Group.

Agricultural loans

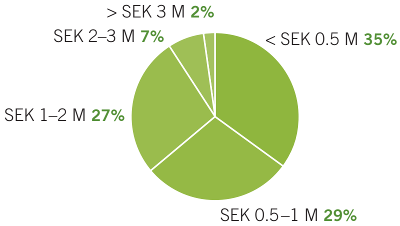
Small-scale family-owned agricultural operations accounted for 94% (93) of agricultural loans. Some 82% (78) of agricultural loans are first-lien mortgages and other loans pertain to second-lien mortgages and operating loans. The average commitment amounted to SEK 1.6 billion (1.5) and the geographic spread throughout Sweden is favourable.

Impaired loans and reserves

Impaired loans rose marginally to SEK 233 M (209). The percentage of impaired loans remained unchanged at 0.17%. Reserves amounted to SEK 284 M (286) and the reserve ratio in relation to loans was 0.21% (0.24). Loan losses remained low at SEK 48 M (42), corresponding to a loan loss of 0.04% (0.03). Most of these loans are attributable to Wasa Kredit. Impaired loans and loan losses continued to account for a minor percentage of total loans.

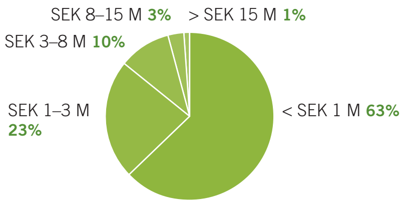
To better reflect the actual business transactions with the regional insurance companies, a changed accounting policy for loan losses was introduced, which impacts the items Compensation to the regional insurance companies and Loan losses. Translation has also been made of comparative figures. For more information concerning credit risks and credit quality, see "Risk and capital management" on page 24. For more information concerning loans, impaired loans and impairment, see "Accounting policies" on page 54.

RETAIL MORTGAGE PORTFOLIO BY COMMITMENT



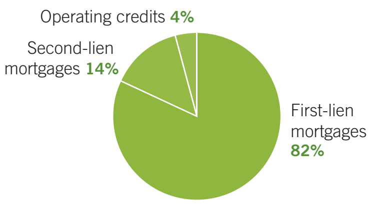
Slightly less than a third of Länsförsäkringar's retail mortgage customers have a commitment of less than SEK 1 M. Only 8% of customers have a commitment of more than SEK 3 M.

AGRICULTURAL LOANS BY COMMITMENT



The average agricultural commitment is low. Some 96% of agricultural commitments are less than SEK 8 M.

AGRICULTURAL LOANS BY PRODUCT



Some 82% of agricultural loans are first-lien mortgages and the remaining 18% pertain to second-lien mortgages and operating loans. The percentage of first-lien mortgage rose from 78% in 2010.

BORROWING AND LIQUIDITY

Favourable access to financing

The Bank Group's capital-market financing, which primarily takes place though Länsförsäkringar Hypotek's covered bonds in the Swedish and European markets, was highly successful during the year.

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/stable) and from Standard & Poor's (AAA/stable), and are eligible for transaction with the Riksbank and the ECB. At year-end, bonds accounted for 60% of the banking operations' financing sources, deposits for 31%, equity for 4%, commercial papers for 3% and liabilities to credit institutions and subordinated debt for the remainder. Deposits in the Bank Group amounted to 72% 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. In the past two years, borrowing has also taken place by issuing Euro Benchmark bonds, which has enhanced the diversification of borrowing and strengthened the brand in both the Swedish and European markets. The 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, and all currency risk is hedged by using derivatives.

Long-term senior borrowing and short-term borrowing on the basis of commercial papers takes place through Länsförsäkringar Bank.

Borrowing instruments

Borrowing primarily takes place using benchmark loans for the institutional market, with issuances concentrated to large volumes in a number of bond loans that maintain a high level of liquidity.

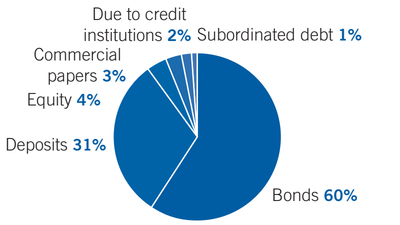
In the Swedish market, benchmark bonds with normal terms of up to five years are issued through on-tap issuances. Borrowing also takes place with a Medium Term Covered Note programme (MTCN) and a Euro Medium Term Covered Note programme (EMTCN) in the European market. Länsförsäkringar Bank has a domestic commercial paper programme for short-term borrowing and a Medium Term Note programme (MTN) for long-term borrowing in the Swedish market. In the European market, there is a Euro Medium Term Note programme (EMTN) for long-term borrowing and also a Euro Commercial Paper programme (ECP) for short-term borrowing. The structure of the borrowing programmes at December 31, 2011 was as follows: 53% in Swedish Benchmark bonds, 21% EMTCN, 11% MTN and 10% MTCN.

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

Borrowing activities during the year

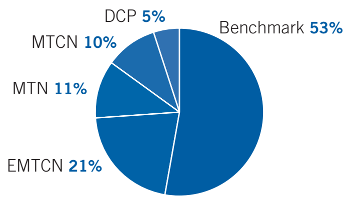
The European debt crisis contributed to low key interest rates throughout the Western World and persistent turbulent markets. Activity in the Swedish borrowing market was favourable mainly during the first half of the year with relatively low credit spreads.

FINANCING SOURCES



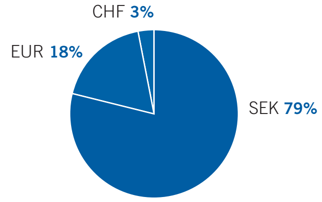
Bonds represent the largest percentage of the Group's financing, 60%, of which covered bonds account for 53%. Deposits represented 31% of the Group's financing.

BORROWING BY PROGRAMME



Borrowing was more highly diversified during the year due to an issuance of covered bonds in Länsförsäkringar Hypotek in the European monetary and capital market.

BORROWING BY CURRENCY



Most of the borrowing takes place in the Swedish market and in SEK. All currency risk is hedged by using derivatives.

The European covered-bond market also performed well with many issuances. In the autumn, investors' willingness to take risks declined as a result of the heightened concern in Europe, consequently leading to a rise in the credit spreads for covered bonds. Demand for senior bank bonds was low and only a small number of issuances took place.

The banking operations had favourable access to borrowing and financing throughout the year. Borrowing rose 13% to SEK 101 billion (89), of which covered bonds increased to SEK 86 billion (80). A corresponding nominal amount of SEK 13.5 billion (13.4) of the total borrowing during the year was issued in the international borrowing market. The average remaining term in the Bank Group's borrowing programme was 2.3 years on December 31, 2011. Länsförsäkringar Bank issued a nominal amount of SEK 16.8 billion (12.1) in the domestic commercial paper programme during the year. A nominal amount of SEK 7.2 billion (5.2) was issued under the MTN programme and SEK 3.2 billion (2.8) under the ECP programme.

Covered bonds

Covered bonds in a nominal amount of SEK 26.8 billion (44.0) were issued during the year in Länsförsäkringar Hypotek. Last year, the Bank Group's liquidity reserve was restructured by the build-up of a liquidity reserve in Länsförsäkringar Hypotek, which is the reason for higher issue volumes in 2010. Repurchased securities totalled a nominal amount of SEK 12.3 billion (8.0) and matured securities a nominal amount of SEK 7.9 billion (10.5). On December 31, 2011, Länsförsäkringar Hypotek had four outstanding benchmark loans, which will fall due between 2012 and 2016. Benchmark bonds totalling a nominal amount of SEK 11.7 billion (25.8) were issued during the year. The outstanding volume of benchmark bonds at year-end totalled a nominal amount of SEK 53.9 billion (53.7). Bonds issued under the MTCN programme totalled a nominal amount of SEK 4.8 billion (7.6) and outstanding volumes to a nominal amount of SEK 10.1 billion (13.8) on December 31, 2011. Bonds issued under the EMTCN programme totalled a nominal amount of SEK 10.3 billion (10.6) and outstanding volumes a nominal amount of SEK 21.5 billion (11.5) on December 31, 2011.

Customer deposits

The share of deposits of the Bank Group's total financing was 31% on December 31, 2011. Länsförsäkringar is growing in the deposits market, mainly as a result of the bank's robust growth in volumes and customers, with deposits forming a component of the full-service offering. The trend also shows that deposits started to increase more than loans during the first quarter of 2011, which can also be seen in the key figures of loans/deposits.

Liquidity

The liquidity reserve totalled a nominal amount of SEK 30.5 billion (21.9) at December 31, 2011. All liquidity is invested in Swedish securities with high credit quality. The liquidity reserve comprises a total of 64% of Swedish covered bonds with the highest credit rating of AAA/Aaa and 36% securities with the Swedish government as the counterparty. The liquidity of the investments is high. For more information about liquidity and liquidity risk, see "Risk and capital management" on page 29.

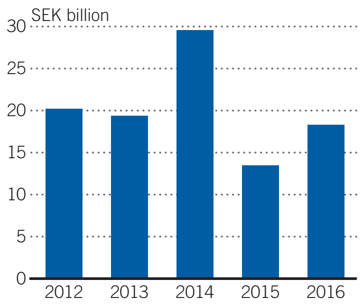
Strong rating

Länsförsäkringar Bank's credit rating is A/stable from Standard & Poor's and A2/negative 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 credit rating, Aaa/stable from Moody's and AAA/stable from Standard & Poor's.

Länsförsäkringar Hypotek is one of four issuers in the Swedish market for covered bonds with the highest rating from both rating agencies.

LOANS/DEPOSITS

BORROWING BY MATURITY



In addition to the above, SEK 0.3 billion is due for payment in 2018 and SEK 0.1 billion in 2020. The remaining average term was 2.3 years on December 31, 2011.

BORROWING PROGRAMMES

Programme	Limit, Nom, SEK billion	Issued in 2011, Nom, SEK billion	Issued in 2010, Nom, SEK billion	Outstanding, Dec. 31, 2011, Nom, SEK billion	Outstanding, Dec. 31, 2010, Nom, SEK billion	Remaining average term, years Dec. 31, 2011	Remaining average term, years Dec. 31, 2010
Länsförsäkringar Hypotek							
Benchmark	Unlimited	11.7	25.8	53.9	53.7	2.6	2.8
MTCN	SEK 30	4.8	7.6	10.1	13.8	1.2	1.1
EMTCN	EUR 4	10.3	10.6	21.5	11.5	2.9	4.2
Total		**26.8**	**44.0**	**85.5**	**79.0**	**2.5**	**2.7**
Länsförsäkringar Bank							
MTN	SEK 20	7.2	5.2	11.2	5.2	1.5	1.6
DCP	SEK 15	16.8	12.1	4.7	2.5	0.4	0.2
ECP	EUR 1.5	3.2	2.8	0	1.7	0	0.2
EMTN	EUR 2	–	–	–	–	–	–
Total		**27.2**	**20.1**	**15.9**	**9.4**	**1.2**	**1.0**
Group total		**54.0**	**64.1**	**101.4**	**88.4**	**2.3**	**2.5**

Satisfied employees working for an attractive employer

A strong corporate culture and a well-established business-planning model for employees are two of the reasons that Länsförsäkringar is growing year after year while retaining Sweden's most satisfied retail customers. Länsförsäkringar is an attractive workplace with committed and motivated employees.

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 organisation of the banking operations. As a subsidiary Group of Länsförsäkringar AB, the bank's employees are responsible for providing the 23 local, regional insurance companies with the conditions for growth and success in their markets. The corporate culture also emphasises opportunities for internal mobility.

Employees in 2011

In 2011, the Bank Group had an average of 327 (306) employees, of whom women numbered 164 (144) with an average age of 42 (43) and men numbered 163 (162) with an average age of 43 (42). The bank has 53 (63) employees in managerial positions and the percentage of women in such positions amounted to 30% (33). In addition to the employees of the Bank Group, there were 794 (741) bank advisors and employees on December 31, 2011 in the 23 the regional insurance companies. For the fourth 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 followed up in an annual target contract.

An employee survey carried out each year describes employee commitment, skills, requirements, responsibilities and authorities in a performance index. The 2011 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.

Recruitment and internal mobility

Both external and internal recruitment takes place. The 23 regional insurance companies are a first-rate recruitment base for the bank and offer 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 further development are more satisfied with their employers, which ultimately leads to lower personnel turnover and a more efficient and profitable business.

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

Strong brand attracts best skills

Länsförsäkringar has Sweden's strongest financial brand and won, with a god margin, the title of "The Insurance Industry's Most Attractive Employer" in Universum's the Swedish Student Survey 2011 for the eighth consecutive year.

Universum's 2011 the Swedish Professional 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 target group.

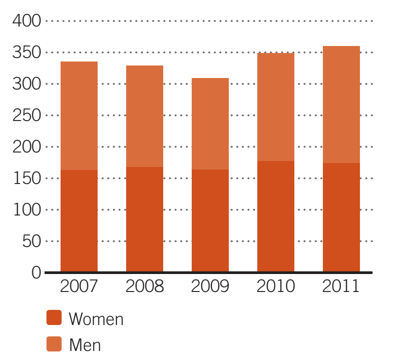
The 23 regional insurance companies have many local partnerships with universities, colleges and skills centres which also consolidates the bank's brand in the recruitment market.

A healthy workplace

In addition to the strong brand, a business-driven corporate culture and a highly successful organisation for creating motivation and raising skills, long-term and preventive healthcare and fitness efforts are central. Employees are offered a range of preventive healthcare activities, and opportunities to exercise during working hours. All employees have medical insurance, which provides fast access to specialised care for illness or injuries. Medical advice and follow-ups are provided through the sickness reporting service and managers receive professional advice regarding rehabilitation for employees, if required.

Combined, the Bank Group's fitness efforts led to continued low sickness absence figures of 2.6% (3.0) in 2011.

NUMBER OF EMPLOYEES BY GENDER



Länsförsäkringar Bank had an average of 327 employees in 2011.

ENVIRONMENTAL WORK

An integrated part of the business

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 each manager in the bank's organisation, meaning that such work is integrated into the business operations to a greater extent than previously.

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

Länsförsäkringar intends for the environmental work of its banking and insurance operations to be credible and proactive. Environmental work is a high priority for Länsförsäkringar as 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, for example, reducing 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 directing customers to the 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 website. Customers can receive payment notifications in paper format or via the Internet. Paper dispatches to customers are

packaged together throughout the Länsförsäkringar AB Group wherever possible. The aim is to reduce the volume of paper dispatches by 80% by changing communication with customers. This is a multi-year target and an action programme to digitise customer communication commenced in 2011. 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 choosing trains for business travel as far as possible. The company-car policy approves only environmentally friendly cars and the target of company cars being 100% environmentally friendly, in accordance with the policy's definition of environmentally friendly cars, was achieved. Bicycles and public transport travel cards are also offered to the bank's employees for local travel during working hours. Investments were made in technical equipment that will enable meetings 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.

For more information about sustainability and environmental activities, see Länsförsäkringar AB's Annual Report, which also includes a GRI sustainability report.

Board of Directors' Report

The Board of Directors and President of Länsförsäkringar Bank AB (publ) hereby submit the Annual Report for 2011.

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 23 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 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 operations offer banking services to private individuals, farmers and small businesses. 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 the 125 (125) branches of the 23 regional insurance companies and via the Internet, mobile services and telephone. The sale and certain administration of banking services are carried out in the branches of the regional insurance companies. The regional insurance companies are reimbursed for sales, administration and customer care through a volume-based reimbursement system. Another part of the full-service offering is the 143 (130) branches of the real estate brokerage Länsförsäkringar Fastighetsförmedling throughout Sweden.

Market commentary

Sweden showed strong growth in the first half of 2011, but was impacted towards year-end by concerns for the debt crisis in Europe. The Riksbank, Sweden's central bank, reduced the key interest rate in December due to downward adjustment of growth forecasts. The status of Sweden's public finances remains healthy and the level of employment in Sweden is relatively high. The Swedish bank and mortgage bond market was highly successful throughout the entire year. The European market for covered bonds was also highly successful with many new issuances, but activity decreased in the autumn due to growing concerns over Europe's deepening debt crisis. Deposits from households increased 9%, according to data from Statistics Sweden. Net household savings in funds primarily took place through unit-linked insurance and premium pensions in the Swedish fund market, while direct savings showed net withdrawals. Activity on the Swedish housing market slowed, which had a marginal impact on the trend in housing prices. In 2011, prices of single-family homes fell 4% and prices of tenant-owned apartments fell 1%, according to statistics from Real Estate Agency Statistics. The underlying demand for housing remains strong. Household and retail mortgages increased 5% during the year, according to data from Statistics Sweden, but slowed toward year-end to 1% for the fourth quarter, which is a more normal rate of increase.

Bank of the Year

Swedish financial magazine Privata Affärer named Länsförsäkringar "2011 Bank of the Year" in December. This award was based on the assessment that Länsförsäkringar is a successful and assertive full-service bank that has Sweden's most satisfied retail customers. Local presence in combination with the customer as the only principal is a significant factor for Länsförsäkringar's customer satisfaction.

Sweden's most satisfied retail bank and mortgage customers

Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the seventh consecutive year according to the 2011 Swedish Quality Index. The survey revealed that Länsförsäkringar is the mortgage provider that best meets customer expectations and is perceived to be the most reasonably priced. Image and loyalty also received the highest rating, as did the quality of products and services. According to the 2011 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail bank customers for the seventh time in eight years.

Business volumes rose 8%, or SEK 19 billion, to SEK 251 billion (232), and the increase excluding fund volumes was 15%. The number of customers rose 8%, or 63,000, to 889,000 (826,000). The number of customers with Länsförsäkringar as their primary bank increased 14%, or 32,000, to 255,000 (223,000) and the number of products per customer rose to 4.7 (4.6). Some 93% (92) of those customers who have the bank as their primary bank are existing Länsförsäkringar insurance customers. The number of cards increased 15%, or from 40,000 to 306,000 (266,000).

Earnings and profitability

Profit before loan losses rose 12% to SEK 434 M (387) and operating profit increased 12% to SEK 385 M (345), due to higher net interest income. The return on equity amounted to 4.8% (5.0) and was attributable to higher capitalisation during the year. To better reflect the actual business transactions with the regional insurance companies, the accounting policy for recognising loan losses has been changed, which impacts the items Compensation to the regional insurance companies and Loan losses, refer also to Note 2. Translation has also been made of comparative figures.

Income

Operating income rose a total of 11% to SEK 1,520 M (1,368), due to higher net interest income. Stronger deposit margins as a result of higher market interest rates, larger lending volumes and increased return on equity boosted net interest income by 27% to SEK 1,728 M (1,363). The investment margin strengthened to 1.07% (0.93). Net interest income was charged with SEK 56 M (25) for fees to the stability fund. Commission income increased 3% to SEK 948 M (919) attributable to higher business volumes. Commission expense rose 25% to SEK 1,364 M (1,092). The largest share of commission expense comprises compensation to the regional insurance companies, which is primarily calculated on the basis of net interest income.

Expenses

Operating expenses rose 11% to SEK 1,086 M (982), attributable to a continued high pace of development in the business operations, with increased IT and staff costs. The cost/income ratio was 0.71 (0.72) before loan losses and 0.75 (0.75) after loan losses.

Loan losses

Loan losses remain low and amounted to SEK 48 M (42) net, corresponding to loan losses of 0.04% (0.03). Reserves amounted to SEK 284 M (286) and the reserve ratio in relation to loans was 0.21% (0.24). Impaired loans increased to SEK 233 M (209) and the percentage of impaired loans remained unchanged at 0.17%. For more information regarding loan losses, reserves and impaired loans, see Notes 16 and 20.

Business volumes

Business volumes rose 8%, or SEK 19 billion, to SEK 251 billion (232), and the increase excluding fund volumes was 15%. Loans to the public rose 14%, or SEK 16 billion, to SEK 134 billion (118). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 9 billion, to SEK 89 billion (80). Deposits from the public increased 19%, or SEK 8 billion, to SEK 50 billion (42). The volume of managed funds declined 8% or SEK 5 billion to SEK 67 billion (72). Banking services for small businesses is an offering that has been launched gradually and growing favourably according to plan, primarily in deposits.

Savings

Deposits from the public rose 19%, or SEK 8 billion, to SEK 50 billion (42), with all types of deposit accounts showing an increase. The market share strengthened to 3.8% (3.5) in 2011 and the share of market growth was slightly more than 7%, according to data from Statistics Sweden. Fund volumes fell 8%, or SEK 5 billion, to SEK 67 billion (72), mainly due to the negative value trend in the equities market during the year. The IPS service, Individual Pension Savings, continued to perform favourably.

Loans

Loans to the public rose 14%, or SEK 16 billion, to SEK 134 billion (118). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 9 billion, to SEK 89 billion (80). All loans occurred in Sweden and in SEK. In 2011, the market share for household deposits and retail mortgages increased to 4.6% (4.4), according to data from Statistics Sweden. The loan portfolio, totalling SEK 134 billion (118), has a favourable geographic distribution and maintains a high level of quality. A total of 81% (81) of the portfolio comprises household credits. Most of the total portfolio, 72% (74), pertained to retail mortgages, of which 80% (81) comprised collateral in single-family homes and 20% (19) tenant-owned apartments. First-lien mortgages for agricultural properties rose 27% to SEK 13.7 billion (10.8) and agricultural lending increased 21% to a total of SEK 16.7 billion (13.8). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 82% (78) of agricultural lending, and the average agricultural commitment amounted to SEK 1.6 M (1.5).

Borrowing

Debt securities in issue rose 13%, or SEK 12 billion, to SEK 101 billion (89), of which covered bonds increased to SEK 86 billion (80). The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Borrowing was highly successful throughout the year. Issued covered bonds totalled a nominal amount of SEK 26.8 billion (44.0) and repurchased covered bonds amounted to a nominal amount of SEK 12.3 billion (8.0). Matured covered bonds amounted to a nominal amount of SEK 7.9 billion (10.5). Financing is also conducted through Länsförsäkringar Bank's programmes. During the year, a nominal amount of SEK 27.2 billion (15.9) was issued, of which a nominal amount of SEK 7.2 billion (5.2) under the MTN programme. The maturity structure of the Bank Group's borrowing is highly diversified. For more information about the borrowing programmes, see page 14.

Liquidity

The liquidity reserve totalled a nominal amount of SEK 30.5 billion (21.9) at December 31, 2011. All liquidity is invested in Swedish securities with very high credit quality. A total of 64% of the liquidity reserve comprises Swedish covered bonds with the credit rating of AAA/Aaa and 36% comprises securities with the Swedish government as the counterparty. The liquidity of the investments is high and all securities included in the liquidity reserve are eligible for transactions with the Riksbank. By utilising the liquidity reserve, contracted undertakings for almost two years can be met without needing to secure new borrowing in the capital market.

Rating

The bank has a credit rating of A/stable from Standard & Poor's and A2/negative from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest rating, Aaa/stable, from Moody's and the highest credit rating, AAA/stable, from Standard & Poor's.

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

[1)] Pertains to the company's covered bonds.

Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach 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 remaining exposures to calculate the capital requirement for credit risk.

The capital base strengthened to SEK 6,686 M (5,928) and the capital adequacy ratio according to Basel II was 14.0% (13.5). Tier 1 capital strengthened to SEK 5,747 M (5,183) net, and the Tier 1 ratio according to Basel II totalled 12.1% (11.8). The target level for the Tier 1 ratio is 12% under Basel II. The capital target is permitted to vary +/– 0.5 percentage points. For more information on the calculation of capital adequacy, see "Risk and capital management" on page 36.

Employees

In 2011, the Bank Group had an average of 327 (306) employees, of whom women numbered 164 (144) with an average age of 42 (43) and men numbered 163 (162) with an average age of 43 (42). The bank has 53 (63) employees in managerial positions and the percentage of women in such positions amounted to 30% (33). In addition to the employees of the Bank Group, there were 794 (741) bank advisors and employees on December 31, 2011 in the 23 the regional insurance companies. For the fourth consecutive year, Länsförsäkringar had a representative who participated in the Ruter Dam one-year Management Development Programme for Women Managers. An employee survey carried out each year describes employee commitment, skills, requirements, responsibilities and authorities in a performance index. The 2011 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 takes place. The 23 regional insurance companies are a first-rate recruitment base for the bank and offer 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 further development are more satisfied with their employers, which ultimately leads to a lower personnel turnover and a more efficient and profitable business. Länsförsäkringar AB has held a talent programme for promising young employees for several years and seven trainees with various academic backgrounds were recruited for Länsförsäkringar's 2011 Trainee Programme. In addition to the strong brand, a business-driven corporate culture and a highly successful organisation for creating motivation and raising skills, long-term and preventive healthcare and fitness efforts are central. Employees are offered a range of preventive healthcare activities, and opportunities to exercise during working hours. All employees have medical insurance, which provides fast access to specialised care for illness or injuries. Medical advice and follow-ups are provided through the sickness reporting service and managers receive professional advice regarding rehabilitation for employees, if required. Combined, the Bank Group's fitness efforts have led to continued low sickness absence of 2.6% (3.0) in 2011.

For more information regarding remuneration and benefits, see Note 11 Employees, staff costs and remuneration to senior executives.

Environment

The aim of environmental activities is to reduce costs, improve customer service and achieve clear environmental gains that contribute to environmental sustainability. 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 directing customers to the 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 the volume of paper dispatches by 80% by changing communication with customers. This is a multi-year target and an action program to digitise customer communication commenced in 2011.

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

Events after year-end

In February, the Swedish Financial Supervisory Authority issued Länsförsäkringar Bank a remark pertaining to events in 2006–2010 for deficiencies in the bank's internal governance and control, and incorrect risk weights for agricultural exposures in calculations of capital requirements. At the same time, the Financial Supervisory Authority acknowledged that corrective measures had been taken.

The Compliance and Risk Control functions were significantly strengthened and the capital-requirement calculations have been adjusted to the Swedish Capital Adequacy and Large Exposures Act since January 1, 2010.

Expectations regarding future development

The banking operations intend to follow their strategic direction of profitable growth with high credit quality by further refining 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 prevailing circumstances in the capital market. Favourable liquidity will be maintained. The continued market strategy is to conduct sales and customer marketing activities targeting the regional insurance companies' customers.

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 21%, or SEK 5 billion, to SEK 33 billion (28). Deposits from the public increased 19%, or SEK 8 billion, to SEK 50 billion (42). Debt securities in issue rose 66%, or SEK 6 billion, to SEK 16 billion (10).

Strategic partnerships

The online share-trading service and IPS offering were developed in partnership with NASDAQ OMX. Capital-protected securities are offered in a 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 Funds, Alfred Berg, Fortis, Catella and Carlson Funds.

Trading in the majority of funds available in the Swedish market and fund transfers are offered through a partnership with MFEX.

Länsförsäkringar Bank also has an agreement for cash-handling services with Forex Bank's branches throughout Sweden. Bank card customers can also withdraw a maximum of SEK 2,000 in cash at ICA supermarkets throughout the country. Agreements are in place with DnB NOR for foreign payments and guarantees.

Earnings

Operating profit/loss amounted to SEK –16 M (2). Operating income increased a total of 14% to SEK 541 M (474) due to higher net interest income. Net interest income was strengthened by higher business volumes and improved margins in deposits and rose 44% to SEK 726 M (505). Net interest income was charged with SEK 22 M (9) for fees to the stability fund. Commission income increased 6% to SEK 210 M (199) due to higher bank card volumes. Commission expense rose 42% to SEK 681 M (478), attributable to increased compensation to the regional insurance companies as a result of higher net interest income. Operating expenses increased 18% to SEK 558 M (473) due to the continued rate of development of the business operations. Recoveries exceeded loan losses and amounted to SEK 1 M (2), net.

The Group's unappropriated earnings amounted to SEK 5,378 M.

PROPOSED APPROPRIATION OF THE PARENT COMPANY'S UNAPPROPRIATED EARNINGS

SEK	
Fair value reserve	22,843,109
Retained earnings	4,564,449,407
Shareholders' contribution received	798,000,000
Net loss for the year	– 6,544,493
Profit to be appropriated	**5,378,748,023**

The Board of Directors proposes that SEK 5,378,748,023 be carried forward, of which SEK 22,843,109 be allocated to the fair value reserve.

SUBSIDIARIES

Länsförsäkringar Hypotek AB

Retail mortgages in the bank's mortgage institution increased 11%, or SEK 9 billion, to SEK 89 billion (80). Retail mortgages up to 75% of the market value of the collateral are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit rose to SEK 189 M (152), attributable to a higher net interest income. Recoveries exceeded loan losses, amounting to SEK 4 M (3) net, corresponding to loan losses of 0.00% (0.00). The number of retail mortgage customers rose to 161,000 (149,000).

Länsförsäkringar Hypotek AB, SEK M	Dec. 31, 2011	Dec. 31, 2010
Total assets	117,412	105,670
Lending volume	88,625	79,667
Net interest income	506	406
Operating profit	189	152

Wasa Kredit

Lending volumes increased 12% to SEK 12.0 billion (10.7). All products increased in volume, with leasing experiencing the greatest rise. Operating profit rose 26% to SEK 166 M (132). Net interest income increased 9% to SEK 493 M (452). Expenses increased 2% to SEK 377 M (369) and loan losses amounted to SEK 53 M (47), net.

Wasa Kredit, SEK M	Dec. 31, 2011	Dec. 31, 2010
Total assets	12,378	11,089
Lending volume	11,987	10,711
Net interest income	493	452
Operating profit	166	132

Länsförsäkringar Fondförvaltning

Länsförsäkringar is Sweden's fifth largest fund company with a market share on December 31, 2011 of unchanged 3.9%, according to statistics from the Swedish Investment Fund Association. The volume of managed funds fell 8%, or SEK 5 billion, to SEK 67 billion (72), mainly due to the negative trend in asset values in the equities market during the year. The company manages 33 (32) mutual funds with various investment orientations. The funds are offered for direct savings, IPS, unit-linked insurance and the PPM system. All fund managers are continuously evaluated to ensure that they meet return targets. Operating profit remained unchanged at SEK 98 M.

Länsförsäkringar Fondförvaltning, SEK M	Dec. 31, 2011	Dec. 31, 2010
Total assets	247	263
Assets under management	66,994	72,433
Net flow	972	27
Net commission expense	262	264
Operating profit	98	98

For more information on the company's recognised earnings, financial position and average number of employees, see the following income statement, balance sheet, cash-flow statement, changes in shareholders' equity and notes on pages 44–86. See page 42 for the five-year summary. All figures in the Annual Report are reported in SEK M unless otherwise specified.

Risk and capital management

Risk management is to be performed by the employees 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 by a low risk profile whose lending operations focus on private housing and family-owned agricultural operations.

Risk tolerance

A fundamental starting point when assessing the Bank Group's capital requirements is the risk tolerance approved by the Board. Risk tolerance is defined as the level of risk exposure that the Bank Group is prepared to accept in order to achieve the profitability targets established by the Board, and to comply with the capitalisation targets established by the Board. On the basis of this risk tolerance and with consideration for the Bank Group's long-term rating target, the Board establishes the capital adequacy targets that apply for the banking operations. In addition to this overall risk tolerance, the Board has also specified the Bank Group's risk tolerance regarding a number of risks that the Bank Group is exposed to and must manage. The Bank Group's risks can be divided into the following groups:

- Credit risk
- Market risk
- Liquidity risk
- Business risk
- Operational risk

A qualitative description has been prepared for each risk category, where limitations toward related risks, managing risk with risk-reduction measures and future risk exposure are also presented.

Credit risk consists of the counterparty's inability to fulfil its commitments and that Bank Group is affected by a financial loss. Credit risk is thus assigned to the loan portfolio, but credit risk in the liquidity portfolio and derivative exposures is also included in this category.

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

Board of Directors

The Board of Directors is ultimately responsible for the Bank Group's operations and, as a result, for safeguarding the Group's assets and for creating risk awareness in the Group. The Board achieves this goal, among other, 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 risks are managed in a satisfactory manner.

The 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 capital and financial matters arising in the Bank Group.

Independent 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 of Directors for ensuring that risk policies are complied with, risk limits are monitored and non-compliance is reported to the President and 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 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 conduct their activities.

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 receivable. The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to about 81% (81) of the Bank Group's loan portfolio. This means that a considerable portion of the 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 72% (74) and agricultural loans 12% (12). The Standardised Approach is used for remaining exposures. The lending portfolio is entirely comprised of loans in Sweden, which has a favourable geographic distribution. For more information regarding credit risks and credit quality, see "Credit quality" on page 12.

Concentration risk

The loan portfolio largely comprises mortgages, mainly with single-family homes as collateral. The high number of exposures are relatively small, meaning that the bank does not have any concentration risk pertaining to large exposures. Significant product concentration is found in mortgages. However, this product concentration is taken into account in scenarios by separate stress testings of the market values of the properties. The bank has a highly diversified geographic distribution since business activities are conducted in all parts of Sweden. The Bank's analyses of the borrower population did not indicate any concentration risks.

The bank is to be well-equipped to avoid concentration risks also in the future. For this, the bank has a robust loan-origination process with decisions largely based on internal credit-risk models. A comprehensive process is also applied when introducing new products and sub-markets.

Credit process

The banking operations have a 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 companies' 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, customers' repayment capacity and the quality of collateral.

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. 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 within 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 divided into a PD scale. This PD scale comprises 11 risk classes for non-defaulted counterparties and one risk category for defaulted counterparties. The information 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 by using methods 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 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). For 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 about degree of realisation, degree of utilisation and products. A safety margin is added to these estimates to ensure that the risk is not underestimated.

PD grade, SEK M	PD (%)	Dec. 31, 2011	Dec. 31, 2010
1	0.05	2,088	4,336
2	0.10	7,746	8,061
3	0.20	29,919	33,012
4	0.40	52,847	35,700
5	0.80	16,638	17,649
6	1.60	8,175	6,997
7	3.20	3,292	2,834
8	6.40	1,730	1,343
9	12.80	982	822
10	25.60	568	436
11	51.20	578	544
Default	100.00	518	405
Total IRB Approach		**125,081**	**112,139**
Non IRB classified		**9,214**	**6,058**
Loans to the public, gross		**134,295**	**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 72% (74) of the lending. First-lien mortgages with loan-to-value ratios amounting up to 75% of the market value at the time of origination 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%. The average exposure of retail mortgages per counterparty is SEK 0.9 M and only 2% amounts to more than SEK 3 M.

Loans to the agricultural segment increased substantially in 2011 and accounted for 12% (12) of the loan portfolio. The lending segment is a 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 84% (86) of the Bank Group's loan portfolio.

The subsidiary Wasa Kredit has receivables pertaining to loans to Swedish households and companies. Collateral has been secured for the majority, 86% (86), of lending and comprises ownership reservations and collateral in leased assets. Loans without collateral, comprising unsecured loans and credit card loans, correspond to 14% (14) of lending.

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

	Dec. 31, 2011	Dec. 31, 2010
Credit risk exposure for items recognised in the balance sheet		
Cash and balances with central banks	66.9	84.8
Treasury bills and other eligible bills, etc.	8,341.5	4,170.0
Loans to credit institutions	1,706.1	1,529.8
Loans to the public	134,011.3	117,910.0
Bonds and other interest-bearing securities	20,628.2	21,203.3
Derivatives	1,566.7	1,041.9
Other assets	251.2	653.9
Accrued income	2,253.9	1,776.9
Credit risk exposure for memorandum items		
Guarantees	35.2	31.2
Loan commitments and other credit commitments	8,145.8	7,145.7
Total	**177,006.8**	**155,547.5**

Loan portfolio

Lending segment	Dec. 31, 2011 SEK M	%	Dec. 31, 2010 SEK M	%
Retail mortgages	96,318	72	87,414	74
Agricultural loans	16,665	12	13,786	12
Unsecured loans	5,676	4	4,911	4
Leasing	5,764	4	5,181	4
Hire purchase	4,589	4	4,079	3
Multi-family homes	2,173	2	1,994	2
Other	3,110	2	832	1
Loans to the public, gross	134,295	100	118,197	100
Provisions	–284	0.21	–287	0.24
Loans to the public, net	**134,011**		**117,910**	

Distribution of companies in loan portfolio, gross, SEK M	Retail mortgages	Agriculture	Unsecured loans	Leasing	Hire purchase	Multi-family homes	Other	Total
Länsförsäkringar Hypotek (first-lien mortgages)	86,169	0	0	0	0	2,173	317	88,659
Länsförsäkringar Bank	10,149	16,665	3,891	0	0	0	2,793	33,498
Wasa Kredit	0	0	1,785	5,764	4,589	0	0	12,138
Total	**96,318**	**16,665**	**5,676**	**5,764**	**4,589**	**2,173**	**3,110**	**134,295**

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).

Exposure intervals for mortgages

	2011				2010			
	% of counter-parties	Exposure, SEK M	% of exposure	Average exposure, SEK M	% of counter-parties	Exposure, SEK M	% of exposure	Average exposure, SEK M
–0.5	34.8%	9,641	10.0%	0.3	35.9%	9,169	10.5%	0.3
0.5–1	28.7%	21,632	22.5%	0.7	29.0%	20,306	23.2%	0.7
1–2	27.2%	39,521	41.0%	1.4	26.5%	35,713	40.8%	1.4
2–3	7.3%	17,879	18.6%	2.4	6.8%	15,620	17.9%	2.4
>3	2.0%	7,645	7.9%	3.7	1.9%	6,606	7.6%	3.7
Total	**100%**	**96,318**	**100%**		**100%**	**87,414**	**100%**	

Retail mortgages by collateral

Collateral	Dec. 31, 2011 SEK M	%	Dec. 31, 2010 SEK M	%
Single-family homes	77,345	80	70,444	81
Tenant-owned apartments	18,973	20	16,970	19
Total	**96,318**	**100**	**87,414**	**100**

Mortgages by county, Group

County	Dec. 31, 2011 SEK M	%	Dec. 31, 2010 SEK M	%
Blekinge	1,778	2	1,646	2
Dalarna	5,201	5	4,640	5
Gotland	2,078	2	1,850	2
Gävleborg	3,525	4	3,151	4
Halland	5,506	6	5,170	6
Jämtland	2,159	2	1,970	2
Jönköping	3,393	4	3,001	3
Kalmar	2,068	2	1,708	2
Kronoberg	1,556	2	1,394	2
Norrbotten	1,107	1	958	1
Skåne	11,250	12	10,431	12
Stockholm	14,756	15	14,211	16
Södermanland	3,053	3	2,787	3
Uppsala	5,304	6	4,779	6
Värmland	1,299	1	1,136	1
Västerbotten	3,093	3	2,703	3
Västernorrland	1,512	2	1,391	2
Västmanland	3,338	3	2,896	3
Västra Götaland	15,618	16	13,776	16
Örebro	2,882	3	2,481	3
Östergötland	5,842	6	5,335	6
Total	**96,318**	**100**	**87,414**	**100**

Exposure intervals for agricultural loans	2011				2010			
	% of counterparty	Exposure, SEK M	% of exposure	Average exposure, SEK M	% of counterparty	Exposure, SEK M	% of exposure	Average exposure, SEK M
– SEK 1 M	62.9%	1,718	10.3%	0.3	66.4%	1,585	11.5%	0.3
SEK 1 M – SEK 3 M	23.5%	4,305	25.9%	1.8	21.4%	3,626	26.3%	1.8
SEK 3 M – SEK 8 M	9.8%	4,666	28.0%	4.7	9.1%	4,062	29.5%	4.7
SEK 8 M – SEK 15 M	2.7%	3,087	18.5%	11.0	2.1%	2,205	16.0%	10.9
SEK 15 M –	1.1%	2,889	17.3%	26.3	0.9%	2,308	16.7%	25.9
	100%	**16,665**	**100%**		**100%**	**13,786**	**100%**	

Agricultural loans by product	Dec. 31, 2011			Dec. 31, 2010		
Product	SEK M	%	Average commit-ment, SEK M	SEK M	%	Average commit-ment, SEK M
First-lien mortgages	13,678	82	2.3	10,792	78	2.2
Second-lien mortgages	2,310	14	0.7	2,399	18	0.7
Operating credits	677	4	0.1	595	4	0.1
Total	**16,665**	**100**		**13,786**	**100**	

Agricultural loans by corporate form	Dec. 31, 2011			Dec. 31, 2010		
Corporate form	SEK M	%	Average commit-ment, SEK M	SEK M	%	Average commit-ment, SEK M
Sole proprietorship	15,620	94	1.7	12,850	93	1.5
Limited liability company	896	5	1.5	797	6	1.4
Partnerships and limited partnerships	99	1	0.7	94	1	0.7
Other corporate forms	50	0	0.8	45	0	0.6
Total	**16,665**	**100**		**13,786**	**100**	

Impaired loans

Impaired loans amounted to SEK 233 M (209), corresponding to 0.17% (0.17) of the total loan portfolio before reserves. Loan losses totalled SEK 48 M (42), corresponding to a loan loss of 0.04% (0.03). 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, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Retail mortgages	2.7	15.4	1.9	6.2
Agricultural loans	0.3		0.3	
Unsecured loans	114.7	103.6	41.3	47.1
Leasing	69.3	54.2		
Hire purchase	37.6	27.5		
Multi-family homes				
Other	8.7	8.1	8.7	8.1
Total	**233.3**	**208.8**	**52.2**	**61.4**

	Group		Parent Company	
Non-performing loan receivables not included in impaired loans, SEK M	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Receivables 10-19 days past due [1]	0.0	0.3	0.0	0.3
Receivables 20–39 days past due	292.7	265.2	29.0	20.9
Receivables 40–60 days past due	5.9	7.6	0.0	0.1
Total	**298.6**	**273.1**	**29.0**	**21.3**

[1] Excluding Wasa Kredit.

Non-performing loan receivables not included in impaired loans, SEK M, specified by company Dec. 31, 2011	Länsförsäkringar Bank	Länsförsäkringar Hypotek	Wasa Kredit	Group
Receivables 10-19 days past due [1]	0.0	0.0	0.0	0.0
Receivables 20–39 days past due	29.0	39.4	224.3	292.7
Receivables 40–60 days past due	0.0	0.0	5.9	5.9
Total	**29.0**	**39.4**	**230.2**	**298.6**

[1] Excluding Wasa Kredit.

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. A non-performing loan receivable has a non-performing payment that is more than nine 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.

Financial credit risk (counterparty risk)

This section deals with counterparty risk, i e financial credit risk, which is defined as the risk that Länsförsäkringar Bank suffers losses pertaining to investments in other credit institutions, bank funds or derivative transactions due to counterparties not fulfilling their commitments.

Risk in derivative transactions is managed by the company having a number of swap counterparties, all with high ratings and established ISDA agreements. ISDA agreements allow netting of positive and negative derivates, which reduces the risk to the net position per counterpart. For the 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 changes to the included derivatives' market values. Each counterparty is also assigned a maximum exposure amount.

Risk in loans to credit institutions is managed by assigning each counterparty a maximum exposure amount based on rating and term. The company has not utilised guarantees or any other credit enhancements during the period.

	Positive values	
Derivatives, fair values, SEK M	**Group Dec. 31, 2011**	**Group Dec. 31, 2010**
AA-/Aa2	269.1	40.3
A+/A2	172.2	–
A/Aa2	–	57.3
A+/Aa3	174.7	424.5
A/Aa3	268.2	–
Total	**884.2**	**522.1**

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

	Group		Parent Company	
Bonds and other interest-bearing securities, SEK M	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**
AAA/Aaa	20,628.2	21,203.3	6,123.7	8,720.0
Total	**20,628.2**	**21,203.3**	**6,123.7**	**8,720.0**

Market risk

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
- 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 the effect of a parallel shift in the yield curve of 1 percentage point. On December 31, 2011, 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 33 M (52).

Currency risk

Currency risk pertains to the risk that assets and liabilities change in value since the value of one currency changes in relation to another currency. The currency risk pertains to the change in the exchange rate, negative to the Group.

The Group is exposed to this risk in the subsidiary Länsförsäkringar Hypotek's borrowing in CHF and EUR. In line with the risk policy, all borrowing is swapped to SEK which means that the effect on the income statement is 0 (0) and there are no effects on equity. In cases where exposure is hedged in accordance with IFRS, fair value hedging is used. For further information, see note "Assets and liabilities in foreign currency."

Liquidity risk

Liquidity risk and financing strategy

The Board of Directors 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 good long-term planning, explicit functional definitions and a high level of control. 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.

The Group has highly diversified borrowing and a liquidity reserve comprising securities with high liquidity and creditworthiness, which can be rapidly converted into cash. In addition to these, there are unutilised borrowing programmes which, combined, provide good opportunities for managing the risk since the contractual cash flows vary between assets and liabilities. For more information about the unutilised borrowing programme, see page 15.

The Board also decides on a liquidity and financing strategy, which is based on the business plan for the forthcoming year and supports the fulfilment of established business objectives and financial risk management. Deviations from 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. Significant 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 secured by preparing accurate forecasts for the coming 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 ALCO and the Board. The plan is reviewed in relation to targets by weekly reports to the CFO. Updates are made when necessary within the framework stipulated in the liquidity and financing strategy and 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 size of 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. The term "market" refers to competitors, debt investors, rating agencies and authorities. These assessments provide a basis for the extent to which the reserve is to exceed the established minimum levels.

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, including the net lending increases adopted. The Treasury unit is also responsible for Länsförsäkringar Bank's liquidity portfolio. The size and structure of the liquidity portfolio is monitored daily. 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, under all circumstances. "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, being unable to fulfil its commitments or only being able to fulfil its commitments by borrowing cash 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 into cash without decreasing in value. Liquidity risks pertaining to 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 amounted to a nominal amount of SEK 30.5 billion (21.9) on December 31, 2011. All liquidity is invested in Swedish securities with high credit quality. A total of 64% of the liquidity portfolio comprises covered bonds with the highest credit rating and 36% securities with the government as the counterparty. 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 the 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 term periods. In addition, borrowing should contribute to the overall profitability 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 general objectives:

Borrowing is to
- Secure the short and long-term capital requirements
- Ensure that the price of debt securities in issue is in parity 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 sound overview of the operations that facilitates the existence of limits and a willingness to invest in the Group's securities over time. By demonstrating satisfactory risk management, this view creates long-term interest and a will to invest in Länsförsäkringar Bank's securities.

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 each market. This secures access to refinancing over time. The instruments that the company is permitted to use are regulated in the Financial Policy. Investor activities encompass 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 and secured refinancing options.

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 an expanded investor base 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 also benefited a solid rating from Standard & Poor's and from Moody's.
In addition, Länsförsäkringar Hypotek's covered bonds have the highest rating from both Moody's and Standard & Poor's.

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

Group 2011, 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 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	66.9								66.9
Treasury bills and other eligible bills					2,226.5	6,115.0			8,341.5
Loans to credit institutions	1,513.0	38.7						154.4	1,706.1
Loans to the public	64,208.1	24,380.3	7,163.8	7,868.1	23,904.7	5,109.5	1,494.6	–117.8	134,011.3
Bonds and other interest-bearing securities		100.8	4,874.8	778.5	11,560.9	3,313.2			20,628.2
Other assets								5,302.4	5,302.4
Total assets	**65,788.0**	**24,519.8**	**12,038.6**	**8,646.6**	**37,692.1**	**14,537.7**	**1,494.6**	**5,339.0**	**170,056.4**
Liabilities									
Due to credit institutions	2,183.6		8.4						2,192.0
Deposits and borrowing from the public	33,555.3	10,781.1	361.9	3,198.5	1,134.9	295.5		283.0	49,610.2
Debt securities in issue	2,550.8	27,226.2	618.6	2,052.2	39,631.5	28,665.4	457.6	77.2	101,279.5
Other liabilities								9,152.6	9,152.6
Subordinated liabilities		470.0	265.0				755.0	–0.3	1,489.7
Equity								6,332.4	6,332.4
Total liabilities and equity	**38,289.7**	**38,477.3**	**1,253.9**	**2,520.7**	**40,766.4**	**28,960.9**	**1,212.6**	**15,845.0**	**170,056.4**
Difference assets and liabilities	**27,489.3**	**–13,957.5**	**10,784.7**	**3,395.9**	**–3,074.4**	**–14,423.1**	**282.0**	**–10,505.9**	
Interest-rate derivatives, nominal values, net	2,039.8	–8,791.8	–8,659.1	–4,335.0	3,982.5	16,169.6	–1,083.2		
Net exposure	**29,538.1**	**–22,749.3**	**2,125.6**	**–939.1**	**908.1**	**–1,746.5**	**–801.2**	**–10,505.9**	

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 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
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**	**20,665.1**	**26,123.9**	**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**	**829.5**	**677.7**	**–311.2**	**–8,072.1**	

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

Parent Company 2011, 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 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	66.9								66.9
Treasury bills and other eligible bills									
Loans to credit institutions	30,258.6	616.0						154.5	31,029.1
Loans to the public	19,271.4	8,465.3	915.8	982.6	3,089.8	560.9	212.0	–97.9	33,399.9
Bonds and other interest-bearing securities			252.3	778.5	5,092.9				6,123.7
Other assets								6,212.7	6,212.7
Total assets	**49,596.9**	**9,081.3**	**1,168.1**	**1,761.1**	**8,182.7**	**560.9**	**212.0**	**6,269.3**	**76,832.3**
Liabilities									
Due to credit institutions	2,163.3		8.4						2,171.7
Deposits and borrowing from the public	33,711.1	10,781.1	361.9	3,198.5	1,134.9	295.5		283.0	49,766.0
Debt securities in issue	2,100.7	10,055.5	398.7	2,052.2	799.6	399.4		77.2	15,883.3
Other liabilities								1,169.6	1,169.6
Subordinated liabilities		735.0					755.0	–0.3	1,489.7
Equity								6,352.0	6,352.0
Total liabilities and equity	**37,975.1**	**21,571.6**	**769.0**	**5,250.7**	**1,934.5**	**694.9**	**755.0**	**7,881.5**	**76,832.3**
Difference assets and liabilities	**11,621.8**	**–12,490.3**	**399.1**	**–3,489.6**	**6,248.2**	**–134.0**	**–543.0**	**–1,612.2**	
Interest-rate derivatives, nominal values, net	–245.0	2,790.0	–20.0	2,530.0	–5,785.0	950.0	–220.0		
Net exposure	**11,376.8**	**–9,700.3**	**379.1**	**–959.6**	**463.2**	**816.0**	**–763.0**	**–1,612.2**	

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 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
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**	

Liquidity exposure, financial instruments
– Remaining term of contract (undiscounted values)

Group Dec. 31, 2011, 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	66.9						66.9	66.9	
Treasury bills and other eligible bills				7,458.0			7,458.0	8,341.5	2,820.7
Loans to credit institutions	250.0	1,595.1				–0.3	1,844.8	1,706.1	1,532.0
Loans to the public		2,921.1	3,599.6	9,212.3	118,529.4	–152.2	134,110.2	134,011.3	122,254.4
Bonds and other interest-bearing securities		100.0	5,575.0	13,950.0			19,625.0	20,628.2	24,262.7
Other assets						5,261.2	5,261.2	5,302.4	5,350.2
Total assets	**316.9**	**4,616.2**	**9,174.6**	**30,620.3**	**118,529.4**	**5,108.7**	**168,366.1**	**170,056.4**	**153,371.9**
Liabilities									
Due to credit institutions		1,938.0	84.7				2,022.7	2,192.0	
Deposits and borrowing from the public	30,808.0	15,677.3	3,560.4	1,430.4			51,476.1	49,610.2	83,677.7
Debt securities in issue		12,844.0	7,387.9	79,860.7	466.6		100,559.2	101,279.5	74,054.6
Other liabilities		109.0				9,101.9	9,210.9	9,152.6	
Subordinated liabilities					1,490.0	–0.3	1,489.7	1,489.7	1,490.0
Total liabilities	**30,808.0**	**30,568.3**	**11,033.0**	**81,291.1**	**1,956.6**	**9,101.6**	**164,758.6**	**163,724.0**	**159,222.3**
Difference assets and liabilities	**–30,491.1**	**–25,952.1**	**–1,858.4**	**–50,670.8**	**–116,572.8**	**–3,992.9**	**3,607.5**		
Loans approved but not disbursed		5,044.9					5,044.9		
Total difference, excluding derivatives	**–30,491.1**	**–30,997.0**	**–1,858.4**	**–50,670.8**	**–116,572.8**	**–3,992.9**	**–1,437.3**		

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**		

Liquidity exposure, financial instruments
– Remaining term of contract (undiscounted values)

Parent Company Dec. 31, 2011, 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	66.9						66.9	66.9	
Treasury bills and other eligible bills							0.0	0.0	
Loans to credit institutions		1,493.4	28,508.0		766.0		30,767.4	31,029.1	766.0
Loans to the public		1,979.7	947.7	2,085.8	28,466.0		33,479.2	33,399.9	29,605.4
Bonds and other interest-bearing securities			1,000.0	4,900.0			5,900.0	6,123.7	5,889.7
Other assets						6,212.7	6,212.7	6,212.7	5,688.3
Total assets	**66.9**	**3,473.1**	**30,455.7**	**6,985.8**	**29,232.0**	**6,212.7**	**76,426.2**	**76,832.3**	**41,949.4**
Liabilities									
Due to credit institutions								2,171.7	
Deposits and borrowing from the public	30,808.0	15,677.2	3,560.4	1,430.4			51,476.0	49,766.0	41,838.8
Debt securities in issue		2,477.0	6,340.0	7,045.0			15,862.0	15,883.3	5,249.9
Other liabilities		109.0				1,060.6	1,169.6	1,169.6	
Subordinated liabilities					1,490.0		1,490.0	1,489.7	1,250.0
Total liabilities	**30,808.0**	**18,263.2**	**9,900.4**	**8,475.4**	**1,490.0**	**1,060.6**	**69,997.6**	**70,480.3**	**48,338.7**
Difference assets and liabilities	**–30,741.1**	**–14,790.1**	**20,555.3**	**–1,489.7**	**27,742.0**	**5,152.1**	**6,428.5**		
Loans approved but not disbursed		1,151.2					1,151.2		
Total difference, excluding derivatives	**–30,741.1**	**–15,941.3**	**20,555.3**	**–1,489.7**	**27,742.0**	**5,152.1**	**5,277.3**		

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	22,540.4
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**		

Liquidity exposure, derivatives

Group 2011	> 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives in hedge accounting					
Currency	158.1	88.9	176.4	103.7	527.1
Interest	229.8	239.4	339.5	–77.0	731.7
Other derivatives					
Currency					
Interest					
Total difference, excluding derivatives	**387.9**	**328.3**	**515.9**	**26.7**	**1 258.8**

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

Parent Company 2011	> 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives in hedge accounting					
Currency					
Interest	17.3	–182.9	–214.7	–14.1	–394.4
Other derivatives					
Currency					
Interest					
Total difference, excluding derivatives	**17.3**	**–182.9**	**–214.7**	**–14.1**	**–394.4**

Parent Company 2010	> 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives in hedge accounting					
Currency					
Interest	25.7	–367.2	–497.7	–22.1	–861.3
Other derivatives					
Currency	–4.7				–4.7
Interest					
Total difference, excluding derivatives	**21.0**	**–367.2**	**–497.7**	**–22.1**	**–866.0**

Business risk

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 mortgages. The retail mortgages 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).

Operational risks

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events. This definition also includes legal risks. Based on this definition, operational risk encompasses the entire banking 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 an IT system for reporting operational risk events or incidents. This system enables all employees to report any 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:
- Consequence – how will the operations 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.

Capital managemnet and Internal Capital Adequacy Assessment Process (ICAAP)

The Bank Group's internal capital adequacy assessment process (ICAAP) is designed based on the requirements of the Basel II rules, the requirements established by the Board of Directors 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 of Directors. This review should act as a guide for the 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 adequacy target is a Tier 1 ratio, which must 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, see the Pillar III report "Risk and capital management in the Länsförsäkringar Bank Group" on the website www.lansforsakringar.se/financialbank.

Capital-adequacy analysis, Group

SEK M	Dec. 31, 2011	Dec. 31, 2010
Tier 1 capital, gross	6,454.0	5,773.6
Less intangible assets	–438.6	–372.7
Less deferred tax assets	–6.0	–3.1
Less/plus IRB deficit/surplus	–261.9	–214.8
Tier 1 capital, net	**5,747.4**	**5,183.0**
Tier 2 capital	1,200.0	960.0
Deductions for Tier 2 capital	–261.9	–214.8
Total capital base	**6,685.5**	**5,928.2**
Risk-weighted assets according to Basel II	**47,617.4**	**43,944.2**
Risk-weighted assets according to transition rules	**71,572.8**	**63,161.2**
Capital requirement		
Capital requirement for credit risk according to Standardised Approach	679.3	725.4
Total capital requirement for credit risk according to IRB Approach	2,984.2	2,656.4
Capital requirement for operational risk	145.9	133.8
Capital requirement according to Basel II	**3,809.4**	**3,515.5**
Adjustment according to transition rules	1,916.4	1,537.4
Total capital requirement	**5,725.8**	**5,052.9**
Tier 1 ratio according to Basel II, %	12.07	11.79
Capital adequacy ratio according to Basel II, %	14.04	13.49
Capital ratio according to Basel II[1]	1.75	1.69
Tier 1 ratio according to transition rules, %	8.03	8.21
Capital adequacy ratio according to transition rules, %	9.34	9.39
Capital ratio according to Basel transition rules [1]	1.17	1.17
Special disclosures		
IRB Provisions surplus (+)/deficit (–)	–523.9	–429.6
– IRB Total reserves (+)	237.8	241.5
– IRB Anticipated loss (–)	–761.7	–671.1

SEK M	Dec. 31, 2011	Dec. 31, 2010
Credit risk according to Standardised Approach		
Exposures to institutions	77.8	77.3
Exposures to corporates	195.2	167.3
Retail exposures	93.1	190.2
Exposures secured on residential property	126.3	97.7
Past due items	0.4	1.0
Covered bonds	169.2	173.6
Other items	17.2	18.2
Total capital requirement for credit risk according to Standardised Approach	**679.3**	**725.4**
Credit risk according to IRB Approach		
Retail exposures		
Exposures secured by real estate collateral	1,420.3	1,241.0
Other retail exposures	670.5	626.4
Total retail exposures	2,090.7	1,867.4
Exposures to corporates	892.7	787.9
Non credit-obligation assets	0.8	1.0
Total capital requirement for credit risk according to IRB Approach	**2,984.2**	**2,656.4**
Operational risks		
Standardised Approach	145.9	133.8
Total capital requirement for operational risk	**145.9**	**133.8**
Capital-adequacy analysis according to Basel I		
Tier 1 capital	6,009.4	5,397.8
Tier 2 capital	1,200.0	960.0
Total capital base	**7,209.4**	**6,357.8**
Risk-weight assets	97,651.5	85,663.8
Capital requirement for credit risk	7,812.1	6,853.1
Tier 1 ratio, %	6.15	6.30
Capital adequacy ratio, %	7.38	7.42
Capital ratio[1]	0.92	0.93

[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).

Capital-adequacy analysis, Parent Company

SEK M	Dec. 31, 2011	Dec. 31, 2010
Tier 1 capital, gross	6,618.9	5,827.7
Less intangible assets	–353.2	–283.8
Less deferred tax assets	–2.7	–
Less/plus IRB deficit/surplus	–111.0	–68.5
Tier 1 capital, net	**6,151.9**	**5,475.4**
Tier 2 capital	1,200.0	960.0
Deductions for Tier 2 capital	–111.0	–68.5
Total capital base	**7,240.9**	**6,367.0**
Risk-weighted assets according to Basel II	**18,693.0**	**17,713.5**
Risk-weighted assets according to transition rules	**20,369.0**	**18,514.4**
Capital requirement		
Capital requirement for credit risk according to Standardised Approach	151.0	196.3
Total capital requirement for credit risk according to IRB Approach	1,276.2	1,155.6
Capital requirement for operational risk	68.3	65.2
Capital requirement according to Basel II	**1,495.4**	**1,417.1**
Adjustment according to transition rules	134.1	64.1
Total capital requirement	**1,629.5**	**1,481.2**
Tier 1 ratio according to Basel II, %	32.91	30.91
Capital adequacy ratio according to Basel II, %	38.74	35.94
Capital ratio according to Basel II[1)]	4.84	4.49
Tier 1 ratio according to transition rules, %	30.20	29.57
Capital adequacy ratio according to transition rules, %	35.55	34.39
Capital ratio according to transition rules[1)]	4.44	4.30
Special disclosures		
IRB Provisions surplus (+)/deficit (–)	**–222.0**	**–136.9**
– IRB Total reserves (+)	83.3	113.2
– IRB Anticipated loss (–)	–305.3	–250.2

SEK M	Dec. 31, 2011	Dec. 31, 2010
Credit risk according to Standardised Approach		
Exposures to institutions	6.2	24.5
Exposures to corporates	69.4	51.4
Retail exposures	8.0	32.8
Exposures secured on residential property	8.7	6.2
Past due items	0.3	0.7
Covered bonds	50.0	71.2
Other items	8.6	9.4
Total capital requirement for credit risk according to Standardised Approach	**151.0**	**196.3**
Credit risk according to IRB Approach		
Retail exposures		
Exposures secured by real estate collateral	269.9	270.1
Other retail exposures	193.1	171.0
Total retail exposures	**463.0**	**441.1**
Exposures to corporates	812.7	713.7
Non credit-obligation assets	0.4	0.7
Total capital requirement for credit risk according to IRB Approach	**1,276.2**	**1,155.6**
Operational risks		
Standardised Approach	68.3	65.2
Total capital requirement for operational risk	**68.3**	**65.2**
Capital-adequacy analysis according to Basel I		
Tier 1 capital	6,262.9	5,543.9
Tier 2 capital	1,200.0	960.0
Total capital base	**7,462.9**	**6,503.9**
Risk-weight assets	28,930.5	25,282.5
Capital requirement for credit risk	2,314.4	2,022.6
Tier 1 ratio, %	21.65	21.93
Capital adequacy ratio, %	25.80	25.72
Capital ratio[1)]	3.22	3.22

1) Capital ratio = total capital base/total capital requirement.

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

Corporate Governance Report

Introduction

Länsförsäkringar Bank AB (“Länsförsäkringar Bank”) is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 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 listed company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

- *Nomination Committee and holding of Annual General Meeting*
  Deviation from the provisions of the Code with respect to the fact that Länsförsäkringar Bank is not a listed company and has only one shareholder. For more information, refer to “Nomination process.”
- *Composition of Board of Directors*
  Deviations are made from the provisions of the Code regarding independence of Board members and Committee members. According to the instruction for the Nomination Committee, the Board of Directors shall be appropriately composed, with respect to Länsförsäkringar Bank’s operations, stage of development and other circumstances, and characterised by diversity and breadth in terms of the members’ competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.
- *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.

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 the 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 proposals regarding the Board of Directors and auditors of Länsförsäkringar AB, and, in consultation with the CEO of Länsförsäkringar AB, proposals regarding the Board of Directors 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. The Nomination Committee comprises Karin Starrin (Chairman) (Länsförsäkringar Halland), Göran Trobro (Deputy Chairman) (Länsförsäkringar Kristianstad), Ulf W Eriksson Larsson (Länsförsäkringar Värmland), 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 a maximum of four years. At the 2008 Annual General Meeting, Johan Bæckström, KPMG AB, was appointed auditor and Stefan Holmström, KPMG AB, as deputy auditor for the period until the 2012 Annual General Meeting.

Composition of the Board of Directors

In accordance with the Articles of Association, the Board of Directors 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 mandate period of a maximum of two years. In addition, members appointed by trade-union organisations are also members of the Board. Länsförsäkringar 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 2011 Annual General Meeting resolved that the Board of Directors 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 members and one deputy member, of whom two members and one deputy member are 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. Six members are Board members or President of a regional insurance company. A presentation of the Board members can be found on page 90.

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 a directive for the President. The Board has also adopted a number of policies, guidelines and instructions (guidance documents) 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 Länsförsäkringar Bank's auditor 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 himself informed of significant events and developments in Länsförsäkringar Bank, and support the President in his work.

Distribution of Board duties

The Board has established an Audit Committee, a Remuneration Committee, a Risk and Capital Committee and a Credit 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, except for the Credit Committee. Each Committee must regularly report on its activities to the Board, which takes place by the minutes of the Committee meetings being sent to the Board or in another manner.

Audit Committee

The Audit Committee is responsible for preparing the work of the Board of Directors pertaining to quality assurance of the internal control of financial reporting, regulatory compliance, risk management, risk control and other internal control matters. Länsförsäkringar Bank's internal and external auditors generally participate in the Committee's meetings. At the statutory Board meeting following the 2011 Annual General Meeting, Sten Dunér (Chairman), Ingemar Larsson and Leif Johanson were appointed members of the Audit Committee. Ingemar Larsson replaced Sten Dunér as the Committee Chairman on August 24, 2011.

Remuneration Committee

The Remuneration Committee shall prepare issues on, for example, remuneration for the President and other members of company management, and remuneration for employees who assume the overall responsibility for one of the company's control functions. The Board subsequently makes decisions on these issues. At the statutory Board meeting following the 2011 Annual General Meeting, Sten Dunér (Chairman) and Ingemar Larsson were appointed members of the Remuneration Committee.

Risk and Capital Committee

The Risk and Capital Committee is to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on the Bank Group's level of risk and capital requirements. The Board subsequently makes decisions on these issues. When the Committee was established on August 24, 2011, Sten Dunér (Chairman), Ingemar Larsson, Christian Bille and Christer Villard were appointed members of the Risk and Capital Committee.

Credit Committee

The Credit Committee has a mandate to decided on certain loans in accordance with a specific instruction adopted by the Board. At the statutory Board meeting following the 2011 Annual General Meeting, Sten Dunér (Chairman), Ingemar Larsson, Leif Johansson, Christian Bille and Rikard Josefson were appointed members of the Credit 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 Länsförsäkringar 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 2011 Annual General Meeting until February 2012, and the attendance by each Board member:

	Board of Directors	Audit Committee	Remuneration Committee	Risk and Capital Committee
Total number of meetings	**10**[1)]	**2**[2)]	**2**	**3**
Sten Dunér	8	2	2	3
Christian Bille	10			3
Ingrid Ericson	8			
Per-Åke Holgersson	10			
Leif Johanson	9	2		
Ingemar Larsson	9	2	2	2
Max Rooth[3)]	5			
Katarina Säther[4)]	3			
Örian Söderberg	9			
Christer Villard	9			2
Torleif Carlsson, deputy	5			

1) Of which two per capsulam 2) From June 14, 2011
3) Member from October 2011 4) Member from September 2011

Internal control and risk management relating to financial reporting

The Board of Directors is responsible for the control and governance of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control. The risk-management system is to ensure that, for example, risks can be continuously identified, managed and reported. Internal control is a process designed to provide reasonable assurance that the objectives of the operations are achieved in terms of appropriate and efficient business operations, reliable financial reporting and information about the operations and compliance with applicable internal and external regulations. The internal-control system encompasses all parts of the organisation and is an integral part of the operations.

Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second the Compliance and Riskcontrol functions and the third the Internal Audit function. The second and third lines of defence are independent in relation to the first line.

The purpose of the internal control of the financial reporting is to manage risks in the processes pertaining to the preparation of the financial reporting and to ensure a high level of reliability in such reporting.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board of Directors and the President have established for the bank. The control environment also includes the values and corporate culture that the Board, the President and management communicate and work from to create appropriate and efficient operations.

The task of the Audit Committee is to assume responsibility for preparing the Board's quality assurance of the financial reporting and to monitor the efficiency of the internal governance and control. The Committee is also to prepare the direction, scope and coordination of the work of the Internal Audit and study the observations and recommendations from the external auditors.

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 material risks affecting internal control relating to financial reporting. These risks are analysed at company and Group level. Länsförsäkringar Bank is governed through common processes, in which risk management is built into every process and various methods are used to value and restrict risks and to ensure that identified risks are managed in accordance with established guidance documents.

The processes and control activities associated with key risks are assessed based on the risk analysis to identify material errors in the financial reporting. The risks associated with the operations conducted in Länsförsäkringar Bank are managed in the part of the operations in which they arise.

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 on Länsförsäkringar Bank's internal website. Every manager must ensure that the regulations are communicated to affected subordinate staff.

Follow-up

Activities to ensure compliance with external and internal regulations take place in each part of the operations. The Internal Audit function was established to assist the Board in following up and ensuring that the scope and direction of the operations complies with the guidelines issued by the Board and that the operations are conducted in accordance with the targets established by the Board. 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 of Directors. In addition, each manager is to ensure compliance with guidance documents in their area of responsibility and that procedures for self-assessments are in place.

The Compliance function's task is to 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 Board.

FIVE-YEAR SUMMARY FOR THE GROUP

SEK M	2011	2010	2009	2008	2007
Income statement					
Interest income	9,529.8	5,634.4	5,320.7	7,463.2	4,541.1
Interest expense	–7,801.5	–4,271.6	–4,172.4	–6,251.7	–3,524.2
Net interest income	**1,728.3**	**1,362.8**	**1,148.3**	**1,211.5**	**1,016.9**
Net commission expense	–416.2	–173.4	–109.6	–142.4	–52.2
Dividends received	0.0	0.2	0.0	2.6	3.3
Net gains from financial items	9.9	10.0	100.5	1.4	2.1
Other operating income	197.6	168.8	147.5	147.7	128.2
Total operating income	**1,519.6**	**1,368.4**	**1,286.7**	**1,220.8**	**1,098.3**
General administration expenses	–1,003.1	–899.2	–916.9	–862.5	–779.4
Depreciation/amortisation	–82.9	–82.3	–75.5	–52.3	–37.0
Total expenses before loan losses	**–1,086.0**	**–981.5**	**–992.4**	**–914.8**	**–816.4**
Profit before loan losses	**433.6**	**386.9**	**294.3**	**306.0**	**281.9**
Loan losses, net	–48.2	–41.6	–36.6	–61.0	–43.4
Profit from banking operations/Operating profit	**385.4**	**345.3**	**257.7**	**245.0**	**238.5**
Tax	–87.6	–100.0	–79.9	–67.7	–62.9
Net profit for the year	**297.8**	**245.3**	**177.8**	**177.3**	**175.6**
Balance sheet					
Cash and balances with central banks	66.9	84.8	80.5	81.3	71.5
Treasury bills and other eligible bills	8,341.5	4,170.0	1,999.8	–	7,964.1
Loans to credit institutions	1,706.1	1,529.8	3,215.9	9,830.9	5,233.7
Loans to the public	134,011.3	117,910.2	99,581.6	78,563.9	67,040.0
Bonds and other interest-bearing securities	20,628.2	21,203.3	22,701.1	10,445.6	3,105.3
Shares and participations	10.4	10.4	10.4	10.8	11.1
Derivatives	1,566.7	1,041.9	1,231.9	2,546.2	545.5
Fair value changes of interest-rate-risk hedged items in portfolio hedge	709.9	140.6	767.9	1,131.9	–247.7
Intangible assets	438.6	372.7	329.8	327.3	246.8
Property and equipment	9.7	13.1	18.1	20.5	20.6
Deferred tax assets	6.0	3.1	2.2	14.4	5.1
Other assets	251.2	254.4	265.0	273.5	371.0
Prepaid expenses and accrued income	2,309.9	1,799.5	1,092.4	890.1	726.6
Total assets	**170,056.4**	**148,533.8**	**131,296.6**	**104,136.4**	**85,093.6**
Due to credit institutions	2,192.0	5,212.3	21,232.4	9,112.6	707.2
Deposits and borrowing from the public	49,610.2	41,590.1	37,365.0	35,090.2	29,735.3
Debt securities in issue	101,279.5	89,248.0	62,016.2	48,985.3	45,980.7
Derivatives	2,458.2	2,093.6	1,195.2	1,546.8	300.6
Fair value changes of interest-rate-risk hedged items in portfolio hedge	1,836.6	–392.4	762.1	1,024.6	–215.4
Deferred tax liabilities	58.7	72.9	65.3	60.0	64.4
Other liabilities	991.2	780.6	652.6	762.4	1,805.5
Accrued expenses and deferred income	3,791.6	3,130.9	2,046.0	1,973.3	1,727.5
Provisions	16.3	18.9	17.6	40.3	14.1
Subordinated liabilities	1,489.7	1,250.0	1,250.0	1,250.0	1,150.0
Equity	6,332.4	5,528.9	4,694.2	4,290.9	3,823.7
Total liabilities and equity	**170,056.4**	**148,533.8**	**131,296.6**	**104,136.4**	**85,093.6**
Key figures					
Return on equity, %	4.8	5.0	4.2	4.4	5.0
Return on total capital, %	0.24	0.24	0.22	0.26	0.34
Investment margin, %	1.07	0.93	0.96	1.30	1.43
Cost/income ratio before loan losses	0.71	0.72	0.76	0.75	0.74
Cost/income ratio after loan losses	0.75	0.75	0.80	0.80	0.78
Tier 1 ratio according to Basel II, %	12.1	11.8	12.5	14.6	14.4
Tier 1 ratio according to transition rules, %	8.0	8.2	8.2	8.6	8.8
Capital adequacy ratio according to Basel II, %	14.0	13.5	14.8	17.7	17.2
Capital adequacy ratio according to transition rules, %	9.3	9.4	9.7	10.4	10.6
Percentage of impaired loans, %	0.17	0.17	0.21	0.22	0.41
Reserve ratio in relation to loans, %	0.21	0.24	0.30	0.35	0.36
Loan losses in relation to lending, %[1]	0.04	0.03	0.04	0.07	0.06

[1] After recalculation in accordance with changes in the accounting policy regarding loan losses.

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

SEK M	Note	2011	2010
Interest income	4	9,529.8	5,634.4
Interest expense	5	–7,801.5	–4,271.6
Net interest income		**1,728.3**	**1,362.8**
Dividends received	6	0.0	0.2
Commission income	7	947.7	918.8
Commission expense	8	–1,363.9	–1,092.2
Net gains/losses from financial items	9	9.9	10.0
Other operating income	10	197.6	168.8
Total operating income		**1,519.6**	**1,368.4**
Staff costs	11	–351.0	–311.4
Other administration expenses	12, 13, 14	–652.1	–587.8
Total administration expenses		**–1,003.1**	**–899.2**
Depreciation/amortisation and impairment of property and equipment/intangible assets	15	–82.9	–82.3
Total operating expenses		**–1,086.0**	**–981.5**
Profit before loan losses		**433.6**	**386.9**
Loan losses, net	16	–48.2	–41.6
Operating profit		**385.4**	**345.3**
Tax	17	–87.6	–100.0
NET PROFIT FOR THE YEAR		**297.8**	**245.3**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	2011	2010
Net profit for the year	**297.8**	**245.3**
Other comprehensive income		
Available-for-sale financial assets		
Change in fair value	193.6	28.8
Reclassification adjustments on realised securities	–26.5	–
Tax	–43.9	–7.6
Other comprehensive income for the year, net after tax	**123.2**	**21.2**
Comprehensive income for the year	**421.0**	**266.5**

CONSOLIDATED BALANCE SHEET

SEK M	Note	2011-12-31	2010-12-31
ASSETS			
Cash and balances with central banks		66.9	84.8
Treasury bills and other eligible bills	18	8,341.5	4,170.0
Loans to credit institutions	19	1,706.1	1,529.8
Loans to the public	20, 21	134,011.3	117,910.2
Bonds and other interest-bearing securities	22	20,628.2	21,203.3
Shares and participations	23	10.4	10.4
Derivatives	24	1,566.7	1,041.9
Fair value changes of interest-rate-risk hedged items in portfolio hedge	25	709.9	140.6
Intangible assets	26	438.6	372.7
Property and equipment	27	9.7	13.1
Deferred tax assets	28	6.0	3.1
Other assets	29	251.2	254.4
Prepaid expenses and accrued income	30	2,309.9	1,799.5
TOTAL ASSETS		**170,056.4**	**148,533.8**
LIABILITIES AND EQUITY			
Due to credit institutions	31	2,192.0	5,212.3
Deposits and borrowing from the public	32	49,610.2	41,590.1
Debt securities in issue	33	101,279.5	89,248.0
Derivatives	24	2,458.2	2,093.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	25	1,836.6	–392.4
Deferred tax liabilities	28	58.7	72.9
Other liabilities	34	991.2	780.6
Accrued expenses and deferred income	35	3,791.6	3,130.9
Provisions	36	16.3	18.9
Subordinated liabilities	37	1,489.7	1,250.0
Total liabilities		**163,724.0**	**143,004.9**
Equity	39		
Share capital		954.9	954.9
Other capital contributed		5,025.5	4,227.5
Reserves		168.5	45.3
Retained earnings		–114.3	55.9
Net profit for the year		297.8	245.3
TOTAL EQUITY		**6,332.4**	**5,528.9**
TOTAL LIABILITIES AND EQUITY		**170,056.4**	**148,533.8**
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CONSOLIDATED CASH-FLOW STATEMENT (INDIRECT METHOD)

SEK M	2011	2010
Cash and cash equivalents, January 1	1,182.7	2,924.7
Operating activities		
Operating profit	385.4	345.3
Adjustment of non-cash items	128.4	445.3
Change in assets of operating activities		
Change in treasury bills and other eligible bills	–3,702.7	–2,240.6
Change in loans to credit institutions	22.1	–40.8
Change in loans to the public	–16,100.7	–18,365.9
Change in bonds and other interest-bearing securities	1,051.1	1,212.7
Change in derivatives	249.1	–505.7
Change in other assets	3.2	10.7
Change in liabilities of operating activities		
Change in due to credit institutions	–2,857.3	–16,039.4
Change in deposits and borrowing from the public	7,863.6	4,225.1
Change in debt securities in issue	12,441.9	28,492.1
Change in other liabilities	29.2	29.5
Change in derivatives	163.8	244.2
Cash flow from operating activities	**–322.9**	**–2,187.5**
Investing activities		
Purchase of property and equipment	–3.4	–2.1
Divestment of property and equipment	–	8.1
Acquisition of intangible assets	–142.0	–126.3
Acquisition of other financial assets	–	–
Cash flow from investing activities	**–145.4**	**–120.3**
Financing activities		
Shareholders' contribution received	798.0	850.0
Group contribution paid	–382.4	–284.2
Subordinated loans, received	1,199.7	–
Subordinated loans, amortisation	–960.0	–
Cash flow from financing activities	**655.3**	**565.8**
NET CASH FLOW FOR THE YEAR	**187.0**	**–1,742.0**
Cash and cash equivalents, December 31	**1,369.7**	**1,182.7**

SEK M	2011	2010
Non-cash items		
Depreciation of property and equipment/amortisation of intangible assets	82.9	78.2
Impairment of property and equipment and intangible assets	–	4.1
Unrealised portion of net gains/losses from financial items	–101.8	–53.3
Change in surplus value of financial assets	2.3	2.3
Loan losses, excluding recoveries	–2.7	35.0
Change in accrued expense/income	150.3	377.7
Provisions	–2.6	1.3
Total non-cash items	**128.4**	**445.3**
Cash and cash equivalents comprise:		
Cash and balances with central banks	66.9	84.8
Loans to credit institutions	1,522.8	1,324.3
Due to credit institutions	–220.0	–226.4
Total cash and cash equivalents	**1,369.7**	**1,182.7**
Interest received	9,032,9	4,939.2
Interest paid	7,221.7	3,316.6
Gross investments	145.4	128.4
Income tax paid	0.0	0.0

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, 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**
Opening balance, January 1, 2011	**954.9**	**4,227.5**	**45.3**	**55.9**	**245.3**	**5,528.9**
Net profit for the year					297.8	297.8
Other comprehensive income for the year			123.2			123.2
Comprehensive income for the year			*123.2*		*297.8*	*421.0*
Resolution by Annual General Meeting				245.3	–245.3	–
Group contribution paid				–563.8		–563.8
Tax on Group contribution paid				148.3		148.3
Conditional shareholders' contribution received		798.0				798.0
Closing balance, Dec. 31, 2011	**954.9**	**5,025.5**	**168.5**	**–114.3**	**297.8**	**6,332.4**

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 are also included.

NOTE 1 COMPANY INFORMATION

The consolidated accounts for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on December 31, 2011. 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 27, 2012. Final approval of the consolidated accounts will be made by the Parent Company's Annual General Meeting on May 7, 2012.

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, including amendment regulations) were applied. The Parent Company applies the same accounting policies as the Group except for the cases described under the Parent Company's note 2 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 54.

Changed accounting policies – voluntary change of accounting policy

The Group has during 2011 changed accounting policy concerning loan losses. The change is described in the section Loan losses below.

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

New or amended IFRSs applicable from January 1, 2011 have not had any material impact on the accounting of the Group.

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 change 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 change is suggested to come into effect in January 1, 2015, but early adoption is permitted provided that the EU has approved the standard. On December 31, 2011, the Group had treasury bills and other eligible bills, and bonds and other interest-bearing securities valued at a carrying amount of SEK 28,969.7 M, of which an expense of SEK 794.2 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.
- IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements.* With this change a new principle is established for the assessment of the existing of a controlling influence of all investments of the company. It also establishes principles for the presentation and preparation of consolidated financial statements. This change will not affect the accounting figures. The EU is expected to approve IFRS 10 during the third quarter of 2012 and it is suggested to come into effect in the fiscal year starting January 1, 2013 or later.
- IFRS 12 *Disclosure of Interest in Other Entities* includes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The aim of this IFRS is to give the reader a description of what type of company the investment refers to and what type of risk that belong to this kind of investment. Disclosures are also required about the effect of the investment on the consolidated financial statements. This change will not affect the accounting figures of the Group. The EU is expected to approve IFRS 12 during the third qarter of 2012 and it is suggested to come to effect in the fiscal year starting January 1, 2013 or later.
- IFRS 13 *Fair Value Measurement* is a standardised framework of the fair value measurement. The framework contains three valuation hierarchies concerning the input for how to measure at fair value. The Group is already applying the suggested hierarchy (see note 43 Fair value valuation techniques) and therefore this framework is not going to change the current accounting of the company. The EU is expected to approve IFRS 13 during the third quarter of 2012 and it is suggested to come to effect in the fiscal year starting January 1, 2013 or later.

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.

Group contributions

Group contributions that have been paid or received with the purpose of minimising the total tax effect of the Group are recognised directly against retained earnings after decuctions for their actual tax effect since group contributions are accounted for according to the policies of dividends and shareholders' contributions.

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 23 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 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 at the borrowing date 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 33 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.

A new accounting policy concerning loan losses has been applied during the year. The effect of this policy is that only the Group's share of the confirmed loan losses is accounted for. The share of the regional insurance companies was earlier accounted for as a part of the remuneration to the regional insurance companies in the commission expense in profit and loss and did not reduce the loan losses of the Group. The new policy is better describing the responsibilities between the Group and the regional insurance companies. Tha change has been applied retroactively and has resulted in higher commission expense with SEK 18.5 M in 2010, SEK 13.8 M in 2009, SEK 4.1 M in 2008 and SEK 7.7 M in 2007. Loan losses were reduced with the same amounts for these years.

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 with positive market value, accounts receivable and shares and participations. Financial liabilities include debt securities in issue, derivatives with negative market value, deposits and accounts payable. The policies of the Group concerning financial risk are described in the section Risk and capital management in the Board of Directors' Report.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to this in accordance with the instrument's contractual conditions. A financial liability is derecognised from the balance sheet when the rights in the contract are realised, expire or the company 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. This possibility has not been utilised during 2011. 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 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 all financial instruments be measured at fair value in financial reporting. Financial instruments that are not ongoing measured at fair value are also added transaction costs.

The ongoing measurement could be at fair value, historical cost or amortised cost depending on the category that the instrument is belonging to, see the section Classification below. For the instruments that are not ongoing measured at fair value there is an option to choose fair value as measurement policy, the Fair Value Option. The Group has not utilised this option during 2011.

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 company 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 company 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 it is not possible to determine a 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. This category is not used for any other purposes.

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.

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

Available-for-sale financial assets
The category of available-for-sale financial assets includes financial assets that the company initially decided to classify in this category and financial assets that have not been classified in any other 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 undesirable earnings effects due to financial hedging, the bank has chosen to apply hedge accounting.

The hedge-accounting strategy defined and applied by the bank is portfolio hedging of fair value in the lending and borrowing portfolio. Fair value hedge accounting means that the hedged item is 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 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.

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.

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 the present value of expected future cash flows is lower than the carrying amount.

An individual impairment loss is recognised according to the risk-based model for retail and agricultural 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 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 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.

During 2011 a transfer has been made from collective to individual impairments of agricultural exposures.

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.

The carrying amount of leased assets is tested for impairment in accordance with IAS 36 Impairment of Assets at the end of each fiscal year. The fair value less selling expenses is calculated and assessed if there is an indication of a write-down requirement. If it is not possible to calculate this value or if fair value is less than the carrying amount an assessment of the asset's value in use is also done. If both these values are less than the carrying amount an impairment is done to the highest of fair value and the value in use.

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 fifteen 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 company 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, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
Income statement 2011						
Net interest income	726.0	506.4	492.9	3.0	–	1,728.3
Net commission income/expense	–470.6	–248.6	37.8	261.7	3.5	–416.2
Net gains from financial items	6.2	4.5	–0.8	–	–	9.9
Intra-Group income	91.4	–	4.3	0.2	–95.9	0.0
Other income	188.0	0.4	62.0	0.1	–52.9	197.6
Total operating income	**541.0**	**262.7**	**596.2**	**265.0**	**–145.3**	**1,519.6**
Intra-Group expenses	–3.5	–53.0	–13.0	–26.4	–95.9	0.0
Other administration expenses	–493.4	–25.1	–342.2	–140.5	–1.9	–1,003.1
Depreciation/amortisation and impairment	–61.0	*0.0*	–21.9	–	–	–82.9
Total operating expenses	**–557.9**	**–78.1**	**–377.1**	**–166.9**	**94.0**	**–1,086.0**
Profit/loss before loan losses	**–16.9**	**184.6**	**219.1**	**98.1**	**–51.3**	**433.6**
Loan losses, net	1.1	4.0	–53.3	–	–	–48.2
Operating profit/loss	**–15.9**	**188.7**	**165.7**	**98.1**	**–51.3**	**385.4**
Balance sheet, Dec. 31, 2011						
Total assets	**76,832.3**	**117,411.8**	**12,378.4**	**247.4**	**–36,813.5**	**170,056.4**
Liabilities	70,480.3	113,070.2	11,506.0	174.6	–31,507.1	163,724.0
Equity	6,352.0	4,341.6	872.4	72.8	–5,306.4	6,332.4
Total liabilities and equity	**76,832.3**	**117,411.8**	**12,378.4**	**247.4**	**–36,813.5**	**170,056.4**
Other information per segment						
Investments	127.1	0.3	17.7	0.4	–	145.5
Income statement 2010						
Net interest income	504.8	405.8	451.5	0.7	–	1,362.8
Net commission income/expense	–279.3	–198.2	38.9	264.0	1.3	–173.3
Net gains from financial items	1.9	8.0	0.1	–	–	10.0
Intra-Group income	92.5	–	4.0	–	–96.5	0.0
Other income	153.8	0.0	52.6	0.2	–37.7	168.9
Total operating income	**473.7**	**215.6**	**547.1**	**264.9**	**–132.9**	**1,368.4**
Intra-Group expenses	–2.2	–45.1	–14.3	–33.7	95.3	0.0
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	**0.3**	**148.2**	**178.5**	**98.2**	**–38.3**	**386.9**
Loan losses, net	1.9	3.3	–46.8	–	–	–41.6
Operating profit/loss	**2.2**	**151.5**	**131.7**	**98.2**	**–38.3**	**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 and fixed assets are 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	2011	2010
Loans to credit institutions	30.0	8.2
Loans to the public	5,222.5	3,183.9
Interest-bearing securities	826.5	721.5
Derivatives		
Hedge accounting	3,319.3	1,719.1
Non-hedge accounting	131.5	1.5
Other interest income	0.0	0.2
Total interest income	**9,529.8**	**5,634.4**
of which interest income on impaired loans	–11.6	1.6
of which interest income from financial items not measured at fair value	5,252.4	3,214.1
Average interest rate on loans to the public including net leasing during the year, %	4.1	2.7

NOTE 5 INTEREST EXPENSE

SEK M	2011	2010
Due to credit institutions	–37.1	–74.1
Deposits and borrowing from the public	–845.2	–244.8
Interest-bearing securities	–3,145.4	–2,220.9
Subordinated liabilities	–68.2	–47.5
Derivatives		
Hedge accounting	–3,484.8	–1,622.0
Non-hedge accounting	–137.5	–11.6
Other interest expense	–83.3	–50.7
Total interest expense	**–7,801.5**	**–4,271.6**
of which interest expense from financial items not measured at fair value	–4,179.2	–2,638.0
Average interest rate on deposits from the public during the year, %	1.9	0.6

NOTE 6 DIVIDENDS RECEIVED

SEK M	2011	2010
Dividends received on shares	0.0	0.2
Total dividends received	**0.0**	**0.2**

NOTE 7 COMMISSION INCOME

SEK M	2011	2010
Payment mediation	63.6	81.1
Loans	78.3	72.9
Deposits	7.1	6.9
Financial guarantees	0.3	0.2
Securities	688.1	679.9
Bank cards	106.7	75.2
Other commission	3.6	2.6
Total commission income	**947.7**	**918.8**
of which commission income from financial items not measured at fair value	194.6	155.2

NOTE 8 COMMISSION EXPENSE

SEK M	2011	2010
Payment mediation	–95.7	–82.5
Securities	–375.8	–363.5
Bank cards	–82.2	–80.2
Remuneration to regional insurance companies	–793.7	–549.8
Other commission	–16.5	–16.2
Total commission expense	**–1,363.9**	**–1,092.2**
of which commission expense from financial items not measured at fair value	–793.7	–549.8

NOTE 9 NET GAINS FROM FINANCIAL ITEMS

SEK M	2011	2010
Change in fair value		
Interest-related instruments	455.6	–82.0
Currency-related instruments	18.0	–449.5
Change in fair value of hedged items	–498.7	494.8
Capital gains/losses		
Interest-related instruments	6.4	0.1
Other financial assets	–	–
Interest compensation	28.6	46.6
Total net gains from financial items	**9.9**	**10.0**

SEK M	2011	2010
Profit/loss by valuation category		
Available-for-sale financial assets, realised	51.2	24.8
Derivative assets intended for risk management, non-hedge accounting	–0.8	11.5
Other financial assets measured at fair value in profit and loss	–	–7.5
Derivative liabilities intended for risk management, non-hedge accounting	–	–5.8
Derivatives in non-hedge accounting, realised	–5.9	–
Derivatives in hedge accounting, realised	–26.6	31.3
Loans and receivables	27.0	45.6
Financial liabilities at amortised cost	–8.3	–63.2
Change in fair value of derivatives that are hedging instruments in a fair value hedge	472.0	–521.5
Change in fair value of hedged items with regard to the hedged risk in fair value hedges	–498.7	494.8
Total	**9.9**	**10.0**

NOTE 10 OTHER OPERATING INCOME

SEK M	2011	2010
Compensation from the regional insurance companies	104.6	116.0
Other income	93.0	52.8
Total other operating income	**197.6**	**168.8**

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees	2011	2010
Sweden		
Men	163	162
Women	164	144
Total	**327**	**306**

Salaries, other remuneration and social security expenses, other employees	2011	2010
Salaries and remuneration	190.9	169.2
of which variable remuneration	5.8	6.5
Social security expenses	105.8	95.2
of which pension costs	38.8	37.1
Total	**296.7**	**264.4**

Board of Directors and senior executives, number 19 (18)	2011	2010
Salaries and remuneration	22.3	20.5
of which variable remuneration	0.0	0.0
Social security expenses	17.6	15.7
of which pension costs	8.5	7.7
Total	**39.9**	**36.2**

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

Total salaries, other remuneration and social security expenses	2011	2010
Salaries and remuneration	213.3	189.7
of which variable remuneration	5.8	6.5
Social security expenses	123.4	110.9
of which pension costs	47.4	44.8
Total	**336.7**	**300.6**

Variable remuneration
Variable remuneration can be 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. One third of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and two thirds are based 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 at Wasa Kredit. The terms and conditions of this remuneration are regulated in collective agreements.

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.

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 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. In addition to this an endowment insurance is subscribed by the company with a premium of SEK 500,000 each year during five years, starting in 2011. The retirement age for the Executive Vice President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the pensionable salary. The pensionable income is the fixed income. The retirement age for an Executive Vice President and senior management is between 62 and 65. The pension between the ages 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.

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, and be 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, 2011	Dec. 31, 2010
Board members	17	17
Other senior executives	28	27

Loans to senior executives

	Bank Group		Länsförsäkringar AB Group	
	2011	2010	2011	2010
Board members	**23.1**	**23.7**	**54.2**	**32.5**
of which loans from Bank	4.5	3.2	11.1	6.0
of which loans from Hypotek	18.6	20.5	43.1	26.5
of which loans from Wasa Kredit	–	–	–	–
President and Executive Vice Presidents	**0.4**	**0.6**	**18.4**	**19.1**
of which loans from Bank	0.4	0.2	3.4	3.2
of which loans from Hypotek	–	–	15.0	15.5
of which loans from Wasa Kredit	–	0.4	–	0.4
Senior executives	**8.3**	**0.3**	**30.8**	**16.6**
of which loans from Bank	1.2	0.3	6.2	2.2
of which loans from Hypotek	7.1	–	24.6	14.4
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 2011:1) 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	2011	2010
Costs for premises	–32.1	–33.7
IT costs	–224.1	–169.5
Consultant costs	–68.9	–42.4
Marketing	–23.5	–28.0
Management costs	–105.5	–88.4
Other administration expenses	–198.0	–225.8
Total administration expenses	**–652.1**	**–587.8**

NOTE 13 REMUNERATION TO AUDITORS

SEK M	2011	2010
Audit fees		
KPMG		
– Audit assignments	–3.1	–3.2
– Audit activities other than audit assignment	–0.8	–0.6
– Tax consulting	–0.3	–0.1
– Other services	–0.6	–0.2
Deloitte		
– Audit activities other than audit assignment	–0.6	–0.6
– Other services	–0.4	–

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	2011	2010
Lease expenses paid		
Rent for premises	–27.3	–28.7
of which, variable fees	–2.4	–2.3
Leasing fees, company cars	–7.1	–7.0
Future basic rents for irrevocable leasing contracts		
Within 1 year	–16.9	–22.4
Between 1 and 5 years	–1.4	–0.7
Total	**–18.3**	**–23.1**

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

SEK M	2011	2010
Depreciation of property and equipment	–6.8	–7.1
Amortisation of intangible assets	–76.1	–70.8
Total depreciation/amortisation	**–82.9**	**–77.9**
Impairment of intangible assets	–	–4.4
Total depreciation/amortisation and impairment of assets	**–82.9**	**–82.3**

NOTE 16 LOAN LOSSES, NET

SEK M	2011	2010
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–92.7	–105.1
Reversed earlier impairment of loan losses recognised as confirmed losses	92.5	105.3
Impairment of loan losses during the year	–200.7	–109.2
Payment received for prior confirmed loan losses	41.5	26.2
Reversed impairment of loan losses no longer required	62.2	17.3
Covering of losses from related companies	–	10.0
Net expense for the year for individually assessed loan receivables	**–97.2**	**–55.5**
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	48.7	13.9
Net expense for the year for collectively assessed receivables	**48.7**	**13.9**
Net expense for the year for fulfilment of guarantees	0.3	–
Net expense of loan losses for the year	**–48.2**	**–41.6**

All information pertains to receivables from the public.

NOTE 17 TAXES

SEK M	2011	2010
Current tax		
Tax expenses for the year	–88.3	–100.7
Adjustment of tax expense pertaining to prior years	–0.3	–0.1
Total current tax	**–88.6**	**–100.8**
Deferred tax		
Change in deferred tax expense on temporary differences	1.0	0.8
Total deferred tax	**1.0**	**0.8**
Total recognised tax expense	**–87.6**	**–100.0**
Reconciliation of effective tax rate		
Profit/loss before tax	385.4	345.3
Tax in accordance with applicable tax rate for Parent Company	–101.3	–90.8
Tax on non-deductible costs	–2.7	–3.8
Tax on non-taxable income	0.3	1.8
Tax attributable to earlier years	0	0
Other	16.1	–7.2
Total tax on net profit for the year	**–87.6**	**–100.0**
Applicable tax rate	26.3%	26.3%
Effective tax rate	22.7%	29.0%
Tax items recognised in other comprehensive income		
Tax on available-for-sale financial assets	–43.9	–7.6
Total tax attributable to other comprehensive income	**–43.9**	**–7.6**

	2011			2010		
SEK M	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Tax attributable to other comprehensive income						
Available-for-sale financial assets	167.1	–43.9	123.2	28.8	–7.6	21.2

NOTE 18 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Carrying amount		
Swedish government	8,341.5	4,170.0
Total treasury bills and other eligible bills	**8,341.5**	**4,170.0**
Fair value	8,341.5	4,170.0
Amortised cost	7,943.1	4,240.4
Nominal value	7,458.0	3,900.0
Remaining term of not more than 1 year	–	1,349.3
Remaining term of more than 1 year	8,341.5	2,820.7

NOTE 19 LOANS TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Deposit, Swedish banks	–	1,250.0
Other loans to credit institutions	1,706.1	279.8
Total loans to credit institutions	**1,706.1**	**1,529.8**
Payable on demand	101.6	193.9
Remaining term of not more than 3 months	1,596.1	1,335.9
Remaining term of more than 3 months but not more than 1 year	8.4	–
Total loans to credit institutions	**1,706.1**	**1,529.8**

NOTE 20 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec. 31, 2011	Dec. 31, 2010
Loan receivables, gross		
Public sector	2,246.1	236.5
Corporate sector	9,658.6	8,723.1
Retail sector	122,390.4	109,233.4
Other	0.0	3.7
Total loan receivables, gross	**134,295.1**	**118,196.7**
Impairment of individually reserved loan receivables		
Corporate sector	–61.3	–40.5
Retail sector	–120.6	–95.3
Total individual reserves	**–181.9**	**–135.8**
Impairment of collectively reserved loan receivables		
Corporate sector	–24.0	–24.0
Retail sector	–77.9	–126.7
Other	0.0	0.0
Total collective reserves	**–101.9**	**–150.7**
Total impairment	**–283.8**	**–286.5**

SEK M	Dec. 31, 2011	Dec. 31, 2010
Loan receivables, net		
Public sector	2,246.1	236.5
Corporate sector	9,573.3	8,658.6
Retail sector	122,191.9	109,011.4
Other	0.0	3.7
Total loans to the public	**134,011.3**	**117,910.2**
Remaining term of not more than 3 months	88,754.3	72,410.0
Remaining term of more than 3 months but not more than 1 year	15,032.0	6,326.1
Remaining term of more than 1 year but not more than 5 years	29,014.2	33,723.5
Remaining term of more than 5 years	1,494.6	5,737.1
	134,295.1	**118,196.7**
Impaired loans		
Corporate sector	87.8	67.9
Retail sector	145.5	140.9
Total impaired loans	**233.3**	**208.8**

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

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, 2011			Dec. 31, 2010		
SEK M	Individual impairments	Collective impairments	Total	Individual impairments	Collective impairments	Total
Opening balance	**–135.8**	**–150.7**	**–286.5**	**–143.5**	**–164.5**	**–308.0**
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	92.5	0.0	92.5	105.3	1.8	107.1
Reversed impairment of loan losses no longer required	62.1	48.8	110.9	17.4	47.4	64.8
Impairment of loan losses during the year	–200.7	0.0	–200.7	–115.0	–35.4	–150.4
Closing balance	**–181.9**	**–101.9**	**–283.8**	**–135.8**	**–150.7**	**–286.5**

NOTE 21 FINANCIAL LEASING

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

Dec. 31, 2011, SEK M	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,020.3	3,105.7	580.1	5,706.1
Unearned financial income [1]	392.0	424.8	41.5	858.3
Gross investment	**2,412.3**	**3,530.5**	**621.6**	**6,564.4**

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**

[1] attributable to present value calculation

	2011	2010
Provision for impaired receivables pertaining to minimum lease fees	55.7	40.9
Variable portion of leasing fees included in net profit for the year	19.4	8.4

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, 2011	Dec. 31, 2010
Carrying amount		
Swedish mortgage institutions (guaranteed by Swedish government)	–	–
Swedish mortgage institutions (not guaranteed)	20,628.2	21,203.3
Other Swedish issuers	–	–
Total bonds and other interest-bearing securities	**20,628.2**	**21,203.3**
Fair value	20,628.2	21,203.3
Amortised cost	20,232.3	21,283.4
Nominal value	19,625.0	20,575.0
Market status		
Securities listed	20,628.2	21,203.3
Remaining term of not more than 1 year	5,754.1	2,830.3
Remaining term of more than 1 year	14,874.1	18,373.0

NOTE 23 SHARES AND PARTICIPATIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
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, 2011		Dec. 31, 2010	
SEK M	Nominal value	Fair value	Nominal value	Fair value
Derivates with positive values				
Derivatives in hedge accounting				
Interest	63,925.0	1,378.0	47,397.0	643.4
Currency	10,576.6	454.2	1,777.7	401.3
Collateral received, CSA	–	–265.7	–	–17.0
Other derivatives				
Interest	210.0	0.2	13,810.0	2.5
Currency	0.0	0.0	385.6	11.7
Total derivatives with positive values	**74,711.6**	**1,566.7**	**63,370.3**	**1,041.9**
Remaining term of not more than 1 year	13,641.8	74.9	25,593.7	128.1
Remaining term of more than 1 year	61,069.8	1,757.5	37,776.6	913.8
Derivatives with negative values				
Derivatives in hedge accounting				
Interest	75,199.0	1,571.0	61,594.0	1,260.1
Currency	11,852.1	887.2	10,577.1	827.7
Other derivatives				
Interest	–	–	–	–
Currency	–	–	1,343.3	5.8
Total derivates with negative values	**87,051.1**	**2,458.2**	**73,514.4**	**2,093.6**
Remaining term of not more than 1 year	22,590.0	109.6	9,490.3	83.6
Remaining term of more than 1 year	64,461.1	2,348.6	64,024.1	2,010.0

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

SEK M	Dec. 31, 2011	Dec. 31, 2010
Assets		
Carrying amount at beginning of year	140.6	767.9
Changes during the year pertaining to lending	569.3	–627.3
Carrying amount at year-end	**709.9**	**140.6**
Liabilities		
Carrying amount at beginning of year	–392.4	762.1
Changes during the year pertaining to deposits	3.6	–5.9
Changes during the year pertaining to borrowing	2,225.4	–1,148.6
Carrying amount at year-end	**1,836.6**	**–392.4**

NOTE 26 INTANGIBLE ASSETS

	Internally developed IT systems		Acquired IT systems		Total	
SEK M	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Cost						
Opening cost	753.4	641.7	27.9	22.0	781.3	663.7
Acquisitions during the year	142.0	120.4	–	5.9	142.0	126.3
Divestments during the year	–	–8.7	–	–	–	–8.7
Closing cost	**895.4**	**753.4**	**27.9**	**27.9**	**923.3**	**781.3**
Amortisation						
Opening accumulated amortisation	–378.9	–312.4	–21.2	–17.4	–400.1	–329.8
Amortisation for the year	–72.6	–67.1	–3.5	–3.8	–76.1	–70.9
Divestments during the year	–	0.6	–	–	–	0.6
Closing accumulated amortisation	**–451.5**	**–378.9**	**–24.7**	**–21.2**	**–476.2**	**–400.1**
Impairment						
Opening accumulated impairment	–8.5	–4.1	–	–	–8.5	–4.1
Impairment for the year [1)]	–	–4.4	–	–	–	–4.4
Closing accumulated impairment	**–8.5**	**–8.5**	**–**	**–**	**–8.5**	**–8.5**
Total intangible assets	**435.4**	**366.0**	**3.2**	**6.7**	**438.6**	**372.7**

[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	2011	2010
Equipment		
Opening cost	76.3	90.7
Purchases	3.5	2.2
Sales/scrapping	–6.4	–16.6
Closing cost	**73.4**	**76.3**
Opening depreciation	–63.2	–72.6
Sales/scrapping	6.3	16.6
Depreciation for the year	–6.8	–7.2
Closing accumulated depreciation	**–63.7**	**–63.2**
Closing residual value according to plan	**9.7**	**13.1**

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, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**
Other financial investment assets	–	–	–	16.2	–	16.2
Liabilities, provisions	–6.0	–5.9	–0.8	–	–6.8	–5.9
Untaxed reserves	–	–	59.5	59.5	59.5	59.5
Deferred tax assets (–)/deferred tax liabilities (+)	**–6.0**	**–5.9**	**58.7**	**75.7**	**52.7**	**69.8**
Offset	–	2.8	–	–2.8	–	–
Net deferred tax asset (–) /deferred tax liability (+)	**–6.0**	**–3.1**	**58.7**	**72.9**	**52.7**	**69.8**

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

Change in deferred tax in temporary differences and loss carryforwards

2011, SEK M	Amount at Jan. 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec. 31
Other financial investment assets	16.2	–	–16.2	–
Liabilities	–5.9	–0.9	–	–6.8
Untaxed reserves	59.5	–	–	59.5
Deferred tax asset (–)/ tax liability (+)	**69.8**	**–0.9**	**–16.2**	**52.7**

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**

NOTE 29 OTHER ASSETS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accounts receivable	233.7	205.9
Other assets	17.5	48.5
Total other assets	**251.2**	**254.4**

NOTE 30 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accrued interest income	2,170.2	1,673.3
Other accrued income	83.7	103.6
Prepaid expenses	56.0	22.6
Total prepaid expenses and accrued income	**2,309.9**	**1,799.5**

NOTE 31 DUE TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Swedish banks	1,938.0	–
Other Swedish credit institutions	254.0	5,212.3
Total due to credit institutions	**2,192.0**	**5,212.3**
Payable on demand	34.0	66.8
Remaining term of not more than 3 months	2,149.6	5,145.5
Remaining term of more than 3 months but not more than 1 year	8.4	–

Genuine repurchase transactions amount to SEK 1,938 M (4,919).

NOTE 32 DEPOSITS FROM THE PUBLIC

SEK M	Dec. 31, 2011	Dec. 31, 2010
Deposits from insurance companies	2,348.4	2,441.7
Deposits from households	43,247.0	36,647.8
Deposits from other Swedish public	4,014.8	2,500.6
Total deposits from the public	**49,610.2**	**41,590.1**
Payable on demand	49,610.2	41,590.1

Fixed-term deposits amount to SEK 20,827.1 M (11,374.9). Interest compensation is paid on premature redemption.

NOTE 33 DEBT SECURITIES IN ISSUE

SEK M	Dec. 31, 2011	Dec. 31, 2010
Commercial papers	4,622.3	4,204.9
Bond loans[1)]	96,580.0	84,945.5
Cashier's cheques issued	77.2	97.6
Total debt securities in issue	**101,279.5**	**89,248.0**
Remaining term of not more than 1 year	20,289.1	20,451.9
Remaining term of more than 1 year	80,990.4	68,796.1

[1)] Covered bonds in the Group amount to SEK 85,396 M (79,695).

NOTE 34 OTHER LIABILITIES

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accounts payable	76.0	99.3
Withheld preliminary tax, customers	109.0	30.8
Unpaid Group contributions	563.8	352.4
Other liabilities	242.4	298.1
Total other liabilities	**991.2**	**780.6**

NOTE 35 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accrued holiday pay	16.3	15.1
Accrued social security expenses	9.8	4.1
Accrued interest expense	3,127.9	2,548.1
Other accrued expenses	399.7	362.9
Prepaid rent	237.9	200.7
Total accrued expenses and deferred income	**3,791.6**	**3,130.9**

NOTE 36 PROVISIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Provision for pensions being paid	0.3	0.3
Provision for early retirement in accordance with the pension agreement	13.5	15.0
Provision for contractual obligations	1.8	1.8
Other provisions	0.7	1.8
Total provisions	**16.3**	**18.9**

Provision for contractual obligations

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

Guarantees
Guarantees include leasing guarantees and credit guarantees.

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	2011	2010
Present value of unfunded commitments	8.8	8.1
Unrecognised accumulated actuarial gains	2.1	3.9
Net amount pertaining to defined-benefit plans (see below)	**10.9**	**12.0**
The net amount is recognised in the following items in the balance sheet:		
Provisions	10.9	12.0
Change in pension liability recognised in the balance sheet:		
Opening liability, January 1	12.0	12.4
Pension costs for the year according to specification below	1.4	0.7
Settlement	–2.5	–1.1
Adjustment	–	–
Closing liability, December 31	**10.9**	**12.0**
Change in present value for the year:		
Commitments for defined-benefit plans, January 1	8.1	9.1
Costs for service during current year	0.3	0.3
Interest expense	0.2	0.2
Remuneration paid	–0.7	–0.3
Actuarial gains/loss	0.8	–1.2
Commitments for defined-benefit plans, December 31	**8.8**	**8.1**
Costs recognised in profit and loss:		
Costs for service during current year	0.3	0.3
Interest expense on commitments	0.2	0.2
Effects of reductions and settlements	0.9	0.2
Total net expenses in profit and loss	**1.4**	**0.7**
Costs are recognised in the following lines in the income statement:		
Staff costs	1.4	0.7
Assumptions pertaining to defined-benefit commitments:		
Discount rate	1.1%	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.

	2011	2010
Expenses for defined-contribution plans	38.9	37.4

Historic information

	2011	2010	2009	2008	2007
Present value of defined-benefit commitments	8.8	8.1	9.0	11.5	10.4
Experience-based adjustment pertaining to defined-benefit commitments	2.8	1.2	2.8	–2.0	–

NOTE 37 SUBORDINATED LIABILITIES

SEK M	Dec. 31, 2011	Dec. 31, 2010
Subordinated debt, LFAB	290.0	1,250.0
External subordinated debt, listed	1,199.7	–
Total subordinated liabilities	**1,489.7**	**1,250.0**

Specification of subordinated loans from Länsförsäkringar AB

	Carrying amount	Coupon rate of interest
Subordinated debt perpetual LFAB	290.0	Variable 3 months
Subordinated debt external	445.0	Variable 3 months
Subordinated debt external	754.7	Fixed
Total	**1,489.7**	

NOTE 38 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	Dec. 31, 2011		Dec. 31, 2010	
	Foreign currency	SEK	Foreign currency	SEK
Debt securities in issue				
EUR	1,993.5	17,740.6	1,163.6	10,494.9
CHF	394.2	2,889.8	314.2	2,266.4

All amounts are hedged with currency swaps or currency forward contracts. For further information also see Currency risk in the part Risk and capital management of the Board of Directors' Report.

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

SEK M	Dec. 31, 2011	Dec. 31, 2010
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	168.5	45.3
Retained earnings	4,725.9	4,098.1
Net profit for the year	297.8	245.3
Total non-restricted equity	**5,192.2**	**4,388.7**
Total equity	**6,332.4**	**5,528.9**

Specification of balance-sheet item Reserves

Fair value reserve	2011	2010
Opening reserve	45.3	24.1
Change in fair value of available-for-sale financial assets	193.6	28.8
Reclassification adjustments on realised securities	–26.5	–
Tax on available-for-sale financial assets	–43.9	–7.6
Closing reserve	**168.5**	**45.3**

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
During 2011	798.0
Total	**2,873.0**

NOTE 40 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	Dec. 31, 2011	Dec. 31, 2010
For own liabilities, pledged assets		
Pledged securities in the Riksbank	1,900.0	1,900.0
Pledged securities in Euroclear	850.0	1,150.0
Collateral provided for derivatives	–	–
Loan receivables, covered bonds	84,428.1	76,653.7
Commitments due to repurchase agreement	1,938.0	4,919.2
Other collateral for securities	15.0	15.0
Total pledged assets for own liabilities	**89,131.1**	**84,637.9**
Other pledged assets	None	None
Contingent liabilities		
Guarantees	35.2	31.2
Conditional shareholders' contribution	2,873.0	2,075.0
Early retirement at age 62 in accordance with pension agreement, 80%	54.0	59.8
Total contingent liabilities	**2,962.2**	**2,166.0**
Commitments		
Loans approved but not disbursed	5,115.4	4,670.9
Unutilised portion of overdraft facilities	2,097.4	1,755.2
Unutilised portion of credit card facilities	933.0	719.6
Total other commitments	**8,145.8**	**7,145.7**

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.

NOTE 41 INVESTMENT COMMITMENTS

There are no investment commitments.

NOTE 42 **FINANCIAL ASSETS AND LIABILITIES BY CATEGORY**

Dec. 31, 2011 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	Total	Fair value
Assets								
Cash and bank balances at central banks	66.9						66.9	66.9
Treasury bills and other eligible bills					8,341.5		8,341.5	8,341.5
Loans to credit institutions	1,706.1						1,706.1	1,706.1
Loans to the public	134,011.3						134,011.3	125,352.1
Bonds and other interest-bearing securities					20,628.2		20,628.2	20,628.2
Shares and participations					10.4		10.4	10.4
Derivatives			0.2	1,566.5			1,566.7	1,566.7
Accounts receivable	233.7						233.7	
Total assets	**136,018.0**		**0.2**	**1,566.5**	**28,980.1**		**166,564.8**	

Dec. 31, 2011 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	Total	Fair value
Liabilities						
Due to credit institutions				2,192.0	2,192.0	2,192.0
Deposits and borrowing from the public				49,610.2	49,610.2	49.636.6
Debt securities in issue				101,279.5	101,279.5	103,250.5
Derivatives			2,458.2		2,458.2	2,458.2
Accounts payable				76.0	76.0	
Subordinated liabilities				1,489.7	1,489.7	
Total liabilities			**2,458.2**	**154,647.4**	**157,105.6**	

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

Dec. 31, 2010 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	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
Accounts receivable	205.9						205.9	
Total assets	**119,730.7**	**–**	**14.1**	**1,027.8**	**25,383.7**	**–**	**146,156.3**	

Dec. 31, 2010 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	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
Accounts payable				99.3	99.3	
Subordinated liabilities				1,250.0	1,250.0	
Total liabilities	**–**	**5.8**	**2,087.8**	**137,399.7**	**139,493.3**	

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, 2011 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	8,341.5			8,341.5
Bonds and other interest-bearing securities	20,628.2			20,628.2
Shares and participations[1)]			10.4	10.4
Derivatives		1,566.7		1,566.7
Liabilities				
Derivatives		2,458.2		2,458.2

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

SEK M	Shares and participations
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.	
Opening balance, January 1, 2011	**10.4**
Total profits and losses recognised:	–
– recognised in profit/loss for the year	–
Closing balance, December 31, 2011	**10.4**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2011.	–

[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 23 regional insurance companies with subsiddiaries 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 23 regional insurance companies and assignment agreements with Länsförsäkringar AB regarding development, service, finance and IT.

Transactions

	Receivables		Liabilities		Income		Expenses	
SEK M	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**	**2011**	**2010**	**2011**	**2010**
Länsförsäkringar AB (Parent Company)	4.1	30.4	1,176.3	1,663.3	1.1	1.5	289.9	190.2
Other companies in the Länsförsäkringar AB Group	–	–	18.4	231.3	–2.2	–	36.0	4.0
Regional insurance companies	26.2	16.2	1,552.4	1,853.9	143.1	141.4	822.4	539.6
Länsförsäkringar Liv, Group	0.0	–	97.1	141.4	0.1	1.8	267.8	305.0
Other related parties	–	–	22.6	18.0	2.0	0.5	5.6	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.

NOTE 45 EVENTS AFTER BALANCE-SHEET DATE

In February, the Swedish Financial Supervisory Authority issued Länsförsäkringar Bank a remark regarding issues 2006-2010 for deficiencies in the bank's internal governance and control, and incorrect risk weights for agricultural exposures in calculations of capital requirements. At the same time, the Financial Supervisory Authority acknowledged that corrective measures had been taken. The Compliance and Risk Control functions were significantly strengthened and the capital-requirements calculations have been adjusted.

FIVE-YEAR REVIEW FOR THE PARENT COMPANY

SEK M	2011	2010	2009	2008	2007
Income statement					
Interest income	2,642.2	1,409.3	1,573.0	2,885.2	2,174.3
Interest expense	–1,916.2	–904.5	–1,152.5	–2,401.7	–1,738.4
Net interest income	**726.0**	**504.8**	**420.5**	**483.5**	**435.9**
Net commission expense	–470.6	–279.3	–204.0	–219.3	–229.1
Dividends received	0.0	0.2	0.0	0.1	0.4
Group contribution received	52.8	37.7	–	–	–
Net gains from financial items	6.2	1.9	23.5	–4.4	1.9
Other operating income	226.5	208.4	228.0	205.4	164.8
Total operating income	**540.9**	**473.7**	**468.0**	**465.3**	**373.9**
General administrative expenses	–496.9	–416.5	–460.3	–443.1	–350.4
Depreciation / amortisation	–61.0	–56.9	–51.5	–41.9	–27.2
Total expenses before loan losses	**–557.9**	**–473.4**	**–511.8**	**–485.0**	**–377.6**
Profit/loss before loan losses	**–17.0**	**0.3**	**–43.8**	**–19.7**	**–3.7**
Loan losses, net	1.1	1.9	7.2	–4.2	0.2
Operating loss	**–15.9**	**2.2**	**–36.6**	**–23.9**	**–3.5**
Tax	9.4	–0.3	3.2	5.4	3.5
Net loss for the year	**–6.5**	**1.9**	**–33.4**	**–18.5**	**0.0**
Balance sheet					
Cash and balances with central banks	66.9	84.8	80.5	81.3	71.5
Treasury bills and other eligible bills	–	1,349.3	1,999.8	–	7,964.1
Loans to credit institutions	31,029.1	28,344.4	31,721.9	36,254.1	24,554.9
Loans to the public	33,399.9	27,532.5	22,963.3	16,389.8	10,983.8
Bonds and other interest-bearing securities	6,123.7	8,720.0	20,644.4	10,946.4	3,105.3
Shares and participations	5,314.4	4,604.4	3,709.4	3,172.2	3,047.5
Derivatives	96.2	45.5	242.1	1,060.6	293.3
Fair value changes of interest-rate-risk hedged items in portfolio hedge	69.5	14.2	61.3	87.9	–0.5
Intangible assets	353.5	283.8	221.2	213.3	183.3
Property and equipment	5.2	8.8	12.5	16.1	13.2
Deferred tax assets	2.7	–	–	11.7	2.6
Other assets	55.1	63.9	89.6	93.6	89.5
Prepaid expenses and accrued income	316.1	304.7	389.9	284.3	262.5
Total assets	**76,832.3**	**71,356.3**	**82,135.9**	**68,611.3**	**50,571.0**
Due to credit institutions	2,171.7	12,363.2	29,955.5	18,730.0	5,866.3
Deposits and borrowing from the public	49,766.0	41,722.5	37,481.2	35,197.9	29,901.5
Debt securities in issue	15,883.3	9,552.6	7,336.6	7,201.3	8,967.4
Derivatives	220.5	228.8	779.9	1,039.9	211.0
Fair value changes of interest-rate-risk hedged items in portfolio hedge	80.9	–13.5	8.1	32.8	–
Other liabilities	241.0	216.0	199.1	321.5	268.5
Accrued expenses and deferred income	622.0	478.5	421.3	523.8	385.8
Provisions	5.2	4.8	4.8	31.8	9.2
Subordinated liabilities	1,489.7	1,250.0	1,250.0	1,250.0	1,150.0
Equity	6,352.0	5,553.4	4,699.4	4,282.3	3,811.3
Total liabilities and equity	**76,832.3**	**71,356.3**	**82,135.9**	**68,611.3**	**50,571.0**
Key figures					
Capital adequacy according to transition rules, %	35.5	34.4	32.4	39.9	46.7
Tier 1 ratio according to transition rules, %	30.2	29.6	27.0	32.7	38.3
Capital adequacy according to Basel II, %	38.7	35.9	35.9	45.6	46.6
Tier 1 ratio according to Basel II, %	32.9	30.9	29.9	37.4	38.2

Financial statements, Parent Company

INCOME STATEMENT – PARENT COMPANY

SEK M	Note	2011	2010
Interest income	4	2,642.2	1,409.3
Interest expense	5	–1,916.2	–904.5
Net interest income		**726.0**	**504.8**
Dividends received	6	0.0	0.2
Group contribution received	7	52.8	37.7
Commission income	8	210.5	199.0
Commission expense	9	–681.1	–478.3
Net gains from financial items	10	6.2	1.9
Other operating income	11	226.5	208.4
Total operating income		**540.9**	**473.7**
Staff costs	12	–108.6	–94.0
Other administration expenses	13, 14.15	–388.3	–322.5
Total administration expenses		**–496.9**	**–416.5**
Depreciation/amortisation and impairment of property and equipment/intangible assets	16	–61.0	–56.9
Total operating expenses		**–557.9**	**–473.4**
Profit/loss before loan losses		**–17.0**	**0.3**
Loan losses, net	17	1.1	1.9
Operating profit/loss		**–15.9**	**2.2**
Tax	18	9.4	–0.3
NET PROFIT/LOSS FOR THE YEAR		**–6.5**	**1.9**

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK M	2011	2010
Net profit/loss for the year	**–6.5**	**1.9**
Other comprehensive income		
Available-for-sale financial assets		
Change in fair value	32.6	2.8
Reclassification adjustments on realised securities	–22.8	–
Tax	–2.6	–0.7
Total other comprehensive income for the year, net after tax	**7.2**	**2.1**
Total comprehensive income for the year	**0,7**	**4.0**

BALANCE SHEET – PARENT COMPANY

SEK M	Note	Dec. 31, 2011	Dec. 31, 2010
ASSETS			
Cash and balances with central banks		66.9	84.8
Treasury bills and other eligible bills	19	–	1,349.3
Loans to credit institutions	20	31,029.1	28,344.4
Loans to the public	21	33,399.9	27,532.5
Bonds and other interest-bearing securities	22	6,123.7	8,720.0
Shares and participations	23	10.4	10.4
Shares and participations in Group companies	24	5,304.0	4,594.0
Derivatives	25	96.2	45.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	26	69.5	14.2
Intangible assets	27	353.5	283.8
Property and equipment	28	5.2	8.8
Deferred tax assets	29	2.7	–
Other assets	30	55.1	63.9
Prepaid expenses and accrued income	31	316.1	304.7
TOTAL ASSETS		**76,832,3**	**71,356.3**
LIABILITIES, PROVISIONS AND EQUITY			
Due to credit institutions	32	2,171.7	12,363.2
Deposits and borrowing from the public	33	49,766.0	41,722.5
Debt securities in issue	34	15,883.3	9,552.6
Derivatives	25	220.5	228.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	26	80.9	–13.5
Deferred tax liabilities	29	0.0	4.1
Other liabilities	35	241.0	211.9
Accrued expenses and deferred income	36	622.0	478.5
Provisions	37	5.2	4.8
Subordinated liabilities	38	1,489.7	1,250.0
Total liabilities and provisions		**70,480.3**	**65,802.9**
Equity according to swedish annual accounts act for credit institutions and securities companies (ÅRKL)	40		
Share capital		954.9	954.9
Statutory reserve		18.4	18.4
Fair value reserve		22.8	15.7
Retained earnings		5,362.4	4,562.5
Net loss for the year		–6.5	1.9
Total equity		**6,352.0**	**5,553.4**
TOTAL LIABILITIES, PROVISIONS AND EQUITY		**76,832.3**	**71,356.3**
Pledged assets, contingent liabilities and commitments	41		
For own liabilities, pledged assets		2,765.0	6,997.0
Other pledged assets		None	None
Contingent liabilities		2,920.7	2,117.3
Other commitments		7,855.0	14,526.8
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CASH-FLOW STATEMENT (INDIRECT METHOD) – PARENT COMPANY

SEK M	2011	2010
Cash and cash equivalents, January 1	**1,159.8**	**2,764.2**
Operating activities		
Operating profit	–15.9	–35.5
Adjustment of non-cash items	45.3	137.4
Change in assets of operating activities		
Change in treasury bills and other eligible bills	1,349.1	650.7
Changes in loans to subsidiaries	–2,454.0	1,790.5
Change in loans to the public	–5,837.6	–4,572.8
Change in bonds and other interest-bearing securities	2,677.8	11,754.4
Change in derivatives	–10.4	–364.9
Change in other assets	8.8	25.7
Change in liabilities of operating activities		
Change in due to credit institutions	–10,028.6	–17,611.6
Change in deposits and borrowing from the public	7,887.0	4,241.4
Change in debt securities in issue	6,287.8	2,361.0
Change in other liabilities	29.0	15.9
Change in derivatives	27.3	129.0
Cash flow from operating activities	**–34.2**	**–1,478.8**
Investing activities		
Acquisition of intangible assets	–127.1	–124.0
Divestment of intangible assets	–	8.1
Change in shares in subsidiaries	–710.0	–895.0
Divestment of other financial assets	–	–
Cash flow from investing activities	**–837.1**	**–1,010.9**
Financing activities		
Shareholders' contribution received	798.0	850.0
Group contributions received	37.7	35.3
Subordinated loans, received	1,199.7	–
Subordinated loans, amortisation	–960.0	–
Cash flow from financing activities	**1,075.4**	**885.3**
NET CASH FLOW FOR THE YEAR	**204.1**	**–1,604.4**
Cash and cash equivalents, December 31	**1,363.9**	**1,159.8**

SEK M	2011	2010
Non-cash items		
Depreciation/amortisation	61.0	57.0
Unrealised portion of net losses from financial items	–65.6	–65.5
Loan losses, excluding recoveries	–29.8	3.6
Change in accrued expense/income	132.2	142.3
Provisions	0.3	0.0
	–52.8	–
Total non-cash items	**45.3**	**137.4**
Cash and cash equivalents comprise:		
Cash and balances with central banks	66.9	84.8
Loans to credit institutions[1]	1,517.0	1,301.4
Due to credit institutions[1]	–220.0	–226.4
Total cash and cash equivalents	**1,363.9**	**1,159.8**
Interest received	2,642.1	869.1
Interest paid	1,802.9	1,513.9
Gross investments	127.1	124.0
Tax paid	0.0	0.0

[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, 2010	**954.9**	**18.4**	**13.6**	**3,745.9**	**–33.4**	**4,699.4**
Adjustment due to retroactive changes				–26.0	26.0	–
Adjusted opening balance, January 1, 2010	**954.9**	**18.4**	**13.6**	**3,719.9**	**–7.4**	**4,699.4**
Net profit for the year					1.9	1.9
Other comprehensive income for the year			2.1			2.1
Comprehensive loss for the year			*2.1*		*1.9*	*4.0*
Resolution by Annual General Meeting				–7.4	7.4	–
Conditional shareholders' contribution received				850.0		850.0
Closing balance, December 31, 2010	**954.9**	**18.4**	**15.7**	**4,562.5**	**1.9**	**5,553.4**
Opening balance, January 1, 2011	**954.9**	**18.4**	**15.7**	**4,562.5**	**1.9**	**5,553.4**
Net loss for the year					–6.5	–6.5
Other comprehensive income for the year			7.2			7.2
Comprehensive loss for the year			*7.2*		–6.5	*0.7*
Resolution by Annual General Meeting				1.9	–1.9	–
Conditional shareholders' contribution received				798.0		798.0
Closing balance, December 31, 2011	**954.9**	**18.4**	**22.8**	**5,362.4**	**–6.5**	**6,352.0**

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.

NOTE 1 COMPANY INFORMATION

The annual accounts for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on December 31, 2011. 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 27, 2012. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on May 7, 2012.

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, including amendment regulations) 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.

Changed accounting policies

The following changes have also affected the Parent Company in 2011, in addition to or in contrast to the changed accounting policies described above for the Group. The Swedish Financial Reporting Board has withdrawn UFR 2 Group Contributions and Shareholders' Contributions and made changes to the recommendation RFR 2 concerning accounting for group contribution. This means that Länsförsäkringar Bank AB (publ) has changed accounting policies concerning the accounting of group contributions paid and received from subsidiaries. Starting 2011 received group contributions will be accounted for in profit and loss and paid group contributions as an investment in shares and participations in group companies. The change has been applied retroactively in accordance with IAS 8 and a recalculation has been made for the last two years. The financial statements for the actual period, previous period and accumulated in the opening balances of the comparative period have been affected by this change. See note 45.

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.

Shareholders' contributions

Shareholders' contributions are recognised directly against the equity of the recipient and are capitalised in shares and participations of the donor.

Group contributions

Group contributions that have been received from a subsidiary are recognised in group contributions received in profit and loss according to the accounting policies of dividends. Group contributions that are paid to a subsidiary are recognised as an investment in shares and participations in group companies.

NOTE 3 SEGMENT REPORTING

Segment reporting is only submitted for the Group.

NOTE 4 INTEREST INCOME

SEK M	2011	2010
Loans to credit institutions	755.8	276.4
Loans to the public	1,264.7	691.1
Interest-bearing securities	257.9	332.1
Derivatives		
Hedge accounting	363.8	108.4
Non-hedge accounting	–	1.3
Other interest income	0.0	0.0
Total interest income	**2,642.2**	**1,409.3**
of which interest income on impaired loans	–8.3	0.8
of which interest income from financial items not measured at fair value	2,020.5	989.3
Average interest rate on loans to the public during the year, %	4.4	2.7

NOTE 5 INTEREST EXPENSE

SEK M	2011	2010
Due to credit institutions	–112.7	–177.9
Deposits and borrowing from the public	–847.3	–245.2
Interest-bearing securities	–415.5	–83.7
Subordinated liabilities	–68.2	–40.9
Derivatives		
Hedge accounting	–412.7	–311.6
Non-hedge accounting	–12.4	–11.5
Other interest expense, including government deposit insurance	–47.4	–33.7
Total interest expense	**–1,916.2**	**–904.5**
of which interest expense from financial items not measured at fair value	–1,491.2	–581.4
Average interest rate on deposits from the public during the year, %	1.9	0.6

NOTE 6 DIVIDENDS RECEIVED

SEK M	2011	2010
Dividends received on shares	0.0	0.2
Total dividends received	**0.0**	**0.2**

NOTE 7 GROUP CONTRIBUTIONS RECEIVED

SEK M	2011	2010
Group contributions received from subsidiaries	52.8	37.7
Total group contributions received	**52.8**	**37.7**

NOTE 8 COMMISSION INCOME

SEK M	2011	2010
Payment mediation	61.5	81.1
Lending	10.7	9.7
Deposit	7.1	6.9
Financial guarantees	0.3	0.2
Securities	20.6	23.3
Bank cards	106.7	75.2
Other commission	3.6	2.6
Total commission income	**210.5**	**199.0**
of which commission income from financial items not measured at fair value	124.8	92.0

NOTE 9 COMMISSION EXPENSE

SEK M	2011	2010
Payment mediation	–66.0	–60.2
Securities	–7.1	–7.7
Bank cards	–82.2	–80.2
Remuneration to regional insurance companies	–507.4	–314.7
Other commission	–18.4	–15.5
Total commission expense	**–681.1**	**–478.3**
of which commission expense from financial items not measured at fair value	–507.4	–314.7

NOTE 10 NET GAINS FROM FINANCIAL ITEMS

SEK M	2011	2010
Change in fair value		
Interest-related instruments	–12.7	258.4
Currency-related instruments	2.4	–2.4
Change in fair value of hedged items	12.1	–257.8
Capital gains/losses		
Interest-related instruments	0.7	–
Other financial assets	–	–
Interest compensation	3.7	3.7
Total net gains from financial items	**6.2**	**1.9**

SEK M	2011	2010
Profit/loss by valuation category		
Available-for-sale financial assets, realised	30.1	–
Derivative assets intended for risk management, non-hedge accounting	–	11.6
Derivatives in non-hedge accounting, realised	–5.8	–
Derivatives in hedge accounting, realised	–26.4	–
Other financial assets measured at fair value through profit or loss	–	–7.5
Derivative liabilities intended for risk management, non-hedge accounting	–	–5.8
Loans and receivables	2.1	2.7
Financial liabilities at amortised cost	6.8	–7.2
Change in fair value of derivatives that are hedging instruments in a fair value hedge	–12.7	265.9
Change in fair value of hedged items with regard to the hedged risk in fair value hedges	12.1	–257.8
Total	**6.2**	**1.9**

NOTE 11 OTHER OPERATING INCOME

SEK M	2011	2010
Compensation from the regional insurance companies	104.6	116.0
Other income	121.9	92.4
Total other operating income	**226.5**	**208.4**

NOTE 12 EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Average number of employees, Sweden	2011	2010
Men	40	38
Women	57	50
Total number of employees	**97**	**88**

Salaries, other remuneration and social security expenses, other employees	2011	2010
Salaries and remuneration	53.8	46.2
of which variable remuneration	0.5	0.4
Social security expenses	34.0	27.5
of which pension costs	14.0	11.2
Total	**87.8**	**73.7**

Board of Directors and other senior executives, 12 (12)	2011	2010
Salaries and remuneration	10.4	8.7
of which, fixed salary to the President and Executive Vice President	5.5	3.9
of which, variable remuneration to the President and Executive Vice President	0.0	0.0
of which fixed salary to other senior executives	3.9	3.7
of which variable salary to other senior executives	0.0	0.0
Social security expenses	8.8	7.7
of which pension costs	4.4	4.0
Total	**19.2**	**16.4**

Total salaries, other remuneration and social security expenses	2011	2010
Salaries and remuneration	64.3	54.9
of which variable remuneration	0.5	0.4
Social security expenses	42.8	35.2
of which pension costs	18.5	15.2
Total	**107.1**	**90.1**

Variable remuneration

Variable remuneration can be 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. One third of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and two thirds 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.

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.

NOTE 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Remuneration and other benefits for senior executives

2011, SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined contribution
Rikard Josefson, President	2.1		0.0	1.1	3.2	35
Mats Ericsson, previous President	0.4		1.5	1.3	3.2	45
Anders Borgcrantz, Executive Vice President	2.7			0.8	3.5	35
Bengt Jerning, Executive Vice President	1.3		0.0	0.6	1.9	38
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	0.2				0.2	
Christian Bille, Board member	0.2				0.2	
Other senior executives (5)						
Parent Company (3)	3.9		0.0	1.5	5.4	37
Subsidiaries (2)	1.9		0.0	0.9	2.8	38
Total 2011	**13.5**		**1.5**	**6.2**	**21.2**	
Total remuneration from Parent Company	8.9		1.5	4.5	14.9	
Total remuneration from subsidiaries	4.6		0.0	1.7	6.3	

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		0.0	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	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				0.0	
Other senior executives (5)						
Parent Company (3)	3.7		0.0	1.6	5.3	38
Subsidiaries (2)	4.4		0.0	1.6	6.0	38
Total 2010	**15.5**		**0.0**	**6.3**	**21.8**	
Total remuneration from Parent Company	8.7		0.0	4.0	12.7	
Total remuneration from subsidiaries	6.8		0.0	2.3	9.1	

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. In addition to this an endowment insurance is subscribed by the company with a premium of SEK 500,000 each year during five years, starting 2011. The retirement age for the Executive Vice president is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. The retirement age for an Executive Vice President and 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 an Executive Vice President and 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).

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.

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, 2011	Dec. 31, 2010
Board members	11	22
Other senior executives	36	40

NOTE 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

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

	Bank Group		Parent Company		Länsförsäkringar AB Group	
	2011	2010	2011	2010	2011	2010
Board members	**23.1**	**23.7**	**18.4**	**11.2**	**54.2**	**32.5**
of which loans from Bank	4.5	3.2	4.5	1.5	11.1	6.0
of which loans from Hypotek	18.6	20.5	13.9	9.7	43.1	26.5
of which loans from Wasa Kredit	–	–	–	–	–	–
President and Executive Vice Presidents	**0.4**	**0.6**	**–**	**0.1**	**18.4**	**19.1**
of which loans from Bank	0.4	0.2	–	0.1	3.4	3.2
of which loans from Hypotek	–	–	–	–	15.0	15.5
of which loans from Wasa Kredit	–	0.4	–	–	–	0.4
Senior executives	**8.3**	**0.3**	**0.3**	**0.3**	**30.8**	**16.6**
of which loans from Bank	1.2	0.3	0.3	0.3	6.2	2.2
of which loans from Hypotek	7.1	–	–	–	24.6	14.4
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 2011:1) 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 13 OTHER ADMINISTRATION EXPENSES

SEK M	2011	2010
Costs for premises	–13.0	–13.9
IT costs	–168.2	–138.4
Consultant costs	–50.3	–32.6
Marketing	–6.6	–10.9
Management costs	–29.7	–6.7
Other administration expenses	–120.5	–120.0
Total administration expenses	**–388.3**	**–322.5**

NOTE 14 REMUNERATION TO AUDITORS

SEK M	2011	2010
Audit fees		
KPMG		
– Audit assignments	–1.6	–1.6
– Audit activities other than audit assignment	–0.3	–0.3
– Tax consulting	–	–
– Other services	–0.4	–

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 15 OPERATIONAL LEASING

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

SEK M	2011	2010
Lease expenses paid		
Rent for premises	–13.0	–13.4
Leasing fees, company cars	–0.7	–0.4
Future basic rents for irrevocable leasing contracts		
Within 1 year	–13.0	–13.4

NOTE 16 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT / INTANGIBLE ASSETS

SEK M	2011	2010
Depreciation of property and equipment	–3.6	–3.6
Amortisation of intangible assets	–57.4	–53.3
Total depreciation/amortisation and impairment of assets	**–61.0**	**–56.9**

NOTE 17 LOAN LOSSES, NET

SEK M	2011	2010
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–31.9	–6.9
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	47.3	6.6
Impairment of loan losses during the year	–85.4	–29.1
Payment received for prior confirmed loan losses	2.9	2.4
Reversed impairment of loan losses no longer required	20.6	21.7
Net expense for the year for individually assessed receivables	**–46.5**	**–5.3**
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	47.3	7.2
Net expense for the year for collectively assessed receivables	**47.3**	**7.2**
Net expense for the year for fulfilment of guarantees	**0.3**	**–**
Net expense of loan losses for the year	**1.1**	**1.9**

All information pertains to receivables from the public.

NOTE 18 TAX ON NET PROFIT FOR THE YEAR

SEK M	2011	2010
Current tax		
Tax expense/tax income for the year	8.1	–0.1
Total current tax	**8.1**	**–0.1**
Deferred tax		
Change in deferred tax expense on temporary differences	1.3	–0.2
Total deferred tax	**1.3**	**–0.2**
Total recognised tax expense	**9.4**	**–0.3**
Reconciliation of effective tax rate		
Profit/loss before tax	–15.9	2.2
Tax in accordance with applicable tax rate for Parent Company	4.2	–0.6
Tax on non-deductible costs	–1.0	–1.0
Tax on non-taxable income	0.3	1.5
Tax on non-recognised income	–	–
Tax attributable to earlier years	0.3	0.2
Other	5.6	–0.4
Total tax on net profit for the year	**9.4**	**–0.3**
Applicable tax rate	26.3%	26.3%
Effective tax rate	58.8%	11.5%
Tax items reported in other comprehensive income		
Tax on available-for-sale financial assets	–2.6	–0.7

Tax attributable to other comprehensive income	**2011**			**2010**		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Available-for-sale financial assets	9.8	2.6	7.2	2.8	–0.7	2.1

NOTE 19 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Swedish government	–	1,349.3
Total treasury bills and other eligible bills	**–**	**1,349.3**
Fair value	–	1,349.3
Amortised cost	–	1,349.1
Nominal value	–	1,350.0
Remaining term of not more than 1 year	–	1,349.3

NOTE 20 LOANS TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Loans to subsidiaries	29,418.3	26,957.1
Deposits, Swedish banks	–	1,250.0
Other loans to credit institutions	1,610.8	137.3
Total loans to credit institutions	**31,029.1**	**28,344.4**
Payable on demand	23.6	51.4
Remaining term of not more than 3 months	1,596.1	3,357.3
Remaining term of more than 3 months but not more than 1 year	28,643.4	24,169.7
Remaining term of more than 1 year but not more than 5 years	–	–
Remaining term of more than 5 years	766.0	766.0
Total loans to credit institutions	**31,029.1**	**28,344.4**

True repurchase transactions amounts to SEK 1,493.4 M (1,988.1), of which SEK 0.0 M (1,988.1) with Group companies.

NOTE 21 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec. 31, 2011	Dec. 31, 2010
Loan receivables, gross		
Public sector	1,952.6	–
Corporate sector	1,601.4	1,359.4
Retail sector	29,943.8	26,297.1
Other	–	3.7
Total loan receivables, gross	**33,497.8**	**27,660.2**
Impairment of individually reserved loan receivables		
Corporate sector	–10.8	–3.9
Retail sector	–57.8	–47.3
Total individual reserves	**–68.6**	**–51.2**
Impairment of collectively reserved loan receivables		
Corporate sector	–3.4	–6.2
Retail sector	–25.9	–70.3
Other	–	0
Total collective reserves	**–29.3**	**–76.5**
Total reserves	**–97.9**	**–127.7**
Loan receivables, net		
Public sector	1,952.5	–
Corporate sector	1,587.3	1,349.3
Retail sector	29,860.0	26,179.5
Other	–	3.7
Total loan receivables, net	**33,399.9**	**27,532.5**
Remaining term of not more than 3 months	27,736.7	24,211.6
Remaining term of more than 3 months but not more than 1 year	1,898.4	756.7
Remaining term of more than 1 year but not more than 5 years	3,650.7	2,446.9
Remaining term of more than 5 years	212.0	245.0
	33,497.8	**27,660.2**
Impaired loans		
Corporate sector	4.2	2.4
Retail sector	48.0	59.0
Total impaired loans	**52.2**	**61.4**

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 21 LOANS TO THE PUBLIC, cont.

Reconciliation of impairment of loan losses

SEK M	Dec. 31, 2011 Individual impairments	Dec. 31, 2011 Collective impairments	Dec. 31, 2011 Total	Dec. 31, 2010 Individual impairments	Dec. 31, 2010 Collective impairments	Dec. 31, 2010 Total
Opening balance	–51.2	–76.5	–127.7	–40.3	–83.8	–124.1
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	47.3	0.0	47.3	6.6	0.0	6.6
Reversed impairment of loan losses no longer required	20.6	47.2	67.8	11.6	7.3	18.9
Impairment of loan losses during the year	–85.3	0	–85.3	–29.1	0.0	–29.1
Closing balance	**–68.6**	**–29.3**	**–97.9**	**–51.2**	**–76.5**	**–127.7**

NOTE 22 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	Dec. 31, 2011	Dec. 31, 2010
Carrying amount		
Swedish mortgage institutions (guaranteed by Swedish government)	–	–
Swedish mortgage institutions (not guaranteed)	6,123.7	8,720.0
Other Swedish issuers (not guaranteed by Swedish government)	–	–
	6,123.7	**8,720.0**
Fair value	6,123.7	8,720.0
Amortised cost	6,026.3	8,704.1
Nominal value	5,900.0	8,500.0
Market status		
Securities listed	6,123.7	8,720.0
Remaining term of not more than 1 year	1,030.8	2,830.3
Remaining term of more than 1 year	5,092.9	5,889.7

NOTE 23 SHARES AND PARTICIPATIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Other shares and participations	10.4	10.4
Total shares and participations	**10.4**	**10.4**

All shares are unlisted.

NOTE 24 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

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

SEK M	Dec. 31, 2011 Number of shares	Dec. 31, 2011 Nominal value	Dec. 31, 2011 Carrying amount	Dec. 31, 2010 Number of shares	Dec. 31, 2010 Nominal value	Dec. 31, 2010 Carrying amount
Wasa Kredit AB (556311-9204)	875,000	87.5	787.8	875,000	87.5	787.8
Länsförsäkringar Hypotek AB (556244-1781)	70,335	70.3	4,351.2	70,335	70.3	3,641.2
Länsförsäkringar Fondförvaltning AB (556364-2783)	15,000	1.5	165.0	15,000	1.5	165.0
Total shares and participations in Group companies			**5,304.0**			**4,594.0**

SEK M	2011 Wasa Kredit AB	2011 Länsförsäkringar Hypotek AB	2011 Länsförsäkringar Fondförvaltning AB	2011 Total	2010 Wasa Kredit AB	2010 Länsförsäkringar Hypotek AB	2010 Länsförsäkringar Fondförvaltning AB	2010 Total
Carrying amount at beginning of year	787.8	3,641.2	165.0	4,594.0	637.8	2,896.2	165.0	3,699.0
Conditional shareholders' contribution		710.0		710.0	150.0	745.0		895.0
Carrying amount at end of year	**787.8**	**4,351.2**	**165.0**	**5,304.0**	**787.8**	**3,641.2**	**165.0**	**4,594.0**

Equity and profit after tax in subsidiaries, SEK M	2011 Equity	2011 Net profit for the year	2010 Equity	2010 Net profit for the year
Wasa Kredit AB (including 73.7% of untaxed reserves)	705.6	120.6	710.7	94.5
Länsförsäkringar Hypotek AB	4,341.6	149.5	3,622.3	104.8
Länsförsäkringar Fondförvaltning AB	72.8	72.1	73.5	72.2
Total	**5,120.0**	**342.2**	**4,406.5**	**271.5**

NOTE 25 DERIVATIVES

SEK M	Dec. 31, 2011 Nominal value	Dec. 31, 2011 Fair value	Dec. 31, 2010 Nominal value	Dec. 31, 2010 Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest	4,530.0	85.8	3,280.0	33.8
Collateral received, CSA	–	10.4	–	–
Other				
Currency	–	–	385.6	11.7
Total derivatives with positive values	**4,530.0**	**96.2**	**3,665.6**	**45.5**
Remaining term of not more than 1 year	2,300.0	1.3	1,185.6	13.2
Remaining term of more than 1 year	2,230.0	84.5	2,480.0	32.3
Derivatives with negative values				
Derivatives in hedge accounting				
Interest	14,030.0	220.5	7,888.0	223.0
Other				
Interest	–	–	–	–
Currency	–	–	1,343.3	5.8
Total derivatives with negative values	**14,030.0**	**220.5**	**9,231.3**	**228.8**
Remaining term of not more than 1 year	4,045.0	30.1	3,875.3	34.7
Remaining term of more than 1 year	9,985.0	190.3	5,356.0	194.1

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

SEK M	Dec. 31, 2011	Dec. 31, 2010
Assets		
Carrying amount at beginning of year	14.2	61.3
Changes during the year pertaining to lending	55.3	–47.1
Carrying amount at year-end	**69.5**	**14.2**
Liabilities		
Carrying amount at beginning of year	–13.5	8.1
Changes during the year pertaining to deposits	3.7	–5.9
Changes during the year pertaining to borrowing	90.7	–15.7
Carrying amount at year-end	**80.9**	**–13.5**

NOTE 27 INTANGIBLE ASSETS

	Internally developed IT systems		Acquired IT systems		Total	
SEK M	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**
Cost						
Opening cost	597.1	487.7	27.9	22.0	625.0	509.7
Acquisitions during the year	127.1	118.1	–	5.9	127.1	124.0
Divestments during the year	–	–8.7	–	–	–	–8.7
Closing cost	724.2	597.1	27.9	27.9	752.1	625.0
Amortisation						
Opening accumulated amortisation	–320.0	–271.0	–21.2	–17.5	–341.2	–288.5
Amortisation for the year	–53.9	–49.6	–3.5	–3.7	–57.4	–53.3
Reversed amortisation, divestments	–	0.6	–	–	–	0.6
Closing accumulated amortisation	**–373.9**	**–320.0**	**–24.7**	**–21.2**	**–398.6**	**–341.2**
Total intangible assets	**350.3**	**277.1**	**3.2**	**6.7**	**353.5**	**283.8**

NOTE 28 PROPERTY AND EQUIPMENT

SEK M	Dec. 31, 2011	Dec. 31, 2010
Equipment		
Opening cost	24.3	40.3
Sales/scrapping	–	–16.0
Closing cost	**24.3**	**24.3**
Opening depreciation	–15.5	–27.8
Reversed depreciation, sales/scrapping	–	16.0
Depreciation for the year	–3.6	–3.7
Closing accumulated depreciation	**–19.1**	**–15.5**
Total property and equipment	**5.2**	**8.8**

NOTE 29 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, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**
Other financial investment assets	–	–	–	5.6	–	5.6
Liabilities	–2.7	–1.5	–	–	–2.7	–1.5
Deferred tax assets (–)/deferred tax liabilities (+)	**–2.7**	**–1.5**	**–**	**5.6**	**–2.7**	**4.1**
Offset	–	1.5	–	–1.5	–	–
Net deferred tax asset (–) /deferred tax liability (+)	**–2.7**	**–**	**–**	**4.1**	**–2.7**	**4.1**

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

Change in deferred tax in temporary differences and loss carryforwards

SEK M	Amount at Jan. 1	Recognised in profit and loss	Reported in other comprehensive income	Amount at Dec. 31
2011				
Other financial investment assets	5.6	–	–5.6	–
Liabilities	–1.5	–1.2	–	–2.7
Utilisation of loss carryforwards	–	–	–	–
Deferred tax assets (–)/deferred tax liabilities (+)	**4.1**	**–1.2**	**–5.6**	**–2.7**
2010				
Other financial investment assets	4.9	–	0.7	5.6
Liabilities	–1.8	0.3	–	–1.5
Deferred tax assets (–)/deferred tax liabilities (+)	**3.1**	**0.3**	**0.7**	**4.1**

NOTE 30 OTHER ASSETS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accounts receivable	9.6	16.6
Other assets	45.5	47.3
Total other assets	**55.1**	**63.9**

NOTE 31 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accrued interest income	247.6	247.6
Other accrued income	40.3	42.3
Prepaid expenses	28.2	14.8
Total prepaid expenses and accrued income	**316.1**	**304.7**

NOTE 32 DUE TO CREDIT INSTITUTIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Swedish banks	–	–
Other Swedish credit institutions	2,171.7	12,363.2
Total liabilities due to credit institutions	**2,171.7**	**12,363.2**
Payable on demand	1,951.7	8,204.7
Remaining term of not more than 3 months	220.0	4,158.5
Remaining term of more than 3 months but not more than 1 year	–	–
Total	**2,171.7**	**12,363.2**

True repurchase transactions amounts to SEK – (3,932.0), of which SEK – (–) with Group companies.

NOTE 33 DEPOSITS FROM THE PUBLIC

SEK M	Dec. 31, 2011	Dec. 31, 2010
Deposits from insurance companies	2,348.4	2,441.7
Deposits from households	43,247.0	36,647.7
Deposits from other Swedish public	4,170.6	2,633.1
Total deposits from the public	**49,766.0**	**41,722.5**
Payable on demand	**49,766.0**	**41,722.5**

Fixed-term deposits amount to SEK 20,827.1 (11,374.9). Interest compensation is paid on premature redemption.

NOTE 34 DEBT SECURITIES IN ISSUE

SEK M	Dec. 31, 2011	Dec. 31, 2010
Commercial papers	4,622.3	4,204.9
Bond loans	11,183.8	5,250.1
Cashier's cheques issued	77.2	97.6
Total debt securities in issue	**15,883.3**	**9,552.6**
Remaining term of not more than 1 year	8,839.4	4,302.7
Remaining term of more than 1 year	7,043.9	5,249.9

NOTE 35 OTHER LIABILITIES

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accounts payable	34.7	54.5
Withheld preliminary tax, customers	109.0	30.9
Other liabilities	97.3	126.5
Total other liabilities	**241.0**	**211.9**

NOTE 36 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	Dec. 31, 2011	Dec. 31, 2010
Accrued holiday pay	5.1	4.5
Accrued social security expenses	8.5	3.2
Accrued interest expense	414.1	300.8
Other accrued expenses	194.3	170.0
Total accrued expenses and deferred income	**622.0**	**478.5**

NOTE 37 PROVISIONS

SEK M	Dec. 31, 2011	Dec. 31, 2010
Provisions for guarantees	1.8	1.8
Provisions for early retirement in accordance with the pension agreement	3.1	2.7
Provisions for restructuring costs	0.3	0.3
Total provisions	**5.2**	**4.8**
Provision for guarantees		
Carrying amount at beginning of year	1.8	1.8
Unutilised amount reversed during the year	–	0.0
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	2011	2010
Pension commitments		
Provisions for pensions	3.1	2.7
Total pension commitments	**3.1**	**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	2.7
Cost excluding interest expense charged to earnings	0.3	0.0
Interest expense	0.1	0.0
Capital value at December 31	**3.1**	**2.7**
Net pension commitments	**3.1**	**2.7**
Assumptions pertaining to defined-benefit commitments:		
Discount rate	2.3%	2.3%
Expected increase in salaries	3,0%	3,0%
Percentage expected to retire voluntarily at age 62	20.0%	20.0%
Memorandum items	**12.5**	**11.1**

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.

	2011	2010
Expenses for defined-contribution plans	13.9	12.5

NOTE 38 SUBORDINATED LIABILITIES

SEK M	Dec. 31, 2011	Dec. 31, 2010
Subordinated debt, LFAB	290.0	1,250.0
External subordinated debt, listed	1,199.7	–
Total subordinated liabilities	**1,489.7**	**1,250.0**

Specification of subordinated loans from Länsförsäkringar AB

SEK M	Carrying amount	Coupon rate of interest
Subordinated debt perpetual LFAB	290.0	Variable 3 months
Subordinated debt external	445.0	Variable 3 months
Subordinated debt external	754.7	Fixed
Total	**1,489.7**	

NOTE 39 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	Dec. 31, 2011		Dec. 31, 2010	
	Foreign currency	SEK	Foreign currency	SEK
Debt securities in issue				
EUR	–	–	167.7	1,512.2
CHF	–	–	30.0	216.4
Total assets and liabilities in foreign currency		**–**		**1,728.6**

All amounts are hedged with currency forward contracts.

NOTE 40 EQUITY

SEK M	Dec. 31, 2011	Dec. 31, 2010
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	22.8	15.7
Retained earnings	5,362.4	4,562.5
Net loss for the year	–6.5	1.9
Total non-restricted equity	**5,378.7**	**4,580.1**
Total equity	**6,352.0**	**5,553.4**

Specification of balance-sheet item fair value reserve

SEK M	2011	2010
Opening reserve	15.7	13.6
Change in fair value of available-for-sale financial assets	32.6	2.8
Reclassification adjustments on realised securities	–22.8	–
Tax on available-for-sale financial assets	–2.6	–0.7
Closing reserve	**22.8**	**15.7**

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
During 2011	798.0
Total	**2,873.0**

NOTE 41 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	Dec. 31, 2011	Dec. 31, 2010
For own liabilities, pledged assets		
Pledged securities in the Riksbank	1,900.0	1,900.0
Pledged securities in Euroclear	850.0	1,150.0
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	**2,765.0**	**6,997.0**
Other pledged assets	None	None
Contingent liabilities		
Guarantees	35.2	31.2
Conditional shareholders' contribution	2,873.0	2,075.0
Early retirement at age 62 in accordance with pension agreement, 80%	12.5	11.1
Total contingent liabilities	**2,920.7**	**2,117.3**
Other commitments		
Loans approved but not disbursed	906.8	1,151.2
Unutilised portion of overdraft facilities	6,015.3	12,656.0
Unutilised portion of credit card facilities	932.9	719.6
Total other commitments	**7,855.0**	**14,526.8**

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.

NOTE 42 INVESTMENT COMMITMENTS

No Investment commitment exists.

NOTE 43 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

		Financial assets at fair value through profit or loss						
Dec. 31, 2011 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**	**Total**	**Fair value**
Assets								
Cash and bank balances at central banks	66.9						66.9	66.9
Loans to credit institutions	31,029.1						31,029.1	31,029.1
Loans to the public	33,399.9						33,399.9	33,468.5
Bonds and other interest-bearing securities					6,123.7		6,123.7	6,123.7
Shares and participations					10.4		10.4	10.4
Derivatives				96.2			96.2	96.2
Accounts receivable	9.6						9.6	
Total assets	**64,505.5**			**96.2**	**6,134.1**		**70,735.8**	

	Financial liabilities at fair value through profit or loss					
Dec. 31, 2011 SEK M	**Financial liabilities according to fair value option**	**Held for trading**	**Derivatives used in hedge accounting**	**Other financial liabilities**	**Total**	**Fair value**
Liabilities						
Due to credit institutions				2,171.7	2,171.7	2,171.7
Deposits and borrowing from the public				49,766.0	49.766.0	49,636.6
Debt securities in issue				15,883.3	15,883.3	15,772,8
Derivatives			220.5		220.5	220.5
Accounts payable				34.7	34.7	
Subordinated liabilities				1,489.7	1,489.7	
Total liabilities			**220.5**	**69,345.4**	**69,565.9**	

NOTE 43 **FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.**

Dec. 31, 2010 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	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
Derivatives			11.7	33.8			45.5	45.5
Accounts receivable	16.6						16.6	
Total assets	**55,978.3**		**11.7**	**33.8**	**10,079.7**		**66,103.5**	

Dec. 31, 2010 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	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
Accounts payable				54.5	54.5	
Subordinated liabilities				1,250.0	1,250.0	
Total liabilities		**5.8**	**223.0**	**64,942.8**	**65,171.6**	

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 44 **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, 2011 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				
Bonds and other interest-bearing securities	6,123.7			6,123.7
Shares and participations[1)]			10.4	10.4
Derivatives		96.2		96.2
Liabilities				
Derivatives		220.5		220.5

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			1,349.3
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

[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.

NOTE 44 FAIR VALUE VALUATION TECHNIQUES, cont.

SEK M	Shares and participations
Opening balance, January 1, 2011	**10.4**
Total profits and losses recognised:	–
– recognised in profit for the year	–
Closing balance, December 31, 2011	**10.4**
Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2011.	–

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 45 EFFECTS OF CHANGE IN PRINCIPLES OF ACCOUNTING OF GROUP CONTRIBUTIONS

Income statement	2010
Group contributions received	37.7
Increase in tax cost	–10.0
Profit for the period	27.7

Balance sheet	2010-12-31	2010-10-01
Change in retained earnings	–27.7	–26.0
Change in profit for the period	27.7	26.0

NOTE 46 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 23 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 23 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 between related parties 2011

SEK M	Companies in the Bank Group	Other companies in the Länsförsäkringar AB Group	Länsförsäkringar Liv, Group	Regional insurance companies	Other related parties	Total
Income	818.6	1.0		130.7		950.3
Expenses	92.0	242.7	2.3	533.7	0.3	871.0
Receivables	29,435.3	4.1		26.2		29,465.6
Liabilities	2,073.8	603.5	91.4	1,489.4	22.6	4,280.7
Åtaganden	3,917.9					3,917.9

Transactions between related parties 2010

SEK M	Companies in the Bank Group	Other companies in the Länsförsäkringar AB Group	Länsförsäkringar Liv, Group	Regional insurance companies	Other related parties	Total
Income	362.3	1.4		128.1		491.8
Expenses	110.1	155.4	0.1	304.7	0.1	570.4
Receivables	26,978.2	3.6		16.2		26,998.0
Liabilities	8,270.5	1,508.4	115.6	1,779.6	18.0	11,692.1
Åtaganden	10,901.9					10,901.9

For information regarding remuneration to related key persons such as members of the Board and senior executives, refer to note 12 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 47 EVENTS AFTER BALANCE-SHEET DATE

In February, the Swedish Financial Supervisory Authority issued Länsförsäkringar Bank a remark regarding issues 2006-2010 for deficiencies in the bank's internal governance and control, and incorrect risk weights for agricultural exposures in calculations of capital requirements.At the same time, the Financial Supervisory Authority acknowledged that corrective measures had been taken. The Compliance and Risk Control functions were significantly strengthened and the capital-requirements calculations have been adjusted.

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 27, 2012

Sten Dunér
Chairman

Ingemar Larsson
Deputy Chairman

Christian Bille
Board Member

Per-Åke Holgersson
Board Member

Leif Johanson
Board Member

Örian Söderberg
Board Member

Christer Villard
Board Member

Rikard Josefson
President

Ingrid Ericson
Employee Representative

Max Rooth
Employee Representative

My audit report was submitted on March 27, 2012

Johan Bæckström
Authorised Public Accountant

This Annual Report is a translation of the Swedish Annual Report that has been reviewed by the company's auditors.

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

Report on the annual accounts and the consolidated accounts

I have audited the annual accounts and the consolidated accounts of Länsförsäkringar Bank AB (publ) for the year 2011. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 20–87.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and the consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from significant misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of significant misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, the consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Director's report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the Parent Company and the group.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and the consolidated accounts, I have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Bank AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss, I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and the consolidated accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director 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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Director's report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 27, 2012

Johan Bæckström
Authorised Public Accountant

Board of Directors and auditors

STEN DUNÉR

Born 1951. Chairman since 2009. President and CEO Länsförsäkringar AB.
Other Board appointments: Chairman of Länsförsäkringar Sak, Länsförsäkringar Fondliv, Svensk Försäkring and the Swedish Insurance Employer's Association (FAO). Board member of Länsförsäkringar Liv Försäkrings AB, Fastighets AB Balder and Svenskt Näringsliv.
Education: Master of Science in Business Economics.
Background: Group Controller Länsförsäkringar AB.

INGEMAR LARSSON

Born 1949. Deputy Chairman since 2008. President Länsförsäkringar Göteborg and Bohuslän.
Other Board appointments: Chairman of Länsförsäkringar Mäklarservice AB. Board member of Wasa Kredit AB and Platzer Fastigheter Holding AB. Education: Master of Science in Engineering.
Background: Fire Engineer Länsförsäkringar AB, President Länsförsäkringar Företagsservice AB.

CHRISTIAN BILLE

Born 1962. Board member since 2010. President Länsförsäkringar Halland.
Other Board appointments: Board member of Länsförsäkringar Hypotek. Education: Master of Science in Business and Economics.
Background: President Sparbanken Syd, Operating Manager Swedbank.

PER-ÅKE HOLGERSSON

Born 1953. Board member since 2010. Other Board appointments: Chairman of Länsförsäkring Kronoberg.
Other Board appointments: Board member of Svensk Fågels Stiftelse, Älmeboda LRF and Korrö Gård AB.
Education: Master of Science in Chemical Engeineering.
Background: Board member LF forskning och framtid and Board member of Svensk Fågel.

LEIF JOHANSON

Born 1952. Board member since 2005. President Länsförsäkringar Västernorrland.
Other Board appointements: Board member of Länsförsäkringar Västernorrland and VN Pensionsplaneraren AB.
Education: University studies in law.
Background: Regional Manager SPP, Regional Sales Director Trygg-Hansa.

ÖRIAN SÖDERBERG

Born 1952. Board member since 2009. President Länsförsäkringar Jönköping.
Other Board appointements: Chairman of Destination Jönköping and Board member of Wasa Kredit AB.
Education: Master of Laws.
Background: Executive Vice President Länsförsäkringar Stockholm and President Länsförsäkringar Fonder.

CHRISTER VILLARD

Born 1949. Board member since 2006. Other Board appointments: Chairman of Länsförsäkringar Stockholm, Wallenstam AB, Aptic AB, Stockholms köpmanklubb, the Friends of the Drottningholm Theatre, Segulah III and IV. Board member of AB Segulah.
Education: Master of Laws.
Background: Advisor to the Riksbank, President Kaupthing Bank Sweden 2001–2005, President Aragon Fondkommission.

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.
Education: Master of Science in Business and Economics.
Background: Product specialist, process developer, Credit Administrator of Länsförsäkringar Bank.

MAX ROOTH

Born 1977. Employee representative FTF (Union of Insurance Employees) since 2011.
Other Board appointments: Board member of Länsförsäkringar AB's local FTF Board.
Education: Bachelor of Arts
Background: Segment Manager and Administration Manager of Länsförsäkringar Bank. Project leader Wasa Kredit.

TORLEIF CARLSSON

Deputy Board member:
Born 1953. Elected 2010. Employee representative LFP.
Other Board appointments: Deputy Board member LFP Länsförsäkringar Fondförvaltning.
Education: Master of Laws
Background: Salesman Corporate/Life Länsförsäkringar.

Auditor: Johan Bæckström, Authorised Public Accountant, KPMG AB.

Secretary of the Board: Anna Rygaard, Born 1966. Company Lawyer at Länsförsäkringar AB.

Executive management

RIKARD JOSEFSON

Born 1965. President. Employed since June 2011.

ANDERS BORGCRANTZ

Born 1961. CFO. Employed since 2003.

SUSANNE BERGH

Born 1969. Head of Internet. Employed since 2009.

SUSANNE CALNER

Born 1969. Head of Credit. Employed since March 2012.

BENGT CLEMEDTSON

Born 1964. Head of Business. Employed since 2006.

SVEN EGGEFALK

Born 1969. President Wasa Kredit. Employed since December 2011.

EVA GOTTFRIDSDOTTER NILSSON

Born 1960. President Länsförsäkringar Fondförvaltning. Employed since 2000.

MARIA JERHAMRE ENGSTRÖM

Born 1969. Head of Product. Employed since 2006.

GÖRAN ZAKRISSON

Born 1953. Chief Risk Officer. Employed since 2004.

BENGT JERNING

Born 1953. Head of Credit until February 2012 and Executive Vice President Länsförsäkringar Bank. Employed since 1991.

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 loan
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 recievable is considered impaired to the extent that its whole amount is not covered by collateral.

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.

Reserves 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
Operating profit after standard tax as a percentage of average equity, adjusted for changes in value of financial assets that are recognised in equity.

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.

Financial calender 2012

First quarter:	
Interim report January–March	April 23, 2012
Second quarter:	
Interim report January–June	August 28, 2012
Third quarter:	
Interim report January–September	October 25, 2012

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