2009

Länsförsäkringar Bank
Annual Report

Contents

Länsförsäkringar Bank

– part of the Länsförsäkringar Alliance

Länsförsäkringar Bank is growing strongly in all areas and is Sweden's largest retail bank with business volumes valued at SEK 204 billion and 759,000 customers. Banking business can be conducted at the 116 branches of the local regional insurance companies and via the Internet and telephone. Also, Länsförsäkringar Fastighetsförmedling's more than 100 branches are part of the housing offering. All business activities are conducted in Sweden.

The banking operations offer a full range of reasonably priced banking services primarily to private individuals and farmers.

The Länsförsäkringar Alliance comprises 24 local, independent and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. All customer contacts are made at the regional insurance companies. Länsförsäkringar AB is the financial hub of the Länsförsäkringar Alliance and is responsible for conducting joint non-life insurance, life assurance operations and banking, pursues strategic development activities and provides service in areas that generate economies of scale and efficiency, with the purpose to create possibilities for the regional insurance companies to continue to grow and remain successful in their respective markets. A wide range of insurance policies, pension solutions, banking services and other financial solutions are offered to the 3.3 million customers. The Länsförsäkringar Alliance has 5,800 employees.

Länsförsäkringar Bank, which was founded in 1996, is a subsidiary of Länsförsäkringar AB and the Parent Company of the Bank Group. The Bank Group includes the subsidiaries Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondförvaltning.

Länsförsäkringar Bank
Banking services – deposits, lending and payments

Länsförsäkringar Hypotek
Retail mortgage lending

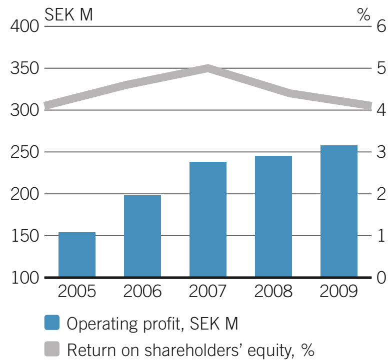
Länsförsäkringar Fondförvaltning
Investment funds

Wasa Kredit
Leasing, hire purchase and unsecured loans

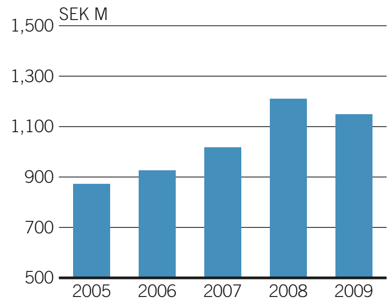
2009 in brief

- Operating profit increased 5% to SEK 258 M (245).
- Net interest income declined 5% to SEK 1,148 M (1,211).
- Net profit from financial transactions rose to SEK 100 M (1).
- Total business volumes increased 23% to SEK 204 billion (165).
- Lending increased 27% to SEK 100 billion (79).
- Credit quality was highly favourable and the operations maintained a low risk profile.
- Loan losses amounted to SEK 50 M (65), net, corresponding to a loan loss level of 0.05% (0.07).
- The Group's capital adequacy ratio amounted to 12.5% (14.6) and the Tier 1 ratio was 14.8% (17.7) according to Basel II.
- Länsförsäkringar once again has Sweden's most satisfied retail bank customers and the most satisfied retail mortgage customers in a comparison between all Swedish banks according to the 2009 Swedish Quality Index (SQI).
- The number of customers rose 8% to 759,000 (700,000) and the number of bank cards increased 23% to 223,000 (181,000).

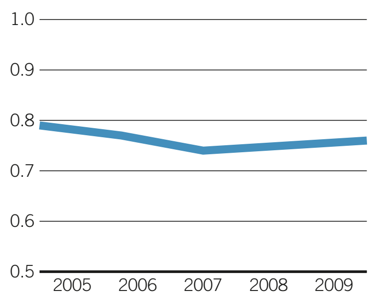

OPERATING PROFIT AND RETURN ON SHAREHOLDERS' EQUITY



NET INTEREST INCOME



COST/INCOME RATIO BEFORE LOAN LOSSES



KEY FIGURES	2009	2008	2007	2006	2005
Return on shareholders' equity, %	4.1	4.4	5.0	4.6	4.1
Return on total capital, %	0.22	0.26	0.34	0.35	0.43
Investment margin, %	0.96	1.30	1.43	1.62	1.85
Cost/income ratio before loan losses	0.76	0.75	0.74	0.77	0.79
Cost/income ratio after loan losses	0.80	0.80	0.78	0.80	0.84
Tier 1 ratio according to Basel II, %	12.5	14.6	14.4	–	–
Tier 1 ratio according to transition rules, %	8.2	8.6	8.8	8.6[1]	9.0[1]
Capital adequacy ratio according to Basel II, %	14.8	17.7	17.2	–	–
Capital adequacy ratio according to transition rules, %	9.7	10.4	10.6	10.6[1]	11.3[1]
Percentage of impaired loans, %	0.21[2]	0.22[2]	0.41	0.49	0.51
Provision ratio in relation to lending, %	0.30	0.35	0.36	0.42	0.46
Loan losses in relation to lending, %	0.05	0.07	0.07	0.07	0.10

[1] In accordance with Basel I
[2] After deductions for collateral

The banking operations will continue to generate profitable growth and strengthen the market position. Our banking offering is a major success in the market and it will continue to be successful. Customers should perceive Länsförsäkringar to be a reliable and stable banking and insurance provider and our offering will again be among the best in the forth coming years.

Statement by the President:

Strong growth in all areas

The attractive banking offering continued to strengthen our market position and in the four th quarter we surpassed SEK 200 billion in business volumes as the fifth largest Swedish retail bank. We also consolidated our position as the fifth largest Swedish fund player and noted a strong inflow of savings capital to our funds from customers during the year. Agricultural mortgages increased in volumes, and we are continuing to grow in the market. The bank card is our most important link in our relationship with customers and the number of cards is rising steadily. Länsförsäkringar's banking operations are now growing on a broad front and we will remain the challenger in the Swedish bank market, at the same time as other players are reducing their presence in the retail market.

Successful long-term strategy

The 24 local, independent and customer-owned regional insurance companies are responsible for all customer contact. They possess customer and market knowledge that is our strongest competitive edge in the market. Our vision is to be the number one choice for banking and insurance. We can now clearly see that customers' general confidence in Länsförsäkringar is going hand and in hand with a higher influx of customers and increased volumes.

The aim of the banking operations is to have the most satisfied customers, profitable growth and a higher number of customers to whom we have a close relationship. The strategy involves conducting sales and marketing activities toward the 3.3 million customers of the Länsförsäkringar Alliance. The strategic target groups are the 1.4 million home-insurance customers and the 180,000 farmers, who are insurance customers in the Alliance. The banking offering is to attract our existing banking and insurance customers and brand new customers in the market.

Sharp growth in mortgage lending in the market

The sharp growth in mortgage lending seen in recent years in the Swedish market continued in 2009. We consider the risks associated with such growth to be limited, provided that it levels out. Swedish growth has been very stable and healthy for many decades.

High credit quality

Growth in the Swedish household and retail mortgage lending markets was substantial during the year, with Länsförsäkringar increasing its lending volume based on its fixed strategy which involves a low-risk approach. The lending portfolio entirely comprises loans in Sweden, and mostly comprises lending for private housing in the form of single family homes and tenant-owned apartments, particularly first-lien mortgages for such housing. More than 90% of agricultural lending comprises lending to small, family-owned agricultural businesses. Low loan-to-value ratios combined with a favourable geographic distribution and local presence are the core pillars in ensuring that the lending portfolio maintains a high level of credit quality. Mortgage borrowers hold high credit ratings and the already favourable credit quality was further strengthened during the year.

Sweden's most satisfied bank customers

It is very pleasing that, according to the 2009 SQI, Länsförsäkringar Bank has Sweden's most satisfied retail bank customers for the fifth time and Sweden's most satisfied retail mortgage customers for the sixth time. This result confirms that our customers have a high level of confidence in the company and appreciate our work in offering reasonably priced, straightforward and clear banking services. Customers want to be able to perform their banking business safely and securely, particularly in times of uncertainty. In a climate where the conditions for players in the Swedish bank market have varied considerably, Länsförsäkringar's banking operations have remained stable and focused on working on its customers. The very base of the Länsförsäkringar philosophy is that it is the customers who are our principal and we always put their interests first. Our long-term focus is directed to stable growth and low-risk profitability.

Capitalising for continued growth

In 2009, Länsförsäkringar Bank was the only Swedish bank that retained its credit ratings from the various rating agencies and was also never put on a watchlist. Our low risk profile, stable earnings and high capitalisation were all factors in maintaining this rating. In addition, Länsförsäkringar Bank was one of the two banks – of the five largest in Sweden – that did not need to participate in any form of the government borrowing guarantee programme during the year.

Refinancing was successful during the year. The banking operations are primarily financed by covered bonds with the highest credit rating from both Standard & Poor's and Moody's, in the subsidiary Länsförsäkringar Hypotek. Deposits also comprise a key source of financing and at year-end totalled 52% of the Group's financing, excluding Länsförsäkringar Hypotek.

Stabilising economy

Due to such actions as the stimulus measures undertaken by the government and Riksbank, Sweden avoided a deep economic downturn and, instead, signs were emerging toward the end of 2009 indicating a slight stabilisation.

Continued stabilisation was also noted in the capital market at year-end. However, uncertainty surrounding the extent of the economic recovery and the continued stable functioning of the financial markets remains, particularly given the global economic climate and the debt burdens of different countries. Compared with many other European countries, Sweden has highly favourable public finances.

Challenges for 2010

The banking operations will continue to generate profitable growth and strengthen the market position. Our banking offering, which was are continuously developing together with our customers and in close cooperation with the local community, is a major success in the market. For example, banking services for small companies will be launched in 2010.

Customers should perceive Länsförsäkringar to be a reliable and stable banking and insurance provider and our offering will again be among the best in the forthcoming years.

Stockholm, March 2010

MATS ERICSSON
President

The Länsförsäkringar Alliance's basic concept of local, independent and customer-owned regional insurance companies cooperating on a voluntary basis has been in existence for more than 200 years and remains in place to this very day. The shared vision is to be the number one choice in banking and insurance.

Vision and strategy:

The number one choice

The Länsförsäkringar Alliance – a single guiding concept

The Länsförsäkringar Alliance's basic concept of local, independent and customer-owned regional insurance companies cooperating on a voluntary basis remains valid today. This concept has been successful for more than 200 years ever since the very first regional insurance company was founded. The task of the banking operations is to conduct business activities, develop products and concept, channels and tools, and provide service to the regional insurance companies so that they can offer their customers a broad range of products and services.

Vision

The shared vision of the Länsförsäkringar Alliance is to be the first choice in banking and insurance.

Business concept – reasonably priced banking services

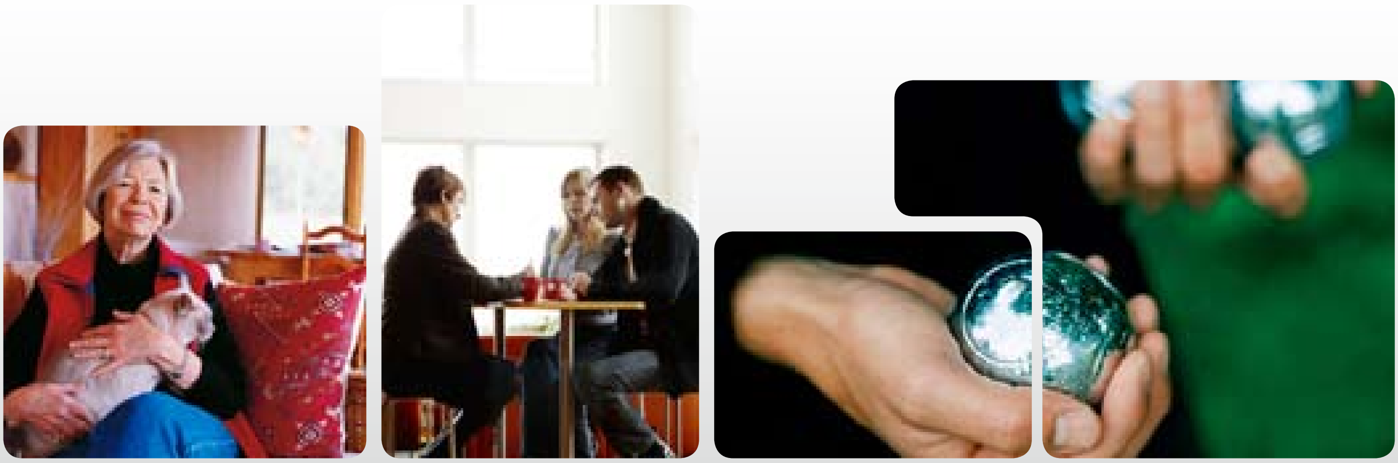
The business concept of the banking operations is to offer reasonably priced banking services to private individuals and farmers. These banking services are to be offered in such a straight-forward and clear manner that customers perceive Länsförsäkringar to be a reliable and sound choice.

Strategic target groups

The Länsförsäkringar's Alliance's 1.4 million home insurance customers and 180,000 farmers comprise the strategic target group for the banking offering.

Sales and marketing activities are conducted toward home insurance customers to encourage them to become household financing customers with Länsförsäkringar as their main bank. Länsförsäkringar has offered first-lien mortgages for agricultural and forestry properties since February 2008, which has strengthened Länsförsäkringar's offering to farmers.

Primarily existing customers, but also brand new customers, are becoming customers of Länsförsäkringar's banking operations, indicating that the banking offering strengthens Länsförsäkringar's banking and insurance offering. Priority banking and insurance customers enjoy some of the most reasonably priced and varied benefits in the market, as offered by the regional insurance companies.



Strategy and goals

The banking operations' aims are part of the Länsförsäkringar Alliance's market goals, which are:

- Profitable growth
- The most satisfied customers in banking and insurance.
- Increased proportion of customers with a close relationship to Länsförsäkringar.

The 116 branches of the regional insurance companies are responsible for all customer contact. Each regional insurance company has the best knowledge of its specific market and own customers, and builds strong customer relationships. This local presence is an integral part of the company's strategy and is a platform on which to build strong relationships with customers in personal meetings.

Target fulfilment

The banking operations' business volume has increased steadily since the company was founded in 1996 and has risen from SEK 123 billion in 2005 to SEK 204 billion in 2009. Profitability is stable.

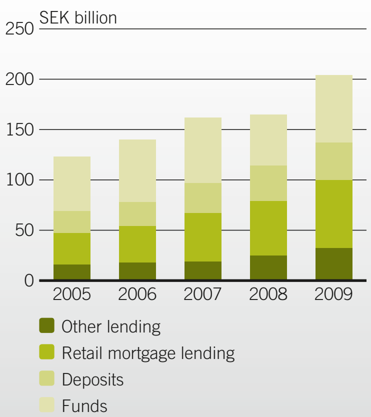
According to the 2009 SQI, Länsförsäkringar has Sweden's most satisfied retail bank customers for the fifth time and Sweden's most satisfied retail mortgage customers for the sixth time and fifth consecutive year.

The number of customers increased 8% to 759,000 (700,000) and the number of household financing customers rose 21% to 194,000 (160,000). Household financing customers have a close relationship to the bank and often have several bank and insurance products. A total of 85% (82) of household financing customers are also customers of Länsförsäkringar's non-life insurance and/or life assurance operations. More than 25% of Länsförsäkringar retail bank customers have a mortgage with Länsförsäkringar.

Brand

Länsförsäkringar has the strongest brand in the Swedish retail banking and insurance market, according to SIFO Research International's 2009 survey.

BUSINESS VOLUMES



The number of customers is gradually rising as is the number of customers who have Länsförsäkringar as their main bank. The banking operations' close customer relations contribute to broad, strong customers relations and elevated growth in Länsförsäkringar's banking and insurance activities.

Customers:

Strong core values contribute to satisfied customers

Bank close to customers

The 24 customer-owned, local and independent regional insurance companies are responsible for all customer contacts at the bank. The local presence and independence generates unique market knowledge and flexibility, providing excellent conditions for building strong relationships with customers.

Customers can perform their banking business at the 116 branches of the regional insurance companies and via the Internet and telephone. Another component of the housing offering includes the more than 100 branches of Länsförsäkringar Fastighetsförmedling located throughout Sweden.

A long-term approach – the key to success

Länsförsäkringar's success is based on its long-term approach which is based on strong core values.

Customer-owned

Since Länsförsäkringar is owned by its customers, stable growth and low-risk profitability form the basis of the operations. The main principle is customers' financial security and the customers' best interests.

Local

The local, independent regional insurance companies know their customers and markets best and build strong customer relations.

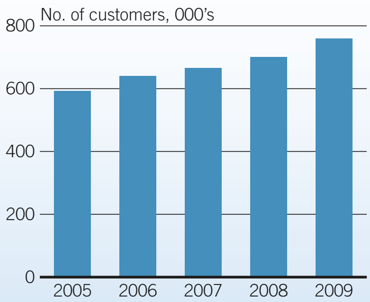
Availability

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

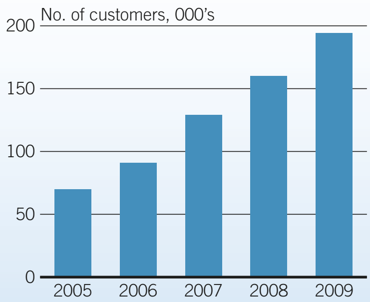
Personal service

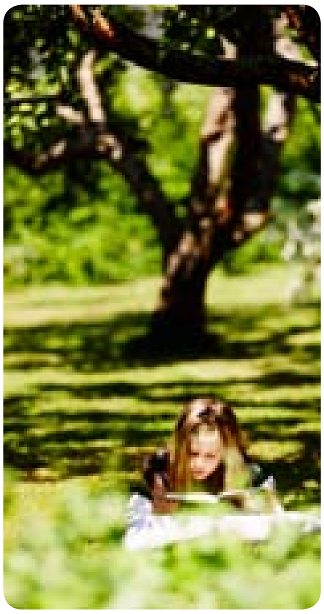
Customers shall always be able to trust Länsförsäkringar's bank advisers. The offering should be adapted to customers, clear and evident.

CUSTOMER TREND



HOUSEHOLD FINANCING CUSTOMERS





Close relationships generate growth

Customers should benefit from having a close and long-term relationship with Länsförsäkringar. That is why customers who have several products with Länsförsäkringar are rewarded. Combining several commitments with Länsförsäkringar, such as homeowner insurance, pension savings and household financing is advantageous for customers and qualifies them to receive such benefits as discounts and special offers. Combining several commitments should be an offering that represents very good value for money.

The number of customers is gradually rising and customer relationships are being strengthened with a higher number of customers who have Länsförsäkringar as their main bank. The banking operations' close customer relations contribute to broad, strong customer relations and elevated growth in Länsförsäkringar's banking and insurance activities.

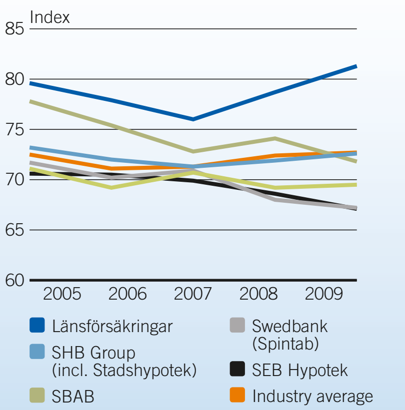
Sweden's most satisfied retail bank and mortgage customers

According to the 2009 SQI, Länsförsäkringar has Sweden's most satisfied retail bank customers for the fifth time and Sweden's most satisfied retail mortgage customers for the sixth time and fifth consecutive year.

Furthermore, Länsförsäkringar increased its lead in customer satisfaction over its competitions among retail mortgage customers. This year's survey revealed that the criteria of product quality and value-for-money had generally become more important to customers. In 2009, Länsförsäkringar was the bank that best met customer expectations in terms of products quality and service.

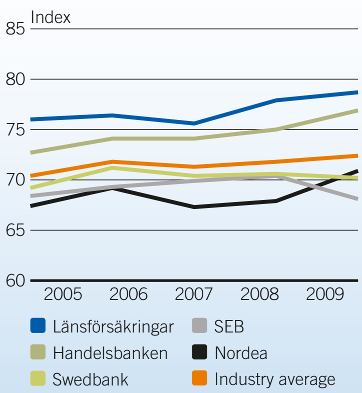
More customers now have other alternatives to their main bank. There are several reasons behind this trend and they have benefited Länsförsäkringar.

CUSTOMER SATISFACTION, MORTGAGE LOANS

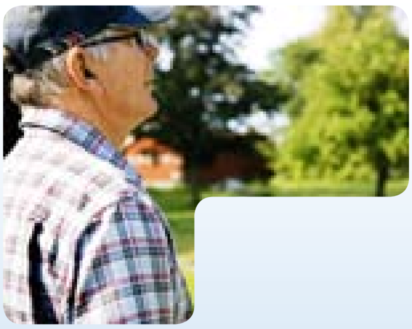


Source: Swedish Quality Index

CUSTOMER SATISFACTION, RETAIL BANKS



Source: Swedish Quality Index



Swedish household indebtedness rose in 2009. At the same time, the banks made loan terms stricter in loan origination. The largest increase in indebtedness was among households with large disposable incomes. The net financial capital and savings of households increased, alongside consumption, due to an expansive financial policy and lower interest rates. Sweden's public finances are also significantly more robust than in most other countries.

Economic environment, bank and financial market:

Recovery and stability

Swedish economy and global economy

Swedish GDP fell 4.4% in 2009, although it recovered in the fourth quarter when GDP amounted to slightly less than 0%. Furthermore, Sweden's public finances are significantly more robust than in most other countries. The export sector experienced an acid test during the year, whilst the services sector managed relatively well. Private consumption was strong. The decline in employment in the export industry was already a trend before the economic downturn hit. Industry investments also fell during the year. The increase in unemployment was not as high as expected, whereas the productivity trend was weaker. The net financial capital and savings of households increased, alongside consumption, due to an expansive financial policy and lower interest rates.

US GDP fell 2.4% during the year but a major recovery was seen in the fourth quarter, with GDP rising to 5.7%. The US housing and labour market remains a focal point and is pivotal to economic trends in both the US and the rest of the world. The weak USD improved the US current account balance.

GDP in EU countries declined 4.1% and recovery was slightly more sluggish than anticipated. Various burdens of debt among the EU countries and differences in public finances will influence the rate of recovery differently in these countries.

Growth in the rapidly emerging Asian economies, for which China represented the largest portion with an 8.7% GDP increase, contributed to the stability in and recovery of the global economy.

Stronger SEK

The SEK was up 4.5%, measured with a TCW index, and contributed to the muted inflation trend. The strengthening was essentially based on the very strong Swedish economy.

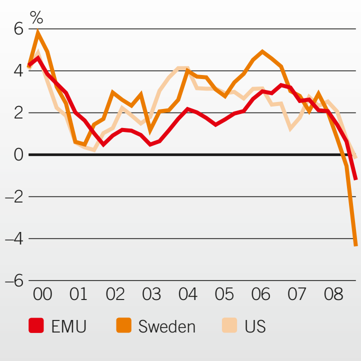
Interest-rate trend

The world was affected by falling prices and large production gaps during the year. The low use of resources justified low key interest rates. The central banks also implemented massive stimulus measures during the year.

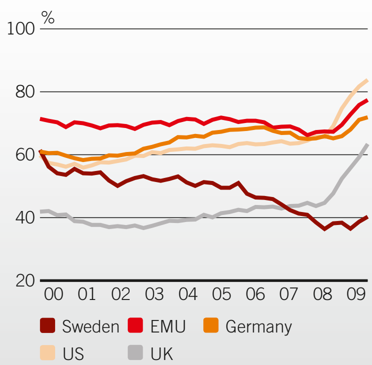
A characteristic feature of 2009 was sharp falls in short-term interest rates since the central banks had lowered interest rates to almost zero.

Long-terms interest rates were at their lowest at the beginning of the year. The

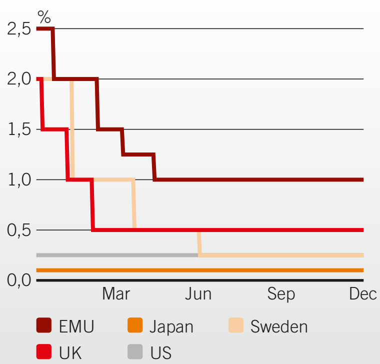
GDP GROWTH 2001–2009



NATIONAL DEBT (as a percentage of GDP)



KEY INTEREST RATE 2009



economy started to recover during the spring, and stock markets around the world improved and credit spreads narrowed. Expectations regarding interest-rate rises by the central banks emerged in the autumn, which also influenced long-term interest rates. The interest-rate curve rose steeply on a global scale and the US experienced the sharpest curve in its history.

Measures by the Riksbank and government

In 2009, the Riksbank (Sweden's central bank) continued to implement the liquidity support measures it initiated in 2008. The Riksbank extended its programme for floating-interest borrowing to include the terms of three, six and 12 months. The situation in the financial markets improved during the year, making it possible for the Riksbank to discontinue the loan facility in USD that was offered to banks earlier in the year.

The Swedish guarantee programme enabling banks, housing finance institutions and certain credit market companies to issue shares with a government guarantee was extended until April 2010 during the year. This guarantee programme amounts to SEK 1,500 billion and a total of SEK 337 billion was guaranteed on December 31, 2009. Länsförsäkringar Bank did not participate in the government's guarantee programme.

Household net financial capital

In 2009, deposits from Swedish households rose to SEK 939 billion (900) in the Swedish bank market. The net financial capital of Swedish households increased to SEK 2,981 billion (2,962) and households' savings to SEK 135 billion (87).

Swedish net fund assets rose 63% from SEK 1,017 billion to SEK 1,659 billion, primarily driven by a sharp increase on the stock markets. The Swedish fund market reported a substantial positive increase in net inflow of SEK 135 billion during the year.

Price trend in private homes

Prices of single-family homes in Sweden rose 5% during the year and levelled out toward the end of the year. A higher price trend was noted in tenant-owned apartments compared with private residences during the year. Housing prices in many locations in Sweden are as high as they were prior to the crisis in the financial system. In the US, housing prices rose 0.5%, in the UK 2.9% and in Germany they were unchanged during the year.

The housing price trend in Sweden was stronger compared with many other countries. There are several reasons for this. Higher average disposable incomes, due to lower interest rates and lower property and income tax, greatly affected the accelerating credit expansion among households and, thereby, escalating property prices. The construction of new housing in Sweden has been very low compared with other countries since the 1990s. Housing investments fell during the year, although housing construction rose again at the end of the year. The "buy-to-let" concept does not exist in the Swedish housing market and lending to households with lower credit ratings, or "sub-prime lending," does not exist either. For credit scoring, access can be gained to virtually complete financial information about borrowers in Sweden, meaning that credit-rating checks are very thorough.

Historically, retails mortgage loans to households have caused Swedish banks to incur only minor losses. Accordingly, the risks associated with retail mortgage lending and the housing price trend can be considered to be limited.

Growth in lending

Swedish household indebtedness rose in 2009. At the same time, the banks made loan terms stricter in loan origination. The largest increase in indebtedness was among households with large disposable incomes.

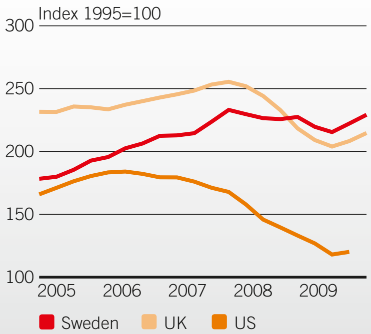
Competition remained intense among Swedish mortgage providers and household and retail mortgage lending in Sweden rose to SEK 2,221 billion (2,033).

Agriculture

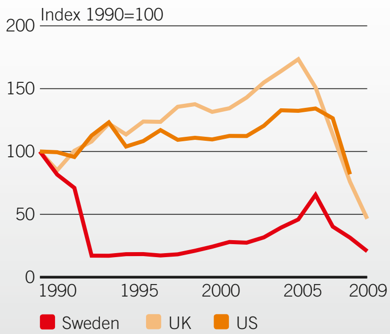
The Swedish agricultural sector generated relatively weak earnings for 2009, partly due to low transfer prices primarily in crop husbandry and dairy. The structure of the sector continued to be rationalised during the year, resulting in fewer but larger farming operations. Major resources in the form of land are often required to achieve economies of scale. Accordingly, demand for land remained high and prices of arable land rose 13% in Sweden during the year according to LRF Konsult.

Prices of Swedish arable land are often lower than comparable land in Europe, although prices are gradually being adjusted to European price levels.

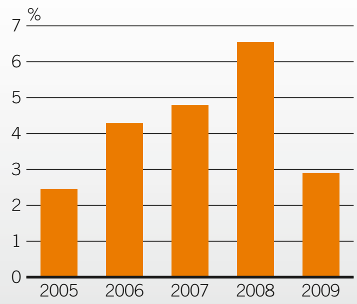
TREND IN HOUSING PRICES



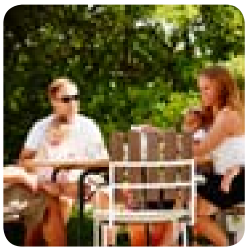
NEW CONSTRUCTION



DISPOSABLE INCOME OF HOUSEHOLDS IN SWEDEN (annual percentage change)



The banking operations offer a broad range of banking services, primarily in the retail and agricultural market, and have business volumes of SEK 204 billion.



The offering:

Sweden's fifth largest retail bank

Household and retail mortgage lending

The banking operations' lending amounted to SEK 100 billion (79), corresponding to an increase of 27% during the year. Retail mortgage lending in Länsförsäkringar Hypotek rose to SEK 68 billion (54), up 26%. The market share for household and retail mortgage lending rose to 4.0% (3.5) and the percentage of market growth during the year was nearly 11%. Länsförsäkringar is continuing to grow in the market and became the fifth largest retail bank during the year, primarily due to the company's powerful offering, mostly comprising a combination of retail mortgage lending and agricultural lending. Wasa Kredit's lending volume amounted to SEK 9.5 billion (9.0). The number of retail mortgage customers in the Bank Group rose to 138,000 (118,000), and the number of retail mortgage customers in Länsförsäkringar Hypotek increased to 134,000 (115,000).

Agriculture

Länsförsäkringar is one of the lenders that noted the highest percentage of market growth in lending to privately owned agricultural properties in Sweden. The company's own first-lien mortgage offering launched in February 2008 strengthened Länsförsäkringar's total offering to the agricultural sector.

Agricultural mortgages had a favourable geographic distribution across Sweden and increased 66% to SEK 10.8 billion (6.5). First-lien mortgages for agricultural and forestry properties rose 142% to SEK 7.8 billion (3.2). The number of agricultural customers in the bank increased to 54,000 (53,000).

Deposits

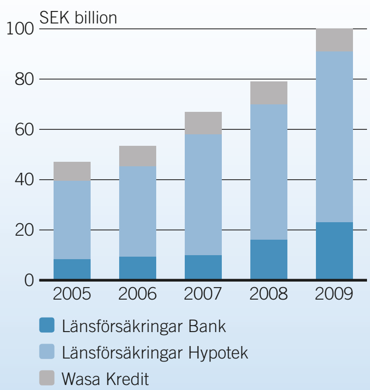
Deposits rose 6% to SEK 37 billion (35) during the year. The company's market share, measured as deposits from households, increased to 3.4% (3.2), and the share of market growth during the year was nearly 9%.

Fund management

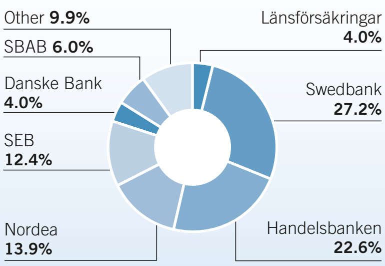
Länsförsäkringar's fund offering is one of the strongest in the market. Länsförsäkringar is the fifth largest fund company in Sweden, with a market share of 4.2% (4.2), measured in managed assets. The company's volume of managed funds increased 30% to SEK 67 billion (51). The substantial increase in fund volumes is due to the rise in value in the stock market and a positive net flow of SEK 3.4 billion (2.4). The largest net flow was in equities funds.

The company manages 30 (29) investment funds with different investment orientations. Two new index funds were added to the product range during the year, Länsförsäkringar Europe Index and Länsförsäkringar USA Index, bringing the total number of index funds to three.

LENDING VOLUMES

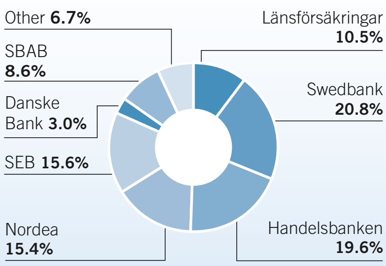


MARKET SHARES, HOUSEHOLD AND RETAIL MORTGAGE LENDING



Source: Statistics Sweden

PERCENTAGE OF MARKET GROWTH IN HOUSEHOLD AND RETAIL MORTGAGE LENDING



Source: Statistics Sweden

Household financing and bank cards

The use of bank cards as a means of payment continued to rise, with cards being used increasingly often, even for smaller amounts. Income from payment mediation continued to increase during the year. Bank card transactions, bank giro and private giro accounted for the largest volumes of the company's payment services.

The number of bank cards rose to 223,000 (181,000), up 23%, and the number of ATMs increased to 82 (77) at year-end. In-store bank card transactions accounted for 35% of all payment transactions. Länsförsäkringar's payment transactions rose to SEK 90 M (74), up 21%.

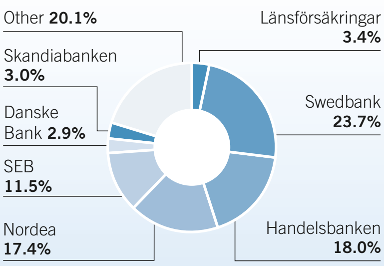
Work pertaining to SEPA (Single Euro Payment Area) continued in 2009 and will be fully implemented in 2010. SEPA's objective is to standardise the format of payment, thus creating a borderless European payment area.

A project was also launched during the year to change the company's payment services in accordance with the EU Payment Services Directive (PSD). The PSD was established to ensure the greatest possible uniformity among payment service products in the EU, thereby simplifying the payment process for customers. The national bill will take effect on April 1, 2010.

Regional insurance companies' own bank

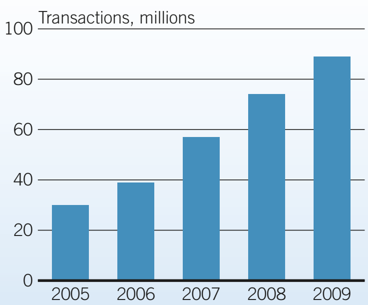
The banking operations have a special offering to satisfy the 24 regional insurance companies' savings and payment-service requirements. The number of transactions is growing and the companies' payment flows rose 23% during the year. The regional insurance companies' savings, particularly in mutual funds and stock index bonds, also increased.

MARKET SHARES OF DEPOSITS

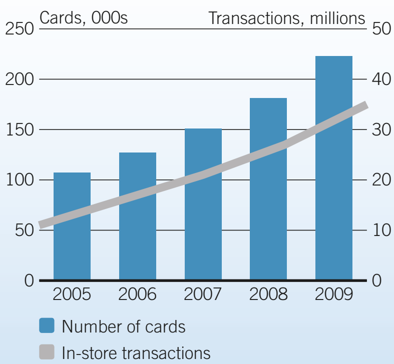


Source: Statistics Sweden

PAYMENT TRANSACTIONS



BANK CARDS AND IN-STORE BANK CARD TRANSACTIONS



The loan portfolio amounts to SEK 100 billion (79) and 84% (87) of the portfolio comprises household credits. The geographic distribution of the loan portfolio encompasses all of Sweden, and no loans were granted outside Sweden. Impaired loans and loan losses remained low. The percentage of impaired loans totalled 0.21% (0.22) and the loan loss level was 0.05% (0.07).

Credit quality:

Continued favourable credit quality

Retail mortgage and agricultural lending

During 2009, total retail mortgage lending in the Bank Group rose 27% to SEK 100 billion (79). A total of 84% (87) of the portfolio comprises household loans. The geographic distribution of the loan portfolio encompasses all of Sweden, and no loans were granted outside Sweden. Retail mortgage loans accounted for 75% (77) of the loan portfolio and agricultural loans for 11% (8). Along with retail mortgage loans, this corresponds to 86% (85) of the lending portfolio in the Bank Group. The loan portfolio has an overall favourable credit quality, with a low level of risk.

Essentially all lending that occurs in the subsidiary Länsförsäkringar Hypotek qualifies to be included in the covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223). The collateral consists exclusively of private homes in the loan portfolio of the cover pool.

Collateral and commitments

A total of 81% (84) of retail mortgage lending is secured by collateral in single-family homes and 19% (16) by collateral in tenant-owned apartments. The average loan-to-value ratio in the Bank Group's retail mortgage loan portfolio is 68% (64) and the average commitment amounts to SEK 0.9 M (0.8). A total of 37% (40) of the company's retail mortgage customers have a commitment of less than SEK 1 million. Only 6% (5) of the company's retail mortgage customers have a commitment of more than SEK 3 million.

Small-scale family-owned agricultural operations accounted for 93% (91) of agricultural loans. A total of 72% (50) of agricultural lending comprises first-lien mortgages. The average agricultural commitment amounted to SEK 1.3 M (0.9).

The loan portfolio comprises high-quality collateral and low average commitments.

Market value

Market-value analyses of the retail mortgage loan portfolio are performed on an ongoing basis. The market value of all private residences, tenant-owned apartments and leisure homes was updated on November 20, 2009.

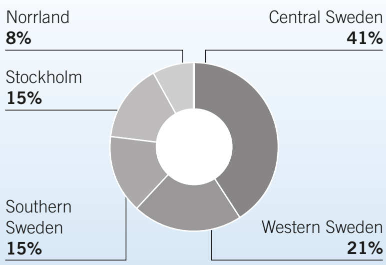
Impaired loans and reserves

The company's share of impaired loans amounted to SEK 213 M (192), corresponding to 0.21% (0.22) of the total loan portfolio before reserves. 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. Reserves amounted to SEK 308 M (307) and the provision ratio in relation to lending was 0.30% (0.35). Loan losses totalled SEK 50 M (65), corresponding to a loan loss level of 0.05% (0.07).

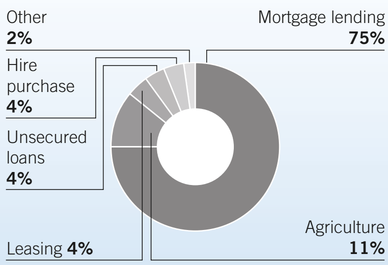
Impaired loans and loan losses continued to account for a minor percentage of total lending. Reserves were significantly larger than impaired loans, which resulted in a favourable risk buffer.

For more information concerning credit quality and credit risks, refer to Risk and capital management on page 24.

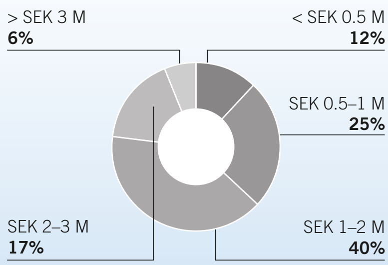
LOAN PORTFOLIO BY GEOGRAPHIC REGION



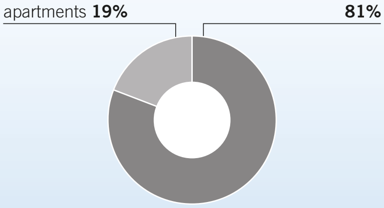
LOAN PORTFOLIO BY PRODUCT



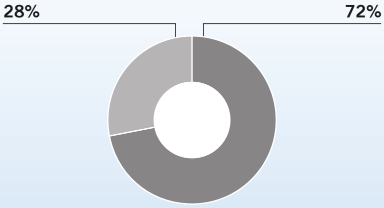
DISTRIBUTION OF COMMITMENTS IN THE RETAIL MORTGAGE LOAN PORTFOLIO



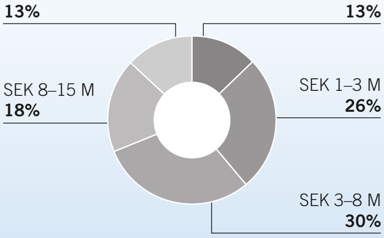
RETAIL MORTGAGE PORTION BY COLLATERAL



AGRICULTURAL LOANS BY PRODUCT



DISTRIBUTION OF COMMITMENTS IN THE AGRICULTURAL LOAN PORTFOLIO



The aim of the operations is to cover short and long-term financing requirements at a price that is in line with relevant competitors' prices. The banking operations' primary financing sources are bonds, deposits and commercial papers. The liquidity situation is favourable.

Borrowing and liquidity:

Favourable access to financing

Objective and strategy

The aim of the operations is to cover short and long-term financing requirements at a price that is in line with relevant competitors' prices. Länsförsäkringar Bank works to secure as broad an investor base as possible in the markets deemed to be central to achieving the financing strategy.

Financing sources

The majority of lending occurs through the subsidiary Länsförsäkringar Hypotek, which is financed through the issuance of covered bonds with the highest credit rating from Moody's (Aaa) and Standard & Poor's (AAA)[1]. The covered bonds are pledgeable at the Riksbank. The banking operations' primary financing sources are bonds, deposits and commercial papers. At year-end, bonds accounted for 44% of the company's financing sources, deposits for 30%, liabilities to other credit institutions for 17% and commercial papers for 5%. In addition, the Group was also financed by shareholders' equity among other sources.

Deposits in the Bank Group amounted to 52% of financing, excluding Länsförsäkringar Hypotek.

Covered bonds

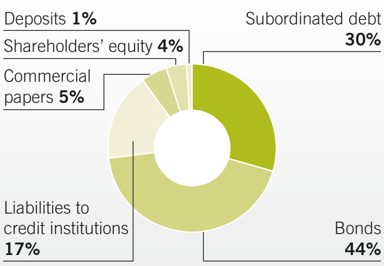
The primary source of financing in the lending market is borrowing in covered bonds in Sweden, with benchmark loans for the institutional market. One increasingly important source of financing is international borrowing in covered bonds, primarily in the euro market. Issuances are concentrated to large volumes that provide the conditions for generating high liquidity. There are five market makers for selling and trading with covered bonds. In addition, Länsförsäkringar Bank is a dealer for Länsförsäkringar Hypotek's domestic MTN programme for covered bonds

Capital market and borrowing

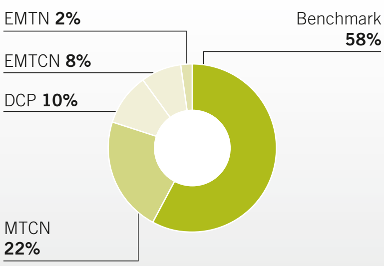
Continued stabilisation in the capital market was noted during the year, driven by monetary policy stimulus packages. During each stage of the financial crisis, Länsförsäkringar's banking operations have maintained favourable access to financing.

[1] In December 2009, Standard & Poor's introduced a new rating method for covered bonds. In conjunction with this new method, the programmes of essentially all international and Swedish issuers were added to a watchlist and given negative forecasts, including Länsförsäkringar Hypotek's covered bonds.

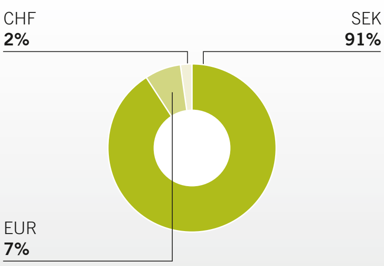
FINANCING SOURCES



BORROWING BY PROGRAMME



BORROWING BY CURRENCY



Liquidity

The banking operations have a favourable liquidity situation. The liquidity portfolio totalled SEK 27.2 billion (20.6) on December 31, 2009. All liquidity is invested in Swedish securities with very high credit quality. A total of 17% of the liquidity portfolio comprises securities with the government as the counterparty, 65% covered bonds with the highest credit rating and 18% mortgage certificates, commercial papers and housing bonds. The liquidity of the investments is very high. Länsförsäkringar Bank did not need to participate in the Swedish government's guarantee programme for banks and credit institutions.

For more information about liquidity and liquidity risk, refer to the section on Risk and capital management on page 24.

Borrowing operations during the year

Borrowing increased to SEK 62 billion (49), of which covered bonds accounted for SEK 55 billion (42). The remaining amount pertains to commercial papers.

The average remaining maturity period was 2.0 years. Covered bonds totalling SEK 32.9 billion (17.5) were issued during the year. Repurchases amounting to SEK 17.2 billion (5.7) were carried out to extend the duration, and matured securities totalled SEK 3.4 billion (7.4).

Länsförsäkringar Bank issued SEK 13.9 billion (23.5) in its domestic commercial paper programme during the year.

Adjustment of maturities

The maturity of financing with long-term borrowing is adjusted through swap contracts to achieve a fixed-interest period that is matched to the lending.

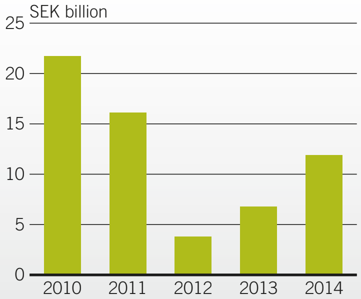
Strong rating

Länsförsäkringar Bank was one of two Swedish banks whose credit rating remained unchanged during the year, with a stable outlook from both Standard & Poor's and Moody's. The company has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The bank's rating for short-term borrowing is A-1 from Standard & Poor's and P-1 from Moody's. The company's Financial Strength Rating is C.

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

Under Standard & Poor's new rating method that was introduced in December 2009, Sweden was placed in category 2 since Standard & Poor's believed that there were certain uncertainties regarding the rights of a receiver in bankruptcy to raise liquidity in the context of a bankruptcy. To address this specific issue, Swedish legislation was clarified and the change is expected to come into effect on July 1, 2010.

BORROWING BY MATURITY



In addition, SEK 0.3 billion is due for payment in 2018 and SEK 0.1 billion in 2020. All volumes are at nominal value.

BORROWING PROGRAMMES

Programme	Limit, Nominal, SEK billion	Issued in 2009, Nominal, SEK billion	Issued in 2008, Nominal, SEK billion	Remaining, Dec. 31, 2009, Nominal, SEK billion	Remaining, Dec. 31, 2008, Nominal, SEK billion	Remaining maturity, Dec. 31, 2009, Years	Remaining maturity, Dec. 31, 2008, Years
Länsförsäkringar Hypotek							
Benchmark	Unlimited	21.5	9.3	35.5	29.3	2.8	2.1
MTCN	SEK 20 billion	11.4	6.8	13.6	7.1	1.1	1.4
EMTCN	EUR 2 billion	–	1.4	4.6	4.9	1.1	2.0
Total		**32.9**	**17.5**	**53.7**	**41.3**		
Länsförsäkringar Bank							
MTN	SEK 20 billion	–	–	0	0	0.5	1.5
DCP	SEK 15 billion	13.9	23.5	5.9	5.1	0.3	0.3
ECP	SEK 1.5 billion	–	–	–	–	–	–
EMTN	EUR 2 billion	–	–	1.1	1.7	0.2	1.1
Total		**13.9**	**23.5**	**7.0**	**6.8**		
Group total		**46.8**	**41**	**60.7**	**48.1**		

Competent and motivated employees are needed to enhance competitiveness. In its efforts to achieve this, a performance-based employee model has been introduced, aiming at expanding skills and providing a platform for internal mobility among employees. In particular, the platform will offer internal career development for promising managers.

Employees:

Corporate culture close to the business

The corporate culture stimulates skills development and enhanced business activities. The performance-based organisation is characterised by the values of trust, commitment and openness.

Managing performance

Employee performance is based on measurable and individual targets that are identified using the business plan. An annual target contract is prepared by each employee's immediate manager, who assigns targets to the employee's work duties and documents them. Employees then receive feedback on their overall performance twice a year; at mid-year and at year-end. The purpose is to encourage employee development with a close connection to the business and the performance-based organisation is a natural progression of the target-based model. Target fulfilment alone is not a key factor in the correct use of resources; the employee's methods and progress are also significant. Excellent performance is rewarded with target-based remuneration which comprises fulfilment of the overall business targets and the fulfilment of individual targets. A basic prerequisite for paying target-based remuneration is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. This reward-payment condition applies to employees and managers at all levels.

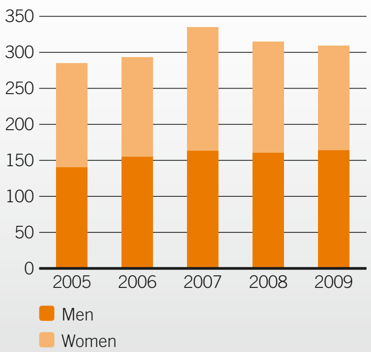
Bank Group employees

The average number of employees amounted to 309 (329) during the year, of whom women numbered 145 (161). The average age among employees is 42 for men and 44 for women. At 2.8% (3.0), sickness absence is low, and this figure has continued to drop slightly in recent years. All employees have medical insurance and preventive healthcare benefits in the form of an hour's worth of exercise every week during working hours.

Expanding skills

The organisation has an idea for the internal mobility process to develop its employees and expand skills. Future work

EMPLOYEES BY GENDER



duties, career ambitions and roles are discussed at career-development discussions to make employees more active in the planning of their own skills development. Internal mobility also offers career development prospects for promising managers. In addition to internal mobility at Länsförsäkringar AB, the structure of the Länsförsäkringar Alliance with its 24 independent regional insurance companies provides a virtually unique labour market of 5,800 employees.

Future leadership

To ensure future leadership, young talented individuals were offered a place on the specially designed Young Talent Programme in 2008 and 2009. A female manager was nominated to participate in the Ruter Dam Foundation's one-year Management Development Programme for Women Managers, which is part of Länsförsäkringar's long-term efforts to have more women in senior positions. The number of senior executives who are women rose to 29% (25) during the year.

An attractive employer

Länsförsäkringar is an attractive employer. For the seventh consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's Företagsbarometer survey. Overall, the company's results improved in this year's ranking of the most attractive employer of all categories. Länsförsäkringar also improved its ranking in Universums Karriärbarometer survey, which studies the career expectations of young graduates with a few years of work experience.

The Bank Group works actively to reduce the environmental impact of its offices and business activities. The direct environmental impact derives primarily from business travel and the consumption of electricity, heating and paper.

Environment:

Active environmental work

Aggressive pro-environment measures are conducted that in turn advance the efficiency and development of the Länsförsäkringar Alliance. For example, the use of paper will be diminished in the future by developing customer information on the Internet, which will lead to lower costs, improved customer service and clear environmental gains.

ISO 14001 environmental management systems certification has been held for five years. This certification is a guarantee that systematic environmental activities are carried out.

The commitment to the environment is not an explicit strategy but a result of what Länsförsäkringar is; it forms a natural part of Länsförsäkringar's respect of and commitment to local society.

Environmentally friendly travel

To reduce direct impact on the environment, train travel is increasingly used for business trips. The company-car policy approves only environmentally friendly cars and offers the option of the early replacement of company cars. A number of company bicycles are available to employees for use during working hours. There is also the option of borrowing bus cards to reduce car travel. In addition, an increasing number of meetings now takes place in the form of telephone, video or web conferences as a means of reducing total accumulated travel.

Reduced flows of paper

One of the targets of the developments carried out is to reduce the flow of paper both within the company and sent to customers. To reduce the consumption of paper, digital solutions and efficient printing and copying solutions are being developed. The expansion of the Internet channel offers more opportunities to reduce the amount of paper sent to customers. For example, all terms and conditions for commercial insurance are now available in digital form on the Internet and are no longer sent to customers. Customers are also offered the option of choosing not to have account and loan statements sent to their home address, and as many paper dispatches as possible are packaged together to reduce the flow of paper.

Lower electricity and heat consumption

Reduction of direct impact on the environment in the form of emissions of carbon dioxide and other substances by continuing to enhance the efficiency of heat and cooling systems, the use of low-energy lighting and electricity produced from hydroelectric power.

Environmentally classified properties

In 2009, Länsförsäkringar also actively participated in the Building/Living Dialogue Project, particularly in implementation issues associated with the Environmental Certification of Buildings Project. Environmental certification of properties encompasses many areas, such as energy use, hazardous substances, environmental impact and indoor environment.

Board of Directors' Report

The Board of Directors of Länsförsäkringar Bank AB (publ) hereby submits the Annual Report for 2009.

GROUP

Ownership and Group structure

Länsförsäkringar Bank AB (publ) is part of the Länsförsäkringar AB Group, with Länsförsäkringar AB (publ) as the Parent Company, which is owned by 24 independent and customer-owned regional insurance companies and 14 local insurance companies.

All customer contacts are made at the regional insurance companies. Länsförsäkringar AB (publ) is the financial hub of the Länsförsäkringar Alliance and is responsible for conducting joint non-life insurance, life assurance and banking operations, pursues strategic development activities and provides service in areas that generate economies of scale and efficiency, in a bid to create possibilities for the regional insurance companies to be successful in their respective markets.

Länsförsäkringar Bank AB (publ) is 100% owned by Länsförsäkringar AB (publ) (556549-7020). The Bank Group comprises the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878) and the wholly owned subsidiaries Länsförsäkringar Hypotek AB (publ) (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB (publ) (556364-2783). All companies have their registered offices in Stockholm. The abbreviated forms of these company names are used in the remainder of this Board of Directors' Report.

Focus of operations

The Bank Group offers banking services for private individuals and farmers. It also offers lending products for private individuals and companies through the wholly owned subsidiary Wasa Kredit in the form of leasing and hire purchase.

Sales, advisory services and customer services are carried out through the 116 branches of the 24 regional insurance companies and via the Internet and telephone. The bank branches are located at, or adjacent to, the regional insurance branches. Regional insurance companies are reimbursed for sales, administration and customer care through a reimbursement system based on volumes managed. The housing offering also includes the slightly more than 100 branches of Länsförsäkringar Fastighetsförmedling (formerly Länshem Fastighetsförmedling) throughout Sweden.

Market commentary

The lending market reported substantial growth in volumes, and market growth for mortgage loans began to accelerate toward the end of the year. Customer confidence in the equities market was restored, which could be discerned in the high influx toward equity funds. Deposits from retail customers also increased.

Prices of single-family homes levelled out toward the end of the year and increased 1% during the fourth quarter. The total increase in prices for single-family homes for the year was 5%. Throughout much of Sweden, particularly in major cities, housing prices are at the same level as before the financial crisis.

Household indebtedness continued to rise, and the largest increase in indebtedness was among those with large disposable incomes. Households generally experienced a more favourable situation as a result of lower taxes and interest rates.

Continued stabilisation was experienced in the capital market during the fourth quarter. Monetary policy stimulus packages continued. Swedish short-term interest rates remained relatively unchanged compared with the preceding quarter. Credit spreads remained high compared with the period before the financial crisis.

Sweden's most satisfied retail bank and mortgage customers

According to the Swedish Quality Index 2009, Länsförsäkringar had Sweden's most satisfied retail bank customers for the fifth time and Sweden's most satisfied retail mortgage customers for the sixth time. In addition, Länsförsäkringar reported the highest index increase. The most important factors for customers are the range of products and the banks' ability to live up to customer expectations. Länsförsäkringar received a top ranking for all of the criteria measured, including image, customer expectations, product range, service quality, value-for-money and loyalty. The survey also indicated that full-service customers are generally more satisfied than customers who use several banks. The number of customers rose by 59,000, or 8% to 759,000 (700,000). The number of household financing customers rose by 34,000, or 21%, to 194,000 (160,000). A total of 85% (82) of household financing customers are also customers of Länsförsäkringar's non-life insurance and/or life assurance operations, indicating that customer relations have strengthened. The number of bank cards rose 23% to 223,000 (181,000) and the number of private and savings accounts increased steadily.

Earnings and profitability

Operating profit rose 5% to SEK 258 M (245), an increase attributable to higher volumes, increased net profit from financial transactions and lower loan losses. The return on average shareholders' equity was 4.1% (4.4).

Income
Operating income rose a total of 6% to SEK 1,301 M (1,225), primarily due to increased net profit from financial transactions and higher volumes. Net interest income declined 5% to SEK 1,148 M (1,211) and the investment margin was 0.96% (1.30). The decline was primarily due to lower deposit margins and a weaker yield on shareholders' equity as a result of lower market interest rates.

The change in market interest rates compared with the preceding year impacted the deposit margins and yield on shareholders' equity by approximately SEK 350 M. Net interest income was charged with SEK 20 M (0) for fees to the stability fund and SEK 16 M (11) for mandatory government deposit insurance. Higher lending and deposit volumes to the public had a positive effect on net interest income.

Net commission rose to negative SEK 95 M (neg: 138) as a result of higher fund management volumes. Net profit from financial transactions increased to SEK 101 M (1), primarily due to such factors as interest compensation in conjunction with loan conversions from fixed interest to loans with floating interest rates.

Expenses
Operating expenses increased 8%, or SEK 78 M, to SEK 992 M (915). This increase was primarily attributable to the change in production system in the subsidiary Wasa Kredit, which is expected to enhance efficiency. The cost/income ratio was 0.76 (0.75) before loan loss and 0.80 (0.80) after loan losses.

Loan losses
Loan losses remained low and declined to SEK 50 M (65), net. Impaired loans amounted to SEK 213 M (192), corresponding to an unchanged share of impaired loans of 0.21% (0.22). For more information regarding impaired loans, provisions and loan losses, refer to Notes 16 and 20.

Business volumes
Business volumes continued to increase, rising 23%, or SEK 39 billion, to SEK 204 billion (165). Lending to the public rose 27%, or SEK 21 billion, to SEK 100 billion (79). Retail mortgage lending in Länsförsäkringar Hypotek increased 26%, or SEK 14 billion, to SEK 68 billion (54). All lending exposure occurred in Sweden and was in Swedish kronor. Deposits from the public rose 6%, or SEK 2 billion, to SEK 37 billion (35). The volume of managed funds increase 30%, or SEK 16 billion, to SEK 67 billion (51).

Lending
Lending to the public rose 27%, or SEK 21 billion, to SEK 100 billion (79). Retail mortgage lending in Länsförsäkringar Hypotek increased 26%, or SEK 14 billion, to SEK 68 billion (54). On December 31, 2009, the market share for household and retail mortgage lending in Sweden amounted to 4.0% (3.4), according to Statistics Sweden, and the share of market growth was almost 11% during the year. First-lien mortgage for agricultural and forestry properties rose 142% to SEK 7.8 billion (3.2) and agricultural lending increased a total of 66% to SEK 10.8 billion (6.5).

Credit quality
The loan portfolio, totalling SEK 100 billion (79), has a good geographic distribution and maintained a high level of quality. A total of 84% (87) of the portfolio comprises household credits. Of the total portfolio, 75% (77) pertains to retail mortgage lending. Retail mortgage lending secured by collateral in private residences accounted for 81% (84) and tenant-owned apartments for 19% (16). Agricultural lending accounted for 11% (8) of the loan portfolio and the average commitment was SEK 1.3 M (1.0). First-lien mortgages, mainly to family-owned agricultural properties, comprise 72% (50) of agricultural lending.

Deposits
Deposits from the public rose 6%, or SEK 2 billion, to SEK 37 billion (35), an increase primarily attributable to private and savings accounts. On December 31, 2009, the market share for deposits in the Swedish market amounted to 3.4% (3.2), according to Statistics Sweden, and the share of market growth was almost 9% for the year.

Borrowing
Debt securities in issue rose 27%, or SEK 13 billion, to SEK 62 billion (49), of which covered bonds accounted for SEK 55 billion (42). The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek using covered bonds. Financing is also conducted through certificates of deposit issued by Länsförsäkringar Bank. Newly issued covered bonds during the year amounted to a nominal SEK 32.9 billion (17.5). Repurchased covered bonds totalled a nominal SEK 17.2 billion (5.7) and matured covered bonds amounted to a nominal SEK 3.4 billion (7.4).

Borrowing issued under Länsförsäkringar Bank's various programmes amounted to SEK 7 billion (7). Issued commercial papers in Länsförsäkringar Bank amounted to a nominal SEK 13.9 billion (23.5) for the year. Repurchased commercial papers totalled a nominal SEK 0.7 billion (0.7) and matured certificates amounted to a nominal SEK 12.4 billion (24.3).

Liquidity
The liquidity portfolio totalled SEK 27.2 billion (20.6) on December 31, 2009. All liquidity is invested in Swedish securities with very high credit quality. A total of 17% of the liquidity portfolio comprises securities with the government as the counterparty, 65% covered bonds with the highest credit rating and 18% mortgage certificates, commercial papers and housing bonds. The liquidity of the investments is very high.

Rating
Länsförsäkringar Bank has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The bank's short-term rating from Standard & Poor´s is A-1. Moody's short-term

rating is P-1 and Länsförsäkringar Bank's Financial Strength Rating is C. The credit ratings are unchanged, with a stable outlook from both Standard & Poor's and Moody's. Länsförsäkringar Hypotek's covered bonds have the highest rating, Aaa, from Moody's and the highest credit rating, AAA, from Standard & Poor's.

Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies. In mid-December, Standard & Poor's introduced a new rating method for covered bonds. In conjunction with this new method, the programmes of essentially all international and Swedish issuers were added to a watchlist and given negative forecasts, including Länsförsäkringar Hypotek's covered bonds.

Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The aim is to achieve enhanced transparency and valuation of risks to determine appropriate capital. The advanced risk-classification method provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. For the portion of the loan portfolio pertaining to the agricultural sector, the bank received permission in December 2009 to use the basic IRB Approach. The Standardised Approach is used for other exposures. Changes in the capital requirement will emerge gradually through transition rules. In accordance with the transition rules, the capital requirement will be reduced to 80% of the Basel I rules in 2009. In December 2009, the Swedish Financial Supervisory Authority issued general guidelines for the continued application of transition rules for capital base requirements through 2011.

The Group's Tier 1 ratio according to Basel II was 12.5% (14.6) and the capital adequacy ratio was 14.8% (17.7). The target level for the Tier 1 ratio is 12 percentage points, +/– 0.5 percentage points, when Basel II is fully implemented. For more information regarding the calculation of capital adequacy, refer to Note 44.

Other events during the year

A new capital target was determined for the Bank Group in February. The Tier 1 ratio shall amount to 12 percentage points when Basel II is fully implemented. A deviation of +/– 0.5 percentage points is permitted for the target. In July, Moody's confirmed Länsförsäkringar Bank's long-term credit rating of A2 (stable) and short-term credit rating of P-1 with a stable outlook. In October 2009, Sten Dunér was appointed Board Chairman of Länsförsäkringar Bank.

Events after the close of the year

Member of the Board Thomas Gustafsson died in March 2010.

Employees

Länsförsäkringar's corporate culture stimulates skills development and enhanced business activities. The performance-based organisation is characterised by the values of Trust, Commitment and Openness. Employee performance is based on measurable and individual targets that are identified using the business plan. An annual target contract is prepared by each employee's immediate manager, who assigns targets to the employee's work duties and documents them. Employees receive feedback on their overall performance at twice a year; at mid-year and at year-end. The purpose is to encourage employee development with a close connection to the business and the performance-based organisation is a natural progression of the target-based model.

The average number of employees amounted to 309 (329) during the year, of whom women 145 (161). The average age among employees is 42 for men and 44 for women. At 2.8% (3.0), sickness absence is low, but this figure has continued to drop slightly in recent years. All employees have medical insurance and preventive healthcare benefits in the form of an hour's worth of exercise during working hours every week.

The organisation has systematic internal mobility process to develop its employees and expand skills. Future work duties, career ambitions and roles are discusses at career-development discussions to make employee more active in the planning of their own skills development.

To ensure future leadership, young talent individuals were offered a place on the specially designed Young Talent Programme in 2008 and 2009. A female manager was nominated to participate in the Ruter Dam Foundation's on-year Management Development Programme for Women Managers, which is part of Länsförsäkringar 's long-term efforts to have more women in senior positions. The number of senior executives who are women rose to 29% (25) during the year.

Environment

Aggressive pro-environment measures are conducted that in turn advance the efficiency and development of the Länsförsäkringar Alliance. For example, the use of paper will be diminished in the future by developing customer information on the Internet, which will lead to lower costs, improved customer service and clear environmental gains. ISO 14001 environmental management systems certification has been held for five years. This certification is a guarantee that systematic environmental activities are carried out.

Expectations regarding future development

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

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. Lending to the public rose 40% to SEK 23 billion (16). Deposits from the public increased 6% to SEK 37 billion (35). Debt securities in issue amounted to SEK 7 billion (7).

Strategic partnerships

The company's online share-trading service and IPS offering were developed in cooperation with NASDAQ OMX. Stock index bonds are offered in cooperation with HQ Bank.

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, Västernorrlandsfonden, Catella and Carlson Funds.

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

Earnings

The Parent Company reported an operating loss of SEK 37 M (loss: 24), which was primarily attributable to lower net interest income. Operating income rose to SEK 480 M (469), mainly due to increased net profit from financial transactions and lower commission expense. Net interest income declined to SEK 420 M (484) and was primarily attributable to lower deposit margins. Operating expenses rose to SEK 512 M (485), mainly due to changes in settlement methods between the Parent Company and the bank, as well as increased depreciation and amortisation. Loan losses remained low and declined to SEK 5 M (8).

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

SEK	
Fair value reserve	13,572,074
Retained earnings	3,319,902,136
Shareholders' contribution received	400,000,000
Group contribution received, net	26,016,100
Net profit for the year	–33,399,336
Profit to be appropriated	**3,726,090,974**
The Board proposes that profit be appropriated so that the following amount is carried forward:	3,726,090,974

The Group's unappropriated earnings amounted to SEK 3,554.0 M.

SUBSIDIARIES

Länsförsäkringar Hypotek AB

Retail mortgage lending in Länsförsäkringar Hypotek increased 26%, or SEK 14 billion, to SEK 68 billion (54). Up to 75% of the market value of retail mortgage loans are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit totalled SEK 141 M (129) and was attributable to higher lending volumes and increased net profit from financial transactions. Loan losses amounted to positive SEK 5 M (0), net, since recoveries exceeded loan losses. The loan loss level remained unchanged at 0% (0). The number of retail mortgage customers rose to 134,000 (115,000).

SEK M	2009	2008
Total assets	81,750	67,184
Lending volume	67,536	53,592
Net interest income	285	361
Operating profit	141	129

Wasa Kredit

The company's lending volume totalled SEK 9.5 billion (9.0). Leasing assets increased during the year, while the unsecured loan portfolio declined somewhat. Net interest income rose to SEK 442 M (361) and operating profit to SEK 109 M (106). At the same time, expenses rose as a result of increased expenses attributable to the change in the production system. Loan losses declined to SEK 51 M (57), net. .

SEK M	2009	2008
Total assets	9,478	8,956
Lending volume	9,082	8,582
Net interest income	442	361
Operating profit	109	106

Länsförsäkringar Fondförvaltning

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 4.2% (4.2). The company's volume of managed funds increased 30%, or SEK 16 billion, to SEK 67 billion (51). The company manages 30 (29) investment funds with different investment orientations. Two new index funds were added to the product range during the year, bringing the total number of index funds to three. Länsförsäkringar's average Morningstar rating on a three-year basis was 3.21, which was one of the strongest ratings among the major fund companies. The funds are available as direct fund savings, IPS and unit-linked insurance and through the PPM system. The company's net flow was positive during the year and amounted to SEK 3.4 billion (2.4). Operating profit increased to SEK 50 M (36).

SEK M	2009	2008
Total assets	202	168
Assets under management	66,659	51,336
Net commission	221	218
Net flow	3,395	2,356
Operating profit	50	36

Risk and capital management

Risk management is a well-integrated component of the company's daily work. This work involves ensuring that the risks do not exceed the risk tolerance level established by the Board of Directors. The banking operations are to be characterised by a low risk profile whose lending operations focus on private housing and family-owned agricultural operations. Accordingly, credit risk is the Bank Group's single largest category of risk.

The types of risk that must be managed are:
- Credit risk
- Financial risk
- Operational risk
- Business risk

Financial risks, which primarily comprise interest-rate risk and liquidity risk, are managed in accordance with a Financial Policy adopted by the Board, which stipulates that interest-rate risks should be as low as possible and that liquidity be invested solely in Swedish securities with high credit quality. Operational risks are measured against a risk-tolerance scale established by the Board. Business risk mainly comprises earnings risk, and pertains to fluctuations in the company's earning capacity.

The overall guidelines for risk tolerance and the strategies for risk-taking state that volume growth and increased profitability should not be generated at the expense of a higher number or greater risks. This imposes demands on risks inherent in the business activities being independently identified, measured, controlled, valued and reported on a continuous basis and on risks being proportionate to the size, product development and growth of the operations. Total risks are compiled and compared with the capital in 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 creating risk awareness in the Group. The Board achieves this goal, for example, by annually establishing central risk tolerances and risk strategies that ensure a sound and well-balanced process for risk-taking and risk management. Such a process should be characterised by a deliberate focus on changes in the operations and their surroundings. The Board is also responsible for establishing all of the methods, models, systems and processes that form the internal measurement, control and reporting of identified risks. Through the Bank Group's Compliance and Internal Audit functions, the Board is also responsible for ensuring that the company's regulatory compliance and management of risks are satisfactory.

President

The President is responsible for the ongoing administration of the company in accordance with the risk tolerances and risk strategies established by the Board. This means that the President is responsible for ensuring that the methods, models, systems and processes that form the internal measurement, control and reporting of identified risks work in the manner intended and decided by the Board. The President is the Chairman of the Asset Liability Committee (ALCO), whose main task is to follow up on capital and financial matters arising in the Bank Group.

Risk Control

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

Credit risk

Credit risk is defined as the risk of incurring losses as a result of a counterparty not being able to fulfil its commitments to the Bank Group and the risk that the counterparty's pledged collateral will not cover the company's receivables. The Bank Group calculates all retail exposures in accordance with the advanced Internal Ratings-based Approach (IRB), which corresponds to more than 84% (87) of the Bank Group's lending portfolio. This means that a considerable portion of its credit exposure is calculated using a method that aims to identify and classify risk for each individual counterparty. The bank received permission in December 2009 to use the basic IRB Approach for the portion of the lending portfolio pertaining to agricultural operations. The Standardised Approach is used for other exposures.

Credit process

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

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

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

IRB system

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

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

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

A PD is initially calculated for each counterparty and is to reflect the risk of default within the next 12 months. This PD is subsequently adjusted to reflect the average proportion of default over several economic cycles. Finally, a safety margin is added to the PD to ensure that the risk is not underestimated. Following the calculation of PD, all counterparties are ranked and are divided into the bank's PD scale. The PD scale comprises 11 risk classes (grades) for non-defaulted counterparties and one risk category for defaulted counterparties. The information that is most relevant to each type of counterparty has been taken into consideration in the development of models for calculating PD. Accordingly, the division of PD into grades can either occur through an individual expert assessment or using models based on statistical analysis (credit scoring). These models take both internal and external information into consideration.

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

Dec. 31, 2009, SEK 000s

PD grade	PD (%)	EAD
1	0.05	0
2	0.10	5,900,710
3	0.20	17,031,282
4	0.40	37,883,732
5	0.80	13,977,461
6	1.60	5,711,702
7	3.20	2,506,103
8	6.40	1,083,439
9	12.80	645,063
10	25.60	231,691
11	51.20	359,355
Default	100.00	396,652
Total		**85,727,191**

Credit quality

The Bank Group's lending portfolio exclusively comprises loans in Sweden, with lending for private housing in the form of single-family homes and tenant-owned apartments accounting for 75% (77) of lending. As indicated in the table below, first-lien mortgages with loan-to-value ratios amounting to less than 75% of the market value at the time the mortgage is granted account for the largest percentage of retail mortgage loans. Low loan-to-value ratios, combined with a favourable geographic distribution and local presence, are the pillars of the company's ability to ensure that the lending portfolio maintains a high credit quality. Lending to the agricultural and forestry segment also increased substantially in 2009 and accounted for 11% (8) of the lending portfolio. The lending segment is an excellent complement to the bank's mortgage loans since a large share pertains to lending to family-owned farming and forestry businesses. Together with mortgages, this segment accounts for approximately 86% (85) of the Bank Group's total lending portfolio.

Lending portfolio, Group

Lending segment	Dec. 31, 2009, SEK M	Percentage	Dec. 31, 2008, SEK M	Percentage
Retail mortgage lending	75,035	75	60,374	77
Agricultural lending	10,816	11	6,506	8
Unsecured loans	4,383	4	3,818	5
Leasing	4,198	4	3,739	5
Hire purchase	3,571	4	3,634	4
Multi-family dwellings	1,358	1	527	1
Other	529	1	273	0
Lending to the public, gross	99,890	100	78,871	100
Provisions	–308		–307	
Lending to the public, net	**99,582**		**78,564**	

Company	Retail mortgage loans, SEK M	Agricultural, SEK M	Unsecured, SEK M	Leasing, SEK M	Hire purchase, SEK M	Multi-family dwellings, SEK M	Other, SEK M	Total, SEK M
Länsförsäkringar Hypotek (first-lien mortgages)	66,115					1,358	104	67,578
Länsförsäkringar Bank	8,920	10,816	2,930				422	23,087
Wasa Kredit			1,453	4,198	3,571		3	9,225
Total	**75,035**	**10,816**	**4,383**	**4,198**	**3,571**	**1,358**	**529**	**99,890**

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

Geographic distribution of the lending portfolio, Group

Region	Dec. 31, 2009, SEK M	Percentage
Western Sweden	21,397	21
Other Central Sweden	21,134	21
Stockholm	15,069	15
Southern Sweden	14,680	15
Northern Central Sweden	9,822	10
Småland, Gotland and Öland	9,710	10
Northern Norrland	4,238	4
Central Norrland	3,840	4
Totalt	**99,890**	**100**

Distribution of commitments in the lending portfolio, Group

Interval, SEK M	Dec. 31, 2009, SEK M	Percentage	Dec. 31, 2008, SEK M	Percentage
–0.5	55,716	56	50,612	64
0.5–1.0	27,615	28	18,967	24
1.0–2.5	11,456	11	6,351	8
2.5–5.0	3,118	3	814	3
> 5.0	1,985	2	1,127	1
Total	**99,890**	**100**	**77,871**	**100**

Retail mortgage loans by county, Group

County, SEK M	Dec. 31, 2009, SEK M	Percentage	Dec. 31, 2008, SEK M	Percentage
Blekinge	1,406	2	1,195	2
Dalarna	3,921	5	3,282	5
Gotland	1,554	2	1,201	2
Gävleborg	2,614	3	1,970	3
Halland	4,617	6	3,855	6
Jämtland	1,688	2	1,413	2
Jönköping	2,576	3	2,105	3
Kalmar	1,381	2	1,094	2
Kronoberg	1,220	2	949	2
Norrbotten	793	1	661	1
Skåne	9,351	12	8,172	13
Stockholm	12,654	17	9,688	16
Södermanland	2,432	3	2,028	3
Uppsala	4,085	5	3,170	5
Värmland	933	1	743	1
Västerbotten	2,348	3	1,954	3
Västernorrland	1,266	2	997	2
Västmanland	2,224	3	1,654	3
Västra Götaland	11,355	15	9,066	15
Örebro	1,983	3	1,391	2
Östergötland	4,636	6	3,788	6
Total	**75,035**	**100**	**60,374**	**100**

Retail mortgage loans by commitment, Group

Interval, SEK M	Dec. 31, 2009	Percentage	Average commitment	Dec. 31, 2008	Percentage	Average commitment
–0.5	8,724	12	0.3	8,104	13	0.3
0.5–1.0	18,633	25	0.7	16,406	27	0.7
1.0–2.0	30,253	40	1.4	23,816	39	1.4
2.0–3.0	12,454	17	2.4	8,906	15	2.4
> 3.0	4,972	7	3.8	3,142	5	3.8
Totalt	**75,035**	**100**	**0.9**	**60,374**	**100**	**0.8**

Retail mortgage loans by collateral, Group

Collateral, SEK M	Dec. 31, 2009	Percentage	Dec. 31, 2008	Percentage
Single-family homes	57,671	77	48,038	80
Tenant-owned apartments	13,915	18	9,620	16
Leisure homes	3,450	5	2,716	4
Total	**75,035**	**100**	**60,374**	**100**

Agricultural lending by county, first-lien mortgages

County, SEK M	Dec. 31, 2009	Percentage	Dec. 31, 2008	Percentage
Western Sweden	1,753	23	809	25
Eastern Central Sweden	2,125	27	846	26
Stockholm	28	0	19	1
Southern Sweden	1,458	19	569	18
Northern Central Sweden	403	5	116	4
Småland, Gotland and Öland	1,441	18	627	19
Northern Norrland	277	4	91	3
Central Norrland	337	4	148	4
Total	**7,823**	**100**	**3,226**	**100**

Commitment interval for agricultural lending, Group

Interval, SEK M	Dec. 31, 2009	Percentage	Average commitment	Dec. 31, 2008	Percentage	Average commitment
–1.0	1,414	13	0.2	1,198	18	0.2
1.0–3.0	2,842	26	1.8	1,938	30	1.8
3.0–8.0	3,215	30	4.7	1,870	29	4.7
8.0–15.0	1,891	18	10.7	843	13	10.7
15.0–	1,455	13	24.2	658	10	23.5
Total	**10,816**	**100**	**1.3**	**6,506**	**100**	**0.9**

The average agricultural commitment amounted to SEK 1.3 M (0.9).

Agricultural lending by product

Product, SEK M	Dec. 31, 2009	Percentage	Average commitment	Dec. 31, 2008	Percentage	Average commitment
First-lien mortgages	7,823	72	2.2	3,226	50	2.0
Second-lien mortgages	2,424	22	0.7	2,695	41	0.7
Operating credits	569	5	0.1	585	9	0.1
Total	**10,816**	**100**	**1.3**	**6,506**	**100**	**0.9**

Agricultural lending by corporate form

Corporate form, SEK M	Dec. 31, 2009	Percentage	Average commitment	Dec. 31, 2008	Percentage	Average commitment
Sole proprietorship	10,018	93	1.3	5,922	91	0.9
Limited liability company	651	6	1.3	493	8	1.0
Partnerships and limited partnerships	99	1	0.7	72	1	0.6
Other corporate forms	49	0	0.7	19	0	0.3
Total	**10,816**	**100**	**1.3**	**6,506**	**100**	**0.9**

Impaired loans

The company's share of impaired loans amounted to SEK 213 M (192), corresponding to 0.21% (0.22) of the total loan portfolio before reserves. Loan losses totalled SEK 50 M (65), corresponding to a loan loss level of 0.05% (0.07). Impaired loans and loan losses continued to account for a minor percentage of total lending.

	Group		Parent Company	
Impaired loans by product	**Dec. 31, 2009, SEK M**	**Dec. 31, 2008, SEK M**	**Dec. 31, 2009, SEK M**	**Dec. 31, 2008, SEK M**
Retail mortgage lending	8.3	3.0	4.8	2.7
Agricultural lending			–	–
Unsecured loans	108.7	107.4	44.0	38.4
Leasing	61.6	40.8	–	–
Hire purchase	25.6	33.4	–	–
Multi-family dwellings			–	–
Other	8.8	7.4	8.8	7.4
Total	**213.0**	**192.0**	**57.6**	**48.5**

	Group[1]		Parent Company	
Defaulted loan receivables not included in impaired loans	**2009**	**2008**	**2009**	**2008**
Receivables 10–19 days past due 1)	0.1	0.1	0.1	0,0
Receivables 20–39 days past due	310.6	507.4	23.9	22.4
Receivables 40–59 days past due	7.9	64.3	0.4	0,0
Total	**318.6**	**571.8**	**24.4**	**22.4**

1) Excluding Wasa Kredit.

A loan receivable is considered impaired if a payment is more than 60 days past due or if the counterparty for other reasons cannot meet its undertaking. A loan receivable, whose capital is covered by collateral, is not considered an impaired loan. A defaulted loan receivable is a receivable on which the borrower has defaulted by more than ten days. This analysis pertains exclusively to lending to the public.

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

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

Counterparty risk

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

CSA agreements involve commitments concerning delivery and receipt of collateral in the event of market changes affecting swap exposures.

	Positive values	
Derivatives, Fair value SEK M	**The Group Dec. 31, 2009**	**The Parent Company Dec. 31, 2008**
AA-/Aa2	99.0	–
A/Aa2	489.2	298.5
A+/Aa3	654.8	295.3
	1,243.0	**593.8**

The derivatives in the table pertain to the net per counterparty after the positive and negative values per counterparty have been aggregated.

Financial 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
- Liquidity risk
- Financing risk
- Currency risk

Interest-rate risk

Interest-rate risk arises if assets, liabilities and derivatives do not have matching fixed-interest periods. Whenever possible, fixed lending should be matched by means of corresponding borrowing or through interest-rate derivatives. In principle, this means that no time differences should exist. In practice, this is impossible, so the Board has established interest-rate risk limits. However, these limits are so conservative that the basic principle for matching still applies. The Financial Policy defines interest-rate risk as a parallel shift in the yield curve of 100 points. On December 31, 2009, 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 36 M (22).

Liquidity risk

Liquidity risk in Länsförsäkringar Bank is managed by the Treasury unit. Liquidity risk is quantified using liquidity forecasts that contain all financial cash flows and expected cash flows, as well as the net lending increases adopted. The Treasury unit is responsible for Länsförsäkringar Bank's liquidity portfolio. Daily report follow-ups are conducted on the size of structure of the liquidity portfolio. Accordingly, liquidity can be monitored daily based on these reports. The liquidity portfolio is dimensioned to be able to handle approximately three months of "normal" operations without borrowing activities in the capital market. "Normal" operations also encompass the expected growth of the lending portfolio. Liquidity risk is defined as the risk of the Bank Group, due to insufficient cash and cash equivalents, being unable to fulfil its commitments or only being able to fulfil its commitments by borrowing cash and cash equivalents at a significantly higher cost. This definition is closely linked to the definition of financing risk (see page 31).

Liquidity risk also refers to the risk of financial instruments that cannot immediately be converted to cash and cash equivalents without decreasing in value. Liquidity risks associated with the risk of financial investments decreasing in value are minimised by essentially investing exclusively in high-liquidity instruments in the form of domestic government securities, domestic covered bonds and mortgage certificates that are pledgeable at the Riksbank.

Länsförsäkringar Bank's liquidity portfolio amounted to SEK 27.2 billion (20.6) on December 31, 2009. All liquidity is invested in Swedish securities with very high credit quality. A total of 17% of the liquidity portfolio comprised securities with the government as the counterparty, 65% covered bonds with the highest credit rating and 18% mortgage certificates, commercial papers and housing bonds. The liquidity of the investments is very high. Refer also to the Borrowing and liquidity section on page 14.

	Group		Parent Company	
Bonds and other interest-bearing securities	**Dec. 31, 2009, SEK M**	**Dec. 31, 2008, SEK M**	**Dec. 31, 2009, SEK M**	**Dec. 31, 2008, SEK M**
AAA/Aaa	21,614.0	9,944.9	19,557.3	10,445.7
A/A2	3,086.9	500.7	3,086.9	500.7
	24,700.9	**10,445.6**	**22,644.2**	**10,946.4**

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

Group 2009, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 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	80.5								80.5
Eligible treasury bills	1,999.8								1,999.8
Lending to credit institutions	3,215.9								3,215.9
Lending to the public	55,264.5	19,523.1	5,321.7	4,567.6	10,718.6	2,507.3	1,826.0	–147.2	99,581.6
Bonds and other interest-bearing securities	1,095.9	1,995.7	5,111.3	5,622.5	4,944.7	3,930.9			22,701.1
Other assets								3,717.7	3,717.7
Total assets	**61,656.7**	**21,518.8**	**10,433.0**	**10,190.1**	**15,663.3**	**6,438.3**	**1,826.0**	**3,570.5**	**131,296.6**
Liabilities									
Liabilities to credit institutions	732.3		8,000.0	12,500.0					21,232.4
Deposits and borrowing from the public	28,637.2	6,201.8	2.0	1,086.3	962.0	475.6			37,365.0
Debt securities in issue	1,455.9	18,354.0	7,733.6	809.3	14,164.4	18,949.2	436.4	113.3	62,016.2
Other liabilities								4,738.8	4,738.8
Subordinated liabilities		1,250.0							1,250.0
Shareholders' equity								4,694.2	4,694.2
Total liabilities and shareholders' equity	**30,825.4**	**25,805.9**	**15,735.6**	**14,395.6**	**15,126.4**	**19,424.9**	**436.6**	**9,546.3**	**131,296.6**
Difference, assets and liabilities	**30,831.3**	**–4,287.1**	**–5,302.6**	**–4,205.5**	**536.9**	**–12,986.6**	**1,389.6**	**–5,975.8**	**0**
Interest-rate derivatives, nominal values, net	–1,366.9	–12,129.7	730.0	–2,016.5	145.8	13,246.8	–1,244.0		–2,634.5
Net exposure	**29,464.4**	**–16,416.7**	**–4,572.6**	**–6,222.0**	**682.7**	**260.2**	**145.5**	**–5,975.8**	**–2,634.4**

Group 2008, 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	81.3								81.3
Lending to credit institutions	9,830.9								9,830.9
Lending to the public	27,464.1	20,178.5	4,265.4	4,872.5	14,490.4	4,935.2	2,502.3	–144.4	78,563.8
Bonds and other interest-bearing securities	–	987.5	3,930.5	1,062.6	3,373.4	894.3		197.2	10,445.6
Other assets								5,214.8	5,214.8
Total assets	**37,376.3**	**21,166.0**	**8,195.9**	**5,935.1**	**17,863.8**	**5,829.5**	**2,502.3**	**5,267.5**	**104,136.4**
Liabilities									
Liabilities to credit institutions	9,112.6								9,112.6
Deposits and borrowing from the public	23,562.2	8,018.7	555.1	2,386.0	374.3	193.9			35,090.2
Debt securities in issue	2,039.7	12,792.8	8,622.8	1,061.4	18,549.5	5,460.5	365.2	93.5	48,985.3
Other liabilities	29.0							5,378.3	5,407.3
Subordinated liabilities		1,250.0							1,250.0
Shareholders' equity								4,290.9	4,290.9
Total liabilities and shareholders' equity	**34,743.5**	**22,061.5**	**9,177.9**	**3,447.4**	**18,923.8**	**5,654.4**	**365.2**	**9,762.7**	**104,136.4**
Difference, assets and liabilities	**2,632.8**	**–895.5**	**–982.0**	**2,487.7**	**–1,060.0**	**175.1**	**2,137.1**	**–4,495.2**	**0**
Interest-rate derivatives, nominal values, net	300.0	–1,770.0	6,860.0	–4,060.0	1,598.4	99.9	–2,035.1		993.2
Net exposure	**2,932.8**	**–2,665.5**	**5,878.0**	**–1,572.3**	**538.4**	**275.0**	**102.0**	**–4,495.2**	

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

Parent Company 2009, SEK	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	80.5								80.5
Eligible treasury bills	1,999.8								1,999.8
Lending to credit institutions	25,034.0	1,966.9	78.8	4,255.9	66.2			320.1	31,721.9
Lending to the public	14,469.0	6,881.9	523.9	246.4	578.8	206.9	180.5	–124.1	22,963.3
Bonds and other interest-bearing securities	1,095.9	1,995.7	5,111.3	5,622.5	4,944.7	1,874.2			20,644.4
Other assets								4,726.0	4,726.0
Total assets	**42,679.3**	**10,844.5**	**5,714.0**	**10,124.7**	**5,589.8**	**2,081.1**	**180.5**	**4,922.0**	**82,135.9**
Liabilities									
Liabilities to credit institutions	9,303.5		8,000.0	12,500.0				152.0	29,955.5
Deposits and borrowing from the public	28,753.4	6,201.8	2.0	1,086.3	962.0	475.6			37,481.2
Debt securities in issue	464.9	3,625.7	3,132.6		0.1			113.3	7,336.6
Other liabilities								1,413.2	1,413.2
Subordinated liabilities		1,250.0							1,250.0
Shareholders' equity								4,699.4	4,699.4
Total liabilities and shareholders' equity	**38,521.8**	**11,077.5**	**11,134.6**	**13,586.3**	**962.1**	**475.6**	**0**	**6,377.9**	**82,135.9**
Difference, assets and liabilities	**4,157.5**	**–233.0**	**–5,420.7**	**–3,461.5**	**4,627.6**	**1,605.4**	**180.5**	**–1,455.9**	**0**
Interest-rate derivatives, nominal values, net	–50.0	8,313.0	–1,240.0	–10.0	–5,168.0	–1,730.0	–115.0		0
Net exposure	**4,107.5**	**8,080.0**	**–6,660.7**	**–3,471.5**	**–540.4**	**–124.6**	**65.5**	**–1,455.9**	**0**

Parent Company 2008, SEK	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	81.3								81.3
Eligible treasury bills									0
Lending to credit institutions	25,732.9	7,601.0		627.4	1,271.9		927.6	93.4	36,254.2
Lending to the public	12,033.0	2,402.4	379.1	194.1	1,011.4	305.0	184.2	–119.5	16,389.7
Bonds and other interest-bearing securities	–	987.5	4,431.5	1,062.6	3,373.4	894.3		197.0	10,946.3
Other assets								4,939.7	4,939.7
Total assets	**37,847.2**	**10,990.9**	**4,810.6**	**1,884.1**	**5,656.7**	**1,199.3**	**1,111.8**	**5,110.7**	**68,611.3**
Liabilities									
Liabilities to credit institutions	18,730.0								18,730.0
Deposits and borrowing from the public	23,669.9	8,018.7	555.1	2,386.0	374.3	193.9			35,197.9
Debt securities in issue	119.6	5,164.8	1,178.3	627.0	18.1			93.5	7,201.3
Other liabilities	29.0							1,920.9	1,949.9
Subordinated liabilities		1,250.0							1,250.0
Shareholders' equity								4,282.3	4,282.3
Total liabilities and shareholders' equity	**42,548.5**	**14,433.5**	**1,733.4**	**3,013.0**	**392.4**	**193.9**	**0**	**6,296.7**	**68,611.3**
Difference, assets and liabilities	**–4,701.3**	**–3,442.6**	**3,077.2**	**–1,128.9**	**5,264.3**	**1,005.4**	**1,111.8**	**–1,186.0**	**0**
Interest-rate derivatives, nominal values, net		–20.0	375.0	350.0	–3,655.0	–1,036.0	–155.0		–4,141.0
Net exposure	**–4,701.3**	**–3,462.6**	**3,452.2**	**–778.9**	**1,609.3**	**–30.6**	**956.8**	**–1,186.0**	**–4,141.0**

Financing risk

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

In mid-December, Standard & Poor's introduced a new rating method for covered bonds. In conjunction with this new method, the covered-bond programmes of essentially all international and Swedish issuers were added to a watchlist and given negative outlook, including Länsförsäkringar Hypotek's programmes.

Liquidity exposure, financial instruments

Remaining term of contract, including interest (undiscounted values)

Group Dec. 31, 2009, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	80.5						80.5	80.5	
Eligible treasury bills		2,000.0					2,000.0	1,999.8	
Lending to credit institutions	3,215.9						3,215.9	3,215.9	
Lending to the public		909.8	3,042.3	6,939.1	88,980.0		99,871.2	99,581.6	95.861,6
Bonds and other interest-bearing securities		2,596.0	11,050.0	8,500.0			22,146.0	22,701.1	8,875.7
Other assets						1,367.8	1,367.8	1,367.8	10.4
Total assets	**3,296.4**	**5,505.8**	**14,092.3**	**15,439.1**	**88,980.0**	**1,367.8**	**128,681.4**	**128,946.7**	**104,747.6**
Liabilities									
Liabilities to credit institutions	732.3		20,500.0				21,232.3	21,232.4	
Deposits and borrowing from the public	28,637.2	6,201.8	1,088.3	1,437.6			37,365.0	37,365.0	35,491.0
Debt securities in issue	113.3	8,555.3	13,758.4	38,737.5	446.0		61,610.5	62,016.2	39,586.1
Other liabilities		38.7				2,660.0	2,698.6	2,698.6	
Subordinated liabilities					1,250.0		1,250.0	1,250.0	1,250.0
Total liabilities	**29,482.8**	**14,795.8**	**35,346.7**	**40,175.1**	**1,696.0**	**2,660.0**	**124,156.4**	**124,562.2**	**76,327.1**
Difference, assets and liabilities	**–26,186.4**	**–9,290.0**	**–21,254.5**	**–24,736.0**	**87,284.1**	**–1,292.2**	**4,525.0**		
Unrecognised loan commitments		3,365.8					3,365.8		
Total difference, excluding derivatives	**–26,186.4**	**–12,655.8**	**–21,254.5**	**–24,736.0**	**87,284.1**	**–1,292.2**	**1,159.2**		

Group Dec. 31, 2008, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 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	81.3						81.3	81.3	–
Lending to credit institutions	76.8	9,667.4					9,744.2	9,830.9	–
Lending to the public		510.6	2,117.0	6,761.5	69,316.1		78,705.2	78,563.8	75,468.5
Bonds and other interest-bearing securities		1,007.5	5,233.9	4,624.4			10,865.8	10,445.6	4,439.4
Other assets						5,214.7	5,214.7	5,214.7	3,691.0
Total assets	**158.1**	**11,185.5**	**7,350.9**	**11,385.9**	**69,316.1**	**5,214.7**	**104,611.2**	**104,136.3**	**83,598.9**
Liabilities									
Liabilities to credit institutions	1.4	8,580.8					8,582.2	9,112.6	–
Deposits and borrowing from the public	23,562.2	8,018.7	2,941.1	568.2			35,090.2	35,090.2	33,192.4
Debt securities in issue	93.5	3,411.8	10,791.0	35,610.5	431.6		50,338.4	48,985.3	35,278.6
Other liabilities		29.0				5,378.3	5,407.3	5,407.3	2,478.3
Subordinated liabilities				1,250.0			1,250.0	1,250.0	1,250.0
Total liabilities	**23,657.1**	**20,040.3**	**13,732.1**	**37,428.7**	**431.6**	**5,378.3**	**100,668.1**	**99,845.4**	**72,199.3**
Difference, assets and liabilities	**–23,499.0**	**–8,854.8**	**–6,381.2**	**–26,042.8**	**68,884.5**	**–163.6**	**3,943.1**		
Unrecognised loan commitments		–597.0					597.0		
Total difference, excluding derivatives	**–23,499.0**	**–9,451.8**	**–6,381.2**	**–26,042.8**	**68,884.5**	**–163.6**	**3,346.1**		

Remaining term of contract, including interest (undiscounted values)

Parent Company Dec. 31, 2009, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	80.5						80.5	80.5	
Eligible treasury bills		2,000.0					2,000.0	1,999.8	
Lending to credit institutions	381.8	25,779.2	4,343.9	80.1	840.0		31,425.0	31,721.9	906.2
Lending to the public		115.2	737.1	1,610.7	20,624.4		23,087.4	22,963.3	21,977.5
Bonds and other interest-bearing securities		2,596.0	11,050.0	6,500.0			20,146.0	20,644.4	6,818.9
Other assets						4,188.9	4,188.9	4,188.9	3,709.4
Total assets	**462.3**	**30,490.4**	**16,131.0**	**8,190.8**	**21,464.4**	**4,188.9**	**80,927.8**	**81,598.8**	**33,412.0**
Liabilities									
Liabilities to credit institutions			29,596.4				29,596.4	29,955.5	
Deposits and borrowing from the public	28,753.4	6,201.8	1,088.3	1,437.6			37,481.2	37,481.2	35,607.1
Debt securities in issue	113.3	4,092.1	3,138.0	0.1			7,343.5	7,336.6	0.1
Other liabilities		38.7				578.7	617.3	617.3	
Subordinated liabilities					1,250.0		1,250.0	1,250.0	1,250.0
Total liabilities	**28,866.7**	**10,332.6**	**33,822.7**	**1,437.7**	**1,250.0**	**578.7**	**76,288.4**	**76,640.6**	**36,857.2**
Difference, assets and liabilities	**–28,404.4**	**20,157.7**	**17,691.7**	**6,753.1**	**20,214.4**	**3,610.3**	**4,639.4**		
Unrecognised loan commitments		4,458.2					4,458.2		
Total difference, excluding derivatives	**–28,404.4**	**15,699.6**	**29,596.4**	**6,753.1**	**20,214.4**	**3,610.3**	**181.2**		

Parent Company Dec. 31, 2008, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 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	81.3						81.3	81.3	–
Eligible treasury bills									
Lending to credit institutions	32.7	33,391.7	666.0	873.0	662.6		35,626.0	36,254.1	1,925.9
Lending to the public		407.3	1,425.7	666.8	14,009.5		16,509.3	16,389.8	14,456.8
Bonds and other interest-bearing securities		1,007.5	5,753.9	4,624.4			11,385.8	10,946.4	4,439.4
Other assets						3,649.7	3,649.7	4,939.7	4,380.1
Total assets	**114.0**	**34,806.5**	**7,845.6**	**6,164.2**	**14,672.1**	**3,649.7**	**67,252.1**	**68,611.3**	**25,202.2**
Liabilities									
Liabilities to credit institutions		8,580.8	9,976.2			172.9	18,729.9	18,730.0	–
Deposits and borrowing from the public	23,669.9	8,018.7	2,941.1	568.2			35,197.9	35,197.9	33,300.0
Debt securities in issue	93.5	3,299.0	2,498.7	1,373.6			7,264.8	7,201.3	1,373.6
Other liabilities		29.0				264.9	294.0	1,949.8	1,040.9
Subordinated liabilities				1,250.0			1,250.0	1,250.0	1,250.0
Total liabilities	**23,763,4**	**19,927.5**	**15,416.0**	**3,191.8**	**0**	**437.8**	**62,736.5**	**64,329.0**	**36,964.5**
Difference, assets and liabilities	**–23,649.4**	**14,879.0**	**–7,570.4**	**2,972.4**	**14,672.1**	**3,211.9**	**4,515.6**		
Unrecognised loan commitments		188.1					188.1		
Total difference, excluding derivatives	**–23,649.4**	**14,690.9**	**–7,570.4**	**2,972.4**	**14,672.1**	**3,211.9**	**4,327.5**		

Group 2009	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives recognised at fair value in profit and loss					
– currency derivatives	572.7				572.7
– interest-rate derivatives	–19.2	125.0	110.0		215.8
Derivatives in hedge accounting					
– currency derivatives	–2.4	138.7	212.8	106.9	456.0
– interest-rate derivatives	–159.3	27.9	760.3	–181.7	447.2
Total difference, derivatives	**391.8**	**291.6**	**1,083.1**	**–74.9**	**1,691.7**

Group 2008	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives recognised at fair value in profit and loss					
– currency derivatives	24.8	191.1	1,500.7	0	1,716.6
– interest-rate derivatives	9.5	–79.2	–19.2	0	–88.9
Derivatives in hedge accounting					0
– currency derivatives	–17.5	41.7	418.0	142.0	584.2
– interest-rate derivatives	–267.8	102.5	–349.4	–310.0	–824.7
Total difference, derivatives	**–251.0**	**256.1**	**1,550.1**	**–168.0**	**1,387.2**

Parent Company 2009	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives recognised at fair value in profit and loss					
– currency derivatives	154.0				154.0
– interest-rate derivatives	–19.2				–19.2
Derivatives in hedge accounting					0
– currency derivatives					0
– interest-rate derivatives	–19.7	–283.0	–564.8	–21.3	–888.7
Total difference, derivatives	**115.1**	**–283.0**	**–564.8**	**–21.3**	**–754.0**

Parent Company 2008	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives recognised at fair value in profit and loss					
– currency derivatives	14.4	114.7	873.1		1,002.2
– interest-rate derivatives	9.5	–79.2	–19.2		–88.9
Derivatives in hedge accounting					0
– currency derivatives					0
– interest-rate derivatives	–27.6	–119.8	–434.0	–29.2	–610.6
Total difference, derivatives	**–3.7**	**–84.3**	**419.9**	**–29.2**	**302.7**

Currency risk

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

Operational risk

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

Operational risk is primarily categorised into the following areas:

- Internal fraud
- External crime
- Legal risks
- Damage to physical assets
- Interruptions and disturbances to operations and systems
- Business conditions
- Transaction management and process control
- Working conditions and work environment

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

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

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

Incident management

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

Model for assessing operational risk

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

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

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

Business 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 mortgage lending. The retail mortgage lending operations have a low level of volatility and thus a low earnings risk. Business risk is managed in the internal capital adequacy assessment process (ICAAP).

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank Group's internal capital adequacy assessment process (ICAAP) was designed based on the requirements of the Basel II rules, the requirements established by the Board 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 company's continuing work involving stress tests. Work involving stress tests is based on a number of scenarios and the impact of these scenarios on risk in the Bank Group. The Board of Directors of the bank established a new capital target for the Bank Group in February 2009. The Tier 1 ratio shall amount to 12 percentage points when Basel II is fully implemented. A deviation of +/– 0.5 percentage points is permitted for the capital target. For more detailed information about Basel II, refer to the Pillar III report "Risk and capital management in the Länsförsäkringar Bank Group" on the company's website.

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

Five-year summary for the Group

(SEK M)	2009	2008	2007	2006	2005
Income statement					
Interest income	5,320.7	7,463.2	4,541.1	2,579.2	2,105.8
Interest expense	–4,172.4	–6,251.7	–3,524.2	–1,652.1	–1,232.4
Net interest income	**1,148.3**	**1,211.5**	**1,016.9**	**927.1**	**873.4**
Net commission	–95.8	–138.3	–44.5	–33.0	–69.7
Dividends received	0.0	2.6	3.3	3.4	3.4
Net profit from financial transactions	100.5	1.4	2.1	14.5	10.3
Other operating income	147.5	147.7	128.2	111.2	135.9
Total operating income	**1,300.5**	**1,224.9**	**1,106.0**	**1,023.2**	**953.3**
General administration expenses	–916.9	–862.5	–779.4	–756.3	–717.3
Depreciation/amortisation	–75.5	–52.3	–37.0	–30.9	–33.4
Total expenses before loan losses	**–992.4**	**–914.8**	**–816.4**	**–787.2**	**–750.7**
Profit before loan losses	**308.1**	**310.1**	**289.6**	**236.0**	**202.6**
Loan losses, net	–50.4	–65.1	–51.1	–37.8	–48.6
Impairement of financial fixed assets					–
Profit from banking operations / Operating profit	**257.7**	**245.0**	**238.5**	**198.2**	**154.0**
Tax	–79.9	–67.7	–62.9	–59.4	–44.7
Net profit for the year	**177.8**	**177.3**	**175.6**	**138.8**	**109.3**
Balance sheet					
Cash and balances with central banks	80.5	81.3	71.5	72.6	75.6
Eligible treasury bills	1,999.8	–	7,964.1	–	–
Lending to credit institutions	3,215.9	9,830.9	5,233.7	2,113.5	1,296.7
Lending to the public	99,581.6	78,563.9	67,040.0	53,883.6	47,093.5
Bonds and other interest-bearing securities	22,701.1	10,445.6	3,105.3	5,607.4	2,602.8
Shares and participations	10.4	10.8	11.1	9.5	7.5
Derivatives	1,231.9	2,546.2	545.5	168.3	
Fair value adjustment of interest-rate hedged items in portfolio hedge	767.9	1,131.9	–247.7	–101.3	
Intangible assets	329.8	327.3	246.8	143.6	101.4
Property and equipment	18.1	20.5	20.6	7.6	12.2
Deferred tax assets	2.2	14.4	5.1	0.9	
Other assets	265.0	273.5	371.0	309.3	283.2
Prepaid expenses and accrued income	1,092.4	890.1	726.6	322.6	188.3
Total assets	**131,296.6**	**104,136.4**	**85,093.6**	**62,537.6**	**51,661.2**
Liabilities to credit institutions	21,232.4	9,112.6	707.2	350.8	308.4
Deposits and borrowing from the public	37,365.0	35,090.2	29,735.3	24,379.4	21,534.8
Debt securities in issue	62,016.2	48,985.3	45,980.7	31,634.6	24,849.8
Derivatives	1,195.2	1,546.8	300.6	426.0	
Fair value adjustment of interest-rate hedged items in portfolio hedge	762.1	1,024.6	–215.4	–45.6	
Deferred tax liabilities	65.3	60.0	64.4	15.4	
Other liabilities	652.6	762.4	1,805.5	491.9	295.1
Accrued expenses and deferred income	2,046.0	1,973.3	1,727.5	1,037.1	752.5
Provisions	17.6	40.3	14.1	13.9	19.7
Subordinated liabilities	1,250.0	1,250.0	1,150.0	1,050.0	1,050.0
Shareholders' equity	4,694.2	4,290.9	3,823.7	3,184.1	2,850.9
Total liabilities, provisions and shareholders' equity	**131,296.6**	**104,136.4**	**85,093.6**	**62,537.6**	**51,661.2**
Key figures					
Return on shareholders' equity, %	4.1	4.4	5.0	4.6	4.1
Return on total capital, %	0.22	0.26	0.34	0.35	0.43
Investment margin, %	0.96	1.30	1.43	1.62	1.85
Cost/income ratio before loan losses	0.76	0.75	0.74	0.77	0.79
Cost/income ratio after loan losses	0.80	0.80	0.78	0.80	0.84
Tier 1 ratio according to Basel II, %	12.5	14.6	14.4	–	–
Tier 1 ratio according to transition rules, %	8.2	8.6	8.8	8.6[1]	9.0[1]
Capital adequacy ratio according to Basel II, %	14.8	17.7	17.2	–	–
Capital adequacy ratio according to transition rules, %	9.7	10.4	10.6	10.6[1]	11.3[1]
Percentage of impaired loans, %	0.21[2]	0.22[2]	0.41	0.49	0.51
Provision ratio in relation to lending, %	0.30	0.35	0.36	0.42	0.46
Loan losses in relation to lending, %	0.05	0.07	0.07	0.07	0.10

[1] In accordance with Basel I.
[2] After deductions for collateral

Consolidated financial statements

Contents

Consolidated income statement

SEK M	Note	2009	2008
Interest income	4	5,320.7	7,463.2
Interest expense	5	–4,172.4	–6,251.7
Net interest income		**1,148.3**	**1,211.5**
Dividends received	6	0	2.6
Commission income	7	774.4	806.0
Commission expense	8	–870.2	–944.3
Net profit from financial transactions	9	100.5	1.4
Other operating income	10	147.5	147.7
Total operating income		**1,300.5**	**1,224.9**
Staff costs	11	–305.1	–331.1
Other administration expenses	12, 13	–611.8	–531.4
Total administration expenses		**–916.9**	**–862.5**
Depreciation/amortisation and impairment of property and equipment/intangible assets	15	–75.5	–52.3
Total operating expenses		**–992.4**	**–914.8**
Profit before loan losses		**308.1**	**310.1**
Loan losses, net	16	–50.4	–65.1
Operating profit		**257.7**	**245.0**
Tax	17	–79.9	–67.7
NET PROFIT FOR THE YEAR		**177.8**	**177.3**

Statement of comprehensive income Länsförsäkringar Bank Group

SEK M	2009	2008
Net profit for the year	**177.8**	**177.3**
Other comprehensive income		
Change in fair value of available-for-sale financial assets	40.7	–14.3
Reclassification adjustments on realised securities	6.8	–
Tax on available-for-sale financial assets	–12.5	3.7
Total other comprehensive income for the year, net after tax	**35.0**	**–10.6**
Total comprehensive income for the year	**212.8**	**166.7**

Consolidated balance sheet

SEK M	Note	Dec. 31, 2009	Dec. 31, 2008
ASSETS			
Cash and balances with central banks		80.5	81.3
Eligible treasury bills, etc.	18	1,999.8	–
Lending to credit institutions	19	3,215.9	9,830.9
Lending to the public	20	99,581.6	78,563.8
Bonds and other interest-bearing securities	22	22,701.1	10,445.6
Shares and participations	23	10.4	10.8
Derivatives	24	1,231.9	2,546.2
Fair value adjustment of interest-rate hedged items in portfolio hedge	25	767.9	1,131.9
Intangible assets	26	329.8	327.3
Property and equipment	27	18.1	20.5
Deferred tax assets	28	2.2	14.4
Other assets	29	265.0	273.5
Prepaid expenses and accrued income	30	1,092.4	890.2
TOTAL ASSETS		**131,296.6**	**104,136.4**
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	31	21,232.4	9,112.6
Deposits and borrowing from the public	32	37,365.0	35,090.2
Debt securities in issue	33	62,016.2	48,985.3
Derivatives	24	1,195.2	1,546.8
Fair value adjustment of interest-rate hedged items in portfolio hedge	25	762.1	1,024.6
Deferred tax liabilities	28	65.3	60.0
Other liabilities	34	652.6	762.4
Accrued expenses and deferred income	35	2,046.0	1,973.3
Provisions	36	17.6	40.3
Subordinated liabilities	37	1,250.0	1,250.0
TOTAL LIABILITIES AND PROVISIONS		**126,602.4**	**99,845.5**
SHAREHOLDERS' EQUITY	39		
Share capital (9,548,708 shares, quotient value SEK 100 per share)		954.9	954.9
Other capital contributed		3,377.5	2,977.5
Reserves		24.1	–10.9
Retained earnings		159.9	192.1
Net profit for the year		177.8	177.3
TOTAL SHAREHOLDERS' EQUITY		**4,694.2**	**4,290.9**
TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY		**131,296.6**	**104,136.4**
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Consolidated cash-flow statement (indirect method)

SEK M	2009	2008
Cash and cash equivalents, January 1	799.6	4,598.0
Operating activities		
Operating profit	257.7	245.0
Adjustment of non-cash items	–136.4	–17.6
Change in assets of operating activities		
Change in eligible treasury bills	–1,999.8	7,964.5
Change in lending to credit institutions	–164.6	–
Change in lending to the public	–21,018.6	–11,632.7
Change in bonds and other interest-bearing securities	–12,265.8	–7,087.8
Change in derivatives	522.7	–
Change in other assets	8.5	97.5
Change in liabilities of operating activities		
Change in liabilities to credit institutions	20,861.4	–
Change in deposits and borrowing from the public	2,274.8	5,354.9
Change in debt securities in issue	13,597.3	1,853.4
Change in other liabilities	–109.8	–1,043.1
Change in derivatives	93.2	–
Cash flow from operating activities	**1,920.6**	**–4,265.9**
Investing activities		
Purchase of property and equipment	–5.7	–7.3
Proceeds from sale of property and equipment	0.0	0.1
Acquisition of intangible assets	–69.9	–125.3
Proceeds from sale of other financial assets	0.4	–
Cash flow from investing activities	**–75.2**	**–132.5**
Financing activities		
Shareholders' contribution received	400.0	500.0
Group contribution paid	–284.2	–
Change in receivable/liability, Shareholders' contribution	163.9	–
Increase in subordinated debt	–	100.0
Cash flow from financing activities	**279.7**	**600.0**
NET CASH FLOW FOR THE YEAR	**2,125.1**	**–3,798.4**
Cash and cash equivalents, December 31	**2,924.7**	**799.6**

SEK M	2009	2008
Non-cash items		
Depreciation/amortisation	71.4	52.1
Impairment	4.1	0.3
Unrealised portion of net profit/loss from financial items	–60.5	–9.9
Loan losses, excluding recoveries	0.9	108.8
Change in accrued expense/income	–129.5	82.1
Provisions	–22.8	26.3
Receivable/liability, Group contribution after tax	–	–277.3
	–136.4	**–17.6**
Cash and cash equivalents comprise:		
Cash and balances with central banks	80.5	81.3
Lending to credit institutions [1)]	3,051.2	9,830.9
Liabilities to credit institutions [1)]	–207.0	–9,112.6
	2,924.7	**799.6**
Interest received	5,108.7	7,254.6
Interest paid	4,138.6	5,842.5
Gross investments	75.6	132.6
Income tax paid	–	–

1) Excluding lending to and deposits from subsidiaries

Cash and cash equivalents. December 31 is defined as cash and balances with central banks. lending and liabilities to credit institutions payable on demand. as well as over-night loans and deposits with the Riksbank that mature on the following banking day.

Statement of changes in shareholders' equity

	Share capital	Other capital contributed	Fair value reserve	Retained earnings	Net profit for the year	Total
Opening balance, January 1, 2008	**954.9**	**2,477.5**	**–0.4**	**216.2**	**175.5**	**3,823.7**
Total comprehensive income for the year			–10.6		177.3	166.7
Resolution by Annual General Meeting				175.5	–175.5	–
Group contribution paid				–277.3		–277.3
Tax effect of Group contribution paid				77.6		77.6
Conditional shareholders' contribution received		500.0				500.0
Closing balance, December 31, 2008	**954.9**	**2,977.5**	**–10.9**	**192.1**	**177.3**	**4,290.9**
Opening balance, January 1, 2009	**954.9**	**2,977.5**	**–10.9**	**192.1**	**177.3**	**4,290.9**
Total comprehensive income for the year			35.0		177.8	212.8
Resolution by Annual General Meeting				177.3	–177.3	–
Group contribution paid				–284.2		–284.2
Tax effect of Group contribution paid				74.8		74.8
Conditional shareholders' contribution received		400.0				400.0
Closing balance, December 31, 2009	**954.9**	**3,377.5**	**24.1**	**159.9**	**177.8**	**4,694.2**

Specification of balance-sheet item Fair value reserve

Fair value reserve	2009	2008
Opening reserve	–10.9	–0.4
Change in fair value of available-for-sale financial assets	40.7	–14.2
Reclassification adjustments on realised securities	6.8	–
Tax on available-for-sale financial assets	–12.5	3.7
Closing reserve	24.1	–10.9

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

Fair value reserve
The fair value reserve comprises the accumulated net change in fair value of available-for-sale financial assets until the asset is removed from the balance sheet. Any impairment losses are recognised in profit and loss.

Statutory reserve
The statutory reserve continues to comprise restricted shareholders' 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.

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

Notes to the consolidated financial statements

NOTE 1 COMPANY INFORMATION

The consolidated accounts for Länsförsäkringar Bank AB (publ), Corp. Reg. No. 516401-9878, were presented on December 31, 2009. 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 23, 2010. Final approval of the consolidated accounts will be made by the Parent Company's Annual General Meeting on May 17, 2010.

NOTE 2 ACCOUNTING POLICIES

Compliance with standards and legislation

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

Conditions relating to the preparation of the 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 at fair value through profit or loss or as available-for-sale financial assets. The Group accounting policies stated below were applied to all periods presented in the consolidated financial statements.

Judgments and estimates

The preparation of accounts in accordance with IFRS requires that management make judgments and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the accounts. These judgments and estimates, as made by management, are based on the best information available on the balance-sheet date. The actual outcome may deviate from these. Estimates and assumptions are reviewed regularly. Changes in estimates are 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 judgments made in the application of the company's accounting policies

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

- The selection of categories and valuation techniques for financial instruments (described in the section on financial instruments below)
- The company's remuneration to the regional insurance companies, which the company has opted to 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.

Significant sources of estimation uncertainty

Significant sources of uncertainty in estimates mainly comprise impairment requirements for loan losses. A new reserve model for loan losses was applied to some of the Group's loan receivables during the year. The new model is based on the Internal Ratings-based Approach (IRB Approach) and is expected to reduce the level of uncertainty in the estimates. 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 indentified and valued 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 Lending under accounting policies.

Changed accounting policies caused by new or amended IFRSs and interpretations

The changes applied by the Group since January 1, 2009 are described below. Other changes to IFRS applicable from 2009 did not have any significant effect on the consolidated accounts.

Presentation of the financial statements

The Group has applied the amended statement IAS 1 *Presentation of Financial Statements (2007)* since January 1, 2009. The amendment entails that income and expenses that were previously recognised directly in shareholders' equity now be recognised in other comprehensive income, which the Länsförsäkringar Bank Group presents in a separate statement entitled Statement of comprehensive income, directly after the income statement. The statement of changes in shareholders' equity has also been changed.

Disclosure regarding segments

The Group has applied IFRS 8 *Operating Segments*, which replaces IAS 14 *Segment Reporting*, since January 1, 2009. IFRS 8 introduces a management perspective to the division and presentation of operating segments. IAS 14, however, was based on operating segments or geographic segments following a model based on risks and opportunities. The standard was applied in accordance with its transition rules, which involved adjusting information for the comparative year to the requirements of IFRS 8. The new standard did not result in any changes to the existing division of segments.

Disclosure regarding financial instruments

Amendments to IFRS 7 *Financial Instruments: Disclosures* applicable from January 1, 2009 affect the Group's financial statements from the 2009 Annual Report. The amendments mainly involve new disclosure requirements regarding financial instruments at fair value through profit or loss. The quality of inputs used in fair-value measurement is divided into levels which determine the manner in which and the types of disclosures that are to be provided about the instrument. These disclosure requirements primarily affected Note 43. In addition, the amendment to IFRS 7 entails changes to disclosures of liquidity risk.

Under the IFRS 7 transition rules, comparative disclosures do not need to be provided for changes during the first year of application. The company has decided to voluntarily provide comparative information for 2008 for the new disclosures now required from the amendment. Since these changes do not impact how carrying amounts are determined, no adjustments have been made to amounts in the financial statements.

Borrowing costs

The Group has applied the amendments to IAS 23 *Borrowing Costs* since January 1, 2009. The amendments entail that the Group capitalise borrowing costs in the costs of qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009. Instead of being capitalised, borrowing costs were previously charged to earnings in the period to which they are attributable. The amendment is applied prospectively in accordance with the IAS 23 transition rules. The amendment did not have any significant impact on figures.

New or revised IFRS and interpretations

The following new or amended standards and interpretive statements have not yet been adopted by the EU. They will take effect in future fiscal years and were not applied in advance in the preparation of these financial statements.

- IFRS 9 *Financial Instruments* addresses the classification and measurement of financial assets. Under IFRS 9, all financial assets are to be 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 company. There is also the option of measuring assets that fulfil the criteria for amortised cost at fair value in profit and loss (known as the fair value option) if this reduces inconsistencies in reporting. The standard will become mandatory on January 1, 2013, with early adoption permitted. On December 31, 2009, the Group had bonds and other interest-bearing securities valued at a carrying amount of SEK 22,701.1 M, of which SEK 205.0 M comprises accumulated changes in fair value. Most of these items were 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.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance on recognising loans converted to equities. Since the Group's lending is primarily directed to private individuals, this interpretation is not expected to have any material effect on the accounts.

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

The amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*, which came into effect in 2009, affect only future transactions and acquisitions.

Description of significant accounting policies

Consolidated accounts

The consolidated accounts include the Parent Company and all companies in which Länsförsäkringar Bank directly or indirectly holds more than 50% of the total number of votes or in another manner has a controlling influence over the operational and financial management of the company and can derive financial benefits. These companies have been included in the consolidated accounts in accordance with the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the 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 or expenses and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated accounts are prepared.

Shareholders' contributions

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

Untaxed reserves

Untaxed reserves in the consolidated balance sheet have been divided into deferred tax liabilities and shareholders' equity. Changes in deferred tax liabilities due to changes in untaxed reserves are 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 Mäklarservice and Länsförsäkringar Fastighetsförmedling AB. Related key persons are Board members, senior managers and their close family members. The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 24 regional insurance companies, with subsidiaries, and 14 local insurance companies, which together own 100% of Länsförsäkringar AB. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within the Länsförsäkringar AB Group.

Segment reporting

The Group's division of operating segments corresponds to the structure of the internal reports that the company's chief operating decision maker uses to monitor the operations and allocate resources between business segments. The Group identified executive management as the company'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 comprises 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 Bank 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 Hypotek segment is the Länsförsäkringar Hypotek AB's business activities, comprising retail mortgage lending of up to 75% of market value and borrowing by issuing covered bonds.

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

The Fund segment is Länsförsäkringar Fondförvaltning AB, which manages some 30 investment 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 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 items in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date.

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 company,
- 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 measured at amortised cost, including interest on impaired loans, and interest from financial assets classified as available-for-sale financial assets. Interest income from financial assets at fair value through profit or loss according to the fair value option is also recognised here. For interest-rate derivatives that hedge financial assets, paid and accrued interest is 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 profit/loss from financial transactions. 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 derived from 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 deriving from financial assets or financial liabilities not measured at fair value in profit and loss comprises commission to the regional insurance companies.

Net profit/loss from financial transactions

The item Net profit/loss from financial transactions contains the realised and unrealised changes in value that occurred as a result of financial transactions. Net profit/loss from financial transactions comprises the capital gain/loss on the divestment of financial assets and liabilities, including interest compensation received when customers pay loans prematurely.

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 hedging of fair value. The ineffective portion of the hedging instrument and exchange-rate changes are also recognised as net profit/loss from financial transactions. Net profit/loss on transactions at fair value through profit or loss does not include interest or dividends. Realised profit or loss is calculated as the difference between the purchase consideration received and the value in the balance sheet at the time of the sale. Any impairment losses on available-for-sale financial assets are 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 company. 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 company'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. Recognition and valuation of pension commitments takes place 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 at 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 social security 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 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.

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 company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is 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 tested 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 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 decreased in value. If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36. The recoverable amount is the higher of fair value minus selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset. Impairment occurs when an asset's carrying amount exceeds its estimated recoverable amount.

Loan losses

Impairment of loan receivables is recognised in profit and loss as a write-off of loan losses confirmed during the year or as an allotment to a reserve for loan losses. Impairment for losses on guarantees is recognised in the balance sheet as a provision and as a loan loss in profit and loss. The item Loan losses is reduced by recoveries and reversals on prior years' confirmed/probable loan losses.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in 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 shareholders' equity with the related tax effect recognised in shareholders' equity.

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

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

- First reporting of assets and liabilities that are not acquisitions of operations and, at the time of the transaction, do not affect recognised or taxable earnings
- Temporary differences attributable to participations in subsidiaries not expected to be reversed in the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only 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 instruments

Financial instruments recognised in the balance sheet include on the asset side loan receivables interest-bearing securities, derivatives and shares and participations. Liabilities include debt securities in issue, derivatives, customer deposits and accounts payable.

Recognition and derecognition in the balance sheet
A financial asset or financial liability is recognised in the balance sheet when the company becomes party to this in accordance with the instrument's contractual conditions. A financial liability is 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. Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date. Loan receivables are recognised in the balance sheet when the loan amount is paid to the borrower. Loan commitments are not recognised in the balance sheet. Instead, they are valid for three months and 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. Lent securities remain in the balance sheet as securities and are recognised as pledged assets.

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

Techniques for determining fair value
Financial instruments listed in an active market
For financial instruments quoted on an active market, fair value is determined based on the quoted 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 quoted on an active market if quoted prices are regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and these prices represent actual and regularly occuring market transactions on an arm's length basis. 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 quoted on an active market are found under the balance-sheet items "Eligible treasury bills" and "Bonds and other interest-bearing securities." The largest portion of the company's securities holding is assigned a fair value at prices quoted in an active market.

Financial instruments not quoted on an active market
If the market for a financial instrument is not active, the company determines the fair value by using a measurement technique. The measurement techniques applied are based on market data as far as possible, whereas company-specific information is used as 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 cost for cases in which it is not possible to determine fair value reliably. The reason that it may not be possible to measure the fair value of these holdings reliably is that company management believes that uncertainty surrounding future cash flows and the risk adjustment required to the discount rate is too great. The company does not intend 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 (10.6).

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

Financial assets at fair value through profit or loss
This category comprises two sub-groups: financial assets held for trading and other financial assets that the company has initially decided to place in this category according to the Fair Value Option. Financial instruments in this category are continuously measured at fair value, with changes in value 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 otherwise used. To avoid inconsistencies in the income statement, a small number of bonds were classified under the Fair Value Option, although this category is not used for new holdings.

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

Held-to-maturity investments
Held-to-maturity investments 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 ability to hold to maturity. Assets in this category are measured at amortised cost.

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

This category includes the company's liquidity surplus and holdings of shares and participations that are not 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 shareholders' 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 at fair value through profit or loss
This category includes financial liabilities held for trading and other financial liabilities that the company has initially decided to place in this category according to the Fair Value Option. The company's holding for trading comprises derivatives that are financial hedging instruments, but to which hedge accounting is not applied.

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

Hedge accounting
The bank's derivative instruments, which comprise interest and currency swaps, forward rate agreements and purchased interest caps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. All derivatives are measured at fair value in the balance sheet. To avoid misleading earnings effects due to financial hedging, the bank has chosen to apply hedge accounting.

The hedge-accounting strategy defined and applied by the bank is portfolio hedging of fair value in the lending and borrowing portfolio and a one-to-one hedging of bond portfolios. Fair value hedge accounting means that the hedged item is measured at fair value with respect to the hedged risk and that the change in fair value is recognised in profit and loss for both the hedging instrument and the hedged item. The change in the value of the derivative is recognised in profit and loss together with the change in the value of the hedged item under Net profit/loss from financial items at fair value. Unrealised changes in the value of hedging instruments are recognised in the item Net profit/loss from financial transactions. 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 to 125%. In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value in profit and loss. For a small number of financial hedges for which the earnings consequence of not applying hedge accounting is deemed more limited, hedge accounting is not applied due to the extra administrative work involved in hedge accounting.

Other financial hedges comprise currency risk associated with borrowing and hedging of interest-rate risk in bonds that carry fixed interest rates. The Group also includes hedges with interest-rate ceilings for interest-rate risk associated with borrowing at floating interest rates. The loans are recognised at amortised cost and the interest-rate ceiling 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.

Lending
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 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 portion covered by collateral is not deemed to be an impaired loan.

Impairment of loan losses

An assessment is made on each balance-sheet date as to whether objective circumstances exist suggesting that a financial asset or group of financial assets require impairment. 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 including the fair value of the collateral, less any selling expenses discounted by the original effective rate. Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are identified and valued collectively.

Impairment is conducted as an allocation to the reserve for loan losses. When a financial asset is impaired due to loan losses, a provision account is used. If the impairment requirement declines in subsequent periods, the maximum impairment carried out is reversed. Individual reserves are reversed when a loan receivable is derecognised from the balance sheet. Impairment for losses on guarantees is recognised as a provision. In profit and loss, the impairment of loan receivables is recognised as loan losses, carried out as a write-off of loan losses confirmed during the year or as an allocation to the reserve for loan losses.

Reserve methods

I Individual reserves:

- For retail exposures in the banking and mortgage operations, impairment losses are recognised individually, regardless of the size of the loan, if such impairment has been identified. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are 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.
- For other exposures in the banking and mortgage operations, individual assessments are performed on loans that individually total significant amounts.
- For leasing and hire purchase, individual assessments are performed on all loans that are more than 60 days past due, regardless of the size of the loan.

II Collective reserves:

- For retail exposures in the banking and mortgage operations, reserves are made collectively when a measureable decline has occurred in the expected future cash flows from a group of loans that were not individually identified as requiring impairment losses. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are also used in determining this additional collective reserve. Similar to individual impairment losses, such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows.
- Collective impairment losses are recognised on other exposures in the banking and mortgage operations that are not individually significant. The collective valuation is based on the experiences and historical loan losses of the companies, adjusted to reflect current circumstances.
- The reserve requirement for loan receivables in the leasing and hire purchase operations that are more than 20 days but less than 60 days past due is calculated under the guidance of previous experience of the amount of losses for the group in question.

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 based on an external valuation 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 or through bankruptcy. In the cases of loans to private individuals, for which all collateral has been realised and the assessment has been made that no additional funds will be received, the Credit Committee makes a decision on whether to confirm the loan loss. 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 accounts either as financial or operational leasing. Financial leasing exists if the financial risks and benefits associated with ownership have essentially been transferred to the lessee. If this is not the case, then this is a matter of operational leasing. The 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 lending to the lessee regarding future leasing fees. Initially, an amount corresponding to the present value of all minimum lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these agreements are 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 leading (where expenses are recognised as rents). In addition, both the Group and Parent Company are, to a limited extent, lessees of company cars and office equipment. These expenses are recognised in their entirety as rental charges. These rental changes are recognised straight line over the leasing period.

Intangible assets

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

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

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

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

Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future financial benefits of the specific asset to which they pertain. All other expenses are expensed as 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
Cars	5 years
Computer equipment	3–5 years

Provisions

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

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 probable that an outflow of resources will be required.

Loan commitments

A loan commitment can be:

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

Loan commitments are not recognised in the balance sheet. Issued irrevocable loan guarantees are valid for three months and are recognised as a commitment under memorandum items.

Financial guarantees

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

Financial guarantee agreements are initially recognised at fair value, which normally means the amount that the company received as compensation for the guarantee issued. When the agreement is subsequently valued, the liability for the financial guarantee is 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	Bank	Hypotek	Finance companies	Funds	Eliminations	Total
2009						
Income statement						
Net interest income	420.5	285.4	441.7	0.7	–	1,148.3
Net commission	–192.2	–160.8	35.9	221.3	–	–95.8
Net profit from financial transactions	23.5	76.9	0.1	–	–	100.5
Intra-Group income	122.0	–	4.4	0.1	–126.5	0
Other income	106.0	0.0	41.8	–0.3	–	147.5
Total operating income	**479.8**	**201.5**	**523.9**	**221.8**	**–126.5**	**1,300.5**
Intra-Group expenses	–2.9	–45.9	–20.0	–57.7	120.7	–5.8
Other expenses	–508.9	–20.2	–343.7	–113.8	–	–986.6
Total expenses	**–511.8**	**–66.1**	**–363.7**	**–171.5**	**120.7**	**–992.4**
Profit/loss before loan losses	**–32.0**	**135.4**	**160.2**	**50.3**	**–5.8**	**308.1**
Loan losses, net	–4.6	5.4	–51.2	–	–	–50.4
Operating profit/loss	**–36.6**	**140.8**	**109.0**	**50.3**	**–5.8**	**257.7**
Balance sheet, December 31, 2009						
Total assets	**82,135.9**	**81,750.1**	**9,478.4**	**202.4**	**–42,270.2**	**131,296.6**
Liabilities and provisions	77,436.5	78,865.7	8,739.1	128.9	–38,568.0	126,602.2
Shareholders' equity	4,699.4	2,884.4	739.3	73.5	–3,702.2	4,694.4
Total liabilities, provisions and shareholders' equity	**82,135.9**	**81,750.1**	**9,478.4**	**202.4**	**–42,270.2**	**131,296.6**
Other information per segment						
Investments	55.7	–	19.9	–	–	75.6
2008						
Income statement						
Net interest income	483.5	361.0	360.9	6.0	–	1,211.4
Net commission	–215.2	–174.8	33.7	217.9	–	–138.4
Net profit/loss from financial transactions	–4.4	8.5	–2.6	–	–	1.4
Intra-Group income	101.0	–	4.5	5.0	–110.5	0.0
Other income	104.5	0.1	44.4	1.3	–	150.5
Total operating income	**469.4**	**194.8**	**441.0**	**230.2**	**–110.5**	**1,224.9**
Intra-Group expenses	–9.5	–44.8	–3.0	–53.1	108.5	–1.9
Other expenses	–475.5	–20.8	–275.4	–141.2	–	–912.9
Total expenses	**–485.0**	**–65.6**	**–278.4**	**–194.3**	**108.5**	**–914.8**
Profit/loss before loan losses	**–15.6**	**129.2**	**162.6**	**35.9**	**–2.0**	**310.1**
Loan losses, net	–8.3	–0.2	–56.6	–	–	–65.1
Operating profit/loss	**–23.9**	**129.0**	**106.0**	**35.9**	**–2.0**	**245.0**
Balance sheet, December 31, 2008						
Total assets	**68,611.3**	**67,427.1**	**8,956.1**	**168.0**	**–41,026.1**	**104,136.4**
Liabilities and provisions	64,329.0	65,076.0	8,211.3	94.8	–37,865.6	99,845.5
Shareholders' equity	4,282.3	2,351.1	744.8	73.2	–3,160.5	4,290.9
Total liabilities, provisions and shareholders' equity	**68,611.3**	**67,427.1**	**8,956.1**	**168.0**	**–41,026.1**	**104,136.4**
Other information per segment						
Investments	74.5	–	58.1	–	–	132.6

Income is attributable to Sweden in its entirety.
The segment distribution per legal entity reflects the internal reporting to the highest executive 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 comprises Group-wide eliminations within the Bank Group.

NOTE 4 INTEREST INCOME

SEK M	2009	2008
Interest income on lending to credit institutions	34.4	125.9
Interest income on lending to the public	3,148.9	4,094.5
Interest income on interest-bearing securities	436.2	628.3
Interest income on derivatives		
– Hedge accounting	1,663.9	2,492.7
– Non-hedge accounting	37.3	116.8
Other interest income	0	5.0
Total interest income	**5,320.7**	**7,463.2**
of which interest income on impaired loans	*12.4*	*3.8*
of which interest income from financial items not measured at fair value	*3,219.9*	*4772.7*
Average interest rate on lending to the public during the year, %	3.5	5.7

NOTE 5 INTEREST EXPENSE

SEK M	2009	2008
Interest expense, liabilities to credit institutions	105.6	65.7
Interest expense, deposits and borrowing from the public	419.7	1,235.2
Interest expense, interest-bearing securities	1,739.5	2,277.3
Interest expense, subordinated liabilities	47.4	73.5
Interest expense, derivatives		
– Hedge accounting	1,761.3	2,236.1
– Non-hedge accounting	61.3	352.7
Other interest expense	37.6	11.2
Total interest expense	**4,172.4**	**6,251.7**
of which interest expense from financial items not measured at fair value	*2,349.7*	*3,662.9*
Average interest rate on deposits from the public during the year, %	1.2	3.8

NOTE 6 DIVIDENDS RECEIVED

Mkr	2009	2008
Dividends received on shares	0	2.6

NOTE 7 COMMISSION INCOME

SEK M	2009	2008
Payment mediation commission	75.4	71.0
Lending commission	67.2	63.5
Deposit commission	6.6	4.9
Financial guarantees	0.2	0.2
Securities commission	558.2	597.6
Card operations	67.0	70.1
Other commission	–0.2	–1.3
Total commission income	**774.4**	**806.0**
of which commission income from financial items not measured at fair value	*141.0*	*138.7*

NOTE 8 COMMISSION EXPENSE

SEK M	2009	2008
Payment mediation commission	78.1	76.5
Securities commission	299.6	351.2
Card operations	70.3	57.3
Remuneration to regional insurance companies	412.4	448.9
Other commission	9.8	10.4
Total commission expense	**870.2**	**944.3**
of which commission expense from financial items not measured at fair value	*412.4*	*448.9*

NOTE 9 NET PROFIT/LOSS FROM FINANCIAL TRANSACTIONS

SEK M	2009	2008
Change in fair value		
Interest-related instruments	200.9	–444.6
Currency-related instruments	–5.2	68.8
Change in fair value of hedged item	–177.0	352.2
Capital gain/loss		
Interest-related instruments	–0.8	12.2
Other financial assets	0.7	2.7
Interest compensation	81.9	10.1
Total net profit from financial transactions	**100.5**	**1.4**

SEK M	2009	2008
Profit/loss by valuation category		
Available-for-sale financial assets, realised	3.4	–
Derivative assets intended for risk management, non-hedge accounting	–492.2	1 039.9
Other financial assets at fair value through profit or loss	21.4	54.4
Derivative liabilities intended for risk management, non-hedge accounting	28.7	52.3
Available-for-sale financial assets	–	9.9
Loans and receivables	81.3	11.3
Financial liabilities at amortised cost	471.9	–1 158.0
Change in fair value of derivatives that are hedging instruments in fair value hedges	71.8	–360.6
Change in fair value of hedged item with regard to the hedged risk in fair value hedges	–85.8	352.2
Total	**100.5**	**1.4**

NOTE 10 OTHER OPERATING INCOME

SEK M	2009	2008
Compensation from the regional insurance companies	108.6	95.0
Other income	38.9	52.7
Total other operating income	**147.5**	**147.7**

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees	2009	2008
Sweden		
Men	164	168
Women	145	161
	309	**329**

Salaries, other remuneration and social security expenses	2009	2008
Salaries and remuneration	150.8	173.0
of which variable remuneration	8.7	6.7
Social security expenses	93.3	113.5
of which pension costs	35.9	46.4
	244.1	**286.5**

Board of Directors and senior executives, 18 (16)	2009	2008
Salaries and remuneration	20.2	17.5
of which variable remuneration	2.2	2.0
Social security expenses	17.2	13.2
of which pension costs	8.5	6.3
	37.4	**30.7**

Total salaries, other remuneration and social security expenses	2009	2008
Salaries and remuneration	171.0	190.4
of which variable remuneration	10.9	8.7
Social security expenses	110.5	126.7
of which pension costs	44.4	52.7
	281.5	**317.1**

Variable salary

Variable remuneration will be paid to all employees either in the form of a bonus (for managers) or target remuneration (for employees). A prerequisite for payment of the bonus and target remuneration is that Länsförsäkring AB reports positive results before appropriations and tax. Half of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. For managers at levels 1 and 2, a maximum amount of two months' salaries and for managers at levels 3 and 4, a maximum of one month's salary will be paid. A maximum of SEK 12,000 may be paid to employees if the prerequisites are fulfilled.

Sickness absence, %	2009	2008
Total of overall working hours	2.8	3.0
Total of overall working hours for men	1.3	1.3
Total of overall working hours for women	4.4	4.7
Total of overall working hours, 29 years or younger	2.6	2.2
Total of overall working hours, 30–49 years	2.5	2.5
Total of overall working hours, 50 years or older	3.7	4.8
Percentage pertaining to absence of a consecutive period of 60 days or more	34.0	41.1

Remuneration to senior executives

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 to the President and other senior executives comprises basic salary, variable salary, other benefits and pension cost. Variable salary is maximised to two months' salaries for the President and other senior executives. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Other senior executives refers to the individuals who comprise Group management together with the President.

Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, the President shall also be entitled to severance pay corresponding to 18 months' salary. 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. Alternatively, a mutual period of notice of three months applies for other senior executives and if termination of employment is issued by the company, severance pay corresponding to 24 months' salary will be paid, in addition to the period of notice.

Pensions

The retirement age for other senior executives is 60 or 62. The pension between the age of 60 and 62 is a defined-contribution plan. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The pension premium for defined-contribution pensions for senior executives is 43% in relation to the pensionable salary.

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 of Directors. Remuneration to other senior executives is determined by the President in accordance with the principles for salaries and conditions for senior executives.

Number of women among senior executives, %	Dec. 31, 2009	Dec. 31, 20098
Board members	14	17
Other senior executives	29	25

Loans to senior executives

	Bank Group		Länsförsäkringar AB Group	
	2009	2008	2009	2008
Board members	**21.4**	**19.9**	**47.9**	**81.8**
of which loans from Bank	2.5	3.8	8.0	23.9
of which loans from Hypotek	18.9	16.1	39.9	57.9
of which loans from Wasa Kredit	–	–	–	–
President and Executive Vice Presidents	**0.7**	**0.3**	**11.2**	**13.1**
of which loans from Bank	0.2	0.3	2.4	3.9
of which loans from Hypotek	–	–	8.3	9.2
of which loans from Wasa Kredit	0.5	–	0.5	–

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

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

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2009:6) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board of Directors 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	2009	2008
Costs for premises	32.0	32.2
IT costs	206.3	196.9
Consultant costs	44.6	42.7
Marketing	28.7	34.1
Management costs	98.0	98.4
Other administration expenses	202.2	127.1
Total administration expenses	**611.8**	**531.4**

NOTE 13 REMUNERATION TO AUDITORS

SEK M	2009	2008
Audit fees		
KPMG		
– Audit	3.1	2.9
– Other assignments	0.7	1.2
Deloitte		
– Audit	0.5	0.6

Audit assignments pertain to a review of the Annual Report and accounts, and the management by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such assignments. Everything else comes under Other assignments.

NOTE 14 OPERATIONAL LEASING

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

SEK M	2009	2008
Lease expenses paid		
Rent for premises	27.1	28.3
of which, variable fees	*2.3*	*1.6*
Leasing fees, company cars	7.2	6.5
Future basic rents for irrevocable leasing contracts		
Within 1 year	24.8	26.5
Between 1 and 5 years	9.2	19.3
Total	**34.0**	**45.8**

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

SEK M	2009	2008
Depreciation of property and equipment	8.0	7.2
Amortisation of intangible assets	63.4	44.8
	71.4	**52.0**
Impairment of intangible assets	4.1	–
Impairment tests of financial assets	–	0.3
Total depreciation/amortisation and impairment of assets	**75.5**	**52.3**

NOTE 16 LOAN LOSSES, NET

SEK M	2009	2008
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	92.4	61.1
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed loan losses	–77.6	–58.4
Impairment of loan losses during the year	37.4	71.4
Payment received for prior confirmed loan losses	90.2	–35.7
Reversed impairment of loan losses no longer required	–22.6	–26.3
Net expense for the year for individually assessed receivables	**119.8**	**12.1**
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	–	5.3
Payment received for prior confirmed loan losses	–	–
Provision/reversal of reserve for loan losses	–63.7	52.5
Net expense for the year for collectively assessed receivables	**–63.7**	**57.8**
Net expense for the year for fulfilment of guarantees	**–5.7**	**–4.8**
Net expense of loan losses for the year	**50.4**	**65.1**

All information pertains to receivables from the public.

NOTE 17 TAXES

SEK M	2009	2008
Current tax		
Tax expenses for the period	74.9	77.6
Total current tax	**74.9**	**77.6**
Deferred tax		
Change in deferred tax expense on temporary differences	5.0	–6.8
Deferred tax as a result of lowered tax rate	–	–3.1
Tax value in loss carryforwards	–	0.0
Total deferred tax	**5.0**	**–9.9**
Total recognised tax expense	**79.8**	**67.7**
Reconciliation of effective tax rate		
Profit before tax	257.7	245.0
Tax in accordance with applicable tax rate for Parent Company	67.8	68.6
Tax on non-deductible costs	4.7	3.3
Tax on non-taxable income	–1.3	–1.0
Increase in loss carryforwards without corresponding capitalising of deferred tax		
Tax attributable to earlier years	0.0	0.1
Changed tax rates	–	–3.3
Other	8.7	–
Total tax on net profit for the year	**79.9**	**67.7**
Applicable tax rate	26.3%	28.0%
Effective tax rate	31.0%	27.6%
Tax items recognised in other comprehensive income		
Tax on available-for-sale financial assets	–12.5	3.7

	2009			2008		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Tax attributable to other comprehensive income						
Available-for-sale financial assets	47.5	–12.5	35.0	–14.3	3.7	–10.6

NOTE 18 ELIGIBLE TREASURY BILLS

SEK M	2009	2008
Carrying amount		
Swedish government	1,999.8	–
Total eligible treasury bills	**1,999.8**	**–**
Fair value	1,999.9	–
Amortised cost	1,999.8	–
Nominal value	2,000.0	–
Remaining term of not more than 1 year	1,999.8	–

NOTE 19 LENDING TO CREDIT INSTITUTIONS

SEK M	2009	2008
Deposits, Swedish banks	2,509.0	9,652.0
Other lending to credit institutions	706.9	178.9
Total lending to credit institutions	**3,215.9**	**9,830.9**
Payable on demand	622.1	178.9
Remaining term of not more than 3 months	2,593.8	9,652.0
Total lending to credit institutions	**3,215.9**	**9,830.9**

NOTE 20 LENDING TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec. 31, 2009	Dec. 31, 2008
Loan receivables, gross		
Public sector	169.6	138.9
Corporate sector	6,862.1	5,521.0
Retail sector	92,847.1	73,210.7
Other	10.8	0.4
Total loan receivables, gross	**99,889.6**	**78,871.0**
Impairment of individually reserved loan receivables		
Corporate sector	–44.7	–31.1
Retail sector	–98.8	–49.6
Total individual reserves	**–143.5**	**–80.7**
Impairment of collectively reserved loan receivables		
Corporate sector	–23.5	–30.1
Retail sector	–141.0	–196.4
Other	0	–
Total collective reserves	**–164.5**	**–226.5**
Total impairment	**–308.0**	**–307.2**

SEK M	Dec. 31, 2009	Dec. 31, 2008
Loan receivables, net		
Public sector	169.6	138.9
Corporate sector	6,793.9	5,459.8
Retail sector	92,607.3	72,964.7
Other	10.8	0.4
Total loan receivables, net	**99,581.6**	**78,563.8**
Payable on demand	–	–
Remaining term of not more than 3 months	54,716.0	28,749.0
Remaining term of more than 3 months but not more than 1 year	11,194.6	11,176.1
Remaining term of more than 1 year but not more than 5 years	21,075.6	25,840.5
Remaining term of more than 5 years	12,903.4	13,105.4
	99,889.6	**78,871.0**

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

Impaired loans		
Corporate sector	57.6	39.1
Retail sector	155.0	153.4
	212.6	**192.5**

Definitions:
A loan 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.

Reconciliation of impairment of loan losses	December 31, 2009			December 31, 2008		
	Individual impairments	Collective impairments	Total	Individual impairments	Collective impairments	Total
Opening balance	–80.7	–226.5	–307.2	–85.9	–176.6	–262.5
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	77.6	–	77.6	58.4	–	58.4
Reversed impairment of loan losses no longer required	18.9	64.6	83.5	30.0	37.5	67.5
Impairment of loan losses during the year	–159.3	–2.6	–161.9	–83.2	–87.4	–170.6
Closing balance	**–143.5**	**–164.5**	**–308.0**	**–80.7**	**–226.5**	**–307.2**

NOTE 21 FINANCIAL LEASING

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

December 31, 2009	Up to 1 year	1–5 years	More than 5 years	Total
Gross investment	1,699.4	2,483.9	311.4	4,494.7
Present value of future minimum lease fees	1,528.2	2,319.3	304.9	4,152.4

December 31, 2008	Up to 1 year	1–5 years	More than 5 years	Total
Gross investment	1,564.3	2,265.7	204.2	4,034.2
Present value of future minimum lease fees	1,399.1	2,136.0	203.6	3,738.7

	2009	2008
Unearned financial income	342.2	295.5
Non-guaranteed residual values accruing to the lessor	–	–
Provision for impaired loans pertaining to minimum lease fees	46.4	39.7
Variable portion of leasing fees included in net profit for the year	–47.7	16.1

Financial leasing is included in lending to the public.

NOTE 22 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

	2009	2008
Carrying amount		
Swedish mortgage institutions (guaranteed by Swedish government)	1,995.7	1,990.7
Swedish mortgage institutions (not guaranteed)	18,714.5	5,473.7
Other Swedish issuers	1,990.9	2,981.2
Total bonds and other interest-bearing securities	**22,701.1**	**10,445.6**
Fair value	22,714.1	10,445.6
Amortised cost	22,496.1	10,230.4
Nominal value	22,146.0	10,300.0
Market status		
Securities listed	22,701.1	10,445.6
Securities unlisted	–	–
Remaining term of not more than 1 year	13,825.4	6,006.2
Remaining term of more than 1 year	8,875.7	4,439.4

NOTE 23 SHARES AND PARTICIPATIONS

	2009	2008
Other shares and participations	10.4	10.4
Tenant-owned apartments	–	0.4
Total shares and participations	**10.4**	**10.8**

All shares are unlisted

NOTE 24 DERIVATIVES

	December 31, 2009		December 31, 2008	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest-rate derivatives	39,894.5	828.1	32,667.5	1,029.4
Foreign-exchange derivatives	1,394.4	332.4	1,394.4	427.4
Other derivatives				
Interest-rate derivatives	235.0	0.6	1,850.0	3.5
Foreign-exchange derivatives	4,535.8	593.5	5,433.1	1,085.9
Collateral received, CSA	–	–522.7	–	–
Total derivatives with positive values	**46,059.7**	**1,231.9**	**41,345.0**	**2,546.2**
Remaining term of not more than 1 year	11,727.7	377.9	14,597.4	308.0
Remaining term of more than 1 year	34,335.0	854.0	26,747.6	2,238.2
Derivatives with negative values				
Derivatives in hedge accounting				
Interest-rate derivatives	29,263.0	1,164.2	31,726.0	1,452.9
Other derivatives				
Interest-rate derivatives	600.0	7.4	3,250.0	54.6
Foreign-exchange derivatives	232.9	23.6	232.9	39.3
Total derivatives with negative values	**30,095.9**	**1,195.2**	**35,208.9**	**1,546.8**
Remaining term of not more than 1 year	10,682.9	214.3	12,695.0	193.4
Remaining term of more than 1 year	19,413.0	980.9	22,513.9	1,353.4

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

	2009	2008
Assets		
Carrying amount at beginning of year	1,131.9	–247.7
Changes during the year pertaining to lending	–364.0	1,379.6
Carrying amount at year-end	**767.9**	**1,131.9**
Liabilities		
Carrying amount at beginning of year	1,024.6	–215.4
Changes during the year pertaining to deposits	–237.8	32.8
Changes during the year pertaining to borrowing	–24.7	1,207.2
Carrying amount at year-end	**762.1**	**1,024.6**

NOTE 26 INTANGIBLE ASSETS

SEK M	Internally developed IT systems Dec. 31, 2009	Internally developed IT systems Dec. 31, 2008	Acquired IT systems Dec. 31, 2009	Acquired IT systems Dec. 31, 2008	Total Dec. 31, 2009	Total Dec. 31, 2008
Cost						
Opening cost	571.8	451.5	22.0	17.0	593.8	468.5
Acquisitions during the year	69.9	120.3	–	5.0	69.9	125.3
Closing cost	**641.7**	**571.8**	**22.0**	**22.0**	**663.7**	**593.8**
Amortisation						
Opening accumulated amortisation	–253.4	–212.4	–13.1	–9.3	–266.5	–221.7
Amortisation for the year	–59.0	–41.0	–4.3	–3.8	–63.3	–44.8
Closing accumulated amortisation	**–312.4**	**–253.4**	**–17.4**	**–13.1**	**–329.8**	**–266.5**
Impairment						
Opening accumulated impairment	–	–	–	–	–	–
Impairment during the year	–4.1	–	–	–	–4.1	–
Closing accumulated impairment	**–4.1**	–	–	–	**–4.1**	–
Total intangible assets	**325.2**	**318.4**	**4.6**	**8.9**	**329.8**	**327.3**

NOTE 27 PROPERTY AND EQUIPMENT

	2009	2008
Equipment		
Opening cost	85.5	79.1
Reclassification	–	–0.4
Purchases	5.7	7.3
Sales/scrapping	–0.5	–0.5
Closing cost	**90.7**	**85.5**
Opening depreciation	–65.0	–58.5
Reclassification	–	0.4
Sales/scrapping	0.4	0.4
Depreciation for the year	–8.0	–7.3
Closing accumulated depreciation	**–72.6**	**–65.0**
Closing residual value according to plan	**18.1**	**20.5**
Property and equipment	**18.1**	**20.5**

NOTE 28 DEFERRED TAX ASSETS AND TAX LIABILITIES

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

	Assets		Liabilities		Net	
SEK M	**Dec. 31, 2009**	**Dec. 31, 2008**	**Dec. 31, 2009**	**Dec. 31, 2008**	**Dec. 31, 2009**	**Dec. 31, 2008**
Other financial investment assets	–	–3.9	8.6	–	8.6	–3.9
Liabilities, provisions	–2.2	–10.2	–2.9	0.4	–5.1	–9.8
Utilisation of loss carryforwards	–	–0.3	0.0	–	–	–0.3
Untaxed reserves	–	0.0	59.6	59.6	59.6	59.6
Deferred tax assets (–)/deferred tax liabilities (+)	**–2.2**	**–14.4**	**65.3**	**60.0**	**63.1**	**45.6**
Offset	–	–	–	–	–	–
Net deferred tax asset (–) /deferred tax liability (+)	**–2.2**	**–14.4**	**65.3**	**60.0**	**63.1**	**45.6**

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

Change in deferred tax in temporary differences and loss carryforwards

2009	**Amount at Jan. 1**	**Recognised in profit and loss**	**Recognised in other comprehensive income**	**Amount at Dec. 31**
Other financial investment assets	–3.9	–	12.5	8.6
Liabilities	–9.8	4.8	–	–5.0
Utilisation of loss carryforwards	–0.3	0.2	–	–0.1
Untaxed reserves	59.6	–	–	59.6
Deferred tax asset (–)/ tax liability (+	**45.6**	**5.0**	**12.5**	**63.1**

2008	**Amount at Jan. 1**	**Recognised in profit and loss**	**Recognised in other comprehensive income**	**Amount at Dec. 31**
Other financial investment assets	–0.2	–	–3.7	–3.9
Liabilities, provisions	–4.0	–5.8	–	–9.8
Utilisation of loss carryforwards	–	–0.3	–	–0.3
Untaxed reserves	63.4	–3.8	–	59.6
Deferred tax asset (–)/ tax liability (+)	**59.2**	**–9.9**	**–3.7**	**45.6**

NOTE 29 OTHER ASSETS

	2009	2008
Accounts receivable	208.9	217.1
Other assets	56.1	56.4
Total other assets	**265.0**	**273.5**

NOTE 30 PREPAID EXPENSES AND ACCRUED INCOME

	2009	2008
Accrued interest income	975.8	763.8
Other accrued income	55.7	66.7
Prepaid expenses	60.9	59.7
Total prepaid expenses and accrued income	**1,092.4**	**890.2**

NOTE 31 LIABILITIES TO CREDIT INSTITUTIONS

SEK M	2009	2008
Swedish banks	20,500.0	8,501.4
Other Swedish credit institutions	732.4	611.2
Total liabilities to credit institutions	**21,232.4**	**9,112.6**

Genuine repurchase transactions amount to SEK 519,000 (343,000).

Payable on demand	6.4	612.6
Remaining term of not more than 3 months	729.8	8,500.0
Remaining term of more than 3 months but not more than 1 year	20,496.2	–

NOTE 32 DEPOSITS FROM THE PUBLIC

SEK M	2009	2008
Deposits from insurance companies	2,596.2	3,801.3
Deposits from households	32,245.4	28,844.0
Deposits from other Swedish public	2,523.4	2,444.9
Total deposits from the public	**37,365.0**	**35,090.2**
Payable on demand	37,365.0	35,090.2

Fixed-term deposits amount to SEK 8,722.6 M (11.528,0). Interest compensation is paid on premature redemption.

NOTE 33 DEBT SECURITIES IN ISSUE

SEK M	2009	2008
Commercial papers	5,925.1	5,082.6
Bond loans*	55,977.8	43,809.2
Cashier's cheques issued	113.3	93.5
Total debt securities in issue, etc.	**62,016.2**	**48,985.3**
Remaining term of not more than 1 year	22,430.0	13,706.7
Remaining term of more than 1 year	39,586.2	35,278.6

* Covered bonds in the Group amount to SEK 54,680 (41,784).

NOTE 34 OTHER LIABILITIES

	2009	2008
Accounts payable	74.3	22.6
Withheld preliminary tax, customers	38.6	252.7
Unpaid Group contributions	284.2	277.3
Other liabilities	255.5	209.8
Total other liabilities	**652.6**	**762.4**

NOTE 35 ACCRUED EXPENSES AND DEFERRED INCOME

	2009	2008
Accrued holiday pay	14.7	14.6
Accrued social security expenses	9.1	6.1
Accrued interest expense	1,593.1	1,559.4
Other accrued expenses	271.0	245.9
Prepaid rent	158.1	147.3
Total accrued expenses and deferred income	**2,046.0**	**1,973.3**

NOTE 36 PROVISIONS

SEK M	2009	2008
Provisions for guarantees	1.8	2.1
Provisions for early retirement in accordance with the pension agreement	12.4	12.0
Payroll tax, provisions for early retirement in accordance with the pension agreement	3.1	–
Provisions for restructuring costs	–	25.3
Other provisions	0.3	0.9
	17.6	**40.3**
Provision for guarantees		
Carrying amount at beginning of period	2.1	3.0
Unutilised amount reversed during the period	–0.3	–0.9
Carrying amount at end of period	**1.8**	**2.1**

Guarantees
Guarantees include leasing guarantees and credit guarantees.

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

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

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

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

Pensions and senior executive benefits

Defined-benefit pension plans	**2009**	**2008**
Present value of unfunded commitments	9.0	11.5
Present value of net commitments		
Unrecognised accumulated actuarial gains/losses	3.4	0.3
Adjustment	–	0.2
Net amount pertaining to defined-benefit plans (see below)	**12.4**	**12.0**
The net amount is recognised in the following items in the balance sheet:		
Provisions	12.4	12.0
Change in pension liability recognised in the balance sheet:		
Opening liability, January 1	12.0	11.0
Pension costs for the year according to specification below	0.6	0.8
Adjustment	–0.2	0.2
Closing liability, December 31	**12.4**	**12.0**
Change in present value for the year:		
Commitments for defined-benefit plans, January 1	11.5	10.4
Costs for service during current period	0.4	0.4
Interest expense	0.3	0.4
Actuarial gains/loss	–3.1	0.3
Commitments for defined-benefit plans, December 31	**9.1**	**11.5**
Costs recognised in profit and loss		
Costs for service during current period	0.3	0.4
Costs for service during prior periods	–	–
Interest expense on commitments	0.3	0.4
Effects of reductions and settlements	–	0.0
Total net expenses in the income statement	**0.6**	**0.8**
Costs are recognised in the following lines in the income statement:		
Staff costs	0.6	0.8
Assumptions pertaining to defined-benefit commitments:		
Discount rate	2.7%	2.4%
Expected rate of salary increase	3.0%	3.5%
Future increase of pensions	20.0%	20.0%

Historic information

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

NOTE 37 SUBORDINATED LIABILITIES

	2009	2008
Subordinated debt	1,250,0	1,250,0
Total	**1,250,0**	**1,250,0**

Specification of subordinated debt from Länsförsäkringar AB

	Carrying amount	Coupon rate of interest
Subordinated debt 2007/2017 LFAB	180.0	Variable 3 months
Subordinated debt 2008/2013 LFAB	580.0	Variable 3 months
Subordinated debt perpetual LFAB[1])	290.0	Variable 3 months
Subordinated debt 2007/2017 LFAB	100.0	Variable 3 months
Subordinated debt 2008/2013 LFAB	100.0	Variable 3 months
Total subordinated debt	**1,250.0**	

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

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

NOTE 38 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	2009		2008	
	Foreign currency	SEK	Foreign currency	SEK
Debt securities in issue				
EUR	475,0	4,872,3	575,0	6,245,1
CHF	240,0	1,660,6	240,0	1,751,7

All amounts are hedged with currency swaps.

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

	2009	2008
Restricted shareholders' equity		
Share capital	954,9	954,9
Statutory reserve	18,5	18,5
Other funds	166,8	166,8
	1,140,2	**1,140,2**
Non-restricted shareholders' equity		
Fair value reserve	24,1	–10,8
Retained earnings	3,352,1	2,984,2
Net profit for the year	177,8	177,3
	3,554,0	**3,150,7**
Total shareholders' equity	**4,694,2**	**4,290,9**

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

The disclosure requirement in accordance with Chapter 5, Section 14 of the Swedish Annual Accounts Act regarding specification of changes in shareholders' equity compared with the preceding year's balance sheet is presented on page 39.

Conditional shareholders' contribution received totalled:

During 2007	325,0
During 2008	500,0
During 2009	400,0
Total	**1,225,0**

NOTE 40 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

	2009	2008
For own liabilities, pledged assets/collateral		
Pledged securities in the Riksbank	23,040,0	11,340,0
Pledged securities in Euroclear	3,096,0	1,300,0
Collateral provided for derivatives	10,0	10,0
Loan receivables, covered bonds	65,111,6	51,983,6
Collateral pledged due to repurchase agreement	519,2	352,9
Other securities collateral	5,0	–
	91,781,8	**64,986,5**
Other pledged assets/collateral	None	None
Contingent liabilities/guarantees		
Guarantees	32,5	38,3
Early retirement at age 62 in accordance with pension agreement, 80%	61,7	48,0
	94,2	**86,3**
Commitments		
Loans approved but not disbursed	811,6	597,1
Unutilised portion of overdraft facilities	1,774,7	1,492,4
Unutilised portion of credit card facilities	779,5	707,3
	3,365,8	**2,796,8**

Lending to the public was provided as collateral for the 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

No investment commitments exist.

NOTE 42 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

December 31, 2009 SEK M	Loans and receivables	Financial assets at fair value through profit or loss: Financial assets measured 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	Investments held to maturity	Non-financial assets	Total	Fair value
Assets									
Cash and balances with central banks	80.5							80.5	80.5
Eligible treasury bills						1,999.8		1,999.8	1,999.9
Lending to credit institutions	3,215.9							3,215.9	3,215.9
Lending to the public	99,581.6							99,581.6	100,569.7
Bonds and other interest-bearing securities		608.2			16,051.1	6,041.8		22,701.1	22,714,1
Shares and participations					10.4			10.4	10.4
Derivatives			71.3	1,160.6				1,231.9	1,231.9
Fair value adjustment of interest-rate hedged items in portfolio hedge	767.9							767.9	767.9
Intangible assets							329.8	329.8	
Property and equipment							18.1	18.1	
Deferred tax assets							2.2	2.2	
Other assets	30.3						234.7	265.0	
Prepaid expenses and accrued income	52.6	11.3	1.8	581.7	249.9	74.1	121.0	1,092.4	
Total assets	**103,728.8**	**619.5**	**73.1**	**1,742.3**	**16,311.4**	**8,115.7**	**705.8**	**131,296.6**	

2009-12-31 Mkr	Financial liabilities at fair value through profit or loss: Financial liabili-ties measured according to fair value option	Financial liabilities at fair value through profit or loss: Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities							
Liabilities to credit institutions				21,232.4		21,232.4	21,232.4
Deposits and borrowing from the public				37,365.0		37,365.0	37,426.2
Debt securities in issue				62,016.2		62,016.2	63,235.9
Derivatives		31.0	1,164.2			1,195.2	1,195.2
Fair value adjustment of interest-rate hedged items in portfolio hedge				762.1		762.1	762.1
Deferred tax liabilities					65.3	65.3	
Other liabilities				190.0	462.6	652.6	
Accrued expenses and deferred income		12.0	569.7	1,011.1	453.2	2,046.0	
Provisions					17.6	17.6	
Subordinated liabilities				1,250.0		1,250.0	1,250.0
Total liabilities	**–**	**43.0**	**1,733.9**	**123,826.8**	**998.7**	**126,602.4**	

NOTE 42 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, CONT.

		Financial assets at fair value through profit and loss							
December 31, 2008 SEK M	Loans and receivables	Financial assets measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Available-for-sale financial assets	Investments held to maturity	Non-financial assets	Total	Fair value
Assets									
Cash and balances with central banks	81.3							81.3	81.3
Lending to credit institutions	9,830.9							9,830.9	9,830.9
Lending to the public	78,563.8							78,563.8	79,886.0
Bonds and other interest-bearing securities		1,640.4			8,805.1			10,445.6	10,445.6
Shares and participations					10.8			10.8	10.8
Derivatives			1,089.4	1,456.8				2,546.2	2,546.2
Fair value adjustment of interest-rate hedged items in portfolio hedge	1,131.9							1,131.9	1,131.9
Intangible assets							327.3	327.3	
Property and equipment							20.5	20.5	
Deferred tax assets							14.4	14.4	
Other assets	217.1						56.4	273.5	
Prepaid expenses and accrued income	44.3	1.6	2.6	620.1	95.3		126.4	890.3	
Total assets	**89,869.3**	**1,642.0**	**1,092.0**	**2,076.9**	**8,911.2**		**545.0**	**104,136.4**	

	Financial liabilities at fair value through profit and loss						
December 31, 2008 SEK M	Financial liabilities measured according to fair value option	Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities							
Liabilities to credit institutions				9,112.6		9,112.6	9,112.6
Deposits and borrowing from the public				35,090.2		35,090.2	35,271.4
Debt securities in issue				48,985.3		48,985.3	50,883.3
Derivatives		93.9	1,452.9			1,546.8	1,546.8
Fair value adjustment of interest-rate hedged items in portfolio hedge				1,024.6		1,024.6	1,024.6
Deferred tax liabilities					60.0	60.0	
Other liabilities				252.7	509.7	762.4	
Accrued expenses and deferred income		1.5	660.4	897.4	413.9	1,973.2	
Provisions					40.3	40.3	
Subordinated liabilities				1,250.0		1,250.0	1,250.0
Total liabilities		**95.4**	**2,113.3**	**96,612.8**	**1,023.9**	**99,845.4**	

For lending and deposits with variable interest rates, fair value corresponds to the carrying amount.
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.

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.

December 31, 2009 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Bonds and other interest-bearing securities	16,659.3			16,659.3
Shares and participations			0.2	0.2
Derivatives		1,231.9		1,231.9
Liabilities				
Derivatives		1,195.2		1,195.2

December 31, 2008 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Bonds and other interest-bearing securities	10,445.6			10,445.6
Shares and participations			0.2	0.2
Derivatives		2,546.2		2,546.2
Liabilities				
Derivatives		1546.8		1,546.8

SEK M	Shares and participations
Opening balance. January 1. 2008	**0.5**
Total profit and loss recognised:	–0.3
– recognised in net profit for the year	–0.3
Closing balance. December 31. 2008	**0.2**
Gains and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31. 2008.	*–0.3*
Opening balance. January 1. 2009	**0.2**
Total gains and losses recognised:	–
– recognised in net profit for the year	–
Closing balance. December 31. 2009	**0.2**
Gains and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31. 2009.	–

NOTE 44 CAPITAL-ADEQUACY ANALYSIS

SEK M	2009	2008
Tier 1 capital, gross	4,960.1	4,591.8
Less intangible assets	–329.8	–327.4
Less deferred tax assets	–2.1	–14.4
Less IRB deficit	–106.6	–48.7
Tier 1 capital, net	**4,521.6**	**4,201.3**
Tier 2 capital	960.0	960.0
Deductions for Tier 2 capital	–106.6	–48.7
Total capital base	**5,375.0**	**5,112.6**
Risk-weighted assets excluding transition rules	**36,331.3**	**28,859.1**
Risk-weighted assets including transition rules	**55,197.5**	**49,125.5**
Total capital requirement for credit risk		
Capital requirement for credit risk according to Standardised Approach	1,004.0	698.0
Capital requirement for credit risk according to IRB Approach	1,774.6	1,500.5
Capital requirement for operational risk	127.9	110.2
Capital requirement	**2,906.5**	**2,308.7**
Adjustment according to transition rules	1,509.3	1,621.3
Total capital requirement	**4,415.8**	**3,930.0**
Tier 1 ratio as a percentage, before adjustment according to transition rules, %	12.45	14.56
Capital adequacy ratio before adjustment according to transition rules, %	14.79	17.72
Capital ratio excluding transition rules *	1.85	2.21
Tier 1 ratio as a percentage after adjustment according to transition rules, %	8.19	8.55
Capital adequacy ratio, after adjustment according to transition rules, %	9.74	10.41
Capital ratio including transition rules *	1.22	1.30
Special disclosures		
IRB provisions surplus (+)/deficit (–)	–213.2	–97.4
– IRB Total reserves (+)	249.2	255.9
– IRB Anticipated loss (–)	–462.4	–353.3

SEK M	2009	2008
Capital requirement		
Credit risk according to the Standardised Approach		
Exposures to institutions	93.4	71.2
Exposures to corporates	396.6	379.1
Retail exposures	30.3	25.3
Exposures secured on residential property	313.8	149.8
Past due items	8.0	5.5
Covered bonds	143.6	40.4
Other items	18.3	26.7
Total	**1,004.0**	**698.0**
Credit risk according to the IRB Approach		
Retail exposures		
Property credits	1,230.9	977.6
Other retail exposures	542.2	521.3
Non credit-obligation assets	1.5	1.6
Total	**1,774.6**	**1,500.5**
Operational risk		
Standardised Approach	127.9	110.2
Total capital requirement for operational risk	**127.9**	**110.2**
Capital-adequacy analysis according to earlier rules		
Tier 1 capital	4,628.2	4,250.1
Tier 2 capital	960.0	960.0
Total capital base	**5,588.2**	**5,210.1**
Risk-weighted assets	**72,328.6**	**55,936.4**
Capital requirement for credit risks	5,786.3	4,474.9
Tier 1 ratio, %	6.40	7.60
Capital adequacy ratio, %	7.73	9.31
Capital ratio	0.97	1.16

* Capital ratio = total capital base/total capital requirement

Capital base includes the Board's proposed appropriation of earnings.

In addition to the Parent Company Länsförsäkringar Bank AB publ (556401-9878), the financial corporate group includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB publ (556244-1781),Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB publ (556364-2783).

NOTE 45 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

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

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

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

Pricing

Negotiated prices are applied within the Länsförsäkringar Alliance, both for services performed on behalf of the regional insurance companies and the service offerings provided within the Länsförsäkringar AB Group.

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

Agreement

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

Transactions

	Receivables		Liabilities		Income		Expenses	
	2009	2008	2009	2008	2009	2008	2009	2008
Länsförsäkringar AB (Parent Company)	17.8	2.3	1,649.0	1,507.4	11.2	15.5	197.5	157.2
Other companies in the Länsförsäkringar AB Group	–	17.1	300.7	907.0	–	0.0	3.9	50.3
Regional insurance companies	18.6	19.3	2,034.4	1,624.3	118.9	98.9	427.2	535.6
Länsförsäkringar Liv, Group	–	–	26.1	19.4	–	2.2	248.5	297.6
Other related parties	–	–	21.9	–	0.5	–	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 Staff Costs. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

NOTE 46 EVENTS AFTER BALANCE-SHEET DATE

Member of the Board Thomas Gustafsson died in March 2010.

Five-year review for the Parent Company

(SEK M)	2009	2008	2007	2006	2005
Income statement					
Interest income	1,573.0	2,885.2	2,174.3	1,598.3	1,273.3
Interest expense	–1,152.5	–2,401.7	–1,738.4	–1,210.5	–918.2
Net interest income	**420.5**	**483.5**	**435.9**	**387.8**	**355.1**
Net commission	–192.2	–215.2	–221.4	–214.0	–230.7
Dividends received	0.0	0.1	0.4	0.1	0.0
Net profit/loss from financial transactions	23.5	–4.4	1.9	4.6	4.8
Other operating income	228.0	205.4	164.8	158.4	167.1
Total operating income	**479.8**	**469.4**	**381.6**	**336.9**	**296.3**
General administration expenses	–460.3	–443.1	–350.4	–331.6	–320.6
Depreciation/Amortisation	–51.5	–41.9	–27.2	–20.5	–22.3
Total expenses before loan losses	**–511.8**	**–485.0**	**–377.6**	**–352.1**	**–342.9**
Profit/loss before loan losses	**–32.0**	**–15.6**	**4.0**	**–15.2**	**–46.6**
Loan losses, net	–4.6	–8.3	–7.5	–15.2	3.7
Loss from banking operations/operating loss	**–36.6**	**–23.9**	**–3.5**	**–30.4**	**–42.9**
Tax	3.2	5.4	3.5	7.1	11.3
Net loss for the year	**–33.4**	**–18.5**	**0.0**	**–23.3**	**–31.6**
Balance sheet					
Cash and balances with central banks	80.5	81.3	71.5	72.6	75.6
Eligible treasury bills	1,999.8	–	7,964.1	–	–
Lending to credit institutions	31,721.9	36,254.1	24,554.9	43,293.3	36,875.5
Lending to the public	22,963.3	16,389.8	10,983.8	9,264.2	8,387.0
Bonds and other interest-bearing securities	20,644.4	10,946.4	3,105.3	5,607.3	2,602.8
Shares and participations	3,709.4	3,172.2	3,047.5	2,655.9	2,451.9
Derivatives	242.1	1,060.6	293.3	24.3	–
Fair value adjustment of interest-rate hedged items in portfolio hedge	61.3	87.9	–0.5	–	–
Intangible assets	221.2	213.3	183.3	123.2	86.8
Property and equipment	12.5	16.1	13.2	0.2	1.2
Deferred tax assets	–	11.7	2.6	0.8	–
Other assets	89.6	93.6	89.5	46.2	73.7
Prepaid expenses and accrued income	389.9	284.3	262.5	435.7	241.9
Total assets	**82,135.9**	**68,611.3**	**50,571.0**	**61,523.7**	**50,796.4**
Liabilities to credit institutions	29,955.5	18,730.0	5,866.3	526.4	769.3
Deposits and borrowing from the public	37,481.2	35,197.9	29,901.5	24,035.4	20,772.3
Debt securities in issue	7,336.6	7,201.3	8,967.4	31,634.6	24,849.9
Derivatives	779.9	1,039.9	211.0	352.8	–
Fair value adjustment of interest-rate hedged items in portfolio hedge	8.1	32.8	–	–	–
Other liabilities	199.1	321.5	268.5	171.6	131.1
Accrued expenses and deferred income	421.3	523.8	385.8	463.5	265.5
Provisions	4.8	31.8	9.2	7.4	4.3
Subordinated liabilities	1,250.0	1,250.0	1,150.0	1,050.0	1,050.0
Shareholders’ equity	4,699.4	4,282.3	3,811.3	3,282.0	2,954.0
Total liabilities, provisions and shareholders’ equity	**82,135.9**	**68,611.3**	**50,571.0**	**61,523.7**	**50,796.4**

Financial statements, Parent Company

Contents

Income statement for the Parent Company

SEK M	Note	2009	2008
Interest income	4	1,573.0	2,885.2
Interest expense	5	–1,152.5	–2,401.7
Net interest income		**420.5**	**483.5**
Dividends received	6	0.0	0.1
Commission income	7	171.9	161.9
Commission expense	8	–364.1	–377.1
Net profit/loss from financial transactions	9	23.5	–4.4
Other operating income	10	228.0	205.4
Total operating income		**479.8**	**469.4**
Staff costs	11	–105.3	–152.8
Other administration expenses	12, 13	–355.0	–290.3
Total administration expenses		**–460.3**	**–443.1**
Depreciation/amortisation and impairment of property and equipment/intangible assets	15	–51.5	–41.9
Total operating expenses		**–511.8**	**–485.0**
Loss before loan losses		**–32.0**	**–15.6**
Loan losses, net	16	–4.6	–8.3
Operating loss		**–36.6**	**–23.9**
Tax	17	3.2	5.4
Net loss for the year		**–33.4**	**–18.5**

Statement of comprehensive income

SEK M	2009	2008
Net loss for the year	**–33.4**	**–18.5**
Other comprehensive income		
Change in fair value of available-for-sale financial assets	26.3	–14.2
Reclassification adjustments on realised securities	6.8	–
Tax on available-for-sale financial assets	–8.7	3.7
Total other comprehensive income for the year, net after tax	**24.4**	**–10.5**
Total comprehensive income for the yea	**–9.0**	**–29.0**

Balance sheet for the Parent Company

SEK M	Note	2009-12-31	2008-12-31
ASSETS			
Cash and balances with central banks		80.5	81.3
Eligible treasury bills	18	1,999.8	–
Lending to credit institutions	19	31,721.9	36,254.1
Lending to the public	20	22,963.3	16,389.8
Bonds and other interest-bearing securities	21	20,644.4	10,946.4
Shares and participations	22	10.4	10.8
Shares and participations in Group companies	23	3,699.0	3,161.4
Derivatives	24	242.1	1,060.6
Fair value adjustment of interest-rate hedged items in portfolio hedge	25	61.3	87.9
Intangible assets	26	221.2	213.3
Property and equipment	27	12.5	16.1
Current tax assets		4.7	–
Deferred tax assets	28	–	11.7
Other assets	29	84.9	93.6
Prepaid expenses and accrued income	30	389.9	284.3
TOTAL ASSETS		**82,135.9**	**68,611.3**
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	31	29,955.5	18,730.0
Deposits and borrowing from the public	32	37,481.2	35,197.9
Debt securities in issue	33	7,336.6	7,201.3
Derivatives	24	779.9	1,039.9
Fair value adjustment of interest-rate hedged items in portfolio hedge	25	8.1	32.8
Deferred tax liabilities	28	3.1	–
Other liabilities	34	196.0	321.5
Accrued expenses and deferred income	35	421.3	523.8
Provisions	36	4.8	31.8
Subordinated liabilities	37	1,250.0	1,250.0
TOTAL LIABILITIES AND PROVISIONS		**77,436.5**	**64,329.0**
SHAREHOLDERS' EQUITY ACCORDING TO SWEDISH ANNUAL ACCOUNTS ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES (ÅRKL)	39		
Share capital (9,548,708 shares, quotient value SEK 100 per share)		954.9	954.9
Statutory reserve		18.4	18.4
Fair value reserve		13.6	–10.9
Retained earnings		3,745.9	3,338.4
Net loss for the year		–33.4	–18.5
TOTAL SHAREHOLDERS' EQUITY		**4,699.4**	**4,282.3**
TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY		**82,135.9**	**68,611.3**
Memorandum items	40		
For own liabilities, pledged assets		26,151.0	12,650.0
Other pledged assets		–	–
Contingent liabilities		43.3	59.1
Other commitments		4,458.2	4,639.7

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Cash-flow statement for the Parent Company (indirect method)

SEK M	2009	2008
Cash and cash equivalents, January 1	1,094.1	4,276.4
Operating activities		
Operating loss	–36.6	–23.9
Adjustment of non-cash items	–230.1	196.2
Changes in assets of operating activities		
Changes in eligible treasury bills	–1,999.8	7,964.5
Changes in lending to subsidiaries	–2,314.6	–7,082.8
Changes in lending to the public	–6,578.2	–5,425.8
Change in bonds and other interest-bearing securities	–9,727.3	–7,588.7
Change in derivatives	364.9	–
Change in other assets	4.0	–4.1
Change in liabilities of operating activities		
Change in liabilities to credit institutions	19,778.5	5,296.4
Change in deposits and borrowing from the public	2,283.3	5,055.2
Change in debt securities in issue	323.8	–2,022.7
Change in other liabilities	–125.4	52.9
Change in derivatives	120.5	–
Cash flow from operating activities	**1,863.1**	**–3,582.8**
Investing activities		
Purchase of property and equipment	–	–5.1
Acquisition of intangible assets	–55.7	–69.4
Proceeds from sale of other financial assets	0.4	–
Cash flow from investing activities	**–55.3**	**–74.5**
Financing activities		
Shareholders' contribution received	–	500.0
Shareholders' contribution paid	–137.6	–125.0
Group contributions received	35.3	–
Receivable, Group contributions	–35,3	–
Increase in subordinated debt	–	100.0
Cash flow from financing activities	**–137.6**	**475.0**
NET CASH FLOW FOR THE PERIOD	**1,670.1**	**–3,182.3**
Cash and cash equivalents, December 31	**2,764.2**	**1,094.1**

SEK M	2009	2008
Non-cash items		
Depreciation/Amortisation	51.5	41.9
Unrealised portion of net profit of financial items	–51.0	–4.4
Loan losses, excluding recoveries	4.6	19.8
Change in accrued expense/income	–208.2	116.3
Provisions	–27.0	22.6
	–230.1	**196.2**
Cash and cash equivalents comprise:		
Cash and balances with central banks	80.5	81.3
Lending to credit institutions [1]	2,890.8	9,772.9
Liabilities to credit institutions [1]	–207.1	–8,760.1
	2,764.2	**1,094.1**
Interest received	1,455.1	2,844.7
Interest paid	1,274.3	2,231.1
Gross investment	55.7	74.5
Tax paid	0	–

[1] Excluding lending to subsidiaries

Cash and cash equivalents, December 31 is defined as cash and balance at central banks, lending and liabilities to credit institutions payable on demand, as well as overnight loans and deposits with the Riksbank that mature on the following banking day.

Statement of changes in shareholders' equity

	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Net profit/ loss for the year	Total
Opening balance, January 1, 2008	**954.9**	**18.4**	**–0.4**	**2,838.4**	**0.0**	**3,811.3**
Total comprehensive income for the year			–10.5		–18.5	–29.0
Resolution by Annual General Meeting				0	0	–
Conditional shareholders' contribution received				500.0		500.0
Closing balance, December 31, 2008	**954.9**	**18.4**	**–10.9**	**3,338.4**	**–18.5**	**4,282.3**
Opening balance, January 1, 2009	**954.9**	**18.4**	**–10.9**	**3,338.4**	**–18.5**	**4,282.3**
Total comprehensive income for the year			24.4		–33.4	–9.0
Resolution by Annual General Meeting				–18.5	18.5	–
Group contributions received				35.3		35.3
Tax effect of Group contributions received				–9.3		–9.3
Conditional shareholders' contribution received				400.0		400.0
Closing balance, December 31, 2009	**954.9**	**18.4**	**13.6**	**3,745.9**	**–33.4**	**4,699.4**

Specification of balance-sheet item Fair value reserve

	2009	2008
Opening reserve	–10.9	–0.4
Change in fair value of available-for-sale financial assets	26.3	–14.2
Reclassification adjustments on realised securities	6.8	–
Tax on available-for-sale financial assets	–8.7	3.7
Closing reserve	13.6	–10.9

Statutory reserve
The statutory reserve continues to comprise restricted shareholders' 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 profits in the Parent Company and subsidiaries.

Notes to the Parent Company's financial statements

NOTE 1 COMPANY INFORMATION

The Annual Report for Länsförsäkringar Bank AB (publ), Corp. Reg. No. 516401-9878, will be issued on December 31, 2009. 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 23, 2010. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on May 17, 2010.

NOTE 2 PARENT COMPANY'S ACCOUNTING POLICIES

The accounting policies stated below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements. The Parent Company prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Supervisory Authority's regulations and general guidelines on annual reports in credit institutions and securities companies (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities. The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in certain cases for tax reasons. The main deviations compared with the Group's policies are described below:

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.

Participations in subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method. Only dividends received are recognised as income on the condition that such dividends derive from profits earned after the acquisition. Dividends exceeding earned profits are deemed to be a repayment of the investment and reduce the carrying amount of the participation. Adaptation of RFR 2:2 as a result of amendments in IAS 27 Consolidated and Separate Financial Statements pertaining to dividends from subsidiaries, associated companies and joint ventures has not entailed any adjustments in the company's accounting.

Group contributions and shareholders' contributions

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

NOTE 3 SEGMENT REPORTING

Segment reporting is only submitted for the Group.

NOTE 4 INTEREST INCOME

SEK M	2009	2008
Interest income on lending to credit institutions	365.1	1,091.7
Interest income on lending to the public	593.7	806.2
Interest income on interest-bearing securities	411.8	628.3
Interest income on derivatives		
– Hedge accounting	143.7	163.6
– Non-hedge accounting	58.7	195.4
Other interest income	0.0	–
Total interest income	**1,573.0**	**2,885.2**
of which interest income on impaired loans	*2.6*	*3.4*
of which interest income from financial items not measured at fair value	*995.5*	*2,445.2*
Average interest rate on lending to the public during the year, %	3.0	5.9

NOTE 5 INTEREST EXPENSE

SEK M	2009	2008
Interest expense, liabilities to credit institutions	171.0	228.6
Interest expense, deposits and borrowing from the public	420.3	1,239.0
Interest expense, interest-bearing securities	47.4	507.1
Interest expense, subordinated liabilities	123.6	73.5
Interest expense, derivatives		
– Hedge accounting	280.8	148.3
– Non-hedge accounting	83.5	194.1
Other interest expense, including government deposit insurance	25.9	11.1
Total interest expense	**1,152.5**	**2,401.7**
of which interest expense from financial items not measured at fair value	*788.2*	*2,059.3*
Average interest rate on deposits from the public during the year, %	1.2	3.8

NOTE 6 DIVIDENDS RECEIVED

SEK M	2009	2008
Dividends received on shares	0	0.1

NOTE 7 COMMISSION INCOME

SEK M	2009	2008
Payment mediation commission	75.4	71.0
Lending commission	10.5	9.3
Deposit commission	6.6	4.9
Financial guarantees	0.1	0.2
Securities commission	12.5	7.7
Card operations	67.0	70.2
Other commission	–0.2	–1.4
Total commission income	**171.9**	**161.9**
of which commission income from financial items not measured at fair value	*84.2*	*84.6*

NOTE 8 COMMISSION EXPENSE

SEK M	2009	2008
Payment mediation commission	59.3	57.9
Securities commission	1.6	3.9
Card operations	70.3	57.3
Remuneration to regional insurance companies	224.6	249.6
Other commission	8.3	8.4
Total commission expense	**364.1**	**377.1**
of which commission expense from financial items not measured at fair value	*224.6*	*249.6*

NOTE 9 NET PROFIT/LOSS FROM FINANCIAL TRANSACTIONS

SEK M	2009	2008
Change in fair value		
Interest-related instruments	97.3	–283.2
Currency-related instruments	–	–0.7
Change in fair value of hedged item	–82.1	268.2
Capital gain/loss		
Interest-related instruments	3.7	7.7
Other financial assets	3.9	1.5
Interest compensation	0.7	2.1
Total net profit/loss from financial transactions	**23.5**	**–4.4**

SEK M	2009	2008
Profit/loss by valuation category		
Available-for-sale financial assets, realised	3.4	–
Derivative assets intended for risk management, non-hedge accounting	–417.0	771.2
Other financial assets at fair value through profit or loss	21.4	54.4
Derivative liabilities intended for risk management, non-hedge accounting	241.5	–582.5
Available-for-sale financial assets	–	9.9
Loans and receivables	4.0	2.1
Financial liabilities at amortised cost	188.5	–257.3
Change in fair value of derivatives that are hedging instruments in fair value hedges	63.8	–270.5
Change in fair value of hedged item with regard to the hedged risk in fair value hedges	–82.1	268.3
Total	**23.5**	**–4.4**

NOTE 10 OTHER OPERATING INCOME

SEK M	2009	2008
Compensation from the regional insurance companies	108.6	95.0
Other income	119.4	110.4
Total other operating income	**228.0**	**205.4**

NOTE 11 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	2009	2008
Men	41	49
Women	58	72
Total number of employees	**99**	**121**

Salaries, other remuneration and social security expenses	2009	2008
Salaries and remuneration	44.8	72.6
of which variable remuneration	1.4	1.1
Social security expenses	33.0	49.4
of which pension costs	14.9	22.6
	77.8	**122.0**

Board of Directors and other senior executives, 11 (15)	2009	2008
Salaries and remuneration	8.8	11.2
of which, fixed salary to the President and Executive Vice President	3.6	5.1
of which, variable remuneration to the President and Executive Vice President	0.4	0.6
of which fixed salary to other senior executives	3.1	3.5
of which variable salary to other senior executives	0.4	0.7
Social security expenses	8.1	10.1
of which pension costs	4.2	3.9
	16.9	**21.3**

Total salaries, other remuneration and social security expenses	2009	2008
Salaries and remuneration	53.6	83.8
of which variable remuneration	2.2	1.7
Social security expenses	41.1	59.5
of which pension costs	19.1	26.5
	94.7	**143.3**

Variable salary

Variable remuneration will be paid to all employees either in the form of a bonus (for managers) or target remuneration (for employees). A prerequisite for payment of the bonus and target remuneration is that Länsförsäkring AB reports positive results before appropriations and tax. Half of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. For managers at levels 1 and 2, a maximum amount of two months' salaries and for managers at levels 3 and 4, a maximum of one month's salary will be paid. A maximum of SEK 12,000 may be paid to employees if the prerequisites are fulfilled.

Sickness absence, %	2009	2008
Total of overall working hours	1.7	2.3
Total of overall working hours for men	1.5	1.7
Total of overall working hours for women	1.8	2.7
Total of overall working hours, 29 years of age or younger	1.3	1.0
Total of overall working hours, 30–49 years of age	1.5	1.5
Total of overall working hours, 50 years of age or older	2.2	4.3
Percentage pertaining to absence of a consecutive period of 60 days or more	48.0	53.2

Remuneration to Board of Directors

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 to senior executives

Remuneration to the President and other senior executives comprises basic salary, variable salary, other benefits and pension cost. Variable salary is maximised to two months' salaries for the President and other senior executives. 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 the Management Team.

Remuneration and other benefits for senior executives

2009	Basic salary	Variable salary	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Mats Ericsson, President	2.4	0.3	0.2	1.7	4.6	71
Anders Borgcrantz, Executive Vice President	2.1	0.3	0.1	0.7	3.2	27
Bengt Jerning, Executive Vice President	1.2	0.2	0.1	0.5	2.0	40
Ingemar Larsson, Deputy Chairman	0.3				0.3	
Örian Söderberg, Board member	0.1				0.1	
Thomas Gustafsson, Board member	0.2				0.2	
Christer Villard, Board member	0.2				0.2	
Leif Johansson, Board member	0.2				0.2	
Lennart Käll, former Board member	0.1				0.1	
Other senior executives (5)						
Parent Company	3.1	0.4	0.1	1.3	4.9	57
Subsidiaries	2.2	0.4	0.1	1.0	3.7	26
Total 2009	**12.1**	**1.6**	**0.5**	**5.3**	**19.5**	
Total remuneration from Parent Company	7.9	0.9	0.4	4.2	13.3	
Total remuneration from subsidiaries	4.3	0.6	0.1	1.7	6.8	

NOTE 11 **EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR EXECUTIVES, cont**

2008	Basic salary	Variable salary	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Mats Ericsson, President	0.8	0.1	0.1	0.7	1.7	44
Tomas Johansson, former President	1.0		0.0	0.8	1.8	50
Anders Borgcrantz, Executive Vice President	2.3	0.3	0.1	0.6	3.3	25
Bengt Jerning, Executive Vice President	1.1	0.1	0.1	0.5	1.8	34
Gunilla Forsmark Karlsson, former Executive Vice President	2.2	0.3	0.0	0.8	3.3	32
Ylva Thunqvist, Board member	0.2				0.2	
Mats Ericsson, former Deputy Chairman	0.2				0.2	
Thomas Gustafsson, Board member	0.1				0.1	
Christer Villard, Board member	0.2				0.2	
Leif Johansson, Board member	0.2				0.2	
Ingemar Larsson, Board member	0.1				0.1	
Lennart Käll, Board member	0.2				0.2	
Hans Benndorf, former Board member	0.1				0.1	
Other senior executives (3 people)						
Parent Company	3.5	0.6	0.1	1.2	5.5	
Total 2008	**12.2**	**1.5**	**0.4**	**4.5**	**18.5**	**28**
Total remuneration from Parent Company	9.9	1.2	0.3	3.9	15.3	
Total remuneration from subsidiaries	2.3	0.3	0.1	0.6	3.3	

For the President and other senior executives, variable remuneration is based on targets met in accordance with Länsförsäkringar AB's business plan, as well as individual goals according to the established goal contract. Other benefits pertain to company car and interest benefits for personal loans. Pension costs pertain to the impact on net profit for the year.

Pensions

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

The retirement age for other senior executives is 65. The terms of the pension comply with 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, the President shall also be entitled to severance pay corresponding to 18 months' salary. For other senior executives, the period of notice follows applicable agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

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

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board of Directors. 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, %	2009-12-31	2008-12-31
Board members	25	22
Other senior executives	40	30

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

	Bank Group		Parent Company		LFAB Group	
	2009	2008	2009	2008	2009	2008
Board members	**21.3**	**20.0**	**7.7**	**3.5**	**47.9**	**81.9**
of which loans from Bank	2.5	3.8	1.3	1.6	8.0	23.9
of which loans from Hypotek	18.8	16.2	6.4	1.9	39.9	58.0
of which loans from Wasa Kredit	–	–	–	–	–	–
President and Executive Vice Presidents	**0.7**	**0.3**	**0.1**	**0.1**	**11.2**	**13.2**
of which loans from Bank	0.2	0.3	0.1	0.1	2.4	3.9
of which loans from Hypotek	–	–	–	–	8.3	9.3
of which loans from Wasa Kredit	0.5	–	–	–	0.5	–

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

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

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2009:6) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board of Directors 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	2009	2008
Costs for premises	13.6	16.0
IT costs	164.1	154.4
Consultant costs	31.0	35.3
Marketing	10.2	18.5
Management costs	5.7	5.3
Other administration expenses	130.4	60.8
Total administration expenses	**355.0**	**290.3**

NOTE 13 REMUNERATION TO AUDITORS

Audit fees

SEK M	2009	2008
KPMG		
– Audit	1.5	1.4
– Other assignments	0.4	0.6

Audit assignments pertain to a review of the Annual Report and accounts, and the management by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such assignments. Everything else comes under Other assignments.

NOTE 14 OPERATIONAL LEASING

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

SEK M	2009	2008
Lease expenses paid		
Rent for premises	13.1	14.9
Leasing fees, company cars	0.5	0.9
Future basic rents for irrevocable leasing contracts		
Within 1 year	13.1	14.9

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

SEK M	2009	2008
Depreciation of property and equipment	3.7	2.2
Amortisation of intangible assets	47.8	39.4
	51.5	**41.6**
Impairment of financial assets	–	0.3
Total depreciation/amortisation and impairment of assets	**51.5**	**41.9**

NOTE 16 LOAN LOSSES, NET

SEK M	2009	2008
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	18.2	1.8
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	–5.8	–
Impairment of loan losses during the year	43.7	–3.9
Payment received for prior confirmed loan losses	–1.6	–9.6
Reversed impairment of loan losses no longer required	–8.5	–
Net expense for the year for individually assessed receivables	**46.0**	**–11.7**
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	–	5.3
Payment received for prior confirmed loan losses	–	–
Provision/reversal of reserve for loan losses	–35.8	19.5
Net expense for the year for collectively assessed receivables	**–35.8**	**24.8**
Net expense for the year for fulfilment of guarantees	**–5.6**	**–4.8**
Net expense of loan losses for the year	**4.6**	**8.3**

All information pertains to receivables from the public.

NOTE 17 TAX ON NET PROFIT/LOSS FOR THE YEAR

SEK M	2009	2008
Current tax		
Tax expense/tax income for the period	–9.2	0.0
Total current tax	**–9.2**	**0.0**
Deferred tax		
Change in deferred tax expense on temporary differences	6.0	–5.9
Deferred tax as a result of lowered tax rate	–	0.5
Total deferred tax	**6.0**	**–5.4**
Total recognised tax expense	**–3.2**	**–5.4**
Reconciliation of effective tax rate		
Profit before tax	–36.6	–23.9
Tax in accordance with applicable tax rate for Parent Company	–9.6	–6.7
Tax on non-deductible costs	2.6	1.1
Tax on non-taxable income	–1.0	0.0
Tax on non-recognised income	4.8	–
Increase in loss carryforwards without corresponding capitalising of deferred tax	–	–0.2
Tax attributable to earlier years	–	–0.1
Changed tax rates	–	0.5
Total tax on net profit for the year	**–3.2**	**–5.4**
Applicable tax rate	26.3%	28.0%
Effective tax rate	–8.8%	22.6%
Tax items recognised directly against shareholders' equity		
Current tax in received/paid Group contribution	–	–
Tax items recognised in other comprehensive income		
Tax on available-for-sale financial assets	8.7	3.7

Tax attributable to other comprehensive income	2009			2008		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Available-for-sale financial assets	33.1	–8.7	24.4	–14.2	3.7	–10.5

NOTE 18 ELIGIBLE TREASURY BILLS

	2009	2008
Swedish government	1,999.8	–
Total eligible treasury bills	**1,999.8**	**–**
Fair value	1,999.9	–
Amortised cost	1,999.8	–
Nominal value	2,000.0	–
Remaining term of not more than 1 year	1,999.8	–

NOTE 19 LENDING TO CREDIT INSTITUTIONS

SEK M	2009	2008
Lending to subsidiaries	28,746.3	26,481.3
Deposits, Swedish banks	2,509.0	9,652.0
Other lending to credit institutions	466.6	120.9
Total lending to credit institutions	**31,721.9**	**36,254.1**

True repurchase transactions amount to 9,558 (7,601), of which 9,558 (7,601) with Group companies.

Payable on demand	381.8	32.7
Remaining term of not more than 3 months	9,222.5	33,394.5
Remaining term of more than 3 months but not more than 1 year	21,211.4	627.4
Remaining term of more than 1 year but not more than 5 years	66.2	1,271.9
Remaining term of more than 5 years	840.0	927.6
Total lending to credit institutions	**31,721.9**	**36,254.1**

NOTE 20 LENDING TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec. 31, 2009	Dec. 31, 2008
Loan receivables, gross		
Public sector	4.6	3.1
Corporate sector	1,050.1	712.2
Retail sector	22,021.9	15,793.8
Other	10.8	0.2
Total loan receivables, gross	**23,087.4**	**16,509.3**
Impairment of individually reserved loan receivables		
Corporate sector	–0.3	–
Retail sector	–40.0	–
Total individual reserves	**–40.3**	**0.0**
Impairment of collectively reserved loan receivables		
Corporate sector	–4.7	–3.8
Retail sector	–79.0	–115.7
Other	–0.1	–
Total collective reserves	**–83.8**	**–119.5**
Total reserves	**–124.1**	**–119.5**

SEK M	Dec. 31, 2009	Dec. 31, 2008
Loan receivables, net		
Public sector	4.6	3.1
Corporate sector	1,045.1	708.4
Retail sector	21,902.9	15,678.1
Other	10.7	0.2
Total loan receivables, net	**22,963.3**	**16,389.8**
Payable on demand	–	–
Remaining term of not more than 3 months	10,033.7	3,905.5
Remaining term of more than 3 months but not more than 1 year	1,506.3	1,981.4
Remaining term of more than 1 year but not more than 5 years	2,363.6	1,952.0
Remaining term of more than 5 years	9,183.8	8,670.4
	23,087.4	**16,509.3**
Impaired loans		
Corporate sector	4.1	2.4
Retail sector	53.5	74.3
	57.6	**76.7**

Definitions:
A loan 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.

Reconciliation of impairment of loan losses	December 31, 2009			December 31, 2008		
	Individual impairments	Collective impairments	Total	Individual impairments	Collective impairments	Total
Opening balance	–	–119.5	–119.5	–	–99.7	–99.7
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	5.8	–	5.8	–	–	–
Reversed impairment of loan losses no longer required	8.5	–	8.5	–	–	–
Impairment of loan losses during the year	–54.6	35.7	–18.9	–	–19.8	–19.8
Closing balance	**–40.3**	**–83.8**	**–124.1**	**–**	**–119.5**	**–119.5**

NOTE 21 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	2009	2008
Carrying amount		
Swedish mortgage institutions (guaranteed by Swedish government)	1,995.7	1,990.7
Swedish mortgage institutions (not guaranteed)	16,657.8	5,974.5
Other Swedish issuers (guaranteed by Swedish government)	–	2,981.2
Other Swedish issuers (not guaranteed by Swedish government)	1,990.9	–
	20,644.4	**10,946.4**
Fair value	20,657.3	10,946.4
Amortised cost	20,458.4	10,731.2
Nominal value	20,146.0	10,800.0
Market status		
Securities listed	20,644.4	10,946.4
Securities unlisted		
Remaining term of not more than 1 year	13,825.5	6,507.0
Remaining term of more than 1 year	6,818.9	4,439.4

NOTE 22 SHARES AND PARTICIPATIONS

SEK M	2009	2008
Other shares and participations	10.4	10.4
Tenant-owned apartments	–	0.4
Total shares and participations	**10.4**	**10.8**

All shares are unlisted.

NOTE 23 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

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

	2009			2008		
SEK M	Number of shares	Quotient value	Carrying amount	Number of shares	Quotient value	Carrying amount
Wasa Kredit AB (556311-9204)	875,000	87.5	637.8	875,000	87.5	637.8
Länsförsäkringar Hypotek AB (556244-1781)	70,335	70.3	2,896.2	70,335	70.3	2,358.6
Länsförsäkringar Fondförvaltning AB (556364-2783)	15,000	1.5	165.0	15,000	1.5	165.0
Total shares and participations in Group companies			**3,699.0**			**3,161.4**

	2009				2008			
SEK M	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total
Carrying amount at beginning of period	637.8	2,358.6	165.0	3,161.4	637.8	2,233.6	165.0	3,036.4
Conditional shareholders' contribution		537.6		537.6		125.0		125.0
Carrying amount at end of period	**637.8**	**2,896.2**	**165.0**	**3,699.0**	**637.8**	**2,358.6**	**165.0**	**3,161.4**

	2009		2008	
Shareholders' equity and profit after tax in subsidiaries, SEK M	Shareholders' equity	Net profit for the year	Shareholders' equity	Net profit for the year
Wasa Kredit AB (including 73.7% of untaxed reserves)	739.3	78.7	744.8	75.0
Länsförsäkringar Hypotek AB	2,884.4	99.9	2,351.0	92.8
Länsförsäkringar Fondförvaltning AB	73.5	36.9	73.2	25.6
	3,697.2	**215.5**	**3,169.0**	**193.4**

NOTE 24 DERIVATIVES

	Dec. 31, 2009		Dec. 31, 2008	
SEK M	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest-rate derivatives	2,080.0	13.6	2,020.0	29.0
Other derivatives				
Interest-rate derivatives	–	–	2,525.0	21.1
Foreign-exchange derivatives	4,535.8	593.4	5,074.2	1,010.5
Collateral received, CSA		–364.9		–
Total derivatives with positive values	**6,615.8**	**242.1**	**9,619.2**	**1,060.6**
Remaining term of not more than 1 year	4,910.8	229.9	4,338.4	140.2
Remaining term of more than 1 year	1,705.0	12.2	5,280.8	920.4
Derivatives with negative values				
Derivatives in hedge accounting				
Interest-rate derivatives	6,763.0	332.3	4,561.0	298.9
Other derivatives				
Interest-rate derivatives	600.0	7.4	4,125.0	72.2
Foreign-exchange derivatives	3,408.8	440.2	3,408.8	668.8
Total derivatives with negative values	**10,771.8**	**779.9**	**12,094.8**	**1,039.9**
Remaining term of not more than 1 year	5,053.8	467.1	3,670.0	63.6
Remaining term of more than 1 year	5,718.0	312.8	8,424.8	976.3

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

SEK M	2009	2008
Assets		
Carrying amount at beginning of year	87.9	–0.5
Changes during the year pertaining to lending	–26.6	88.4
Carrying amount at year-end	**61.3**	**87.9**
Liabilities		
Carrying amount at beginning of year	32.8	–
Changes during the year pertaining to deposits	–24.7	32.8
Carrying amount at year-end	**8.1**	**32.8**

NOTE 26 INTANGIBLE ASSETS

	Internally developed IT systems		Acquired IT systems		Total	
SEK M	2009	2008	2009	2008	2009	2008
Cost						
Opening cost	432.0	367.6	22.0	17.0	454.0	384.6
Acquisitions during the year	55.7	64.4	–	5.0	55.7	69.4
Closing cost	**487.7**	**432.0**	**22.0**	**22.0**	**509.7**	**454.0**
Depreciation/Amortisation						
Opening accumulated amortisation	–227.6	–192.0	–13.1	–9.3	–240.7	–201.3
Amortisation for the year	–43.4	–35.6	–4.4	–3.8	–47.8	–39.4
Closing accumulated amortisation	**–271.0**	**–227.6**	**–17.5**	**–13.1**	**–288.5**	**–240.7**
Total intangible assets	**216.7**	**204.4**	**4.5**	**8.9**	**221.2**	**213.3**

NOTE 27 PROPERTY AND EQUIPMENT

SEK M	2009	2008
Equipment		
Opening cost	40.3	35.6
Reclassification	–	–0.4
Purchases	–	5.1
Closing cost	**40.3**	**40.3**
Opening depreciation	–24.2	–22.4
Reclassification	–	0.4
Depreciation for the year	–3.6	–2.2
Closing accumulated depreciation	**–27.8**	**–24.2**
Closing residual value according to plan	**12.5**	**16.1**
Property and equipment	**12.5**	**16.1**

NOTE 28 DEFERRED TAX ASSETS AND TAX LIABILITIES

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

	Assets		Liabilities		Net	
SEK M	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Other financial investment assets	0.0	–3.9	4.8	0.0	4.8	–3.9
Liabilities	–1.7	–7.7	–	0.0	–1.7	–7.7
Utilisation of loss carryforwards	–	–0.1	–	0.0	0.0	–0.1
Deferred tax assets (–)/deferred tax liabilities (+)	**–1.7**	**–11.7**	**4.8**	**0.0**	**3.1**	**–11.7**
Net deferred tax assets (–) /deferred tax liabilities (+)	**–1.7**	**–11.7**	**4.8**	**0.0**	**3.1**	**–11.7**

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

Change in deferred tax in temporary differences and loss carryforwards

2009	Amount at Jan. 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec. 31
Other financial investment assets	–3.9	–	8.8	4.9
Liabilities	–7.7	5.9	–	–1.8
Utilisation of loss carryforwards	–0.1	0.1	–	0
Deferred tax asset (–)/ tax liability (+)	**–11.7**	**6.0**	**8.8**	**3.1**

2008	Amount at Jan. 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec. 31
Other financial investment assets	–0.1	–	–3.8	–3.9
Liabilities	–2.4	–5.3	–	–7.7
Utilisation of loss carryforwards	–	–0.1	–	–0.1
Deferred tax asset (–)/ tax liability (+)	**–2.5**	**–5.4**	**–3.8**	**–11.7**

NOTE 29 OTHER ASSETS

SEK M	2009	2008
Accounts receivable	30.3	15.5
Other assets	54.6	78.1
Total other assets	**84.9**	**93.6**

NOTE 30 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	2009	2008
Accrued interest income	352.3	234.4
Other accrued income	3.2	35.1
Prepaid expenses	34.4	14.8
Total prepaid expenses and accrued income	**389.9**	**284.3**

NOTE 31 LIABILITIES TO CREDIT INSTITUTIONS

SEK M	2008	2008
Swedish banks	20,500.0	8,501.5
Other Swedish credit institutions	9,455.5	10,228.5
Total liabilities to credit institutions	**29,955.5**	**18,730.0**

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

Payable on demand	9,096.4	10,230.0
Remaining term of not more than 3 months	359.1	8,500.0
Remaining term of more than 3 months but not more than 1 year	20,500.0	–
	29,955.5	**18,730.0**

NOTE 32 DEPOSITS FROM THE PUBLIC

SEK M	2009	2008
Deposits from insurance companies	2,596.2	3,801.3
Deposits from households	32,245.5	28,844.0
Deposits from other Swedish public	2,639.5	2,552.6
Total deposits from the public	**37,481.2**	**35,197.9**
Payable on demand	37,481.2	35,197.9

Fixed-term deposits amount to SEK 8,722.6 M (11,528.0). Interest compensation is paid on premature redemption.

NOTE 33 DEBT SECURITIES IN ISSUE

SEK M	2009	2008
Commercial papers	5,925.1	5,082.6
Bond loans	1,298.2	2,025.2
Cashier's cheques issued	113.3	93.5
Total debt securities in issue, etc.	**7,336.6**	**7,201.3**
Remaining term of not more than 1 year	7,336.5	5,827.8
Remaining term of more than 1 year	0.1	1,373.6

NOTE 34 OTHER LIABILITIES

SEK M	2009	2008
Accounts payable	35.1	22.6
Withheld preliminary tax, customers	38.5	197.5
Other liabilities	122.4	101.4
Total other liabilities	**196.0**	**321.5**

NOTE 35 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2009	2008
Accrued holiday pay	4.8	6.2
Accrued social security expenses	7.2	4.7
Accrued interest expense	265.4	387.1
Other accrued expenses	143.9	125.8
Total accrued expenses and deferred income	**421.3**	**523.8**

NOTE 36 PROVISIONS

SEK M	2009	2008
Provisions for guarantees	1.8	2.1
Provisions for early retirement in accordance with the pension agreement	2.7	5.2
Provisions for restructuring costs	0.3	24.5
	4.8	**31.8**
Provision for guarantees		
Carrying amount at beginning of period	2.1	3.0
Unutilised amount reversed during the period	–0.3	–0.9
Carrying amount at end of period	**1.8**	**2.1**

Guarantees
Guarantees include leasing guarantees and credit guarantees.

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

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

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

SEK M	Dec. 31, 2009	Dec. 31, 2008
Pension commitments		
Provisions for pensions	2.7	5.2
Total	**2.7**	**5.2**
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	5.2	6.2
Cost excluding interest expense charged to earnings	–2.6	–1.2
Interest expense	0.1	0.2
Capital value at December 31	**2.7**	**5.2**
Net pension commitments	**2.7**	**5.2**
The company's own pensions		
Cost excluding interest expense	–2.6	–1.2
Interest expense	0.1	0.2
Cost of the company's own pensions	**–2.5**	**–1.0**
Recognised net cost attributable to pensions	**–2.5**	**–1.0**
Assumptions pertaining to defined-benefit commitments:		
Discount rate	2.30%	3.50%
Percentage expected to retire voluntarily at age 62	20.00%	20.00%
Memorandum items	**10.8**	**20.8**

NOTE 36 PROVISIONS, cont

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.

	2009	2008
Expenses for defined-contribution plans	13.1	17.6

NOTE 37 SUBORDINATED LIABILITIES

SEK M	2009	2008
Subordinated debt	1,250.0	1,250.0
Total	**1,250.0**	**1,250.0**

Specification of subordinated debt from Länsförsäkringar AB

	Carrying amount	Coupon rate of interest
Subordinated debt 2007/2017 LFAB	180.0	Variable 3 months
Subordinated debt 2008/2013 LFAB	580.0	Variable 3 months
Subordinated debt perpetual LFAB[1]	290.0	Variable 3 months
Subordinated debt 2007/2017 LFAB	100.0	Variable 3 months
Subordinated debt 2008/2013 LFAB	100.0	Variable 3 months
Total subordinated debt	**1,250.0**	

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

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

NOTE 38 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	2009		2008	
SEK M	Foreign currency	SEK	Foreign currency	SEK
Debt securities in issue				
EUR	124.8	1,280.1	184.8	2,007.1

All amounts are hedged with currency swaps.

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

SEK M	2009	2008
Restricted shareholders' equity		
Share capital	954.9	954.9
Statutory reserve	18.4	18.4
	973.3	**973.3**
Non-restricted shareholders' equity		
Fair value reserve	13.6	–10.9
Retained earnings	3,745.9	3,338.4
Net profit for the year	–33.4	–18.5
	3,726.1	**3,309.0**
Total shareholders' equity	**4,699.4**	**4,282.3**

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

The disclosure requirement in accordance with chapter 5, section 14 of the Swedish Annual Accounts Act regarding specification of changes in shareholders' equity compared with the preceding year's balance sheet is presented on page 69.

Conditional shareholders' contribution received totalled:

During 2007	325.0
During 2008	500.0
During 2009	400.0
Total	**1,225.0**

NOTE 40 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	2009	2008
For own liabilities, pledged assets/collateral		
Pledged securities in the Riksbank	23,040.0	11,340.0
Pledged securities in Euroclear	3,096.0	1,300.0
Collateral provided for derivatives	10.0	10.0
Collateral provided for securities	5.0	–
	26,151.0	**12,650.0**
Other pledged assets/collatera	None	None
Contingent liabilities/guarantees		
Guarantees	32.5	38.3
Early retirement at age 62 in accordance with pension agreement, 80%	10.8	20.8
	43.3	**59.1**
Commitments		
Loans approved but not disbursed	345.4	188.1
Unutilised portion of overdraft facilities	779.5	3,744.3
Unutilised portion of credit card facilities	3,333.3	707.3
	4,458.2	**4,639.7**

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, based on historic information. The pension agreement expires in 2017.

NOTE 41 INVESTMENT COMMITMENTS

There are no investment commitments.

NOTE 42 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

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

NOTE 42 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.

December 31, 2008 SEK M	Loans and receivables	Financial assets at fair value through profit or loss: Financial assets measured 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	Investments held to maturity	Non-financial assets	Total	Fair value
Assets									
Cash and balances with central banks	81.3							81.3	81.3
Lending to credit institutions	36,254.1							36,254.1	36,254.1
Lending to the public	16,389.8							16,389.8	16,617.1
Bonds and other interest-bearing securities		1,640.4			9,306.0			10,946.4	10,946.4
Shares and participations					10.8			10.8	10.8
Shares and participations in Group companies							3,161.4	3,161.4	3,161.4
Derivatives			1,031.6	29.0				1,060.6	1,060.6
Fair value adjustment of interest-rate hedged items in portfolio hedge	87.9							87.9	87.9
Intangible assets							213.3	213.3	
Property and equipment							16.1	16.1	
Deferred tax assets							11.7	11.7	
Other assets	15.5						78.1	93.6	
Prepaid expenses and accrued income	84.8	1.6	15.0	37.7	95.3		49.9	284.3	
Total assets	**52,913.4**	**1,642.0**	**1,046.6**	**66.7**	**9,412.1**		**3,530.5**	**68,611.3**	

December 31, 2008 SEK M	Financial assets at fair value through profit or loss: Financial assets measured according to fair value option	Financial assets at fair value through profit or loss: Held for trading	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Fair value
Liabilities							
Liabilities to credit institutions				18,730.0		18,730.0	18,730.0
Deposits and borrowing from the public				35,197.9		35,197.9	33,868.6
Debt securities in issue				7,201.3		7,201.3	7,237.4
Derivatives		741.0	298.9			1,039.9	1,040.0
Fair value adjustment of interest-rate hedged items in portfolio hedge				32.8		32.8	33.0
Other liabilities				197.5	124.0	321.5	
Accrued expenses and deferred income		18.2	144.2	224.7	136.7	523.8	
Provisions					31.8	31.8	
Subordinated liabilities				1,250.0		1,250.0	1,250.0
Total liabilities	–	**759.2**	**443.1**	**62,834.2**	**292.5**	**64,329.0**	

For lending and deposits with variable interest rates, fair value corresponds to the carrying amount.
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.

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.

December 31, 2009 SEK M	Instruments with published price quotations (Level 1))	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Bonds and other interest-bearing securities	14,602.6			14,602.6
Shares and participations			0.2	0.2
Derivatives		242.1		242.1
Liabilities				
Derivatives		779.9		779.9

December 31, 2008 SEK M	Instruments with published price quotations (Level 1))	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Bonds and other interest-bearing securities	10,946.4			10,946.4
Shares and participations			0.2	0.2
Derivatives		1,060.6		1,060.6
Liabilities				
Derivatives		1,039.9		1,039.9

SEK M	Shares and participations
Opening balance, January 1, 2008	**0.5**
Total gains and losses recognised:	–0.3
– recognised in net profit for the year	–0.3
Closing balance, December 31, 2008	**0.2**
Gains and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2008.	*–0.3*
Opening balance, January 1, 2009	**0.2**
Total gains and losses recognised: –	–
– recognised in net profit for the year	–
Closing balance, December 31, 2009	**0.2**
Gains and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2009.	–

NOTE 44 CAPITAL-ADEQUACY ANALYSIS

SEK M	2009	2008
Tier 1 capital, gross	4,975.8	4,583.2
Less intangible assets	–221.2	–213.3
Less deferred tax assets	0.0	–11.7
Less/plus IRB deficit/surplus	–13.2	–6.8
Tier 1 capital, net	**4,741.4**	**4,351.4**
Tier 2 capital	960.0	960.0
Deductions for Tier 2 capital	–13.2	–6.8
Total capital base	**5,688.2**	**5,304.6**
Risk-weighted assets excluding transition rules	**15,836.6**	**11,643.4**
Risk-weighted assets including transition rules	**17,535.8**	**13,298.4**
Total capital requirement for credit risk		
Capital requirement for credit risk according to Standardised Approach	747.8	502.0
Capital requirement for credit risk according to IRB Approach	451.3	374.1
Capital requirement for operational risk	67.8	55.4
Capital requirement	**1,266.9**	**931.5**
Adjustment according to transition rules	135.9	132.4
Total capital requirement	**1,402.8**	**1,063.9**
Tier 1 ratio as a percentage, before adjustment according to transition rules, %	29.9	37.4
Capital adequacy ratio before adjustment according to transition rules, %	35.9	45.6
Capital ratio excluding transition rules *	4.5	5.7
Tier 1 ratio as a percentage after adjustment according to transition rules, %	27.0	32.7
Capital adequacy ratio, after adjustment according to transition rules, %	32.4	39.9
Capital ratio including transition rules *	4.1	5.0
Special disclosures		
IRB provisions surplus (+)/deficit (–)	26.4	–13.5
– IRB Total reserves (+)	94.1	96.2
– IRB Anticipated loss (–)	120.5	–109.7

SEK M	2009	2008
Capital requirement		
Credit risk according to the Standardised Approach		
Exposures to institutions	62.7	28.1
Exposures to corporates	312.9	321.2
Exposures secured on residential property	228.5	96.1
Past due items	7.3	5.0
Covered bonds	126.8	40.4
Other items	9.7	11.2
Total	**747.9**	**502.0**
Credit risk according to the IRB Approach		
Retail exposures		
Property credits	277.5	225.7
Other retail exposures	172.8	147.1
Non credit-obligation assets	1.0	1.3
Total	**451.3**	**374.1**
Operational risk		
Standardised Approach	67.8	55.4
Total capital requirement for operational risk	67.8	55.4
Capital-adequacy analysis according to earlier rules		
Tier 1 capital	4,754.6	4,358.2
Tier 2 capital	960.0	960.0
Total capital base	**5,714.6**	**5,318.2**
Risk-weighted assets	22,332.4	14,963.8
Capital requirement for credit risks	1,786.6	1,197.1
Tier 1 ratio, %	21.29	29.12
Capital adequacy ratio, %	25.59	35.54
Capital ratio*	3.20	4.44

* Capital ratio = total capital base/total capital requirement

Capital base includes the Board's proposed appropriation of earnings.

In addition to the Parent Company Länsförsäkringar Bank AB publ (556401-9878), the financial corporate group includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB publ (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB publ (556364-2783).

NOTE 45 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

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

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

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

Pricing
Negotiated prices are applied within the Länsförsäkringar Alliance, both for services performed on behalf of the regional insurance companies and the service offerings provided within the Länsförsäkringar AB Group.

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

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

Transactions

	Receivables		Liabilities		Income		Income	
	2009	2008	2009	2008	2009	2008	2009	2008
Companies in the Bank Group	28,782.6	27,092.6	9,786.6	10,760.6	493.3	1,172.8	107.4	277.4
Other companies in the Länsförsäkringar AB Group	0.6	17.6	1,660.3	1,728.8	11.7	15.5	186.7	154.3
Länsförsäkringar Liv, Group	–	–	2.6	–	–	2.1	0.1	–
Regional insurance companies	18.7	19.3	2,006.8	1,568.2	108.6	95.1	237.8	335.0
Other related parties	–	–	21.8	–	–	–	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 staff costs.
In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

NOTE 46 EVENTS AFTER BALANCE-SHEET DATE

Member of the Board Thomas Gustafsson died in March 2010.

PROPOSED APPROPRIATION OF PROFIT

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

Fair value reserve	13,572,074
Retained earnings	3,319,902,136
Shareholders' contribution received	400,000,000
Group contribution received, net	26,016,100
Net loss for the year	–33, 399,336
Profit to be appropriated	**3,726,090,974**
The Board proposes that profit be appropriated so that the following amount is carried forward:	3,726,090,974

Statement from the Board

The Board of Directors and President affirm that this annual report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts 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 accounts 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 on March 23, 2010

Sten Dunér
Chairman

Ingemar Larsson
Deputy Chairman

Leif Johanson

Örian Söderberg

Christer Villard

Mats Ericsson
President

Ingrid Ericson
Employee Representative

Katarina Säther
Employee Representative

My audit report was submitted on March 23, 2010

Johan Bæckström
Authorised Public Accountant

Audit Report

To the Annual General Meeting of shareholders of Länsförsäkringar Bank AB (publ)
Corporate Registration Number 516401-9878

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar Bank AB (publ) for 2009. The annual accounts are included in the printed version of this document on pages 19–84. The Board of Directors and the President are responsible for these accounts and the administration of the company and the application of the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

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

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

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

Stockholm, March 23, 2010

Johan Bæckström
Authorised Public Accountant

Corporate Governance Report

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

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

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

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

General meeting

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

Nomination process

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

External auditors

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

Composition of 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 between zero and six deputies. Board members are elected for a maximum mandate period of two years. In addition, members appointed by trade-union organisations are also members of the Board. The bank has no time limit for the length of time a member may sit on the Board and no upper age limit for Board members. The Chairman and Deputy Chairman of the Board are appointed by the Annual General Meeting

The 2009 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. One of the Board members passed away on September 15, 2009. Sten Dunér was appointed as the bank's Board Chairman on October 23, 2009 following the resignation of Håkan Danielsson. The Board currently comprises eight ordinary members and one deputy member, of whom two members and one deputy member were appointed by the trade-union organisations. The Chairman of the Board is the President of Länsförsäkringar AB. The President of Länsförsäkringar Bank is not a member of the Board. Five members are Board members and/or presidents of the regional insurance companies. Mandate periods and a more detailed presentation of the Board members are presented in the Annual Report.

Board responsibilities and allocation of duties

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

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

The Board shall remain informed about the performance of the company to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting shall take place in accordance with established instructions and through regular Board meetings.

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

Chairman

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

Internal Audit

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

Distribution of Board duties

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

Audit Committee

A joint Audit Committee has been established for the Länsförsäkringar AB Group. The Audit Committee is responsible for preparing the work of each company's Board of Directors with regard to quality assurance of the internal control of financial reporting, regulatory compliance, risk management, risk control and other internal control matters. The Committee is also responsible for matters referred to the Committee by each company's Board of Directors. The bank's Board of Directors appointed two of the six members. The members are independent in relation to the bank and management. The bank's internal and external auditors generally participate in the Committee's meetings. At the statutory Board meeting following the 2009 Annual General Meeting, Ingemar Larsson and Leif Johanson were appointed to represent the bank in the Audit Committee.

Remuneration Committee

The Remuneration Committee is responsible for preparing issues pertaining to remuneration and other terms of employment for the President and the principles for remuneration and other terms of employment for company management. At the statutory Board meeting following the 2009 Annual General Meeting, Håkan Danielsson and Ingemar Larsson were appointed as members of the Remuneration Committee. In October 2009, Håkan Danielsson was replaced by Sten Dunér (Chairman).

Meetings and attendance

The table below shows the number of meetings held in each body since the 2009 Annual General Meeting until February 2010, and the attendance by each Board member:

	Board of Directors	Audit Committee	Remuneration Committee
Total number of meetings	10	3	0
Håkan Danielsson[1)]	4		
Sten Dunér [2)]	4		
Ingrid Ericson	7		
Thomas Gustafsson	9		
Håkan Haraldsson, suppl.	6		
Leif Johanson[3)]	9	2	
Lennart Käll[4)]	3		
Ingemar Larsson	7	3	0
Katarina Säther	8		
Örian Söderberg	7		
Christer Villard	8		

1) Board member until October 23, 2009
2) Board member as of October 23, 2009
3) Member of the Audit Committee as of June 16, 2009
4) Board member until September 15, 2009

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

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

Control environment

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

The Board of Directors has appointed an Audit Committee to prepare the work of the Board by quality-assuring the financial reporting. Moreover, as further preparation for financial reporting, the Board has also established an Internal Audit function to support the Board in ensuring that the operations are conducted in accordance with the Board's decisions. Risks are continuously identified, analysed and monitored by the Risk Control function, and the ongoing control of compliance with external and internal regulations is conducted by the Compliance function.

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

The joint areas of the Länsförsäkringar AB Group aim to coordinate routines and procedures by establishing basic Group-wide rules. These rules are described in Group-wide guidance documents. The Group-wide guidance documents must be approved on an annual basis and be incorporated into each subsidiary, which is the responsibility of each president. Examples of such guidance documents include Group instructions, reporting instructions, guidelines for handling ethical issues, authorisation manuals and security policies.

Risk assessment

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

Control activities

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

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

Information and communications

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

Follow-up

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

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

Definitions

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

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

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

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

Investment margin
Net interest in relation to average total assets.

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

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

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

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

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

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

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

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

Tier 2 capital
Primarily comprises fixed-term subordinated debt.

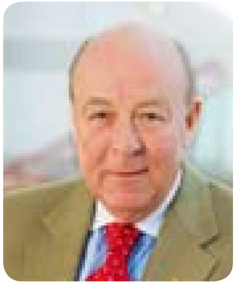
Board of Directors and auditors

BOARD OF DIRECTORS

Sten Dunér
Born 1951
Chairman since 2009 and President and CEO of Länsförsäkringar AB.
Other Board appointments: Chairman of Länsförsäkringar Liv and Länsförsäkringar Sak. Board member of API, Agria Pet Insurance and property company Balder.

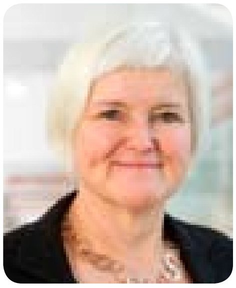
Ingemar Larsson
Born 1949
Deputy Chairman since 2008. President of Länsförsäkringar Göteborg och Bohuslän.
Other Board appointments: Board Chairman of Länsförsäkringar Mäklarservice AB.

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



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

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



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.

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

Mats Ericsson
Born 1954
President
Other Board appointments: Board Chairman of Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning. Board member of Wasa Kredit AB and Prince Bertil's Foundation.

Håkan Haraldsson
Born 1948
Board member since 2006
Employee representative LFP (Länsförsäkringsgruppens Personalförening).
Other Board appointments: Board Chairman of LFP, Employee representative of Länsförsäkringar AB, Länsförsäkringar Fonder, and Östgöta Brandstodsbolag.

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

AUDITOR

Johan Bæckström
Authorised Public Accountant
KPMG Bohlins

Senior executives

EXECUTIVE MANAGEMENT

Mats Ericsson
Born 1954
President
Employed since 2008

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

Bengt Clemedtson
Born 1964
Head of Products and Processes
Employed since 2006

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

Göran Zakrisson
Born 1953
Chief Risk Officer
Employed since 2004

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

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

Lennart Käll
Born 1958
President of Wasa Kredit
Employed since 2009

Financial calendar

First quarter:
Interim report January–March 2010
will be published on April 27, 2010.

Second quarter:
Interim report January–June 2010
will be published on August 24, 2010.

Third quarter:
Interim report January–September 2010
will be published on October 26, 2010.

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Bank & Försäkring

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