

Länsförsäkringar Bank

Year-end Report 2010

The year in brief, Group

- According to the 2010 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied retail bank customers and Sweden's most satisfied retail mortgage customers.
- Operating profit increased 34% to SEK 345 M (258).
- Net interest income rose 19% to SEK 1,363 M (1,148).
- Loan losses remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05).
- Business volumes rose 14% to SEK 232 billion (204).
- The Tier 1 ratio according to Basel II was 11.8% (12.5) and the capital adequacy ratio was 13.5% (14.8).
- The number of customers rose 9% to 826,000 (759,000) and the number of bank cards increased 19% to 266,000 (223,000).
- The number of customers with Länsförsäkringar as their principal bank increased 15% to 223,000 (194,000) and the number of products per customer is increasing.

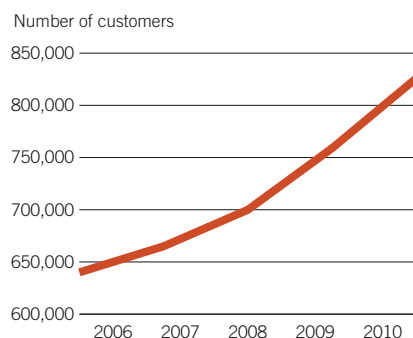
Figures in parentheses pertain to 2009.

Mats Ericsson, President, Länsförsäkringar Bank:

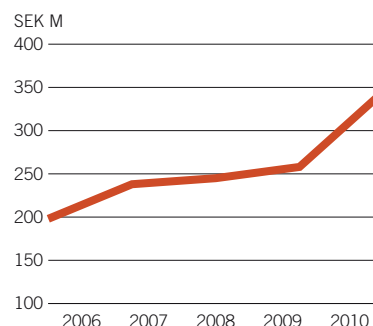
The bank continued to grow in all areas during the fourth quarter and our market position was strengthened. Growth in the number of customers is continuously improving. Net interest income, operating profit and profitability rose and the bank's rating remained unchanged with a stable outlook. Growth, favourable credit quality and profitability show that the bank represents stability and low-risk operations. Länsförsäkringar has Sweden's strongest financial brand, as well as Sweden's most satisfied retail bank and mortgage customers. We are well equipped for a new year during which we will strengthen our savings offering.



CUSTOMER TREND



OPERATING PROFIT



Key figures

Group	Q4 2010	Q4 2009	Jan-Dec 2010	Jan-Dec 2009
Return on equity, %	5.2	3.8	4.9	4.1
Return on total capital, %	0.26	0.20	0.24	0.22
Investment margin, %	1.06	0.92	0.93	0.96
Cost/income ratio before loan losses	0.71	0.81	0.71	0.76
Cost/income ratio after loan losses	0.74	0.82	0.75	0.80
Tier 1 ratio according to Basel II, %	11.8	12.5	11.8	12.5
Capital adequacy ratio according to Basel II, %	13.5	14.8	13.5	14.8
Percentage of impaired loans, %	0.17	0.21	0.17	0.21
Reserve ratio in relation to loans, %	0.24	0.30	0.24	0.30
Loan losses, %	0.03	0.02	0.05	0.05

Income statement, quarterly

Group, SEK M	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Net interest income	389.6	358.8	324.1	290.3	291.1
Net gains/losses from financial items	-0.4	10.4	-3.6	3.6	20.0
Net commission	-63.0	-56.8	-24.9	-10.7	1.9
Other operating income	42.2	42.7	46.9	37.4	36.3
Total operating income	368.4	355.1	342.5	320.7	349.3
Staff costs	-78.0	-72.0	-83.5	-77.9	-80.9
Other expenses	-183.4	-162.2	-167.4	-156.8	-201.0
Total operating expenses	-261.4	-234.2	-250.9	-234.7	-281.9
Profit before loan losses	107.0	120.9	91.6	86.0	67.4
Loan losses, net	-10.1	-18.5	-13.3	-18.2	-5.2
Operating profit	96.9	102.4	78.3	67.8	62.2

Market commentary

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

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

Sweden's most satisfied bank customers

According to the 2010 Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied bank customers on the retail market for the sixth time in seven years and Sweden's most satisfied retail mortgage customers for the sixth consecutive year. Länsförsäkringar received a top ranking in both of the surveys for all of the criteria measured, including image, customer expectations, product range, service quality, value-for-money and loyalty. Service quality has grown in importance to mortgage customers.

The year 2010 compared with 2009

Growth and customer trend

Business volumes rose 14%, or SEK 28 billion, to SEK 232 billion (204) and the number of customers increased 9% or 67,000 to 826,000 (759,000). The number of customers who have Länsförsäkringar as their principal bank rose 15%, or 29,000, to 223,000 (194,000) and of these customers, 92% (90) are also customers with Länsförsäkringar's non-life and/or life assurance products. The number of

products per customer is rising. The number of cards increased 19%, or 43,000, to 266,000 (223,000).

Earnings and profitability

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

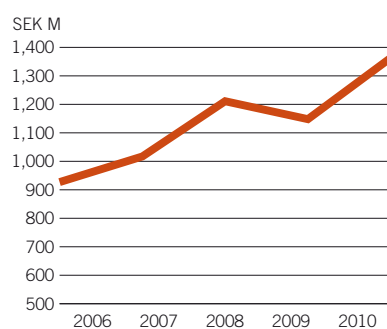
Income

Operating income increased a total of 7% to SEK 1,387 M (1,301), which was attributable to a strong net interest income and higher commission income as a result of greater volumes of managed funds.

The increase in net interest income is due to higher business volumes and improved margins. Net interest income rose 19% to SEK 1,363 M (1,148). The investment margin was 0.93% (0.96). Net interest income was charged with SEK 25 M (20) for fees to the stability fund and SEK 24 M (16) for mandatory government deposit insurance. Commission income increased 19% to SEK 919 M (774) due to higher fund management volumes. Commission expense rose 23% to SEK 1,074 M (870) attributable to higher business volumes which led to increased compensation to the regional insurance companies.

Net gains from financial items declined to SEK 10 M (100). Due to the status of the market interest rates, customers to a lesser extent prematurely redeemed loans with longer terms of fixed interest than in the preceding year.

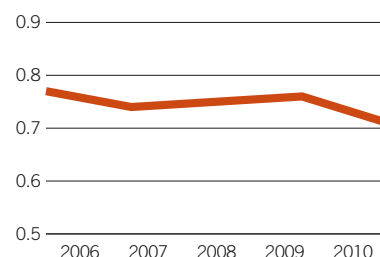
NET INTEREST INCOME



Expenses

Operating expenses fell 1%, or SEK 10 M, to SEK 982 M (992) attributable to lower IT and management costs. The cost/income ratio strengthened to 0.71 (0.76) before loan losses and to 0.75 (0.80) after loan losses.

COST/INCOME RATIO



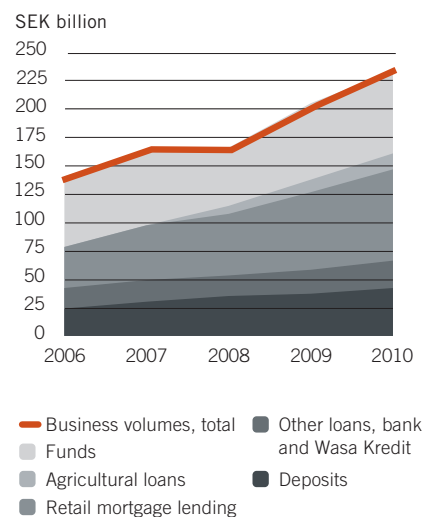
Loan losses

Loan losses, which primarily pertain to Wasa Kredit, remained low and amounted to SEK 60 M (50), net, corresponding to a loan loss of 0.05% (0.05). The reserves amounted to SEK 286 M (308), corresponding to 0.24% (0.30), in relation to loans. The lower reserves and impaired loans are mainly due to the higher credit quality of Wasa Kredit's loan portfolio. Impaired loans fell to SEK 209 M (213), corresponding to a percentage of impaired loans of 0.17% (0.21). For more information regarding loan losses, reserves and impaired loans, refer to Notes 8 and 9.

Business volumes

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

BUSINESS VOLUMES



Loans

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

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

Deposits

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

Borrowing

Debt securities in issue rose 44%, or SEK 27 billion, to SEK 89 billion (62), of which covered bonds rose to SEK 80 billion (55). SEK 13.3 billion (0) of total borrowing was issued in the international market.

The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Covered bonds in the nominal amount of SEK 44.0 billion (32.9) were issued during the year. Repurchased covered bonds totalled a nominal SEK 8.0 billion (17.2) and matured covered bonds amounted to a nominal SEK 10.5 billion (3.4).

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

The maturity structure of the Bank Group's borrowing is highly diversified. The average maturity period increased in

2010, which combined with high liquidity results in a lower refinancing risk.

Liquidity

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

Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced risk-classification method

provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The basic IRB Approach is used for agricultural exposures. The Standardised Approach is applied to other exposures to calculate the capital requirement for credit risk. The transition rules from Basel I to Basel II have been extended through 2011 and entail a capital requirement of 80%.

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

Interest-rate risk

On December 31, 2010, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 52 M (36).

Risks and uncertainties

The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks and financial

		Issued in Jan-Dec 2010 Nominal, SEK billion	Issued in Jan-Dec 2009 Nominal, SEK billion	Outstanding, Dec. 31, 2010 Nominal, SEK billion	Outstanding, Dec. 31, 2009 Nominal, SEK billion	Remaining average term, Dec. 31, 2010 Years	Remaining average term, Dec. 31, 2009 Years				
Borrowing programmes	Limit, Nominal										
Länsförsäkringar Bank											
Medium Term Note	SEK 20 billion	5.2	–	5.2	0	1.6	0.5				
Domestic Commercial Paper	SEK 15 billion	12.1	13.9	2.5	5.9	0.2	0.3				
Euro Commercial Paper	SEK 1.5 billion	2.8	–	1.7	–	0.2	–				
Euro Medium Term Note	EUR 2 billion	–	–	–	1.1	–	0.2				
Total		20.1	13.9	9.4	7.0	1.0	0.3				
Länsförsäkringar Hypotek											
Benchmark	Unlimited	25.8	21.5	53.7	35.5	2.8	2.8				
Medium Term Covered Note	SEK 30 billion	7.6	11.4	13.8	13.6	1.1	1.1				
Euro Medium Term Covered Note	EUR 4 billion	10.6	–	11.5	4.6	4.2	1.1				
Total		44.0	32.9	79.0	53.7	2.7	2.2				
Group total		64.1	46.8	88.4	60.7	2.5	2.0				
Borrowing by maturity											
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, billion	20.3	19.9	9.1	15.6	11.1	12.0	–	0.3	–	0.1	88.4

risks. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly satisfactory during the year. A detailed description of risks is available in the 2009 Annual Report. No significant changes in the allocation of risks have taken place compared with the description provided in the Annual Report.

Fourth quarter of 2010 compared with fourth quarter of 2009

Operating profit rose 56% to SEK 97 M (62) as a result of improved net interest income. Return on equity strengthened to 5.2% (3.8). Operating income rose by a total of 5% to SEK 368 M (349). Net interest income rose 34% to SEK 390 M (291), attributable to the increase in business volumes and improved margins. Improved margins pertains to both deposits and loans for which higher market interest rates were a contributing factor. The investment margin improved to 1.06% (0.92). Commission income increased 13% to SEK 245 M (216) due to higher business volumes. Commission expense rose 44% to SEK 308 M (214) attributable to increased compensation to the regional insurance companies.

Net gains from financial items fell to SEK 0 M (20) since customers were less inclined to redeem loans with longer terms of fixed interest. Operating expenses declined 7% to SEK 261 M (282) due to lower administrative expenses. The cost/income ratio strengthened to 0.71 (0.81) before loan losses and 0.74 (0.82) after loan losses. Loan losses remained low and amounted to SEK 10 M (5).

Events after the close of the year

It was announced in January that President Mats Ericsson will leave on March 1, 2011 and become the President of Länsförsäkringar Fastighetsförmedling, Länsförsäkringar's Real Estate Agency. Rikard Josefson was appointed the new President and will take office not later than after the Summer. The Representative for the President, Anders Borgcrantz, will serve as President from March 1, 2011 until Rikard Josefson assumes his new role.

Parent Company

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

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

Subsidiaries

Länsförsäkringar Hypotek

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

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

Wasa Kredit

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

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

Länsförsäkringar Fondförvaltning

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

SEK M	Dec 31, 2010	Dec 31, 2009
Total assets	263	202
Managed fund volumes	72,433	66,659
Net flow	27	3,395
Net commission	264	221
Operating profit	98	50

Income statement Group

SEK M	Note	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Interest income	3	1,705.3	1,159.6		5,634.4	5,320.7	
Interest expense	4	-1,315.7	-868.5		-4,271.6	-4,172.4	
Net interest income		389.6	291.1	33.8%	1,362.8	1,148.3	18.7%
Dividends received		-	-		0.2	0	
Commission income	5	244.9	215.9		918.8	774.4	
Commission expense	6	-307.9	-214.0		-1,073.7	-870.2	
Net gains from financial items	7	-0.4	20.0		10.0	100.5	
Other operating income		42.2	36.3		168.8	147.5	
Total operating income		368.4	349.3	5.5%	1,386.9	1,300.5	6.6%
Staff costs		-78.0	-80.9		-311.4	-305.1	
Other administration expenses		-159.5	-177.2		-587.8	-611.8	
Total administration expenses		-237.5	-258.1	-8.0%	-899.2	-916.9	-1.9%
Depreciation/amortisation and impairment of property and equipment/intangible assets		-23.9	-23.8		-82.3	-75.5	
Total operating expenses		-261.4	-281.9	-7.3%	-981.5	-992.4	-1.1%
Profit before loan losses		107.0	67.4	58.6%	405.4	308.1	31.6%
Loan losses, net	8	-10.1	-5.2		-60.1	-50.4	
Operating profit		96.9	62.2	55.8%	345.3	257.7	34.0%
Tax		-34.6	-28.5		-100.0	-79.9	
Profit for the period		62.3	33.7	84.7%	245.3	177.8	38.0%

Statement of comprehensive income – Group

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Profit for the period	62.3	33.7	84.7%	245.3	177.8	38.0%
Other comprehensive income						
<i>Available-for-sale financial assets</i>						
Change in fair value	-28.1	-30.4		28.8	40.7	
Reclassification of realised securities	-	6.8		-	6.8	
Tax	7.4	6.2		-7.6	-12.5	
Other comprehensive income for the period, net after tax	-20.7	-17.4	19.0%	21.2	35.0	-39.4%
Total comprehensive income for the period	41.6	16.3	154.9%	266.5	212.8	25.2%

Balance sheet – Group

SEK M	Note	Dec 31, 2010	Dec 31, 2009
Assets			
Cash and balances with central banks		84.8	80.5
Treasury bills and other eligible bills		4,170.0	1,999.8
Loans to credit institutions		1,529.8	3,215.9
Loans to the public	9	117,910.2	99,581.6
Bonds and other interest-bearing securities		21,203.3	22,701.1
Shares and participations		10.4	10.4
Derivatives	10	1,041.9	1,231.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		140.6	767.9
Intangible assets		372.7	329.8
Property and equipment		13.1	18.1
Deferred tax assets		3.1	2.2
Other assets		254.4	265.0
Prepaid expenses and accrued income		1,799.5	1,092.4
Total assets		148,533.8	131,296.6
Liabilities and equity			
Liabilities to credit institutions		5,212.3	21,232.4
Deposits and borrowing from the public		41,590.1	37,365.0
Debt securities in issue		89,248.0	62,016.2
Derivatives	10	2,093.6	1,195.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		-392.4	762.1
Deferred tax liabilities		72.9	65.3
Other liabilities		780.6	652.6
Accrued expenses and deferred income		3,130.9	2,046.0
Provisions		18.9	17.6
Subordinated liabilities		1,250.0	1,250.0
Total liabilities		143,004.9	126,602.4
Equity			
Share capital, 9,548,708 shares		954.9	954.9
Other capital contributed		4,227.5	3,377.5
Reserves		45.3	24.1
Retained earnings		55.9	159.9
Profit for the year		245.3	177.8
Total equity		5,528.9	4,694.2
Total liabilities and equity		148,533.8	131,296.6
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Cash-flow statement in summary, indirect method – Group

SEK M	Jan-Dec 2010	Jan-Dec 2009
Cash and cash equivalents, January 1	2,924.7	799.6
Cash flow from operating activities	-2,187.5	2,077.6
Cash flow from investing activities	-120.3	-75.2
Cash flow from financing activities	565.8	122.7
Cash flow for the year	-1,742.0	2,125.1
Exchange rate differences in cash and cash equivalents	–	–
Cash and cash equivalents, December 31	1,182.7	2,924.7

"Cash and cash equivalents" is defined as loans and liabilities to credit institutions payable on demand.

Changes to the cash flow from operating activities are largely attributable to debt securities in issue 28,492.1 (13,597.3), bonds and interest-bearing securities 1,212.7 (-12,265.8), as well as loans to the public -18,363.6 (-21,018.6).

Changes to the cash flow from financing activities are attributable to shareholders' contributions received 850.0 (400.0) and Group contributions paid -284.2 (-277.3).

Statement of changes in shareholders' equity – Group

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

Notes – Group

NOTE 1 ACCOUNTING POLICIES

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by EU. Furthermore, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559), the Swedish Securities Market Act (2007:528), as well as the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) were applied. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and statements (UFR). This year-end report complies with the requirements of IAS 34, Interim Financial Reporting. In other respects, the year-end report for the Group was prepared according to the same accounting policies and calculation methods as those applied in the 2010 Annual Report. New or revised IFRS and interpretations have not had any monetary impact.

NOTE 2 SEGMENT REPORTING

SEK M Income statement, Jan-Dec 2010	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
Net interest income	504.8	405.8	451.5	0.7	–	1,362.8
Net commission	–262.7	–196.2	38.9	264.0	1.3	–154.7
Net gains from financial items	1.9	8.0	0.1	–	–	10.0
Intra-Group income	92.5	–	4.0	–	–96.5	0
Other income	116.0	0	52.6	0.2	–	168.8
Total operating income	452.5	217.6	547.1	264.9	–95.2	1,386.9
Intra-Group expenses	–2.2	–45.1	–14.3	–33.7	95.3	0
Other administration expenses	–414.3	–22.3	–328.9	–133.0	–0.7	–899.2
Depreciation/amortisation and impairment	–56.9	–	–25.4	–	–	–82.3
Total operating expenses	–473.4	–67.4	–368.6	–166.7	94.6	–981.5
Profit/loss before loan losses	–20.9	150.2	178.5	98.2	–0.6	405.4
Loan losses, net	–14.6	1.3	–46.8	–	–	–60.1
Operating profit/loss	–35.5	151.5	131.7	98.2	–0.6	345.3

Balance sheet, December 31, 2010

Total assets	71,356.3	105,669.5	11,089.3	262.5	–39,843.8	148,533.8
Liabilities	65,802.9	102,047.2	10,211.8	189.0	–35,246.0	143,004.9
Equity	5,553.4	3,622.3	877.5	73.5	–4,597.8	5,528.9
Total liabilities and equity	71,356.3	105,669.5	11,089.3	262.5	–39,843.8	148,533.8

Income statement, Jan-Dec 2009

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 gains from financial items	23.5	76.9	0.1	–	–	100.5
Intra-Group income	122.0	–	4.4	0.1	–126.5	0
Other income	106.0	0	41.8	–0.3	–	147.5
Total operating income	479.8	201.5	523.9	221.8	–126.5	1,300.5
Intra-Group expenses	–2.9	–45.9	–20.0	–57.7	120.7	–5.8
Other administration expenses	–457.4	–20.2	–335.2	–113.8	–	–926.6
Depreciation/amortisation and impairment	–51.5	–	–8.5	–	–	–60.0
Total operating expenses	–511.8	–66.1	–363.7	–171.5	120.7	–992.4
Profit/loss before loan losses	–32.0	135.4	160.2	50.3	–5.8	308.1
Loan losses, net	–4.6	5.4	–51.2	–	–	–50.4
Operating profit/loss	–36.6	140.8	109.0	50.3	–5.8	257.7

Balance sheet, December 31, 2009

Total assets	82,135.9	81,750.1	9,478.4	202.4	–42,270.2	131,296.6
Liabilities	77,436.5	78,865.7	8,739.1	128.9	–38,568.0	126,602.2
Equity	4,699.4	2,884.4	739.3	73.5	–3,702.2	4,694.4
Total liabilities and equity	82,135.9	81,750.1	9,478.4	202.4	–42,270.2	131,296.6

NOTE 3 INTEREST INCOME

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Loans to credit institutions	4.5	7.4		8.2	34.4	
Loans to the public	947.7	715.8		3,183.9	3,148.9	
Interest-bearing securities	180.2	97.2		721.5	436.2	
<i>Derivatives</i>						
Hedge accounting	572.9	337.3		1,719.1	1,663.9	
Non-hedge accounting	–	1.9		1.5	37.3	
Other interest income	0	0		0.2	0	
Total interest income	1,705.3	1,159.6	47.1%	5,634.4	5,320.7	5.9%
of which interest income on impaired loans	–1.2	3.1		1.6	12.4	
of which interest income from financial items not measured at fair value	952.2	750.6		3,214.1	3,219.9	
Average interest rate on loans to the public during the period, including net leasing, %	3.2	2.9		2.7	3.5	

NOTE 4 INTEREST EXPENSE

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Liabilities to credit institutions	–11.9	–27.2		–74.1	–105.6	
Deposits and borrowing from the public	–102.0	–47.3		–244.8	–419.7	
Interest-bearing securities	–630.7	–402.6		–2,220.9	–1,739.5	
Subordinated liabilities	–18.4	–9.5		–47.5	–47.4	
<i>Derivatives</i>						
Hedge accounting	–545.7	–366.3		–1,622.0	–1,761.3	
Non-hedge accounting	–2.3	–5.9		–11.6	–61.3	
Other interest expense, including government deposit insurance	–4.7	–9.7		–50.7	–37.6	
Total interest expense	–1,315.7	–868.5	51.5%	–4,271.6	–4,172.4	2.4%
of which interest expense from financial items not measured at fair value	–767.7	–466.0		–2,638.0	–2,349.7	
Average interest rate on deposits from the public during the period, %	1.07	0.5		0.64	1.2	

NOTE 5 COMMISSION INCOME

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Payment mediation	21.8	20.0		81.1	75.4	
Loans	18.9	17.2		72.9	67.2	
Deposits	1.9	1.4		6.9	6.6	
Financial guarantees	–	0.1		0.2	0.2	
Securities	180.4	158.5		679.9	558.2	
Bank cards	21.2	18.1		75.2	67.0	
Other commission	0.7	0.6		2.6	–0.2	
Total commission income	244.9	215.9	13.4%	918.8	774.4	18.6%
of which commission income from financial items not measured at fair value	42.0	36.8		155.2	141.0	

NOTE 6 COMMISSION EXPENSE

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Payment mediation	–17.9	–16.1		–82.5	–78.1	
Securities	–95.7	–84.3		–363.5	–299.6	
Bank cards	–20.2	–18.4		–80.2	–70.3	
Remuneration to regional insurance companies	–169.5	–92.7		–531.3	–412.4	
Other commission	–4.6	–2.5		–16.2	–9.8	
Total commission expense	–307.9	–214.0	43.9%	–1,073.7	–870.2	23.4%
of which commission expense from financial items not measured at fair value	–169.5	–92.7		–531.3	–412.4	

NOTE 7 NET GAINS FROM FINANCIAL ITEMS

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Change in fair value						
Interest-related instruments	-208.1	168.5		-82.0	200.9	
Currency-related instruments	-201.7	-3.9		-449.5	-5.2	
Change in fair value of hedged items	400.9	-163.6		494.8	-177.0	
Capital gain/loss						
Interest-related instruments	0	-0.4		0.1	-0.8	
Other financial assets	-	0.7		-	0.7	
Interest compensation	8.5	18.7		46.6	81.9	
Total net gains from financial items	-0.4	20.0	-102.1%	10.0	100.5	-90.0%

NOTE 8 LOAN LOSSES, NET

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Specific reserve for individually assessed loan receivables						
Write-off of confirmed loan losses during the period	-110.1	-79.4		-123.6	-92.4	
Reversed earlier impairment of loan losses recognised as confirmed losses	101.6	74.5		105.3	77.6	
Impairment of loan losses during the period	-29.1	74.2		-109.2	-37.4	
Payment received for prior confirmed loan losses	6.6	-105.1		26.2	-90.2	
Reversed impairment of loan losses no longer required	9.1	10.0		17.3	22.6	
Loss coverage from related company	-	-		10.0	-	
Net expense for the period for individually assessed loan receivables	-21.9	-25.8	15.0%	-74.0	-119.8	38.3%
Collective reserves for individually assessed receivables	-	-		-	-	
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk						
Write-off of confirmed loan losses during the period	-	-		-	-	
Payment received for prior confirmed loan losses	-	-		-	-	
Provision/reversal of impairment for loan losses	11.7	15.5		13.9	63.7	
Net expense for the period for collectively assessed homogenous loan receivables	11.7	15.5	-34.7%	13.9	63.7	-81.0%
Net expense for the period for fulfilment of guarantees	0.1	5.1		-	5.7	
Net expense of loan losses for the period	-10.1	-5.2	92.8%	-60.1	-50.4	19.1%

NOTE 9 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec 31, 2010	Dec 31, 2009
Loan receivables, gross		
Public sector	236.5	169.6
Corporate sector	8,723.1	6,862.1
Retail sector	109,233.4	92,847.1
Other	3.7	10.8
Total loan receivables, gross	118,196.7	99,889.6
Impairment of individually assessed loan receivables		
Corporate sector	-40.5	-44.7
Retail sector	-95.3	-98.8
Total individual reserves	-135.8	-143.5
Impairment of collectively reserved loan receivables		
Corporate sector	-24.0	-23.5
Retail sector	-126.7	-141.0
Other	0	0
Total collective reserves	-150.7	-164.5
Total reserves	-286.5	-308.0
Loan receivables, net		
Public sector	236.5	169.6
Corporate sector	8,658.6	6,793.9
Retail sector	109,011.4	92,607.3
Other	3.7	10.8
Total loans to the public, net	117,910.2	99,581.6
Impaired loans		
Corporate sector	67.9	57.6
Retail sector	140.9	155.0
Total impaired loans	208.8	212.6

Definitions:

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

NOTE 10 DERIVATIVES

SEK M	Dec 31, 2010		Dec 31, 2009	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest	47,397.0	643.4	39,894.5	828.1
Currency	1,777.7	401.3	1,394.4	332.4
Collateral received, CSA	–	–17.0	–	–522.7
<i>Other derivatives</i>				
Interest	13,810.0	2.5	235.0	0.6
Currency	385.6	11.7	4,535.8	593.5
Total derivatives with positive values	63,370.3	1,041.9	46,059.7	1,231.9
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	61,594.0	1,260.1	29,263.0	1,164.2
Currency	10,577.1	827.7	–	–
<i>Other derivatives</i>				
Interest	–	–	600.0	7.4
Currency	1,343.3	5.8	232.9	23.6
Total derivatives with negative values	73,514.4	2,093.6	30,095.9	1,195.2

NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	Dec 31, 2010	Dec 31, 2009
For own liabilities, pledged assets		
Pledged securities in the Riksbank	1,900.0	23,040.0
Pledged securities in Euroclear	1,150.0	3,096.0
Collateral provided for derivatives	–	10.0
Loan receivables, covered bonds	76,653.7	65,111.6
Commitments resulting from repurchase transactions	4,919.2	519.2
Other collateral for securities	15.0	5.0
Total for own liabilities, pledged assets	84,637.9	91,781.8
Other pledged assets	None	None
Contingent liabilities		
Guarantees	31.2	32.5
Early retirement at age 62 in accordance with pension agreement, 80%	59.8	61.7
Total contingent liabilities	91.0	94.2
Other commitments		
Loans approved but not disbursed	4,714.2	4,595.5
Unutilised portion of overdraft facilities	1,455.2	1,283.4
Unutilised portion of credit card facilities	719.6	636.4
Total other commitments	6,889.0	6,515.3

NOTE 12 CAPITAL-ADEQUACY ANALYSIS

SEK M	Dec 31, 2010	Dec 31, 2009
Capital base		
Tier 1 capital, gross	5,773.6	4,960.1
Less intangible assets	-372.7	-329.8
Less deferred tax assets	-3.1	-2.1
Less/plus IRB deficit/surplus	-214.8	-106.6
Tier 1 capital, net	5,183.0	4,521.6
Tier 2 capital	960.0	960.0
Deductions for Tier 2 capital	-214.8	-106.6
Total capital base	5,928.2	5,375.0
Risk-weighted assets according to Basel II	43,944.2	36,331.3
Risk-weighted assets according to transition rules	63,161.2	55,197.5
Capital requirement		
Capital requirement for credit risk according to Standardised Approach	725.4	1,004.0
Capital requirement for credit risk according to IRB Approach	2,656.4	1,774.6
Capital requirement for operational risk	133.8	127.9
Capital requirement according to Basel II	3,515.5	2,906.5
Adjustment according to transition rules	1,537.4	1,509.3
Total capital requirement	5,052.9	4,415.8
Capital adequacy		
Tier 1 ratio according to Basel II, %	11.79	12.45
Capital-adequacy ratio according to Basel II, %	13.49	14.79
Capital ratio according to Basel II *	1.69	1.85
Tier 1 ratio according to transition rules, %	8.21	8.19
Capital-adequacy ratio according to transition rules, %	9.39	9.74
Capital ratio according to transition rules*	1.17	1.22
Special disclosures		
IRB Provisions surplus (+) / deficit (-)	-429.6	-213.2
IRB Total provisions (+)	241.5	249.2
IRB Anticipated loss (-)	-671.1	-462.4
Capital requirement		
Credit risk according to Standardised Approach		
Exposures to institutions	77.3	93.4
Exposures to corporates	167.3	396.6
Retail exposures	190.2	30.3
Exposures secured on residential property	97.7	313.8
Past due items	1.0	8.0
Covered bonds	173.6	143.6
Other items	18.2	18.3
Total capital requirement for credit risk according to Standardised Approach	725.4	1,004.0

NOTE 12 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Dec 31, 2010	Dec 31, 2009
Credit risk according to IRB Approach		
Retail exposures		
Exposures secured by real estate collateral	1,241.0	1,230.9
Other retail exposures	626.4	542.2
Total retail exposures	1,867.4	1,773.1
Exposures to corporates	787.9	–
Non credit-obligation assets	1.0	1.5
Total capital requirement for credit risk according to IRB Approach	2,656.4	1,774.6
Operational risk		
Standardised Approach	133.8	127.9
Total capital requirement for operational risk	133.8	127.9
Capital-adequacy analysis according to Basel I		
Tier 1 capital	5,397.8	4,628.2
Tier 2 capital	960.0	960.0
Total capital base	6,357.8	5,588.2
Risk-weighted assets	85,663.8	72,328.6
Capital requirement for credit risk	6,853.1	5,786.3
Tier 1 ratio, %	6.30	6.40
Capital-adequacy ratio, %	7.42	7.73
Capital ratio*	0.93	0.97

* Capital ratio = total capital base / total capital requirement

In addition to the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878), the financial corporate group includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB (publ) (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB (publ) (556364-2783).

NOTE 13 DISCLOSURES ON RELATED PARTIES

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

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

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

Since December 31, 2009, no significant changes have occurred in the company's agreements with these persons.

Income statement – Parent Company

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Interest income	440.8	301.7		1,409.3	1,573.0	
Interest expense	-291.1	-177.8		-904.5	-1,152.5	
Net interest income	149.7	123.9	20.9%	504.8	420.5	20.0%
Dividends received	–	–		0.2	–	
Commission income	53.9	47.4		199.0	171.9	
Commission expense	-139.1	-94.5		-461.8	-364.1	
Net gains from financial items	-0.6	0.7		1.9	23.5	
Other operating income	45.1	55.6		208.4	228.0	
Total operating income	109.0	133.1	-18.1%	452.5	479.8	-5.7%
Staff costs	-15.8	-20.8	-23.9%	-94.0	-105.3	-10.7%
Other administration expenses	-82.5	-102.4	-19.5%	-322.5	-355.0	-9.2%
Total administration expenses	-98.3	-123.2	-20.1%	-416.5	-460.3	-9.5%
Depreciation/amortisation and impairment of property and equipment/intangible assets	-14.8	-14.3	3.5%	-56.9	-51.5	10.4%
Total operating expenses	-113.1	-137.5	-17.8%	-473.4	-511.8	-7.5%
Loss before loan losses	-4.1	-4.4	-7.9%	-20.9	-32.0	-34.7%
Loan losses, net	0	-0.5	-103.2%	-14.6	-4.6	216.2%
Operating loss	-4.1	-4.9	-17.5%	-35.5	-36.6	-3.1%
Tax	1.4	-5.2		9.7	3.2	
Loss for the period	-2.7	-10.1	-73.7%	-25.8	-33.4	-22.6%

Statement of comprehensive income – Parent Company

SEK M	Q4 2010	Q4 2009	Change	Jan-Dec 2010	Jan-Dec 2009	Change
Loss for the period	-2.7	-10.1	-73.7%	-25.8	-33.4	-22.6%
Other comprehensive income/loss						
<i>Available-for-sale financial assets</i>						
Change in fair value	-5.7	-22.5		2.8	26.3	
Reclassification of realised securities	–	6.8		–	6.8	
Tax	1.5	4.2		-0.7	-8.7	
Other comprehensive income/loss for the period, net after tax	-4.2	-11.5	-63.5%	2.1	24.4	-91.4%
Comprehensive loss for the period	-6.9	-21.6	-68.3%	-23.7	-9.0	164.9%

Balance sheet – Parent Company

SEK M	Dec 31, 2010	Dec 31, 2009
Assets		
Cash and balances with central banks	84.8	80.5
Treasury bills and other eligible bills	1,349.3	1,999.8
Loans to credit institutions	28,344.4	31,721.9
Loans to the public	27,532.5	22,963.3
Bonds and other interest-bearing securities	8,720.0	20,644.4
Shares and participations	10.4	10.4
Shares and participations in Group companies	4,594.0	3,699.0
Derivatives	45.5	242.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	14.2	61.3
Intangible assets	283.8	221.2
Property and equipment	8.8	12.5
Other assets	63.9	89.6
Prepaid expenses and accrued income	304.7	389.9
Total assets	71,356.3	82,135.9
Liabilities and equity		
Liabilities to credit institutions	12,363.2	29,955.5
Deposits and borrowing from the public	41,722.5	37,481.2
Debt securities in issue	9,552.6	7,336.6
Derivatives	228.8	779.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	-13.5	8.1
Deferred tax liabilities	4.1	3.1
Other liabilities	211.9	196.0
Accrued expenses and deferred income	478.5	421.3
Provisions	4.8	4.8
Subordinated liabilities	1,250.0	1,250.0
Total liabilities	65,802.9	77,436.5
Equity		
Share capital, 9,548,708 shares	954.9	954.9
Statutory reserve	18.4	18.4
Fair value reserve	15.6	13.6
Retained earnings	4,590.3	3,745.9
Loss for the year	-25.8	-33.4
Total equity	5,553.4	4,699.4
Total liabilities and equity	71,356.3	82,135.9
Memorandum items		
For own liabilities, pledged assets	6,997.0	26,151.0
Other pledged assets	None	None
Contingent liabilities	42.3	43.3
Other commitments	10,026.8	4,764.9
Other notes		
Accounting policies	1	
Capital-adequacy analysis	2	
Disclosures on related parties	3	

Cash-flow statement in summary, indirect method – Parent Company

SEK M	Jan-Dec 2010	Jan-Dec 2009
Cash and cash equivalents, January 1	2,764.2	1,094.1
Cash flow from operating activities	-1,478.8	1,863.0
Cash flow from investing activities	-1,010.9	-592.9
Cash flow from financing activities	885.3	400.0
Cash flow for the year	-1,604.4	1,670.1
Exchange rate differences in cash and cash equivalents	–	–
Cash and cash equivalents, December 31	1,159.8	2,764.2

Cash and cash equivalents is defined as loans and liabilities to credit institutions payable on demand.

Changes in the cash flow from operating activities are primarily attributable to debt securities in issue 2,361.0 (323.8), bonds and interest-bearing securities 11,754.4 (-9,727.3), as well as loans to the public -4,572.8 (-6,578.2). Changes in the cash flow from investing activities are mainly attributable to shares and participations in Group companies -895.0 (-537.6) and in financing activities to shareholders' contribution received 850.0 (400.0).

Statement of changes in shareholders' equity – Parent Company

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Loss for the year	Total
Opening balance, January 1, 2009	954.9	18.4	-10.9	3,338.4	-18.5	4,282.3
Loss for the year					-33.4	-33.4
Other comprehensive income for the year			24.5			24.5
<i>Comprehensive income for the year</i>			<i>24.5</i>		<i>-33.4</i>	<i>-8.9</i>
Resolution by Annual General Meeting				-18.5	18.5	–
Group contributions received				35.3		35.3
Tax effect of Group contributions received				-9.3		-9.3
Conditional shareholders' contribution received				400.0		400.0
Closing balance, December 31, 2009	954.9	18.4	13.6	3,745.9	-33.4	4,699.4
Opening balance, January 1, 2010	954.9	18.4	13.6	3,745.9	-33.4	4,699.4
Loss for the year					-25.8	-25.8
Other comprehensive income for the year			2.1			2.1
<i>Comprehensive income for the year</i>			<i>2.1</i>		<i>-25.8</i>	<i>-23.7</i>
Resolution by Annual General Meeting				-33.4	33.4	–
Group contributions received				37.7		37.7
Tax effect of Group contributions received				-9.9		-9.9
Conditional shareholders' contribution received				850.0		850.0
Closing balance, December 31, 2010	954.9	18.4	15.7	4,590.2	-25.8	5,553.4

Notes – Parent Company

NOTE 1 ACCOUNTING POLICIES

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

In other respects, the year-end report was prepared in accordance with the same accounting policies and basis of calculation applied in the preparation of the 2010 Annual Report.

NOTE 2 CAPITAL ADEQUACY

SEK M	Dec 31, 2010	Dec 31, 2009
Capital base		
Tier 1 capital, gross	5,827.7	4,975.8
Less intangible assets	-283.8	-221.2
Less deferred tax assets	0	0
Less/plus IRB deficit/surplus	-68.5	-13.2
Tier 1 capital, net	5,475.4	4,741.4
Tier 2 capital	960.0	960.0
Deductions for Tier 2 capital	-68.5	-13.2
Total capital base	6,367.0	5,688.2
Risk-weighted assets according to Basel II	17,713.5	15,836.6
Risk-weighted assets according to transition rules	18,514.4	17,535.8
Capital requirement		
Capital requirement for credit risk according to Standardised Approach	196.3	747.8
Capital requirement for credit risk according to IRB Approach	1,155.6	451.3
Capital requirement for operational risk	65.2	67.8
Capital requirement according to Basel II	1,417.1	1,266.9
Adjustment according to transition rules	64.1	135.9
Total capital requirement	1,481.2	1,402.8
Capital adequacy		
Tier 1 ratio according to Basel II, %	30.91	29.94
Capital-adequacy ratio according to Basel II, %	35.94	35.92
Capital ratio according to Basel II *	4.49	4.49
Tier 1 ratio according to transition rules, %	29.57	27.04
Capital-adequacy ratio according to transition rules, %	34.39	32.44
Capital ratio according to transition rules*	4.30	4.05
Special disclosures		
IRB Provisions surplus (+) / deficit (-)	-136.9	-26.4
IRB Total reserves (+)	113.2	94.1
IRB Anticipated loss (-)	-250.2	-120.5
Capital requirement		
Credit risk according to Standardised Approach		
Exposures to institutions	24.5	62.7
Exposures to corporates	51.4	312.9
Retail exposures	32.8	-
Exposures secured on residential property	6.2	228.5
Past due items	0.7	7.3
Covered bonds	71.2	126.8
Other items	9.4	9.7
Total capital requirement according to the Standardised Approach	196.3	747.9

NOTE 2 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Dec 31, 2010	Dec 31, 2010
Credit risk according to IRB Approach		
Retail exposures		
Exposures secured by real estate collateral	270.1	277.5
Other retail exposures	171.0	172.8
Total retail exposures	441.1	450.3
Exposures to corporates	713.7	–
Non credit-obligation assets	0.7	1.0
Total capital requirement for credit risk according to IRB Approach	1,155.6	451.3
Operational risk		
Standardised Approach	65.2	67.8
Total capital requirement for operational risk	65.2	67.8
Capital-adequacy analysis according to Basel I		
Tier 1 capital	5,543.9	4,754.6
Tier 2 capital	960.0	960.0
Total capital base	6,503.9	5,714.6
Risk-weighted assets	25,282.5	22,332.4
Capital requirement for credit risk	2,022.6	1,786.6
Tier 1 ratio, %	21.93	21.29
Capital-adequacy ratio, %	25.72	25.59
Capital ratio*	3.22	3.20

* Capital ratio = total capital base / total capital requirement

In addition to the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878), the financial corporate group includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB (publ) (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB (publ) (556364-2783).

NOTE 3 DISCLOSURES ON RELATED PARTIES

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

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

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

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

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

Stockholm, February 21, 2011

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

¹⁾ Employee representative

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

Introduction

I have conducted a review of the financial year-end information of the year-end report for Länsförsäkringar Bank AB (publ), Corporate Registration Number 516401-9878, at December 31, 2010 and for the twelve-month period that ended on that date. The Board of Directors and the President are responsible for preparing and presenting this year-end report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express an opinion on this year-end report based on my review.

Focus and scope of the review

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

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the year-end report has not, in all material aspects, been prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and for the Parent Company in accordance with the Swedish Annual Accounts Act of Credit Institutions and Securities Companies.

Stockholm, February 21, 2011

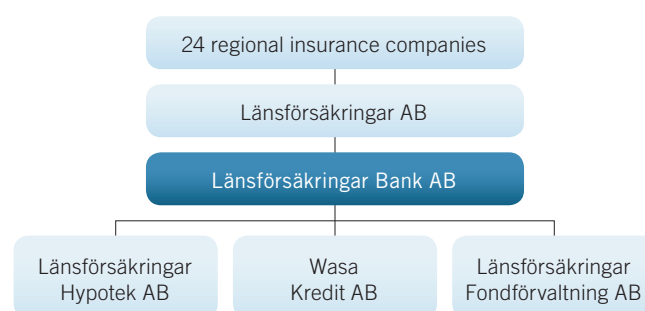
Johan Bäckström
Authorised Public Accountant

Financial calendar

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

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

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



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

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