

Länsförsäkringar Bank

Year-end Report 2011

The year in brief, Group

- Operating profit rose 12% to SEK 385 M (345)
- The return on equity amounted to 4.8% (5.0).
- Net interest income increased 27% to SEK 1,728 M (1,363).
- Loan losses remained low and amounted to SEK 48 M (42), net, corresponding to a loan loss of 0.04% (0.03).
- Business volumes rose 8% to SEK 251 billion (232).
- Deposits rose 19% to SEK 50 billion (42).
- The Tier 1 ratio according to Basel II was 12.1% (11.8) and the capital adequacy ratio was 14.0% (13.5).
- The number of customers increased 8% to 889,000 (826,000) and the number of bank cards rose 15% to 306,000 (266,000).
- Länsförsäkringar, which was named “2011 Bank of the Year” in December, has Sweden’s most satisfied retail bank and mortgage customers.

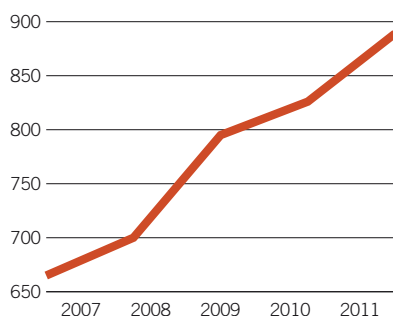
Figures in parentheses pertain to 2010.

Rikard Josefson, President of Länsförsäkringar Bank:

“Länsförsäkringar has Sweden’s most satisfied retail bank and mortgage customers according to the Swedish Quality Index. The strong local presence combined with an attractive offering is the basis of our success. The Länsförsäkringar Alliance is owned by the customers and, thus, it is gratifying that we were named “2011 Bank of the Year.” The bank is growing across all product areas. Loans are continuing to grow with a high level of credit quality. The financial situation is excellent and allows us to remain well-equipped in the uncertain economic environment.”

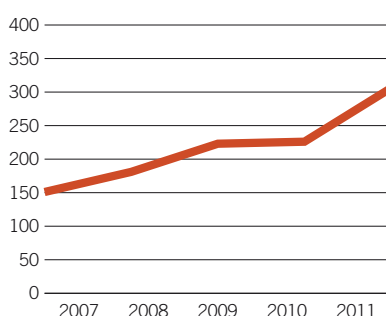
CUSTOMER TREND

Number of customers, 000s



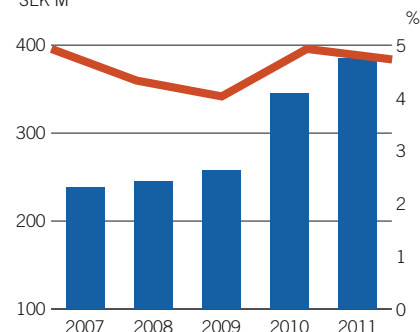
BANK CARD TREND

Number of bank cards, 000s



OPERATING PROFIT AND RETURN ON EQUITY

SEK M



Key figures

Group	Q 4 2011	Q 4 2010	Q 3 2011	Jan-Dec 2011	Jan-Dec 2010
Return on equity, %	5.7	5.2	4.1	4.8	5.0
Return on total capital, %	0.29	0.26	0.20	0.24	0.24
Investment margin, %	1.14	1.06	1.02	1.07	0.93
Cost/income ratio before loan losses	0.69	0.73	0.72	0.71	0.72
Cost/income ratio after loan losses	0.71	0.73	0.78	0.75	0.75
Tier 1 ratio according to Basel II, %	12.1	11.8	12.4	12.1	11.8
Capital adequacy ratio according to Basel II, %	14.0	13.5	14.4	14.0	13.5
Percentage of impaired loans, %	0.17	0.17	0.21	0.17	0.17
Reserve ratio in relation to loans, %	0.21	0.24	0.23	0.21	0.24
Loan losses, %	0.03	0.00	0.06	0.04	0.03

Income statement, quarterly

Group, SEK M	Q 4 2011	Q 3 2011	Q 2 2011	Q 1 2011	Q 4 2010
Net interest income	483.9	430.6	422.7	391.0	389.6
Net commission expense	-103.7	-111.8	-101.5	-99.1	-72.5
Net gains/losses from financial items	-0.8	6.9	3.8	0	-0.4
Other operating income	43.4	45.8	61.4	46.9	42.2
Total operating income	422.8	371.6	386.4	338.8	358.9
Staff costs	-76.9	-88.6	-96.4	-89.3	-78.0
Other expenses	-215.5	-184.7	-188.3	-146.3	-183.4
Total operating expenses	-292.4	-273.3	-284.7	-235.6	-261.4
Profit before loan losses	130.4	98.3	101.7	103.2	97.5
Loan losses, net	-9.7	-14.8	-14.4	-9.3	-0.5
Operating profit	120.7	83.5	87.3	93.9	96.9

Market commentary

Global concern continued in the fourth quarter and the year ended on a negative note, with growth forecasts adjusted downward and continued concern surrounding the debt crises in several euro zone countries. Sweden was also affected by increasing concerns and the Riksbank lowered its key interest rate in December due to weaker economic prospects in the business environment and the slowdown in the Swedish economy. The Swedish employment rate is relatively good. The Swedish bank and mortgage bond market was well-functioning throughout the quarter.

Market activities in the European covered-bond market were significantly lower as a result of decreased risk willingness, despite historically high mortgage spreads.

Deposits from households increased 3%, according to data from Statistics Sweden. Net household savings in funds took place through unit-linked insurance and premium pension in the Swedish fund market, while direct savings were made through net withdrawals.

Activity on the Swedish housing market has slowed, which had a marginal impact on the trend in housing prices. Prices of single-family homes fell 2% in the fourth quarter, whereas prices of tenant-owned apartments increased 2%, according to Real Estate Agency Statistics. For the full-year, prices of single-family homes declined 4% and tenant-owned apartments 1%.

Household and retail mortgages increased 1% during the fourth quarter, according to data from Statistics Sweden, which is a more normal rate of increase.

Bank of the Year

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

Sweden's most satisfied customers

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

2011 compared with 2010

Growth and customer trend

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

Earnings and profitability

Profit before loan losses rose 12% to SEK 434 M (387) and operating profit increased 12% to SEK 385 M (345), due to higher net interest income. The return on equity amounted to 4.8% (5.0) and was attributable to higher capitalisation during the year.

To better reflect the actual business agreement with the regional insurance companies, the accounting policy for recognising loan losses has been changed, which affects the items Compensation to regional insurance companies and Loan losses, see Note 1. Translation has also been made of comparative figures.

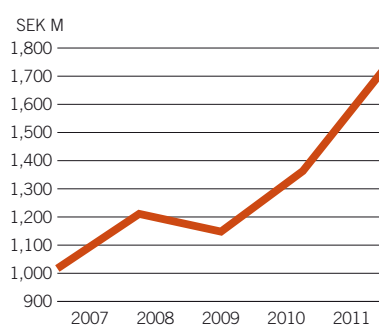
Income

Operating income rose a total of 11% to SEK 1,520 M (1,368), due to higher net interest income. Stronger deposit margins as a result of higher market interest rates, larger lending volumes and increased re-

turn on equity boosted net interest income by 27% to SEK 1,728 M (1,363). The investment margin strengthened to 1.07% (0.93). Net interest income was charged with SEK 56 M (25) for fees to the stability fund.

Commission income increased 3% to SEK 948 M (919) due to higher business volumes. Commission expense rose 25% to SEK 1,364 M (1,092). The largest share of commission expense comprises compensation to the regional insurance companies, which is primarily calculated based on net interest income.

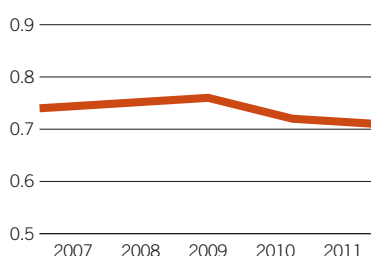
NET INTEREST INCOME



Expenses

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

COST/INCOME RATIO



Loan losses

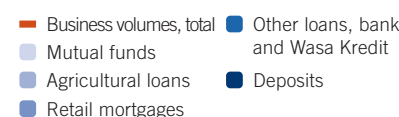
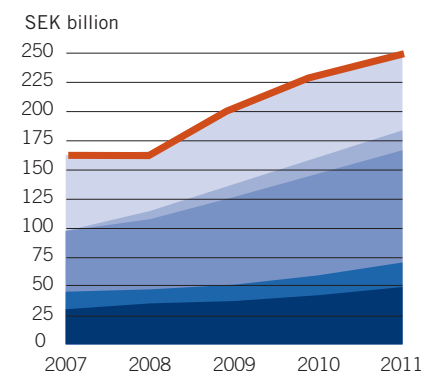
Loan losses remained low at SEK 48 M (42), net, corresponding to a loan loss of 0.04% (0.03). Reserves amounted to SEK 284 M (286) and the reserve ratio in rela-

tion to loans was 0.21% (0.24). Impaired loans increased to SEK 233 M (209) and the percentage of impaired loans remained unchanged at 0.17%. For more information regarding loan losses, reserves and impaired loans, see notes 8 and 9.

Business volumes

Business volumes rose 8%, or SEK 19 billion, to SEK 251 billion (232), and the increase excluding fund volumes was 15%. Loans to the public rose 14%, or SEK 16 billion, to SEK 134 billion (118). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 9 billion, to SEK 89 billion (80). Deposits from the public increased 19%, or SEK 8 billion, to SEK 50 billion (42). The volume of managed funds declined 8% or SEK 5 billion to SEK 67 billion (72).

BUSINESS VOLUMES



Banking services for small businesses is an offering that has been gradually launched and is growing favourably according to plan, primarily in deposits.

Savings

Deposits from the public rose 19%, or SEK 8 billion, to SEK 50 billion (42), with all types of deposit accounts showing an increase. The market share strengthened to 3.8% (3.5) on December 31, 2011 and the share of market grew was slightly more than 7%, according to data from Statistics Sweden. Fund volumes fell 8%, or SEK 5 billion, to SEK 67 billion (72), mainly due to the negative value trend in the equities market during the year. The

IPS service, Individual Pension Savings, continued to perform favourably.

Loans

Loans to the public rose 14%, or SEK 16 billion, to SEK 134 billion (118). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 9 billion, to SEK 89 billion (80). All lending exposure occurred in Sweden and in SEK. On December 31, 2011, the market share for household and retail mortgages in Sweden increased to 4.6% (4.4) according to Statistics Sweden.

The loan portfolio, totalling SEK 134 billion (118), has a favourable geographic distribution and maintained a high level of quality. A total of 81% (81) of the portfolio comprises household credits. Most of the total portfolio, 72% (74), pertained to retail mortgages, of which 80% (81) comprised collateral in single-family homes and 20% (19) tenant-owned apartments. First-lien mortgages for agricultural properties rose 27% to SEK 13.7 billion (10.8) and agricultural lending increased 21% to a total of SEK 16.7 billion (13.8). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 82% (78) of agricultural lending, and the average agricultural commitment amounted to SEK 1.6 M (1.5).

Loan portfolio

Lending segment, %	Dec 31, 2011	Dec 31, 2010
Retail mortgages	72	74
Agriculture	12	12
Unsecured loans	4	4
Leasing	4	4
Hire purchase	4	3
Multi-family homes	2	2
Other	2	1
Total	100	100

Borrowing

Debt securities in issue rose 13%, or SEK 12 billion, to SEK 101 billion (89), of which covered bonds increased to SEK 86 billion (80). The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Borrowing was highly successful throughout the year. Issued covered bonds totalled a nominal SEK 26.8 billion (44.0) and repurchased

covered bonds amounted to a nominal SEK 12.3 billion (8.0). Matured covered bonds amounted to a nominal SEK 7.9 billion (10.5). Financing is also conducted through Länsförsäkringar Bank's programmes. During the year, a nominal SEK 27.2 billion (15.9) was issued, of which a nominal SEK 7.2 billion (5.2) under the MTN programme. The maturity structure of the Bank Group's borrowing is highly diversified. For more information about the borrowing programmes, see Appendix.

Liquidity

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

Rating

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

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

¹⁾ Pertains to the company's covered bonds.

Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach provides the greatest opportunities to strategically and operationally manage credit risks and is

used for all retail exposures. The basic IRB Approach is used for agricultural exposures. The Standardised Approach is applied to other exposures to calculate the capital requirement for credit risk.

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

Interest-rate risk

On December 31, 2011, 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 33 M (52).

Risks and uncertainties

The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks and financial risks. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly successful during the year. A detailed description of risks is available in the 2010 Annual Report. No significant changes in the risk allocation have taken place compared with the description provided in the Annual Report.

Fourth quarter of 2011 compared with fourth quarter of 2010

Operating profit rose 25% to 121 M (97) as a result of improved net interest income. The return on equity strengthened to 5.7% (5.2). Operating income increased a total of 18%, or SEK 64 M, to SEK 423 M (359), as a result of higher net interest income. Net interest income rose 24%, or SEK 94 M, to SEK 484 M (390) attributable to larger business volumes, stronger lending margins and increased return on equity as a result of higher market interest rates. The investment margin strengthened to 1.14% (1.06). Commission income declined 3%, or SEK 8 M, to SEK 237 M (245), primarily due to lower fund volumes. Commission expense rose 7%, or SEK 24,

to SEK 341 M (317) due to higher net interest income which increased compensation to the regional insurance companies. Operating expenses increased 12%, or SEK 31 M, to SEK 292 M (261) as a result of the continued rate of development of the business operations. Loan losses, net, remained low at SEK 10 M (1).

Fourth quarter of 2011 compared with third quarter of 2011

Operating profit rose 44% to 121 M (84) as a result of improved net interest income.

The return on equity strengthened to 5.7% (4.1). Operating income rose a total of 14%, or SEK 51 M, to SEK 423 M (372). Net interest income rose 12%, or SEK 53 M, to SEK 484 M (431), attributable to strengthened lending margins and increased business volumes. The improvement in margins was attributable to lower borrowing costs. The investment margin strengthened to 1.14% (1.02).

Commission income rose 2% to SEK 237 M (232). Commission expense decreased 1% to SEK 341 M (344). Operating expenses increased 7%, or SEK 19 M, to SEK 292 M (273) due to the rate of development of the business operations. Loan losses, net, remained low at SEK 10 M (15).

Events after the end of the year

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

The Compliance and Risk Control functions were significantly strengthened and the capital-requirement calculations have been adjusted.

Annual Report

The Annual Report will be published on the home page www.lansforsakringar.se/financialbank at the end of March.

Parent Company

2011 compared with 2010

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Loans to the public rose 21%, or SEK 5 billion, to SEK 33 billion (28). Deposits from the public increased 19%, or SEK 8 billion, to SEK 50 billion (42). Debt securities in issue rose 66%, or SEK 6 billion, to SEK 16 billion (10). Operating profit/loss amounted to SEK -16 M (2). Operating income increased a total of 14% to SEK 541 M (474) as a result of higher net interest income. Net interest income was strengthened by higher business volumes and improved margins in deposits and rose 44% to SEK 726 M (505). Net interest income was charged with SEK 22 M (9) for fees to the stability fund. Commission income increased 6% to SEK 210 M (199) due to higher bank card volumes. Commission expense rose 42% to SEK 681 M (478), attributable to increased compensation to the regional insurance companies as a result of higher net interest income. Operating expenses increased 18% to SEK 558 M (473) due to the continued rate of development of the business operations. Recoveries exceeded loan losses and amounted to SEK 1 M (2) net.

Subsidiaries

Länsförsäkringar Hypotek

2011 compared with 2010

Retail mortgages in the bank's mortgage institution increased 11%, or SEK 9 billion, to SEK 89 billion (80). Retail mortgages up to 75% of the market value of the collateral at origination are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Higher net interest income led to higher operating profit of SEK 189 M (152). Recoveries exceeded loan losses, amounting to SEK 4 M (3), net, corresponding to loan losses of 0% (0). The number of retail mortgage customers rose to 161,000 (149,000).

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

Wasa Kredit

2011 compared with 2010

Lending volumes increased 12% to SEK 12.0 billion (10.7) due to an increase in sales in all product areas. Operating profit rose 26% to SEK 166 M (132). Net interest income increased 9% to SEK 493 M (452). Expenses rose 2% to SEK 377 M (369) and loan losses amounted to SEK 53 M (47), net.

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

Länsförsäkringar Fondförvaltning

2011 compared with 2010

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

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

Income statement – Group

SEK M	Note	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Interest income	3	2,596.2	1,705.3		2,572.8		9,529.8	5,634.4	
Interest expense	4	-2,112.3	-1,315.7		-2,142.2		-7,801.5	-4,271.6	
Net interest income		483.9	389.6	24%	430.6	12%	1,728.3	1,362.8	27%
Dividends received		0	-	0%	0	0%	0	0.2	-99%
Commission income	5	237.4	244.9	-3%	231.8	2%	947.7	918.8	3%
Commission expense	6	-341.1	-317.4	7%	-343.5	-1%	-1,363.9	-1,092.2	25%
Net gains from financial items	7	-0.8	-0.4	81%	6.9	-111%	9.9	10.0	-1%
Other operating income		43.4	42.2	3%	45.8	-5%	197.6	168.8	17%
Total operating income		422.8	358.9	18%	371.6	14%	1,519.6	1,368.4	11%
Staff costs		-76.9	-78.0	-2%	-88.6	-13%	-351.0	-311.4	13%
Other administration expenses		-192.7	-159.5	21%	-164.3	17%	-652.1	-587.8	11%
Total administration expenses		-269.6	-237.5	14%	-252.9	7%	-1,003.1	-899.2	12%
Depreciation / amortisation and impairment of property and equipment / intangible assets		-22.8	-23.9	-4%	-20.4	12%	-82.9	-82.3	1%
Total operating expenses		-292.4	-261.4	12%	-273.3	7%	-1,086.0	-981.5	11%
Profit before loan losses		130.4	97.5	34%	98.3	33%	433.6	386.9	12%
Loan losses, net	8	-9.7	-0.6		-14.8	-34%	-48.2	-41.6	16%
Operating profit		120.7	96.9	25%	83.5	45%	385.4	345.3	12%
Tax		-17.7	-34.6	-49%	-22.2	-20%	-87.6	-100.0	-12%
Profit for the period		103.0	62.3	65%	61.3	68%	297.8	245.3	21%

Statement of comprehensive income – Group

Mkr	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Profit for the period	103.0	62.3	65%	61.3	68%	297.8	245.3	21%
Other comprehensive income								
<i>Available-for-sale financial assets</i>								
Change in fair value	59.8	-28.1	-313%	17.5	242%	193.6	28.8	572%
Reclassification realised securities	1.1	-		-25.5	-104%	-26.5	-	
Tax	-16.0	7.4	-316%	2.1	-862%	-43.9	-7.6	478%
Other comprehensive income for the period, net after tax	44.9	-20.7	-317%	-5.9	-861%	123.2	21.2	481%
Total comprehensive income for the period	147.9	41.6	256%	55.4	167%	421.0	266.5	58%

Balance sheet – Group

SEK M	Note	Dec 31, 2011	Dec 31, 2010
Assets			
Cash and balances with central banks		66.9	84.8
Treasury bills and other eligible bills		8,341.5	4,170.0
Loans to credit institutions		1,706.1	1,529.8
Loans to the public	9	134,011.3	117,910.2
Bonds and other interest-bearing securities		20,628.2	21,203.3
Shares and participations		10.4	10.4
Derivatives	10	1,566.7	1,041.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		709.9	140.6
Intangible assets		438.6	372.7
Property and equipment		9.7	13.1
Deferred tax assets		6.0	3.1
Other assets		251.2	254.4
Prepaid expenses and accrued income		2,309.9	1,799.5
Total assets		170,056.4	148,533.8
Liabilities and equity			
Liabilities to credit institutions		2,192.0	5,212.3
Deposits and borrowing from the public		49,610.2	41,590.1
Debt securities in issue		101,279.5	89,248.0
Derivatives	10	2,458.2	2,093.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,836.6	-392.4
Deferred tax liabilities		58.7	72.9
Other liabilities		991.2	780.6
Accrued expenses and deferred income		3,791.6	3,130.9
Provisions		16.3	18.9
Subordinated liabilities		1,489.7	1,250.0
Total liabilities		163,724.0	143,004.9
Equity			
Share capital, 9,548,708 shares		954.9	954.9
Other capital contributed		5,025.5	4,227.5
Reserves		168.5	45.3
Retained earnings		-114.3	55.9
Profit for the year		297.8	245.3
Total equity		6,332.4	5,528.9
Total liabilities and equity		170,056.4	148,533.8
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Cash-flow statement in summary, indirect method – Group

SEK M	Jan-Dec 2011	Jan-Dec 2010
Cash and cash equivalents, January 1	1,182.7	2,924.7
Cash flow from operating activities	-322.9	-2,187.5
Cash flow from investing activities	-145.4	-120.3
Cash flow from financing activities	655.3	565.8
Cash flow for the year	187.0	-1,742.0
Cash and cash equivalents, December 31	1,369.7	1,182.7

Cash and cash equivalents is defined as cash and balances at central banks, lending and due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are largely attributable to loans to the public SEK -16,100.7 M (-18,365.8), debt securities in issue SEK 12,441.9 M (28,492.1) and deposits and borrowings from the public SEK 7,863.6 M (4,225.0)

Changes to the cash flow from financing activities are attributable to shareholders' contribution received SEK 798 M (850.0), Group contribution paid SEK -382.4 M (-284.2) as well as net changes in subordinated liabilities SEK 240.0 M (-).

Statement of changes in shareholders' equity – Group

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings	Profit for the period	Total
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
Opening balance, January 1, 2011	954.9	4,227.5	45.3	55.9	245.3	5,528.9
Profit for the year					297.8	297.8
Other comprehensive income for the year			123.2			123.2
<i>Comprehensive income for the year</i>			<i>123.2</i>		<i>297.8</i>	<i>421.0</i>
Resolution by Annual General Meeting				245.3	-245.3	-
Group contribution paid				-563.8		-563.8
Tax on Group contribution paid				148.3		148.3
Conditional shareholders' contribution received		798.0				798.0
Closing balance, December 31, 2011	954.9	5,025.5	168.5	-114.3	297.8	6,332.4

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 the 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. Since year-end, a transfer has been made from collective

to individual impairments of agricultural exposures. During the year a new principle for the accounting of loan losses has been applied. The new principle implies that Länsförsäkringar Bank Group accounts for only its part of the loan losses. Earlier the regional insurance companies' share of the loan losses decreased the remuneration to the regional insurance companies in the commission costs and thereby didn't impact the loan losses of the bank. The new principle clarifies the lines of responsibility between the Länsförsäkringar Bank Group and the regional insurance companies. In other respects, the year-end report for the Group was prepared according to the same accounting policies and calculation methods as those that will be applied in the 2011 Annual Report. New or revised IFRS and interpretations have not had any monetary impact.

NOTE 2 SEGMENT REPORTING

SEK M Income statement, Jan-Dec 2011	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	726.0	506.4	492.9	3.0	–	1,728.3
Net commission	-470.6	-248.6	37.8	261.7	3.5	-416.2
Net gains from financial items	6.2	4.5	-0.8	–	–	9.9
Intra-Group income	91.4	–	4.3	0.2	-95.9	0
Other income	188.0	0.4	62.0	0.1	-52.9	197.6
Total operating income	541.0	262.7	596.2	265.0	-145.3	1,519.6
Intra-Group expenses	-3.5	-53.0	-13.0	-26.4	95.9	0
Other administration expenses	-493.4	-25.1	-342.2	-140.5	-1.9	-1,003.1
Depreciation / amortisation and impairment	-61.0	0	-21.9	0	–	-82.9
Total operating expenses	-557.9	-78.1	-377.1	-166.9	94.0	-1,086.0
Profit / loss before loan losses	-16.9	184.6	219.1	98.1	-51.3	433.6
Loan losses, net	1.1	4.0	-53.3	–	–	-48.2
Operating profit / loss	-15.9	188.7	165.7	98.1	-51.3	385.4

Balance sheet, December 31, 2011

Total assets	76,832.3	117,411.8	12,378.4	247.4	-36,813.5	170,056.4
Liabilities	70,480.3	113,070.2	11,506.0	174.6	-31,507.1	163,724.0
Equity	6,352.0	4,341.6	872.4	72.8	-5,306.4	6,332.4
Total liabilities and equity	76,832.3	117,411.8	12,378.4	247.4	-36,813.5	170,056.4

Income statement, Jan-Dec 2010

Net interest income	504.8	405.8	451.5	0.7	–	1,362.8
Net commission	-279.3	-198.2	38.9	264.0	1.3	-173.3
Net gains from financial items	1.9	8.0	0.1	–	–	10.0
Intra-Group income	92.5	–	4.0	–	-96.5	0
Other income	153.8	0	52.6	0.2	-37.7	168.9
Total operating income	473.7	215.6	547.1	264.9	-132.9	1,368.4
Intra-Group expenses	-2.2	-45.1	-14.3	-33.7	95.3	0
Other administration expenses	-414.3	-22.3	-328.9	-133.0	-0.7	-899.2
Depreciation / amortisation and impairment	-56.9	–	-25.4	–	–	-82.3
Total operating expenses	-473.4	-67.4	-368.6	-166.7	94.6	-981.5
Profit / loss before loan losses	0.3	148.2	178.5	98.2	-38.3	386.9
Loan losses, net	1.9	3.3	-46.8	–	–	-41.6
Operating profit / loss	2.2	151.5	131.7	98.2	-38.3	345.3

Balance sheet, 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

NOTE 3 INTEREST INCOME

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Loans to credit institutions	10.5	4.5	134%	6.3	68%	30.0	8.2	267%
Loans to the public	1,462.4	947.7	54%	1,376.0	6%	5,222.5	3,183.9	64%
Interest-bearing securities	210.2	180.2	17%	236.3	-11%	826.5	721.5	15%
<i>Derivatives</i>								
Hedge accounting	913.1	572.9	59%	954.2	-4%	3,319.3	1,719.1	93%
Non-hedge accounting	-	-	-	-	-	131.5	1.5	-
Other interest income	0	0	-	0	113%	0	0.2	-86%
Total interest income	2,596.2	1,705.3	52%	2,572.8	1%	9,529.8	5,634.4	69%
of which interest income on impaired loans	-14.5	-1.2	-	0.7	-	-11.6	1.6	-826%
of which interest income from financial items not measured at fair value	1,472.9	952.2	55%	1,382.3	7%	5,252.4	3,214.1	63%
Average interest rate on loans to the public during the period, including net leasing, %	4.5	3.2	-	4.3	-	4.1	2.7	-

NOTE 4 INTEREST EXPENSE

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Liabilities to credit institutions	-3.0	-11.9	-75%	-13.2	-78%	-37.1	-74.1	-50%
Deposits and borrowing from the public	-265.1	-102.0	160%	-235.9	12%	-845.2	-244.8	245%
Interest-bearing securities	-827.8	-630.7	31%	-843.7	-2%	-3,145.4	-2,220.9	42%
Subordinated liabilities	-19.6	-18.4	6%	-19.3	1%	-68.2	-47.5	43%
<i>Derivatives</i>								
Hedge accounting	-977.0	-545.7	79%	-1,004.9	-3%	-3,484.8	-1,622.0	115%
Non-hedge accounting	-0.3	-2.3	-87%	-2.4	-88%	-137.5	-11.6	-
Other interest expense, including government deposit insurance	-19.5	-4.7	-313%	-22.8	-15%	-83.3	-50.7	64%
Total interest expense	-2,112.3	-1,315.7	61%	-2,142.2	-1%	-7,801.5	-4,271.6	83%
of which interest expense from financial items not measured at fair value	-1,135.1	-767.7	48%	-1,134.9	0%	-4,179.2	-2,638.0	58%
Average interest rate on deposits from the public during the period, %	2.2	1.07	-	1.9	-	1.9	0.6	-

NOTE 5 COMMISSION INCOME

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Payment mediation	17.5	21.8	-19%	17.8	-10%	63.6	81.1	-22%
Loans	20.1	18.9	6%	20.8	5%	78.3	72.9	7%
Deposits	1.8	1.9	-10%	1.7	5%	7.1	6.9	2%
Financial guarantees	0.1	-	-	0.1	29%	0.3	0.2	72%
Securities	166.6	180.4	-8%	163.0	2%	688.1	679.9	1%
Bank cards	30.3	21.2	43%	27.5	10%	106.7	75.2	42%
Other commission	1.0	0.7	54%	0.9	15%	3.6	2.6	36%
Total commission income	237.4	244.9	-3%	231.8	2%	947.7	918.8	3%
of which commission income from financial items not measured at fair value	52.8	42.0	26%	50.0	6%	194.6	155.2	25%

NOTE 6 COMMISSION EXPENSE

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Payment mediation	-25.3	-17.9	42%	-24.9	1%	-95.7	-82.5	16%
Securities	-84.0	-95.7	-12%	-91.7	-8%	-375.8	-363.5	3%
Bank cards	-21.4	-20.2	6%	-22.5	-5%	-82.2	-80.2	2%
Remuneration to regional insurance companies	-206.9	-179.0	16%	-199.2	4%	-793.7	-549.8	44%
Other commission	-3.5	-4.6	-25%	-5.2	-33%	-16.5	-16.2	2%
Total commission expense	-341.1	-317.4	7%	-343.5	-1%	-1,363.9	-1,092.2	25%
of which commission expense from financial items not measured at fair value	-206.9	-179.0	16%	-199.2	4%	-793.7	-549.8	44%

NOTE 7 NET GAINS FROM FINANCIAL ITEMS

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Change in fair value								
Interest-related instruments	173.1	-208.1	-183%	204.9	-16%	455.6	-82.0	-656%
Currency-related instruments	-625.1	-201.7	210%	483.2	-229%	18.0	-449.5	-104%
Change in fair value of hedged items	435.2	400.9	9%	-689.5	-163%	-498.7	494.8	-201%
Capital gain / loss								
Interest-related instruments	4.9	0		-0.4		6.4	0.1	
Interest compensation	11.1	8.5	30%	8.7	27%	28.6	46.6	-39%
Total net gains from financial items	-0.8	-0.4	81%	6.9	-111%	9.9	10.0	-1%

NOTE 8 LOAN LOSSES, NET

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Specific reserve for individually assessed loan receivables								
Write-off of confirmed loan losses during the period	-54.0	-100.6	-49%	-36.4	40%	-92.7	-105.1	-15%
Reversed earlier impairment of loan losses recognised as confirmed losses	51.3	101.6	-49%	38.0	35%	92.5	105.3	-12%
Impairment of loan losses during the period	-67.4	-29.1	141%	-32.7	115%	-200.7	-109.2	86%
Payment received for prior confirmed loan losses	18.9	6.6	188%	9.4	101%	41.5	26.2	59%
Reversed impairment of loan losses no longer required	40.7	9.1	343%	7.4	446%	62.2	17.3	260%
Loss coverage from related company	-	-		-		-	10.0	
Net expense for the period for individually assessed loan receivables	-10.5	-12.4	-16%	-14.3	-27%	-97.2	-55.5	75%
Collective reserves for individually assessed receivables	-	-		-		-	-	
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk								
Provision / reversal of impairment for loan losses	0.7	11.7	-94%	-0.6	-220%	48.7	13.9	250%
Net expense for the period for collectively assessed homogenous loan receivables	0.7	11.7	-94%	-0.6	-220%	48.7	13.9	250%
Net expense for the period for fulfilment of guarantees	0.1	0.1	2%	0.1	20%	0.3	-	
Net expense of loan losses for the period	-9.7	-0.6		-14.8	-34%	-48.2	-41.6	16%

Since year-end, a transfer has been made from collective to individual impairments of agricultural exposures, which resulted in an increase in individual impairments and a corresponding decrease in collective impairments by the same amount.

NOTE 9 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec 31, 2011	Dec 31, 2010
Loan receivables, gross		
Public sector	2,246.1	236.5
Corporate sector	9,658.6	8,723.1
Retail sector	122,390.4	109,233.4
Other	0	3.7
Total loan receivables, gross	134,295.1	118,196.7
Impairment of individually assessed loan receivables		
Corporate sector	-61.3	-40.5
Retail sector	-120.6	-95.3
Total individual reserves	-181.9	-135.8
Impairment of collectively reserved loan receivables		
Corporate sector	-24.0	-24.0
Retail sector	-77.9	-126.7
Other	0	0
Total collective reserves	-101.9	-150.7
Total reserves	-283.8	-286.5
Loan receivables, net		
Public sector	2,246.1	236.5
Corporate sector	9,573.3	8,658.6
Retail sector	122,191.9	109,011.4
Other	0	3.7
Total loans to the public, net	134,011.3	117,910.2
Impaired loans		
Corporate sector	87.8	67.9
Retail sector	145.5	140.9
Total impaired loans	233.3	208.8

Definition

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. The loan receivable is considered impaired to the extent that it is not covered by collateral in an adequate amount.

NOTE 10 DERIVATIVES

SEK M	Dec 31, 2011		Dec 31, 2010	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest	63,925.0	1,378.0	47,397.0	643.4
Currency	10,576.6	454.2	1,777.7	401.3
Collateral received, CSA	-	-265.7	-	-17.0
<i>Other derivatives</i>				
Interest	210.0	0.2	13,810.0	2.5
Currency	0	0	385.6	11.7
Total derivatives with positive values	74,711.6	1,566.7	63,370.3	1,041.9
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	75,199.0	1,571.0	61,594.0	1,260.1
Currency	11,852.1	887.2	10,577.1	827.7
<i>Other derivatives</i>				
Interest	-	-	-	-
Currency	-	-	1,343.3	5.8
Total derivatives with negative values	87,051.1	2,458.2	73,514.4	2,093.6

NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

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

NOTE 12 CAPITAL-ADEQUACY ANALYSIS

SEK M	Dec 31, 2011	Dec 31, 2010
Capital base		
Tier 1 capital, gross	6,454.0	5,773.6
Less intangible assets	-438.6	-372.7
Less deferred tax assets	-6.0	-3.1
Less / plus IRB deficit / surplus	-261.9	-214.8
Tier 1 capital, net	5,747.4	5,183.0
Tier 2 capital	1,200.0	960.0
Deductions for Tier 2 capital	-261.9	-214.8
Total capital base	6,685.5	5,928.2
Risk-weighted assets according to Basel II	47,617.4	43,944.2
Risk-weighted assets according to transition rules	71,572.8	63,161.2
Capital requirement		
Capital requirement for credit risk according to Standardised Approach	679.3	725.4
Capital requirement for credit risk according to IRB Approach	2,984.2	2,656.4
Capital requirement for operational risk	145.9	133.8
Capital requirement according to Basel II	3,809.4	3,515.5
Adjustment according to transition rules	1,916.4	1,537.4
Total capital requirement	5,725.8	5,052.9
Capital ratio		
Tier 1 ratio according to Basel II, %	12.07	11.79
Capital-adequacy ratio according to Basel II, %	14.04	13.49
Capital ratio according to Basel II *	1.75	1.69
Tier 1 ratio according to transition rules, %	8.03	8.21
Capital-adequacy ratio according to transition rules, %	9.34	9.39
Capital ratio according to transition rules*	1.17	1.17
Special disclosures		
IRB Provisions surplus (+) / deficit (-)	-523.9	-429.6
- Total provisions (+)	237.8	241.5
- Anticipated loss (-)	-761.7	-671.1
Capital requirement		
Credit risk according to Standardised Approach		
Exposures to institutions	77.8	77.3
Exposures to corporates	195.2	167.3
Retail exposures	93.1	190.2
Exposures secured on residential property	126.3	97.7
Past due items	0.4	1.0
Covered bonds	169.2	173.6
Other items	17.2	18.2
Total capital requirement for credit risk according to Standardised Approach	679.3	725.4

NOTE 12 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M

Dec 31, 2011 Dec 31, 2010

Credit risk according to IRB Approach

Retail exposures

Exposures secured by real estate collateral	1,420.3	1,241.0
Other retail exposures	670.5	626.4
<i>Total retail exposures</i>	<i>2,090.7</i>	<i>1,867.4</i>
Exposures to corporates	892.7	787.9
Non credit-obligation assets	0.8	1.0
Total capital requirement for credit risk according to IRB Approach	2,984.2	2,656.4

Operational risk

Standardised Approach	145.9	133.8
Total capital requirement for operational risk	145.9	133.8

Capital-adequacy analysis according to Basel I

Tier 1 capital	6,009.4	5,397.8
Tier 2 capital	1,200.0	960.0
Total capital base	7,209.4	6,357.8
Risk-weighted assets	97,651.5	85,663.8
Capital requirement for credit risk	7,812.1	6,853.1
Tier 1 ratio, %	6.15	6.30
Capital-adequacy ratio, %	7.38	7.42
Capital ratio*	0.92	0.93

* 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 23 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 2011. Furthermore the subordinated loans conditioned by time from Länsförsäkringar AB were prematurely redeemed during the 2nd quarter, 2011. A listed subordinated loan was issued as a replacement. No other significant changes have occurred in the company's agreements with these related legal entities since December 31, 2010.

The Bank 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, 2010, no significant changes have occurred in the company's agreements with these persons.

Income statement – Parent Company

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Interest income	736.7	440.8		703.1		2,642.2	1,409.3	
Interest expense	-538.3	-291.1		-515.2		-1,916.2	-904.5	
Net interest income	198.4	149.7	32%	187.9	6%	726.0	504.8	44%
Dividends received	0	-		0		0	0.2	
Group contributions received	52.8	37.7	40%	-		52.8	37.7	39%
Commission income	57.4	53.9	7%	55.5	3%	210.5	199.0	6%
Commission expense	-179.1	-147.7	21%	-176.4	2%	-681.1	-478.3	42%
Net gains from financial items	1.9	-0.6	394%	3.6	-48%	6.2	1.9	237%
Other operating income	63.7	45.1	41%	47.6	34%	226.5	208.4	9%
Total operating income	195.1	138.1	41%	118.2	65%	540.9	473.7	14%
Staff costs	-20.8	-15.8	31%	-26.9	-23%	-108.6	-94.0	15%
Other administration expenses	-124.7	-82.5	51%	-96.1	30%	-388.3	-322.5	20%
Total administration expenses	-145.5	-98.3	48%	-123.0	18%	-496.9	-416.5	19%
Depreciation / amortisation and impairment of property and equipment / intangible assets	-16.9	-14.8	14%	-15.1	12%	-61.0	-56.9	7%
Total operating expenses	-162.4	-113.1	44%	-138.1	18%	-557.9	-473.4	18%
Profit/loss before loan losses	32.7	25.0	31%	-19.9	-264%	-17.0	0.3	-55%
Loan losses, net	3.6	8.6	-58%	-0.7	-624%	1.1	-1.9	-42%
Operating profit/loss	36.3	33.6	8%	-20.6	-276%	-15.9	2.2	-823%
Tax	-4.3	-8.5	-77%	5.4	-179%	9.4	-0.3	-2%
Profit/loss for the period	32.0	25.1	28%	-15.2	-311%	-6.5	1.9	-452%

Statement of comprehensive income – Parent Company

SEK M	Q 4 2011	Q 4 2010	Change	Q 3 2011	Change	Jan-Dec 2011	Jan-Dec 2010	Change
Profit/loss for the period	32.0	25.1	27%	-15.2	-311%	-6.5	1.9	-452%
Other comprehensive income								
<i>Available-for-sale financial assets</i>								
Change in fair value	-1.0	-5.7	-82%	14.9	-107%	32.6	2.8	
Reclassification realised securities	2.6	-		-25.5	-110%	-22.8	-	
Tax	-0.4	1.5	-127%	2.8	-114%	-2.6	-0.7	271%
Other comprehensive income for the period, net after tax	1.2	-4.2	-129%	-7.8	-115%	7.2	2.1	243%
Total comprehensive income for the period	33.2	20.9	59%	-23.0	-245%	0.7	4.0	-83%

Balance sheet – Parent Company

SEK M	Dec 31, 2011	Dec 31, 2010
Assets		
Cash and balances with central banks	66.9	84.8
Treasury bills and other eligible bills	0	1,349.3
Loans to credit institutions	31,029.1	28,344.4
Loans to the public	33,399.9	27,532.5
Bonds and other interest-bearing securities	6,123.7	8,720.0
Shares and participations	10.4	10.4
Shares and participations in Group companies	5,304.0	4,594.0
Derivatives	96.2	45.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	69.5	14.2
Intangible assets	353.5	283.8
Property and equipment	5.2	8.8
Deferred tax assets	2.7	-
Other assets	55.1	63.9
Prepaid expenses and accrued income	316.1	304.7
Total assets	76,832.3	71,356.3
Liabilities and equity		
Liabilities to credit institutions	2,171.7	12,363.2
Deposits and borrowing from the public	49,766.0	41,722.5
Debt securities in issue	15,883.3	9,552.6
Derivatives	220.5	228.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	80.9	-13.5
Deferred tax liabilities	0	4.1
Other liabilities	241.0	211.9
Accrued expenses and deferred income	622.0	478.5
Provisions	5.2	4.8
Subordinated liabilities	1,489.7	1,250.0
Total liabilities	70,480.3	65,802.9
Equity		
Share capital, 9,548,708 shares	954.9	954.9
Statutory reserve	18.4	18.4
Fair value reserve	22.8	15.7
Retained earnings	5,362.4	4,562.5
Profit/loss for the year	-6.5	1.9
Total equity	6,352.0	5,553.4
Total liabilities and equity	76,832.3	71,356.3
Memorandum items		
For own liabilities, pledged assets	2,765.0	6,997.0
Other pledged assets	None	None
Contingent liabilities	2,920.7	2,117.3
Other commitments	7,855.0	14,526.8
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 2011	Jan-Dec 2010
Cash and cash equivalents, January 1	1,159.8	2,764.2
Cash flow from operating activities	-34.2	-1,478.8
Cash flow from investing activities	-837.1	-1,010.9
Cash flow from financing activities	1,075.4	885.3
Cash flow for the year	204.1	-1,604.4
Cash and cash equivalents, December 31	1,363.9	1,159.8

Cash and cash equivalents is defined as cash and balances at central banks, lending and due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are mainly attributable to liabilities to credit institutions SEK -10,028.6 M (-17,611.6), deposits and borrowings from the public SEK 7,887.0 M (4,241.4) and debt securities in issue SEK 6,287.8 M (2,361.0). Changes to the cash flow from investing activities are mainly attributable to shares in subsidiaries SEK -710.0 M (-895.0) and from financing activities to shareholders' contribution received SEK 798.0 M (850.0) as well as net changes in subordinated debt SEK 240.0 M (-).

Statement of changes in shareholders' equity – Parent Company

Mkr	Share capital	Other capital contributed	Reserves	Retained earnings	Profit for the period	Total
Opening balance as reported 2010	954.9	18.4	13.6	3,745.9	-33.4	4,699.4
Adjustments due to changed principles				-26.0	26.0	
Adjusted opening balance	954.9	18.4	13.6	3,719.9	-7.4	4,699.4
Profit for the year					1.9	1.9
Other comprehensive income for the year			2.1			2.1
Comprehensive income for the year			2.1		1.9	4.0
Resolution by Annual General Meeting				-7.4	7.4	-
Conditional shareholders' contribution received				850.0		850.0
Closing balance, December 31, 2010	954.9	18.4	15.7	4,562.5	1.9	5,553.4
Opening balance, January 1, 2011	954.9	18.4	15.7	4,562.5	1.9	5,553.4
Loss for the year					-6.5	-6.5
Other comprehensive income for the year			7.2			7.2
<i>Comprehensive income for the year</i>			7.2		-6.5	0.7
Resolution by Annual General Meeting				1.9	-1.9	-
Group contributions received						
Tax effect of Group contributions received						
Conditional shareholders' contribution received				798.0		798.0
Closing balance, December 31, 2011	954.9	18.4	22.8	5,362.4	-6.5	6,352.0

Notes – Parent Company

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Bank AB prepares the accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559), the Swedish Securities Market Act (2007:528) and 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 regarding listed companies by the Swedish Financial Reporting Board.

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 link between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS.

Since year-end, a transfer has been made from collective to individual impairments of agricultural exposures. During the year a new principle for the accounting of loan losses has been applied. The new principle implies that Länsförsäkringar Bank AB accounts for only its part of the loan losses. Earlier the regional

insurance companies' share of the loan losses decreased the remuneration to the regional insurance companies in the commission costs and thereby didn't impact the loan losses of the bank. The new principle clarifies the lines of responsibility between the company and the regional insurance companies.

The Swedish Financial Reporting Board has withdrawn UFR 2 Group Contributions and Shareholder's Contributions and made changes to the recommendation RFR 2 concerning accounting for group contribution. Previously group contributions paid or received with the purpose of minimising the total tax effect were accounted for as an increase/decrease of non-restricted equity (net of tax). As of 2011 group contributions received from subsidiaries are accounted for according to the same principles as dividends. Group contributions paid or received from the parent company are accounted for in equity net of tax, as the group contributions are accounted for in the same manner as dividend or shareholders' contributions. The 2010 figures in the income statement and the statement of changes in shareholders' equity have been updated. In all other aspects, the year-end report for the company was prepared according to the same accounting policies and calculation methods as those that will be applied in the 2011 Annual Report

NOTE 2 CAPITAL ADEQUACY ANALYSIS

SEK M	Dec 31, 2011	Dec 31, 2010
Capital base		
Tier 1 capital, gross	6,618.9	5,827.7
Less intangible assets	-353.2	-283.8
Avgår uppskjutna skattefordringar	-2.7	-
Less / plus IRB deficit / surplus	-111.0	-68.5
Tier 1 capital, net	6,151.9	5,475.4
Tier 2 capital	1,200.0	960.0
Deductions for Tier 2 capital	-111.0	-68.5
Total capital base	7,240.9	6,367.0
Risk-weighted assets according to Basel II	18,693.0	17,713.5
Risk-weighted assets according to transition rules	20,369.0	18,514.4
Capital requirement		
Capital requirement for credit risk according to Standardised Approach	151.0	196.3
Capital requirement for credit risk according to IRB Approach	1,276.2	1,155.6
Capital requirement for operational risk	68.3	65.2
Capital requirement according to Basel II	1,495.4	1,417.1
Adjustment according to transition rules	134.1	64.1
Total capital requirement	1,629.5	1,481.2
Capital ratio		
Tier 1 ratio according to Basel II, %	32.91	30.91
Capital-adequacy ratio according to Basel II, %	38.74	35.94
Capital ratio according to Basel II *	4.84	4.49
Tier 1 ratio according to transition rules, %	30.20	29.57
Capital-adequacy ratio according to transition rules, %	35.55	34.39
Capital ratio according to transition rules*	4.44	4.30
Special disclosures		
IRB Provisions surplus (+) / deficit (-)	-222.0	-136.9
- Total reserves (+)	83.3	113.2
- Anticipated loss (-)	-305.3	-250.2
Capital requirement		
Credit risk according to Standardised Approach		
Exposures to institutions	6.2	24.5
Exposures to corporates	69.4	51.4
Retail exposures	8.0	32.8
Exposures secured on residential property	8.7	6.2
Past due items	0.3	0.7
Covered bonds	50.0	71.2
Other items	8.6	9.4
Total capital requirement according to the Standardised Approach	151.0	196.3

NOTE 2 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M

Dec 31, 2011 Dec 31, 2010

Credit risk according to IRB Approach

Retail exposures

Exposures secured by real estate collateral	269.9	270.1
Other retail exposures	193.1	171.0
<i>Total retail exposures</i>	<i>463.0</i>	<i>441.1</i>
Exposures to corporates	812.7	713.7
Non credit-obligation assets	0.4	0.7
Total capital requirement for credit risk according to IRB Approach	1,276.2	1,155.6

Operational risk

Standardised Approach	68.3	65.2
Total capital requirement for operational risk	68.3	65.2

Capital-adequacy analysis according to Basel I

Tier 1 capital	6,262.9	5,543.9
Tier 2 capital	1,200.0	960.0
Total capital base	7,462.9	6,503.9
Risk-weighted assets	28,930.5	25,282.5
Capital requirement for credit risk	2,314.4	2,022.6
Tier 1 ratio, %	21.65	21.93
Capital-adequacy ratio, %	25.80	25.72
Capital ratio*	3.22	3.22

* Capital ratio = total capital base / total capital requirement

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 23 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 2011. Furthermore the subordinated loans conditioned by time from Länsförsäkringar AB were prematurely redeemed during the second quarter, 2011. A listed subordinated loan was issued as a replacement. No other significant changes have occurred in the company's agreements with these related legal entities since December 31, 2010.

Related key persons are Board members, senior executives and close family members to these individuals. Since December 31, 2010, no significant changes have occurred in the company's agreements with these persons.

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

Stockholm, February 21, 2012

Sten Dunér Chairman of the board	Ingemar Larsson Board member	Per-Åke Holgersson Board member	Leif Johanson Board member	Örian Söderberg Board member
Christian Bille Board member	Christer Villard Board member	Ingrid Ericson Board member	Max Rooth Board member	Rikard Josefson President

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

To the Board of Länsförsäkringar Bank AB (publ)
Org nr 556401-9878

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 556401-9878, at December 31, 2011 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 International Standards on Auditing and other generally accepted auditing practices in Sweden. 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, 2012

Johan Bäckström
Authorised Public Accountant

Appendix

BORROWING PROGRAMMES

Programme	Limit, Nominal	Issued, 2011 Nominal, SEK billion	Issued, 2010 Nominal, SEK billion	Outstanding, Dec 31, 2011 Nominal, SEK billion	Outstanding, Dec 31, 2010 Nominal, SEK billion	Remaining average term, Dec 31, 2011 Years	Remaining average term, Dec 31, 2010 Years
Länsförsäkringar Bank							
Medium Term Note	SEK 20 billion	7.2	5.2	11.2	5.2	1.5	1.6
Domestiskt certifikatprogram	SEK 15 billion	16.8	12.1	4.7	2.5	0.4	0.2
Euro Commercial Paper	EUR 1.5 billion	3.2	2.8	0	1.7	0	0.2
Euro Medium Term Note	EUR 2 billion	–	–	–	–	–	–
Total		27.2	20.1	15.9	9.4	1.2	1.0
Länsförsäkringar Hypotek							
Benchmark	Unlimited	11.7	25.8	53.9	53.7	2.6	2.8
Medium Term Covered Note	SEK 30 billion	4.8	7.6	10.1	13.8	1.2	1.1
Euro Medium Term Covered Note	EUR 4 billion	10.3	10.6	21.5	11.5	2.9	4.2
Total		26.8	44.0	85.5	79.0	2.5	2.7
Group total		54.0	64.1	101.4	88.4	2.3	2.5

Borrowing by maturity

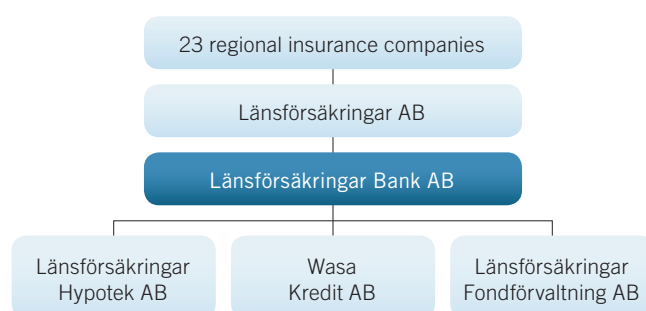
Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, billion	20.2	19.4	29.6	13.5	18.3	–	0.3	–	0.1	101.4

Financial calendar

Interim report, January-March 2012 **April 23, 2012**

Interim report, January-June 2012..... **August 28, 2012**

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, 2012 at 11.30 a.m Swedish time.



The Länsförsäkringar Alliance comprises 23 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 nearly 3.4 million and the Länsförsäkringar Alliance has a joint total of approximately 5,800 employees.

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