

Länsförsäkringar Bank

YEAR-END REPORT 2006

Summary

- Operating income amounted to SEK 238 M (203) before loan losses and to SEK 201 M (154) after loan losses. Income includes a nonrecurring gain of SEK 23 M resulting from the sale of receivables previously written off in Wasa Kredit.
- Revenue was up 6% to SEK 1,025 M (971) and administration expenses increased by 2% to SEK 787 M (769). Administration expenses include a nonrecurring item of SEK 13 M attributable to pension provisions
- Net interest income rose by 6% to SEK 922 M (873).
- The cost/income ratio declined to 0.77 (0.79).
- Loan losses remained low, amounting to SEK 37 M (49).
- An unconditional shareholder contribution totaling SEK 300 M was received.
- Return on equity after standard tax was 4.6% (4.1).
- Lending to the public increased by 14% to SEK 54 billion (47). Deposits from the public rose 15% to SEK 24 billion (21).
- Mortgage lending by the subsidiary Länsförsäkringar Hypotek rose by 18% to SEK 37 billion (31).
- Assets under management in mutual funds increased to SEK 62 billion (54).
- The number of customers increased from 593,000 to 604,000.
- Länsförsäkringar continues to have highly satisfied bank and mortgage customers in the private banking market, according to the 2006 edition of the Swedish Quality Index (SQI).

Figures in parentheses pertain to 2005.

Tomas Johansson, President of Länsförsäkringar Bank:

2006 was a successful year for Länsförsäkringar's bank operations. We are continuing to grow and maintain profitability and efficiency at the same time as we have retained highly satisfied customers. Customer confidence is based on the company's strong contribution, as a challenger, to intensifying competition through improved conditions and attractive prices, particularly in the mortgage market. Our ambition is to be among the major players in the mortgage loan market within three years. In 2007, we will continue to challenge by focusing on the best for the customer.



Key figures

| Group | 2006 | 2005 | 2004 |
|---|-------|-------|-------|
| Return on equity, % | 4.61 | 4.07 | 4.30 |
| Return on total capital, % | 0.35 | 0.43 | 0.33 |
| Investment margin, % | 1.62 | 1.85 | 2.18 |
| Cost/income ratio before loan losses | 0.77 | 0.79 | 0.81 |
| Cost/income ratio after loan losses | 0.80 | 0.84 | 0.86 |
| Capital adequacy, % | 10.59 | 11.28 | 11.37 |
| Tier 1 ratio, % | 8.61 | 9.02 | 9.00 |
| Percentage of doubtful receivables, gross % | 0.46 | 0.52 | 0.63 |
| Percentage of doubtful receivables, net % | 0.07 | 0.05 | 0.15 |
| Provision ratio for doubtful receivables, % | 84.72 | 91.02 | 76.33 |
| Parent Company | | | |
| Return on equity, % | neg | neg | neg |
| Return on total capital, % | neg | neg | neg |
| Investment margin, % | 0.68 | 0.77 | 1.01 |
| Interest margin, average, % | 0.55 | 0.65 | 0.86 |
| Cost/income ratio before loan losses | 1.06 | 1.09 | 1.07 |
| Cost/income ratio after loan losses | 1.10 | 1.08 | 1.08 |
| Capital adequacy, % | 44.95 | 48.96 | 45.64 |
| Tier 1 ratio, % | 36.84 | 39.43 | 36.45 |
| Percentage of doubtful receivables, gross % | 0.17 | 0.19 | 0.23 |
| Percentage of doubtful receivables, net % | 0.00 | 0.00 | 0.00 |
| Provision ratio for doubtful receivables, % | 98.98 | 98.67 | 98.47 |

Quarterly development, Group

| SEK M | Q4 2006 | Q3 2006 | Q2 2006 | Q1 2006 | Q4 2005 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 245.5 | 232.9 | 223.7 | 219.7 | 223.5 |
| Net commission income | 1.3 | -8.6 | -3.8 | -1.1 | -12.3 |
| Other revenue | 33.8 | 27.6 | 29.3 | 25.0 | 36.3 |
| Total operating revenue | 280.6 | 251.9 | 249.2 | 243.6 | 247.5 |
| Personnel costs | -83.1 | -65.1 | -64.3 | -60.7 | -63.3 |
| Other costs | -131.5 | -126.0 | -127.2 | -129.3 | -131.4 |
| Total costs | -214.6 | -191.1 | -191.5 | -190.0 | -194.7 |
| Income before loan losses | 66.0 | 60.8 | 57.7 | 53.6 | 52.8 |
| Loan losses | -12.5 | 4.5 | -15.7 | -13.5 | -4.4 |
| Operating income | 53.5 | 65.3 | 42.0 | 40.1 | 48.4 |

Group

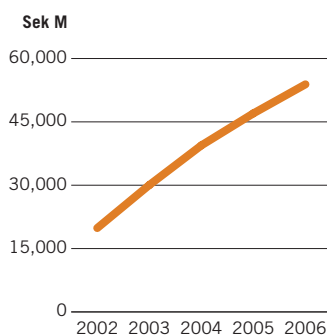
Total assets

In 2006, the Group's total assets grew by 21%, amounting to SEK 62,456 M.

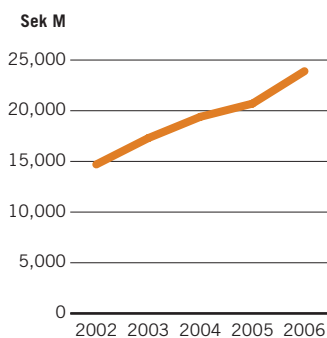
Lending to the public increased by 14%, or SEK 7 billion, to SEK 53,884 M (47,094). All lending was in Swedish kroner. Accordingly, lending accounted for 86% of the Group's total assets.

Interest-bearing securities (bonds in banking operations) increased during the year by 116% to SEK 5,630 M (2,603). Deposits from the public rose by 15%, or SEK 3,203 M, to SEK 23,942 M (20,739).

Lending to the public



Deposits from the public



Borrowing

Borrowing and securities issuance increased by 26% or SEK 6,713 M to SEK 32,359 M (25,646).

| | Limit | Exercised December 31, 2006 |
|---------------------------------|------------|-----------------------------------|
| Commercial paper | SEK 15 bn | SEK 3.6 bn |
| ECP | EUR 1.5 bn | EUR 0 bn |
| MTN (Medium Term Note) | SEK 15 bn | SEK 8.5 bn |
| EMTN (Euro Medium Term Note) | EUR 2 bn | EUR 1.5 bn |
| LF B01 | unlimited | SEK 5.5 bn |

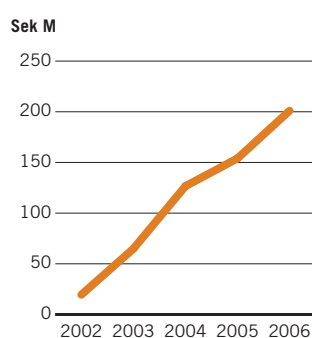
Capital adequacy

The bank's target level for capital adequacy is 10.5% and for the Tier 1 ratio 8.5%. A deviation of ± 0.5 percentage points is allowed for both targets.

Unconditional shareholders' contributions totaling SEK 300 M were received from the Parent Company Länsförsäkringar AB during the year.

At December 31, 2006, the Group's capital adequacy ratio was 10.59% (11.28) and the Tier 1 ratio 8.61% (9.02).

Income after loan losses



Earnings and profitability

The Group's operating income amounted to SEK 201 M (154). Income after tax amounted to SEK 142 M (109). Return on average equity after standard tax amounts to 4.6% (4.1).

Revenue

Net interest income rose by 6% to SEK 922 M (873). The increase is attributable to higher lending volumes to the public. An amount of SEK 10 M (9) for mandatory government deposit insurance was charged against net interest income. The investment margin, that is, net interest income as a percentage of average total assets, amounted to 1.62% (1.85). Net commission income rose to negative SEK 12 M (neg: 52). Other operating revenues amounted to SEK 116 M (150). Income rose by a total of 6% to SEK 1,025 M (971).

Expenses

Operating expenses rose by 2% or SEK 19 M to SEK 787 M (769). Expenses includes a nonrecurring item of SEK 13 M attributable to pension provisions due to a new pension agreement. The cost/income ratio – costs in relation to income – amounted to 0.77 (0.79) before loan losses and 0.80 (0.85) after loan losses.

Loan losses

Depending on the product, provisions were mostly made after group-wise appraisal and only to a limited extent after individual review. The Group's net loan losses amounted to SEK 37 M (49). The item includes a gain of SEK 23 M attributable to the sale of receivables previously written off in Wasa Kredit.

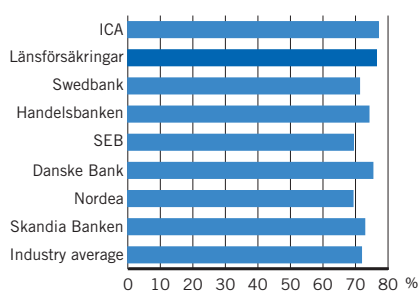
Continued satisfied customers

The 2006 edition of the Swedish Quality Index (SQI) survey of the banking industry was presented on October 2. Länsförsäkringar's bank customers were among the top most satisfied in 2006. Customer satisfaction among Länsförsäkringar's bank customers increased for the third consecutive year and was 4.6 percentage points above the industry average.

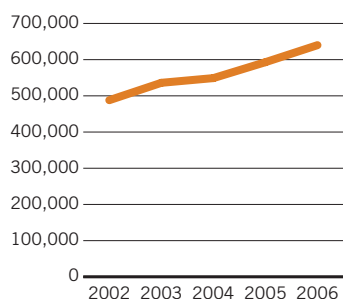
This is the third consecutive year that the Swedish Quality Index has shown that Länsförsäkringar's bank customers are more satisfied than other customers at most other banks. Our customers were also the most satisfied in 2004 and 2005.

For the second consecutive year, the Swedish Quality Index also revealed that Länsförsäkringar's mortgage customers were more satisfied than customers at other mortgage lenders in the private market.

SKI 2006 Bank market, private



Number of customers



Transition to IFRS

As of 2007, Länsförsäkringar Bank will prepare its consolidated accounts in accordance with International Financial Reporting Standards (IFRS). The introduction of IFRS entails that comparative figures for 2006 will be restated.

The transition to IFRS is primarily affected by IAS 39 and the bank's reporting of financial instruments.

The bank will apply hedge accounting since this is deemed to be the method that best reflects the company's operations. The model encompasses loan receivables and funding at fixed interest rates where the interest-rate risk is hedged on the basis of derivative instruments.

Interest income on doubtful receivables will be reported based on the effective interest-rate method, calculated by applying the effective interest rate, while the value of the loan in conjunction with impairment is calculated based on the present value of the future cash flow.

The compensation paid by customers in conjunction with the premature redemption of fixed-term lending was previously reported as interest income allocated over the remaining term of the original loan. This compensation will be recognized in income in its entirety as net result of financial items at fair value when payment is made.

Certain fees charged to customers in conjunction with credit issuing will be reported as interest income instead of commission revenues. Fees charged in conjunction with borrowing (classified as transaction costs) will be reported as interest expenses over the term of the issued security. Today, such fees are reported as commission expenses.

Operating income for Länsförsäkringar Bank amounted to SEK 201 M in accordance with the principles applied in 2006, compared with estimated income of SEK 198 M in accordance with IFRS.

As a result of the transition to IFRS, shareholders' equity will increase by SEK 12 M, which is primarily attributable to the change in accounting principle regarding compensation for interest-rate differences.

Based on the above, the Tier 1 ratio and capital adequacy are not expected to be materially affected by the transition to IFRS.

Basel II

As of February 1, 2007, Länsförsäkringar Bank calculates its capital adequacy for credit risks in accordance with the Internal Ratings-based Approach (IRB approach). The Swedish Financial Supervisory Authority (Finansinspektionen) approved Länsförsäkringar Bank's method on December 18, 2006.

Based on the new regulations, the possibility of attracting suitable customers under the business and loan strategy will improve and will allow prices to be set based on this knowledge. This also creates equal expense and margin conditions compared with competitors. At the same time, the bank obtains an improved and more sophisticated understanding of its risks in relation to returns.

The risk models and measuring approaches are important components in each loan preparation process and in follow-ups of total credit risks. Accordingly, in 2006 credit processors utilized the risk classification system that categorizes customers and loans into different groups. At the same time, customers were also given an overall risk measurement. All loans to private customers have already been risk classified. In conjunction with the introduction of the risk-classification model for the agriculture portfolio, 92% of Länsförsäkringar Bank's total assets will be included in IRB approach reporting by 2010.

Alignment of the capital requirement to the new regulatory system, in accordance with prevailing transition rules, will occur over a three-year period. After the transition period, the company's risk-weighted assets will decline significantly. The pace at which capital will be released depends on the company's total risk exposure, rating considerations and the Finansinspektionen's assessments.

The company's capital adequacy target will be tested continuously within the internal process for capital valuation. The company will strive to remain adequately capi-

talized relative to comparable banks.

Combined with the IRB approach, the internal capital assessment process (ICA) will also further develop the possibility of applying profitability calculations, pricing and control of risks and loans in 2007.

Rating

In January 2006, Standard & Poor's changed its outlook for Länsförsäkringar Bank from "stable" to "positive." Consequently, the rating for long-term borrowing was A- (positive) and the rating for short-term borrowing, A-2, was confirmed. Standard & Poor's referred to the strategic significance of the operations for the entire Länsförsäkringar Alliance and to the involvement of the owner. They also referred to the high capital adequacy and positive trend of banking transactions among the regional insurance companies.

The long-term credit rating from Moody's is A3/stable, and the short-term rating, P-2.

Historic housing bond

The first step in the new strategic plan for the funding operations was taken in the autumn when the bank launched its first housing bond. This was the first time in 20 years that a new player entered the Swedish market for liquid housing bonds. The bonds which are sold "on tap" have a term of approximately five years and the outstanding volume at year-end was SEK 5.5 billion. The loan is the single largest loan issued by the bank and the reception from investors has been highly positive, which is reflected in the high demand for the loan.

Similar to previously issued long-term liabilities in the bank, the loan is encompassed by the exchange offer that will be directed toward investors from Länsförsäkringar Hypotek when the company's application to issue covered bonds is approved. This, combined with the favorable level of liquidity in the bonds, entailed that the price is close to the prices received by the largest issues who have already transferred to issuing covered bonds. Liquidity is supported by the structure of the bonds enabling the possibility to issue continuously over

the term of the loan, full-scale market marker commitments and by the fact that the bank provides a repo facility and has developed an issue model adapted to the liquid housing bond market.

The bond is the first in a series of bond issues to offer a complete benchmarking curve over time. The new benchmark bonds signify Länsförsäkringar's clear focus on the Swedish market.

Covered bonds

Provided the company is granted permission by Finansinspektionen, the subsidiary Länsförsäkringar Hypotek will issue covered bonds during the second quarter or third quarter of 2007. Work to develop this offering to the market took place throughout 2006 and is progressing according to plan.

Investors who have already invested in bonds issued under Länsförsäkringar Bank's MTN program and EMTN program, or in bonds issued under the program for benchmark loans, will be offered the opportunity to exchange their bonds for corresponding covered bonds when these covered bonds are issued. However, one difference is that Länsförsäkringar Hypotek will be the issuer of these new bonds. The exchange offer that is to be presented will take place without any premium being paid.

The goal is to achieve a triple-A rating for the covered borrowing.

Key events during the year

- In January 2006, Standard & Poor's upgraded the bank's outlook from "stable" to "positive." Consequently, the rating for long-term borrowing is A- (positive) and the rating for short-term borrowing is A-2.
- In June, Länsförsäkringar customers with Mastercard bank cards could withdraw cash in ICA supermarkets in Sweden.
- On September 27, the subsidiary Länsförsäkringar Hypotek submitted an application to Finansinspektionen regarding permission to issue covered bonds.
- In October, Länsförsäkringar Bank entered into a new agreement regarding ser-

vices for card management and collating card transactions.

- On December 18, Finansinspektionen announced that it had approved Länsförsäkringar Bank's method for internal risk classification within the framework of Basel II.
- During the autumn, a number of process improvements were conducted whereby modern IT is used to support and enhance the efficiency of customer meetings. It is now possible for customers to administer their household financing via the Internet around the clock.

Key events after the close of the period

- Länsförsäkringar Bank received an unconditional shareholders' contribution of SEK 200 M after the close of the period. This capital contribution is attributable to the Group contribution issued by the company.
- On februari 19, 2007, Standard & Poor's upgraded the bank's rating from A- (positive) to A (stable). The short term rating was raised from A-2 to A-1.

Parent Company

Deposits, funding and some of the Group's lending are conducted by the Parent Company. Lending to the public rose to SEK 9 billion (8). Deposits from the public amounted to SEK 24 billion (21). Most of the Group's lending operations are conducted through Länsförsäkringar Hypotek and Wasa Kredit.

The major portion of the Bank Group's administration expenses is contained within the Parent Company.

Subsidiaries

Länsförsäkringar Hypotek AB

Residential lending in the bank's mortgage institution increased by 18% to SEK 37 billion, an increase of SEK 6 billion. Up to 75% of the market value of mortgage loans are carried by Länsförsäkringar Hypotek and the remainder by the Parent Company.

The market share in lending for private homes and tenant-owned apartments increased to 3.0% (2.9). The number of mortgage customers increased to 90,400 as at December 31, 2006. Operating income amounted to SEK 45 M (23).

| SEK M | 2006 | 2005 |
|-----------------------------------|--------|--------|
| Total assets | 36,856 | 31,419 |
| Lending volume | 36,550 | 30,964 |
| Operating profit | 44.5 | 22.7 |
| Return on shareholders' equity, % | 1.8 | 1.1 |

Wasa Kredit AB

Wasa Kredit's operating income before appropriations and tax amounted to SEK 115 M (110). The lending volume totaled SEK 8 billion (8).

| SEK M | 2006 | 2005 |
|-----------------------------------|-------|-------|
| Total assets | 8,435 | 8,161 |
| Lending volume | 8,070 | 7,743 |
| Operating profit | 115.0 | 110.3 |
| Return on shareholders' equity, % | 14.7 | 15.2 |

Länsförsäkringar Fondförvaltning AB

Länsförsäkringar Fondförvaltning manages SEK 62 billion (54) in 30 (32) mutual funds with different investment orientations. Länsförsäkringar's mutual funds are available as direct fund saving, as various unit-linked products and through the PPM system.

Länsförsäkringar's equity funds generated returns between negative 12.2% and positive 43.2% during the year. The Real Estate Fund and Small Company Fund and generated the highest returns of 43.2 % and 36.2% respectively during the year. The market share of net inflow amounted to 3.6% (3.4).

Operating income amounted to SEK 76 M (64). The improvement is primarily the result of an increased volume of assets under management. A 39% portion of the increase is due to net sales, 61% to value growth. Länsförsäkringar is one of Sweden's largest fund company with a market share of 3.9% (4.1).

| SEK M | 2006 | 2005 |
|-----------------------------------|--------|--------|
| Total assets | 219 | 202 |
| Assets under management | 61,652 | 53,731 |
| Net inflow | 3,027 | 2,760 |
| Operating profit | 76.0 | 63.9 |
| Return on shareholders' equity, % | 68.7 | 68.3 |

Income statements

| SEK 000s | | Group | | Parent Company | |
|--|--------|------------------|-----------------|-----------------|-----------------|
| | | 2006 | 2005 | 2006 | 2005 |
| Interest income | Note 2 | 2,572,768 | 2,105,806 | 1,593,625 | 1,273,335 |
| Interest expense | Note 3 | -1,650,944 | -1,232,365 | -1,209,381 | -918,198 |
| Net interest income | | 921,824 | 873,441 | 384,244 | 355,137 |
| Dividends received | | 3,395 | 3,422 | 87 | 39 |
| Commission revenue | | 797,284 | 683,086 | 117,889 | 99,466 |
| Commission expense | | -809,499 | -752,883 | -329,172 | -330,268 |
| Net income from financial transactions | | 1,087 | 10,335 | - | 4,830 |
| Other operating revenue | | 111,220 | 135,886 | 158,520 | 167,138 |
| Total operating revenue | | 1,025,311 | 953,287 | 331,568 | 296,342 |
| General administration expenses | | -711,193 | -663,525 | -315,895 | -298,934 |
| Depreciation/amortization and impairment of tangible and intangible fixed assets | | -30,879 | -33,378 | -20,527 | -22,270 |
| Other expenses | | -45,096 | -53,832 | -15,718 | -21,669 |
| Total expenses before loan losses | | -787,168 | -750,735 | -352,140 | -342,873 |
| Income before loan losses | | 238,143 | 202,552 | -20,572 | -46,531 |
| Loan losses, net | Note 4 | -37,198 | -48,545 | -14,035 | 3,686 |
| Operating income | | 200,945 | 154,007 | -34,607 | -42,845 |
| Tax on income for the period | | -60,179 | -44,672 | 8,261 | 11,242 |
| NET PROFIT/LOSS FOR THE PERIOD | | 140,766 | 109,335 | -26,346 | -31,603 |
| Earnings per share, SEK | | 14.74 | 11.45 | -2.76 | -3.31 |

Balance sheets

| SEK 000s | Group | | Moderbolaget | |
|---|----------------------|-------------------|-------------------|-------------------|
| | Dec. 31, 2006 | Dec. 31, 2005 | Dec. 31, 2006 | Dec. 31, 2005 |
| Assets | | | | |
| Cash and central bank account balances | 72,631 | 75,617 | 72,631 | 75,617 |
| Lending to credit institutions | 2,113,474 | 1,296,701 | 43,293,302 | 36,875,545 |
| Lending to the public | Note 5 53,883,648 | 47,093,528 | 9,264,185 | 8,386,951 |
| Shares and participations | 9,489 | 7,469 | 9,489 | 7,469 |
| Shares and participations in Group companies | - | - | 2,646,400 | 2,444,400 |
| Bonds and other interest-bearing securities | 5,629,650 | 2,602,795 | 5,629,650 | 2,602,795 |
| Intangible assets | 143,619 | 101,367 | 123,173 | 86,843 |
| Tangible assets | 7,610 | 12,153 | 165 | 1,230 |
| Other assets | 310,255 | 283,260 | 46,191 | 73,693 |
| Prepaid expenses and accrued income | 285,583 | 188,282 | 386,092 | 241,861 |
| TOTAL ASSETS | 62,455,959 | 51,661,172 | 61,471,278 | 50,796,404 |
| Liabilities, provisions and shareholders' equity | | | | |
| Liabilities to credit institutions | 350,818 | 308,430 | 526,417 | 769,341 |
| Deposits and borrowing from the public | 24,379,388 | 21,534,743 | 24,035,387 | 20,772,309 |
| Securities issued | 31,921,509 | 24,849,788 | 31,921,509 | 24,849,788 |
| Other liabilities | 486,125 | 295,058 | 171,619 | 131,095 |
| Accrued expenses and prepaid income | 1,067,085 | 752,501 | 475,052 | 265,584 |
| Provisions | 29,309 | 19,719 | 7,355 | 4,335 |
| Subordinated debt | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 |
| Shareholders' equity Note 6 | | | | |
| Share capital | 954,871 | 954,871 | 954,871 | 954,871 |
| Restricted reserves | 58,039 | 58,039 | 18,380 | 18,380 |
| Profit brought forward | 2,018,049 | 1,728,688 | 2,337,034 | 2,012,304 |
| Net profit/loss for the period | 140,766 | 109,335 | -26,346 | -31,603 |
| Total shareholders' equity | 3,171,725 | 2,850,933 | 3,283,939 | 2,953,952 |
| TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY | 62,455,959 | 51,661,172 | 61,471,278 | 50,796,404 |
| Memorandum items | | | | |
| Assets pledged | 605,000 | 500,000 | 605,000 | 500,000 |
| Contingent liabilities | 51,373 | 55,547 | 51,373 | 55,547 |
| Commitments | 35,797,767 | 23,752,871 | 22,897,001 | 20,681,544 |

Cash-flow statements

| SEK 000s | Group | | Parent Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Liquid funds, January | 1,063,888 | 1,528,172 | 389,384 | 1,193,335 |
| Operating activities | | | | |
| Operating income | 200,945 | 154,007 | -34,607 | -42,845 |
| Adjustment for items not included in cash flow | | | | |
| Booked non-chargeable tax | -60,179 | -44,672 | 8,261 | 11,242 |
| Depreciation/amortization charged against earnings | 30,879 | 33,378 | 20,527 | 22,270 |
| | 171,645 | 142,713 | -5,819 | -9,333 |
| Increase/decrease in lending to the public | -6,790,120 | -7,667,070 | -877,234 | -381,230 |
| Increase/decrease in deposits and borrowing from the public | 2,844,645 | 1,486,963 | 3,263,078 | 1,662,881 |
| Increase in lending to subsidiaries | - | - | -5,495,515 | -7,238,563 |
| Change in other assets | -124,296 | 91,690 | -116,729 | 37,750 |
| Change in other liabilities | 515,241 | -58,896 | 253,012 | -34,766 |
| Cash flow from operating activities | -3,382,885 | -6,004,600 | -2,979,207 | -5,963,261 |
| Investing activities | | | | |
| Change in fixed assets | -3,095,443 | -1,452,670 | -3,082,647 | -1,444,316 |
| Increase in shares in subsidiaries | - | - | 202,000 | -533,000 |
| Increase in shares and participations | -2,020 | -2,235 | -2,020 | -2,235 |
| Cash flow from investing activities | -3,097,463 | -1,454,905 | -3,286,667 | -1,979,551 |
| Financing activities | | | | |
| Shareholders' contribution received | 300,000 | 300,000 | 300,000 | 300,000 |
| Group contribution paid | -119,974 | - | - | - |
| Group contribution received | - | - | 56,333 | 143,640 |
| Change in securities issued | 7,071,721 | 6,695,221 | 7,071,721 | 6,695,221 |
| Cash flow from financing activities | 7,251,747 | 6,995,221 | 7,428,054 | 7,138,861 |
| CASH FLOW FOR THE PERIOD | 771,399 | -464,284 | 1,162,180 | -803,951 |
| Liquid funds, December 31 | 1,835,287 | 1,063,888 | 1,551,564 | 389,384 |
| Liquid funds include: | | | | |
| Cash and central bank account balances | 72,631 | 75,617 | 72,631 | 75,617 |
| Other lending to/deposits in credit institutions ¹⁾ | 2,113,474 | 1,296,701 | 2,005,350 | 1,083,108 |
| Liabilities to credit institutions | -350,818 | -308,430 | -526,417 | -769,341 |
| | 1,835,287 | 1,063,888 | 1,551,564 | 389,384 |
| Interest received amounted to | 2,478,161 | 2,176,073 | 1,488,327 | 1,262,594 |
| Interest paid amounted to | 1,398,398 | 1,261,407 | 1,008,634 | 875,933 |
| Gross investments during the year | 73,315 | 48,039 | 60,450 | 39,666 |

1) Excluding subsidiaries

Notes

NOTE 1 ACCOUNTING PRINCIPLES

This year-end report is prepared in accordance with the Swedish Annual Accounts (Credit Institutes and Securities Companies) Act, and the application of the Financial Accounting Standards Council's regulations and general guidelines (FFFS 2002:22) and with additions in accordance with the transitional provisions to the Financial Accounting Standards Council's regulations and general guidelines (FFFS 2005:33).

Remuneration to the regional insurance companies is now reported as commission expense instead of as general administration expenses as previously reported. The principle for the calculation of doubtful receivables has been adjusted in Länsförsäkringar Hypotek. The principle is now the same as in the rest of the bank group. The changed accounting principles are also applied to comparative figures. In all other respects, the accounting principles remain unchanged compared with the 2005 Annual Report.

NOTE 2 INTEREST INCOME

| SEK 000s | Group | | Parent Company | |
|--|------------------|------------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Interest income, lending to credit institutions | 363,380 | 261,214 | 1,114,993 | 883,055 |
| Interest income, lending to the public | 2,131,199 | 1,807,723 | 400,485 | 353,458 |
| Interest income, interest-bearing securities | 75,371 | 34,887 | 75,371 | 34,887 |
| Other interest income | 2,818 | 1,982 | 2,776 | 1,935 |
| Total interest income | 2,572,768 | 2,105,806 | 1,593,625 | 1,273,335 |
| Average interest rate on lending to the public during the period | 4.2% | 4.0% | 4.5% | 4.3% |

NOTE 3 INTEREST EXPENSE

| SEK 000s | Group | | Parent Company | |
|---|------------------|------------------|------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| Interest expense, liabilities to credit institutions | 451,658 | 361,019 | 41,757 | 93,983 |
| Interest expense, deposits and borrowing from the public | 411,005 | 301,635 | 379,411 | 254,576 |
| Interest expense, subordinated debt | 39,243 | 34,432 | 39,243 | 34,432 |
| Interest expense, interest-bearing securities | 738,899 | 525,734 | 738,899 | 525,734 |
| Other interest expense, including government deposit insurance | 10,139 | 9,545 | 10,071 | 9,473 |
| Total interest expense | 1,650,944 | 1,232,365 | 1,209,381 | 918,198 |
| Average rate of interest on lending to the public during the period | 1.7% | 1.2% | 1.7% | 1.2% |

NOTE 4 LOAN LOSSES, NET

| SEK 000s | Group | | Parent Company | |
|---|---------------|---------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| Specific provision for individually appraised loan receivables | | | | |
| Write-off of confirmed loan losses during the period | 44,427 | 29,267 | 6,082 | 3,041 |
| Reversed provisions for probable loan losses reported in the interim accounts as confirmed losses | -4,923 | -3,115 | -694 | -1,739 |
| Provision for probable loan losses during the period | 2,393 | 23,376 | 371 | 973 |
| Payment received for prior confirmed loan losses | -28,858 | -25,352 | -2,049 | -10,921 |
| Reversed provisions no longer required for probable loan losses | -5,038 | -3,468 | -2,023 | -1,957 |
| Net expense during the period for individually appraised receivables | 8,001 | 20,708 | 1,687 | -10,603 |
| Group-wise provisions for individually appraised receivables | - | - | - | - |
| Groups, appraised by group, of loan receivables of limited value and similar credit risk | | | | |
| Write-off of confirmed loan losses during the period | 30,396 | 16,949 | 7,032 | 6,940 |
| Payment received for previously confirmed loan losses | -11,456 | -2,518 | -211 | -8 |
| Allocation/dissolution of provisions for loan losses | 11,768 | 16,887 | 7,038 | 3,466 |
| Net expense for the period for loan receivables appraised by group | 30,708 | 31,318 | 13,859 | 10,398 |
| Net expense for the period for fulfillment of guarantees | -1,511 | -3,481 | -1,511 | -3,481 |
| Net expense for the period for loan losses | 37,198 | 48,545 | 14,035 | -3,686 |

All data pertains to receivables from the general public.

NOTE 5 LENDING TO THE PUBLIC

| SEK 000s | Group | | Parent Company | |
|---|-------------------|-------------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Loan receivables, gross | | | | |
| Public sector | 144,889 | 133,952 | - | - |
| Commercial sector | 4,429,884 | 4,114,259 | 456,733 | 453,529 |
| Household sector | 49,511,495 | 43,061,907 | 8,891,700 | 8,013,701 |
| Other | 7,771 | 8,109 | 4,747 | 3,385 |
| | 54,094,039 | 47,318,227 | 9,353,180 | 8,470,615 |
| Less: | | | | |
| Provisions for individually reserved loan receivables | | | | |
| Commercial sector | -24,678 | -36,988 | -295 | -246 |
| Household sector | -38,306 | -56,945 | -10,053 | -12,449 |
| | -62,984 | -93,933 | -10,348 | -12,695 |
| Provisions for group-wise reserved loan receivables | | | | |
| Commercial sector | -19,516 | -16,714 | -2,363 | -2,408 |
| Household sector | -127,891 | -114,052 | -76,284 | -68,561 |
| | -147,407 | -130,766 | -78,647 | -70,969 |
| Total provisions | -210,391 | -224,699 | -88,995 | -83,664 |
| Loan receivables, net | | | | |
| Public sector | 144,889 | 133,952 | - | - |
| Commercial sector | 4,385,690 | 4,060,557 | 454,075 | 450,875 |
| Household sector | 49,345,298 | 42,890,910 | 8,805,363 | 7,932,691 |
| Other | 7,771 | 8,109 | 4,747 | 3,385 |
| | 53,883,648 | 47,093,528 | 9,264,185 | 8,386,951 |
| Doubtful receivables | | | | |
| Commercial sector | 55,898 | 74,738 | 2,837 | 2,674 |
| Household sector | 192,451 | 172,128 | 87,074 | 82,120 |
| | 248,349 | 246,866 | 89,911 | 84,794 |
| Non-performing receivables included among doubtful receivables | | | | |
| Commercial sector | 42,647 | 46,122 | 474 | 266 |
| Household sector | 109,225 | 116,503 | 52,413 | 55,110 |
| | 151,872 | 162,625 | 52,887 | 55,376 |

Definitions:

Non-performing receivable are loans for which interest payments, amortization or overdrafts are more than 60 days past due.

A doubtful receivable is a non-performing receivable or a receivable for which payments are unlikely to be made in accordance with the terms of the claim, and for which the value of the collateral is not adequate with a secure margin to cover both the principal and accrued interest, including penalties for possible late payments.

NOTE 6 SHAREHOLDERS' EQUITY

| SEK 000s | Group | | Parent Company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Restricted equity | | | | |
| Share capital | 954,871 | 954,871 | 954,871 | 954,871 |
| Statutory reserve | 18,480 | 18,480 | 18,380 | 18,380 |
| Other reserves | 39,559 | 39,559 | - | - |
| | 1,012,910 | 1,012,910 | 973,251 | 973,251 |
| Non-restricted equity | | | | |
| Profit brought forward | 2,018,049 | 1,728,688 | 2,337,034 | 2,012,304 |
| Net profit for the period | 140,766 | 109,335 | -26,346 | -31,603 |
| | 2,158,815 | 1,838,023 | 2,310,688 | 1,980,701 |
| Total shareholders' equity | 3,171,725 | 2,850,933 | 3,283,939 | 2,953,952 |

| Change in shareholders' equity (Group) | Share capital | Restricted equity | Non-restricted equity | Net profit for the period | Total |
|--|------------------|----------------------|--------------------------|------------------------------|------------------|
| | | | | | |
| According to decision by Annual General Meeting | | | 109,335 | -109,335 | 0 |
| Unconditional shareholders' contribution received from Parent Company | | | 300,000 | | 300,000 |
| Group contributions paid | | | -166,630 | | -166,630 |
| Tax effect of Group contributions paid | | | 46,656 | | 46,656 |
| Net profit for the period | | | | 140,766 | 140,766 |
| Closing balance | 954,871 | 58,039 | 2,018,049 | 140,766 | 3,171,725 |

| Change in shareholders' equity (Parent Company) | Share capital | Restricted equity | Non-restricted equity | Net profit for the period | Total |
|--|------------------|----------------------|--------------------------|------------------------------|------------------|
| | | | | | |
| According to decision by Annual General Meeting | | | -31,603 | 31,603 | 0 |
| Unconditional shareholders' contribution received from Parent Company | | | 300,000 | | 300,000 |
| Group contributions received | | | 78,240 | | 78,240 |
| Tax effect of Group contributions received | | | -21,907 | | -21,907 |
| Net profit for the period | | | | -26,346 | -26,346 |
| Closing balance | 954,871 | 18,380 | 2,337,034 | -26,346 | 3,283,939 |

NOTE 7 DERIVATIVE INSTRUMENTS

| SEK 000s | Nominal value | | Fair value | |
|---|---------------|----------------|------------|----------------|
| | Group | Parent Company | Group | Parent Company |
| Derivative instruments with positive value | | | | |
| Interest-rate derivatives | 11,145,000 | 600,000 | 161,023 | 17,061 |
| Currency derivatives | 897,390 | 897,390 | 7,307 | 7,307 |
| Derivative instruments with negative value | | | | |
| Interest-rate derivatives | 9,220,000 | 1,000,000 | 128,187 | 55,081 |
| Currency derivatives | 13,400,400 | 13,400,400 | 297,767 | 297,767 |

This year-end report is unaudited.

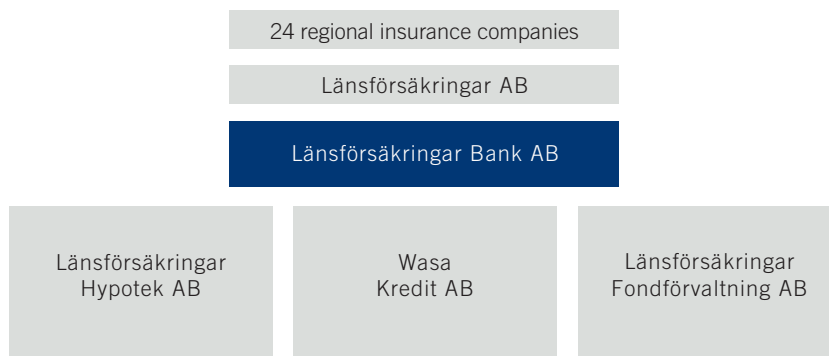
Stockholm, February 20, 2007



Tomas Johansson
President and CEO

Reporting dates in 2007:

| | |
|-------------------------------------|------------|
| Interim report, January – March | April 24 |
| Interim report, January – June | August 21 |
| Interim report, January – September | October 23 |



The Länsförsäkringar Alliance organization is based on 24 local, independent and customer-owned regional insurance companies. The regional insurance companies jointly own Länsförsäkringar AB. In turn, Länsförsäkringar AB owns Länsförsäkringar Bank AB (Bank Group), with the Parent Company and the subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB. Customer contact always occurs at the regional insurance companies. There are more than 90 offices. From the customer's viewpoint, the regional insurance companies operate as local banks, in the same manner as with non-life insurance and life assurance.



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