

# Länsförsäkringar Hypotek

## January–March 2011

INTERIM REPORT

### The period in brief

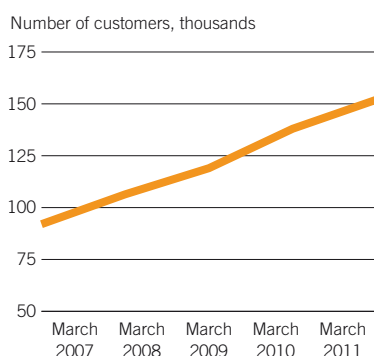
- Loans rose 16% to SEK 82 billion (70).
- Operating profit increased 48% to SEK 45 M (30).
- Net interest income rose 82% to SEK 125 M (68).
- Recoveries exceeded loan losses and amounted to SEK 1 M (2), net.
- The Tier 1 ratio according to Basel II was 19.5% (17.8) and the capital adequacy ratio was 21.9% (21.0).
- The number of customers rose 10% to 152,000 (138,000).

Figures in parentheses pertain to the same period in 2010.

#### Göran Laurén, President of Länsförsäkringar Hypotek:

*Länsförsäkringar continues to grow and capture market shares. Retail mortgages in the Swedish market are continuing to rise, although at a lower pace mainly due to higher market interest rates. The number of customers is increasing and more retail mortgage customers are choosing Länsförsäkringar as their primary bank. Net interest income and profitability strengthened during the period. Credit quality remains high with a low percentage of impaired loans and recoveries exceeding net loan losses. The liquidity situation is favourable and refinancing was very successful.*

#### CUSTOMER TREND



## Key figures

	Q 1 2011	Q 1 2010	Full-year 2010
Return on equity, %	3.7	3.1	3.5
Return on total capital, %	0.17	0.13	0.15
Investment margin, %	0.47	0.30	0.40
Cost/income ratio before loan losses	0.27	0.36	0.31
Cost/income ratio after loan losses	0.24	0.32	0.30
Tier 1 ratio according to Basel II, %	19.5	17.8	19.7
Capital adequacy ratio according to Basel II, %	21.9	21.0	22.3
Percentage of impaired loans, %	0.01	0.01	0.01
Reserve ratio in relation to loans, %	0.05	0.05	0.05
Loan losses, %	-0.01	-0.01	0

## Income statement, quarterly

SEK M	Q 1 2011	Q 4 2010	Q 3 2010	Q 2 2010	Q 1 2010
Net interest income	124.5	118.1	126.4	93.1	68.3
Net commission expense	-63.2	-62.6	-64.4	-42.1	-27.1
Net gains / losses from financial items	-2.0	-0.2	9.9	-4.9	3.2
Other operating income	-	0	0	0	0
<b>Total operating income</b>	<b>59.3</b>	<b>55.3</b>	<b>71.9</b>	<b>46.1</b>	<b>44.4</b>
Staff costs	-2.8	-2.0	-2.5	-2.8	-3.2
Other administration expenses	-13.0	-16.8	-13.5	-14.0	-12.7
<b>Total operating expenses</b>	<b>-15.8</b>	<b>-18.8</b>	<b>-16.0</b>	<b>-16.8</b>	<b>-15.9</b>
<b>Profit before loan losses</b>	<b>43.5</b>	<b>36.5</b>	<b>55.9</b>	<b>29.3</b>	<b>28.5</b>
Loan losses, net	1.5	-1.4	-0.1	1.0	1.8
<b>Operating profit</b>	<b>45.0</b>	<b>35.1</b>	<b>55.8</b>	<b>30.3</b>	<b>30.3</b>

## Market commentary

The Swedish economy continued to display a strong trend. The capital market remained concerned about government finances in Europe. Several central banks raised their key interest rates to offset inflation for such reasons as higher prices of commodities. Activity in the Swedish bank and mortgage bond market remained favourable.

Prices for single-family homes fell nearly 1% in Sweden compared with the preceding quarter, according to data from Statistics Sweden. Prices in the major metropolitan areas of Stockholm and Malmö remained unchanged, while prices in Gothenburg increased. Retail mortgages to households continued to rise, but the rate of increase for the first two months of 2011 was lower than in the preceding quarter due to the level of market interest rates.

### First quarter of 2011 compared with first quarter of 2010

Growth and customer trend

Loans to the public increased 16%, or SEK 12 billion, to SEK 82 billion (70) and Länsförsäkringar strengthened its position among mortgage lenders. The number of customers rose 10%, or 14,000, to 152,000 (138,000) on March 31, 2010. 80% (77) of mortgage customers have Länsförsäkringar as their primary bank.

### Earnings and profitability

Profit before loan losses increased 53% to SEK 43 M (28) and operating profit rose 48% to SEK 45 M (30), due to higher net interest income. The return on equity was 3.7% (3.1).

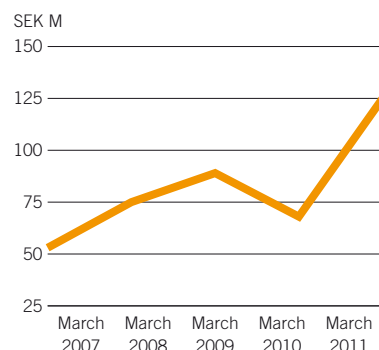
### Income

Net interest income rose 82%, or SEK 57 M, to SEK 125 M (68). The increase was attributable to stronger margins, higher lending volumes and an improved return on equity. The investment margin strengthened to 0.47% (0.30). Net interest income was charged with a provision totalling SEK 8 M (3) for stability fund fees.

Operating income rose a total of 34%, or SEK 15 M, to SEK 59 M (44). Net commission, which mainly comprises compensation

to the regional insurance companies, fell to an expense of SEK 63 M (27) due to higher compensation levels resulting from increased lending volumes.

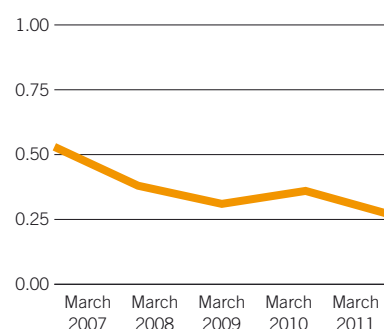
#### NET INTEREST INCOME



#### Expenses

Operating expenses remained unchanged at SEK 16 M (16). The cost/income ratio strengthened to 0.27 (0.36) before loan losses and to 0.24 (0.32) after loan losses.

#### COST/INCOME RATIO



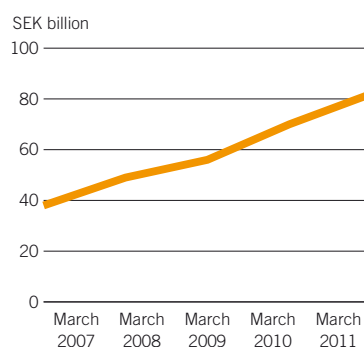
#### Loan losses

Recoveries exceeded loan losses, amounting to SEK 1 M (2), net, corresponding to loan losses of -0.01% (-0.01). Reserves amounted to SEK 42 M (41) and the reserve ratio in relation to loans was 0.05% (0.05). Impaired loans amounted to SEK 8 M (5), corresponding to a percentage of impaired loans totalling 0.01% (0.01). For more information regarding loan losses, reserves and impaired loans, refer to Notes 8 and 10.

#### Loans

Loans to the public rose 16%, or SEK 12 billion, to SEK 82 billion (70) and continued to be characterised by favourable credit quality. The market share for retail mortgages to households rose to 4.1% (3.9) on March 31, 2011 and the percentage of market growth was almost 9% for the period.

#### LOANS



#### Cover pool

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, known as the cover pool, in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223). Lending only takes place in Sweden. The weighted average loan-to-value ratio, LTV was 59% (60) and the average commitment per borrower was SEK 844,000 (801,000) on March 31, 2011. The current OC <sup>2)</sup> amounted to 21.0% (14.4).

The geographic distribution in Sweden is favourable and collateral comprises only single-family homes, including single-family homes, tenant-owned apartments and, to a small extent, leisure homes. Credit quality remained high.

Cover pool	March 31, 2011	March 31, 2010
Cover pool, SEK billion	99	93
of which, Swedish mortgages, SEK billion	78	68
of which, substitute collateral, SEK billion	16	14
of which, separate deposit account <sup>1)</sup> , SEK billion	5	11
OC <sup>2)</sup> , nominal, current level, %	21.0	14.4
Percentage of separate deposit account in cover pool, %	5.3	11.6
Weighted average maximum LTV, %	59	60
Collateral	Private homes	Private homes
Seasoning, months	54	51
Number of loans	203,395	183,372
Number of borrowers	92,870	84,502
Number of properties	93,344	85,069
Average commitment, SEK 000s	844	801
Average loan, SEK 000s	385	369
Interest-rate type, variable, %	63	69
Interest-rate type, fixed, %	37	31
Impaired loans	None	None

<sup>1)</sup> The separate deposit account comprises cash and cash equivalents pertaining to the covered-bond operations that are deposited with the Parent Company.

<sup>2)</sup> OC indicates the difference between the assets and liabilities in relation to the liabilities. High OC indicates that the operations have a large surplus of assets and a favourable margin in the event of, for example, a price drop in the value of the assets.

During a stress test of the cover pool based on a 20% price drop in the market value of the mortgages collateral, the average LTV increased to 67% compared with a current weighted average LTV of 59% on March 31, 2011.

#### Borrowing

Debt securities in issue increased 17%, or SEK 12 billion, to 82 billion (70). Covered bonds of a nominal SEK 8.6 billion (22.8) were issued during the period, of which a corresponding nominal SEK - billion (10.6) was issued in the international market. Repurchased securities totalled a nominal SEK 4.6 billion (3.0) and matured securities amounted to a nominal SEK 1.0 billion (4.0) during the period.

#### Liquidity

Liquidity remained favourable. The liquidity reserve, totalling a nominal SEK 22 billion (11), comprised Swedish covered bonds with the highest rating 74% (-) and the separate deposit account 26% (100). On March 31, 2011, a total of SEK 5 billion (11) was deposited in the separate deposit account.

Substitute collateral, which amounted to SEK 16 billion (14), comprised Swedish covered bonds with the highest rating 81%

## BORROWING PROGRAMMES

Programme	Limit, Nominal	Issued in Jan-March 2011, Nominal, SEK billion	Issued in Jan-March 2010, Nominal, SEK billion	Remaining, March 31, 2011, Nominal, SEK billion	Remaining, March 31, 2010, Nominal, SEK billion	Remaining average term, March 31, 2011, years	Remaining average term, March 31, 2010, years
Benchmark	Unlimited	5.6	8.6	55.0	41.5	2.9	2.6
Medium Term Covered Note	SEK 30 billion	3.0	3.6	15.4	15.8	1.1	1.1
Euro Medium Term Covered Note	EUR 4 billion	–	10.6	11.5	12.0	3.9	4.7
<b>Total</b>		<b>8.6</b>	<b>22.8</b>	<b>81.9</b>	<b>69.3</b>	<b>2.7</b>	<b>2.6</b>

## Borrowing by maturity

Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, SEK billion	10.5	15.3	14.6	16.1	11.2	13.8	–	0.3	–	0.1	81.9

(100) and Swedish government bonds 19% (0). The level of substitute collateral matches the refinancing requirement for all loans falling due and most of the growth in 2011.

## Rating

Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies. The Parent Company Länsförsäkringar Bank's credit rating remains unchanged with a stable outlook.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA	A–1+
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	–
Länsförsäkringar Bank	Standard & Poor's	A/stable	A–1(K–1)
Länsförsäkringar Bank	Moody's	A2/stable	P1

<sup>1)</sup> Pertains to the company's covered bonds.

## Capital adequacy

Länsförsäkringar 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 Standardised Approach is currently applied to other exposures to calculate the capital requirement for credit risk. The transition rules from Basel I to Basel II have been extended through 2011 and entail a capital requirement of 80%. Tier 1 capital, net, amounted to SEK 3,694 M (2,933) and Tier 1 ratio according to Basel II totalled 19.5% (17.8) on March 31, 2011. The capital

base amounted to SEK 4,146 M (3,461) and the capital adequacy ratio was 21.9% (21.0) in accordance with the Basel II rules. For more information on the calculation of capital adequacy, refer to Note 13.

## Interest-rate risk

On March 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 60 M (38).

## Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily 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 period.

A detailed description of risks is available in the 2010 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

## Events after the end of the period

On April 4, the Riksbank presented an inquiry into the risks on the Swedish housing market. The inquiry pointed out that fundamental economic factors explain the Swedish housing prices trend.

## Income statement

SEK M	Note	Q 1 2011	Q 1 2010	Change	Full-year 2010
Interest income	3	1,459.4	820.2		4,018.9
Interest expense	4	-1,334.9	-751.9		-3,613.1
<b>Net interest income</b>		<b>124.5</b>	<b>68.3</b>	<b>82%</b>	<b>405.8</b>
Commission income	5	0.5	0.5	2%	1.9
Commission expense	6	-63.7	-27.6	131%	-198.1
Net gains from financial items	7	-2.0	3.2		8.0
Other operating income		-	0		0
<b>Total operating income</b>		<b>59.3</b>	<b>44.4</b>	<b>34%</b>	<b>217.6</b>
Staff costs		-2.8	-3.2	-12%	-10.4
Other administration expenses		-13.0	-12.7	3%	-57.0
<b>Total operating expenses</b>		<b>-15.8</b>	<b>-15.9</b>	<b>-0%</b>	<b>-67.4</b>
<b>Profit before loan losses</b>		<b>43.5</b>	<b>28.5</b>	<b>53%</b>	<b>150.2</b>
Loan losses, net	8	1.5	1.8	-18%	1.3
<b>Operating profit</b>		<b>45.0</b>	<b>30.3</b>	<b>48%</b>	<b>151.5</b>
Tax		-11.8	-8.0		-46.7
<b>Profit for the period</b>		<b>33.1</b>	<b>22.3</b>	<b>48%</b>	<b>104.8</b>

## Statement of comprehensive income

SEK M	Q 1 2011	Q 1 2010	Change	Full-year 2010
<b>Profit for the period</b>	<b>33.1</b>	<b>22.3</b>	<b>48%</b>	<b>104.8</b>
<b>Other comprehensive income</b>				
<i>Available-for-sale-financial assets</i>				
Fair value change	68.1	-7.1		25.9
Tax	-17.9	1.9		-6.8
<b>Total other comprehensive income for the period, net after tax</b>	<b>50.2</b>	<b>-5.2</b>		<b>19.1</b>
<b>Total comprehensive income for the period</b>	<b>83.3</b>	<b>17.1</b>	<b>387%</b>	<b>123.9</b>

## Balance sheet

SEK M	Note	March 31, 2011	Dec 31, 2010	March 31, 2010
<b>Assets</b>				
Treasury bills and other eligible bills		2,773.7	2,820.7	–
Loans to credit institutions	9	5,266.4	8,155.8	11,821.5
Loans to the public	10	82,034.4	79,666.7	70,474.1
Bonds and other interest-bearing securities		13,321.6	12,483.3	14,339.5
Derivatives	11	1,111.4	995.9	954.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		–137.0	126.4	654.5
Other assets		0.7	1.0	0.6
Prepaid expenses and accrued income		1,179.9	1,419.7	1,137.6
<b>Total assets</b>		<b>105,551.1</b>	<b>105,669.5</b>	<b>99,381.8</b>
<b>Liabilities and equity</b>				
Due to credit institutions	9	15,514.2	17,844.4	22,009.8
Debt securities in issue		82,425.6	79,695.4	70,218.4
Derivatives	11	2,543.4	1,864.8	926.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		–1,258.2	–378.9	851.6
Deferred tax liabilities		28.4	10.5	1.9
Other liabilities		20.5	146.3	134.1
Accrued expenses and deferred income		1,920.4	2,363.5	1,662.5
Provisions		0.2	0.2	0.2
Subordinated liabilities		501.0	501.0	575.0
<b>Total liabilities</b>		<b>101,695.5</b>	<b>102,047.2</b>	<b>96,380.3</b>
<b>Equity</b>				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		79.9	29.6	5.3
Retained earnings		3,658.2	3,403.5	2,889.5
Profit for the period		33.1	104.8	22.3
<b>Total equity</b>		<b>3,855.6</b>	<b>3,622.3</b>	<b>3,001.5</b>
<b>Total liabilities and equity</b>		<b>105,551.1</b>	<b>105,669.5</b>	<b>99,381.8</b>
<b>Memorandum items</b>				
	12			
For own liabilities, pledged assets		74,053.3	79,628.9	78,665.7
Other pledged assets		None	None	None
Contingent liabilities		1,633.3	1,483.3	838.3
Other commitments		4,159.5	3,226.3	3,377.4
<b>Other, notes</b>				
Accounting policies	1			
Segment reporting	2			
Capital-adequacy analysis	13			
Disclosures on related parties	14			

## Cash-flow statement in summary, indirect method

SEK M	Q 1 2011	Q 1 2010
<b>Cash and cash equivalents, January 1</b>	<b>22.9</b>	<b>160.6</b>
Cash flow from operating activities	10.6	42.3
Cash flow from financing activities	-27.7	100.0
<b>Cash flow for the period</b>	<b>-17.1</b>	<b>142.3</b>
<b>Cash and cash equivalents, March 31</b>	<b>5.8</b>	<b>302.9</b>

Cash and cash equivalents are defined as loans and liabilities due to credit institutions that are payable on demand.

Changes to the cash flow from operating activities are largely attributable to debt securities in issue SEK 2,887.0 M (15,969.5) and loans to the public SEK -2,367.7 M (-2,937.2).

Changes in the cash flow from financing activities are attributable to shareholders' contribution received SEK 150.0 M (100.0) and Group contribution paid SEK -177.7 M (-).

## Statement of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the year	Total
<b>Opening balance, January 1, 2010</b>	<b>70.3</b>	<b>14.1</b>	<b>10.5</b>	<b>2,689.6</b>	<b>99.9</b>	<b>2,884.4</b>
Profit for the period					22.3	22.3
Other comprehensive income for the period			-5.2			-5.2
<i>Comprehensive income for the period</i>			-5.2		22.3	17.1
According to the Board's proposal				99.9	-99.9	-
Conditional shareholders' contribution received				100.0		100.0
<b>Closing balance, March 31, 2010</b>	<b>70.3</b>	<b>14.1</b>	<b>5.3</b>	<b>2,889.5</b>	<b>22.3</b>	<b>3,001.5</b>
<b>Opening balance, April 1, 2010</b>	<b>70.3</b>	<b>14.1</b>	<b>5.3</b>	<b>2,889.5</b>	<b>22.3</b>	<b>3,001.5</b>
Profit for the period					82.5	82.5
Other comprehensive income for the period			24.3			24.3
<i>Comprehensive income for the period</i>			24.3		82.5	106.8
According to the Board's proposal				-177.8		-177.8
Tax on Group contribution paid				46.8		46.8
Conditional shareholders' contribution received				645.0		645.0
<b>Closing balance, December 31, 2010</b>	<b>70.3</b>	<b>14.1</b>	<b>29.6</b>	<b>3,403.5</b>	<b>104.8</b>	<b>3,622.3</b>
<b>Opening balance, January 1, 2011</b>	<b>70.3</b>	<b>14.1</b>	<b>29.6</b>	<b>3,403.5</b>	<b>104.8</b>	<b>3,622.3</b>
Profit for the period					33.1	33.1
Other comprehensive income for the period			50.2			50.2
<i>Comprehensive income for the period</i>			50.2		33.1	83.3
Resolution by Annual General Meeting				104.8	-104.8	-
Conditional shareholders' contribution received				150.0		150.0
<b>Closing balance, March 31, 2011</b>	<b>70.3</b>	<b>14.1</b>	<b>79.9</b>	<b>3,658.2</b>	<b>33.1</b>	<b>3,855.6</b>

## Notes

### NOTE 1 ACCOUNTING POLICIES

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

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies applied in the interim report comply with the accounting policies and basis of calculation applied in the preparation of the 2010 Annual Report.

### NOTE 2 SEGMENT REPORTING

The business of the company represents one operating segment and reporting to the chief operating decision maker thus agrees with the interim report.

### NOTE 3 INTEREST INCOME

SEK M	Q 1 2011	Q 1 2010	Change	Full-year 2010
Loans to credit institutions	36.0	18.7	92%	108.2
Loans to the public	670.1	427.0	57%	1,910.4
Interest-bearing securities	112.5	48.6	132%	389.5
<i>Derivatives</i>				
Hedge accounting	577.4	325.8	77%	1,610.7
Non-hedge accounting	63.4	0.1		0.1
<b>Total interest income</b>	<b>1,459.4</b>	<b>820.2</b>	<b>78%</b>	<b>4,018.9</b>
of which interest income on impaired loans	0.4	0.5	-20%	0.7
of which interest income from financial items not measured at fair value	706.1	445.7	58%	2,018.6
Average interest rate on loans to the public during the period, %	3.3	2.5		2.6

### NOTE 4 INTEREST EXPENSE

SEK M	Q 1 2011	Q 1 2010	Change	Full-year 2010
Due to credit institutions	-67.8	-19.0	257%	-133.7
Interest-bearing securities	-625.1	-437.0	43%	-2,137.2
Subordinated liabilities	-5.5	-3.9	40%	-16.2
<i>Derivatives</i>				
Hedge accounting	-568.8	-288.8	97%	-1,310.4
Non-hedge accounting	-60.0	-0.2		-0.2
Other interest expense	-7.7	-3.0	157%	-15.4
<b>Total interest expense</b>	<b>-1,334.9</b>	<b>-751.9</b>	<b>78%</b>	<b>-3,613.1</b>
of which interest expense from financial items not measured at fair value	-706.1	-462.9	52%	-2,302.6

### NOTE 5 COMMISSION INCOME

SEK M	Q 1 2011	Q 1 2010	Change	Full-year 2010
Lending	0.5	0.5	2%	1.9
<b>Total commission income</b>	<b>0.5</b>	<b>0.5</b>	<b>2%</b>	<b>1.9</b>
of which commission income from financial items not measured at fair value	0.5	0.5	2%	1.9



**NOTE 6 COMMISSION EXPENSE**

SEK M	Q 1 2011	Q 1 2010	Change	Full-year 2010
Remuneration to regional insurance companies	-63.3	-27.0	134%	-196.2
Other commission	-0.4	-0.6	-32%	-1.9
<b>Total commission expense</b>	<b>-63.7</b>	<b>-27.6</b>	<b>131%</b>	<b>-198.1</b>
of which commission expense from financial items not measured at fair value	-63.3	-27.0	134%	-196.2

**NOTE 7 NET GAINS FROM FINANCIAL ITEMS**

SEK M	Q 1 2011	Q 1 2010	Change	Full-year 2010
<b>Change in fair value</b>				
Interest-related instruments	-173.6	104.4		-340.6
Currency-related instruments	-405.5	-26.4		-447.1
Change in fair value of hedged items	576.0	-83.6		752.7
<b>Capital gain / loss</b>				
Interest-related instruments	-2.1	-2.3	-10%	0.1
Interest compensation	3.1	11.1	-72%	42.9
<b>Total net gains from financial items</b>	<b>-2.0</b>	<b>3.2</b>		<b>8.0</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Q 1 2011	Q 1 2010	Change	Full-year 2010
<b>Specific reserve for individually assessed loan receivables</b>				
Write-off of confirmed loan losses during the period	-0.1	-0.3		-2.4
Reversed earlier impairment of loan losses recognised as confirmed losses	0.1	-		0.9
Impairment of loan losses during the period	-2.9	-0.7		-4.6
Payment received for prior confirmed loan losses	0.9	1.1		4.4
Reversed impairment of loan losses no longer required	0.6	0		1.2
<b>Net income / expense for the period for individually assessed loan receivables</b>	<b>-1.4</b>	<b>0.1</b>		<b>-0.5</b>
<b>Collective reserves for individually assessed receivables</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk</b>				
Provision / reversal of impairment of loan losses	2.9	1.7		1.8
<b>Net income / expense for the period for collectively assessed homogenous loan receivables</b>	<b>2.9</b>	<b>1.7</b>	<b>71%</b>	<b>1.8</b>
<b>Net income / expense of loan losses for the period</b>	<b>1.5</b>	<b>1.8</b>	<b>-18%</b>	<b>1.3</b>

All information pertains to receivables from the public.

**NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS**

Loans to credit institutions include investments of SEK 5,260.6 M (10,671.6) in the Parent Company  
Due to credit institutions include borrowing of SEK 15,514.2 M (21,618.5) from the Parent Company.

Balances in the Parent Company's bank accounts pertaining to the covered bond operations are recognised as Loans to credit institutions.

**NOTE 10 LOANS TO THE PUBLIC**

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	March 31, 2011	Dec 31, 2010	March 31, 2010
<b>Loan receivables, gross</b>			
Corporate sector	1,540.4	1,490.0	1,101.7
Retail sector	80,535.5	78,218.9	69,412.9
<b>Total loan receivables, gross</b>	<b>82,075.9</b>	<b>79,708.9</b>	<b>70,514.6</b>
<b>Impairment of individually assessed loan receivables</b>			
Retail sector	-5.6	-3.4	-1.6
<b>Total individual reserves</b>	<b>-5.6</b>	<b>-3.4</b>	<b>-1.6</b>
<b>Impairment of collectively reserved loan receivables</b>			
Corporate sector	-1.1	-1.0	-0.8
Retail sector	-34.8	-37.8	-38.1
<b>Total collective reserves</b>	<b>-35.9</b>	<b>-38.8</b>	<b>-38.9</b>
<b>Total impairment</b>	<b>-41.5</b>	<b>-42.2</b>	<b>-40.5</b>
<b>Loan receivables, net</b>			
Corporate sector	1,539.3	1,489.0	1,100.9
Retail sector	80,495.1	78,177.7	69,373.2
<b>Total loans to the public, net</b>	<b>82,034.4</b>	<b>79,666.7</b>	<b>70,474.1</b>
<b>Impaired loans</b>			
Retail sector	8.0	9.3	4.8
<b>Total impaired loans</b>	<b>8.0</b>	<b>9.3</b>	<b>4.8</b>

**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 its not covered by collateral in an adequate amount."

**NOTE 11 DERIVATIVES**

SEK M	March 31, 2011		Dec 31, 2010		March 31, 2010	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	46,752.0	816.1	44,117.0	609.7	41,172.5	911.2
Currency	1,777.7	292.2	1,777.7	401.3	1,394.4	342.9
Collateral received, CSA	-	-	-	-17.0	-	-300.1
<i>Other derivatives</i>						
Interest	13,000.0	3.0	13,500.0	1.9	-	-
<b>Total derivatives with positive values</b>	<b>61,529.7</b>	<b>1,111.4</b>	<b>59,394.7</b>	<b>995.9</b>	<b>42,566.9</b>	<b>954.0</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	58,841.0	1,421.8	53,706.0	1,037.1	32,741.0	825.1
Currency	10,577.1	1,121.5	10,577.1	827.7	10,577.1	101.7
<i>Other derivatives</i>						
Currency	4,000.0	0.1	-	-	-	-
<b>Total derivatives with negative values</b>	<b>73,418.1</b>	<b>2,543.4</b>	<b>64,283.1</b>	<b>1,864.8</b>	<b>43,318.1</b>	<b>926.8</b>

**NOTE 12 MEMORANDUM ITEMS**

SEK M	March 31, 2011	Dec 31, 2010	March 31, 2010
<b>For own liabilities, pledged assets</b>			
Collateral pledged due to repurchase agreements	–	2,975.2	11,004.6
Loan receivables, covered bonds	74,053.3	76,653.7	67,661.1
<b>Total for own liabilities, pledged assets</b>	<b>74,053.3</b>	<b>79,628.9</b>	<b>78,665.7</b>
<b>Other pledged assets</b>	None	None	None
<b>Contingent liabilities</b>			
Conditional shareholders' contribution	1,632.6	1,482.6	837.6
Early retirement at age 62 in accordance with pension agreement, 80%	0.7	0.7	0.7
<b>Total contingent liabilities</b>	<b>1,633.3</b>	<b>1,483.3</b>	<b>838.3</b>
<b>Commitments</b>			
Loans approved but not disbursed	4,159.5	3,226.3	3,377.4

**NOTE 13 CAPITAL-ADEQUACY ANALYSIS**

SEK M	March 31, 2011	Dec 31, 2010	March 31, 2010
<b>Capital base</b>			
Tier 1 capital, gross	3,742.6	3,592.6	2,973.8
Less IRB deficit	–48.6	–45.2	–40.8
<b>Tier 1 capital, net</b>	<b>3,694.0</b>	<b>3,547.4</b>	<b>2,933.0</b>
Tier 2 capital	501.0	501.0	569.0
Deductions for Tier 2 capital	–48.6	–45.2	–40.8
<b>Total capital base</b>	<b>4,146.4</b>	<b>4,003.2</b>	<b>3,461.2</b>
<b>Risk-weighted assets according to Basel II</b>	<b>18,911.6</b>	<b>17,973.4</b>	<b>16,457.4</b>
<b>Risk-weighted assets according to transition rules</b>	<b>39,564.0</b>	<b>38,431.9</b>	<b>34,326.6</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	416.2	370.9	254.9
Capital requirement for credit risk according to IRB Approach	1,072.2	1,046.8	1,041.5
Capital requirement for operational risk	24.6	20.2	20.2
<b>Capital requirement according to Basel II</b>	<b>1,512.9</b>	<b>1,437.9</b>	<b>1,316.6</b>
Adjustment according to transition rules	1,726.2	1,636.7	1,429.5
<b>Total capital requirement</b>	<b>3,239.2</b>	<b>3,074.6</b>	<b>2,746.1</b>
<b>Capital adequacy</b>			
Tier 1 ratio according to Basel II, %	19.53	19.74	17.82
Capital-adequacy ratio according to Basel II, %	21.93	22.27	21.03
Capital ratio according to Basel II*	2.74	2.78	2.63
Tier 1 ratio according to transition rules, %	9.12	9.23	8.54
Capital-adequacy ratio according to transition rules, %	10.24	10.42	10.08
Capital ratio according to transition rules*	1.28	1.30	1.26
<b>Special disclosures</b>			
<b>IRB Provisions surplus (+) / deficit (-)</b>	<b>–97.2</b>	<b>–90.4</b>	<b>–90.6</b>
– Total provisions (+)	39.3	40.1	38.8
– Anticipated loss (–)	–136.5	–130.5	–129.4
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	44.9	50.2	60.7
Exposures to corporates	5.1	1.6	15.9
Retail exposures	157.7	123.5	–
Exposures secured on residential property	97.5	91.5	59.1
Past due items	0.2	0.3	–
Covered bonds	109.5	102.4	117.7
Other items	1.3	1.4	1.5
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>416.2</b>	<b>370.9</b>	<b>254.9</b>

**NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK M	March 31, 2011	Dec 31, 2010	March 31, 2010
<b>Credit risk according to IRB Approach</b>			
<b>Retail exposures</b>			
Exposures secured by real estate collateral	994.8	971.0	975.9
Other retail exposures	1.9	1.7	2.3
<i>Total retail exposures</i>	<i>996.7</i>	<i>972.7</i>	<i>978.2</i>
Exposures to corporates	75.5	74.2	63.3
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,072.2</b>	<b>1,046.9</b>	<b>1,041.5</b>
<b>Operational risk</b>			
Standardised Approach	24.6	20.2	20.2
<b>Total capital requirement for operational risk</b>	<b>24.6</b>	<b>20.2</b>	<b>20.2</b>

**Capital-adequacy analysis according to Basel I**

Tier 1 capital	3,742.6	3,592.6	2,973.9
Tier 2 capital	501.0	501.0	569.0
<b>Total capital base</b>	<b>4,243.6</b>	<b>4,093.6</b>	<b>3,542.9</b>
Risk-weighted assets	52,131.1	49,452.1	44,183.7
Capital requirement for credit risk	4,170.5	3,956.2	3,534.7
Tier 1 ratio, %	7.18	7.26	6.73
Capital-adequacy ratio, %	8.14	8.28	8.02
Capital ratio*	1.02	1.03	1.00

\*Capital ratio = total capital base / total capital requirement

**NOTE 14 DISCLOSURES ON RELATED PARTIES**

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

Normal business transactions between the related parties took place between January and March 2011. Since December 31, 2010, no significant changes have occurred in the company's agreements with these related legal entities. The company'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.

This interim report is unaudited.

Stockholm, April 29, 2011

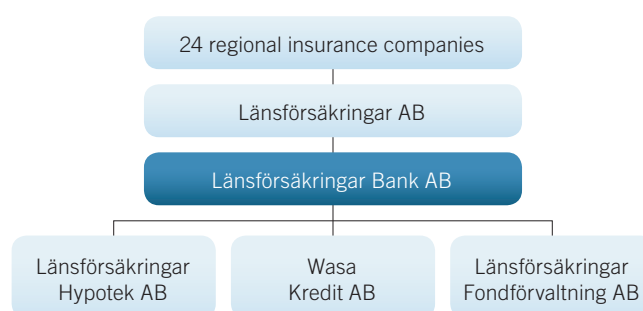
Göran Laurén  
President

## Financial calendar

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

Interim report, January–September 2011 ..... **October 24 2011**

This report contains such information that Länsförsäkringar Hypotek AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on March 29, 2011 at 11:00 a.m. Swedish time.



The Länsförsäkringar Alliance comprises 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is based on a strong belief in local presence and customer contacts are made at the regional insurance companies. The regional insurance companies offer a wide range of insurance, banking services and other financial solutions for private individuals, corporate customers and agricultural customers. The number of customers amounts to 3.4 million and the Länsförsäkringar Alliance has a joint total of 5,900 employees.

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