

# Länsförsäkringar Bank

## January–March 2012

### The period in brief, Group

- Operating profit increased 39% to SEK 131 M (94).
- Return on equity amounted to 6.2% (5.0).
- Net interest income increased 23% to SEK 482 M (391).
- Loan losses, net, remained low and amounted to SEK 26 M (9), corresponding to loan losses of 0.08% (0.03).
- Business volumes rose 9% to SEK 258 billion (237).
- Deposits rose 27% to SEK 53 billion (42).
- The Core Tier 1 ratio according to Basel II amounted to 11.5% (11.2). 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 904,000 (838,000) and the number of bank cards rose 14% to 314,000 (276,000).

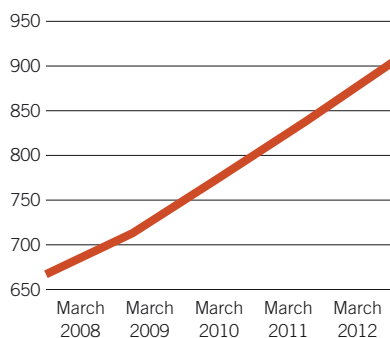
Figures in parentheses pertain to the same period in 2011.

**Rikard Josefson,**  
President of Länsförsäkringar Bank:

*Länsförsäkringar is growing in all product areas and market shares in deposits in particular are strengthening. We are continuing to expand our offering and a young person's bank card and an investment savings account were launched during the quarter. Profit increased due to increased business volumes, improved margins and high credit quality.*

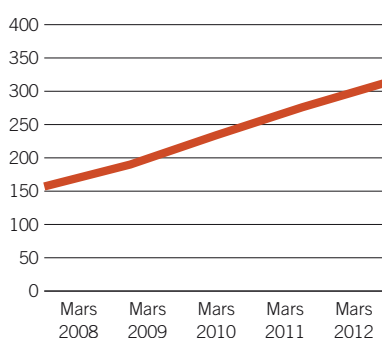
#### CUSTOMER TREND

Number of customers, 000s

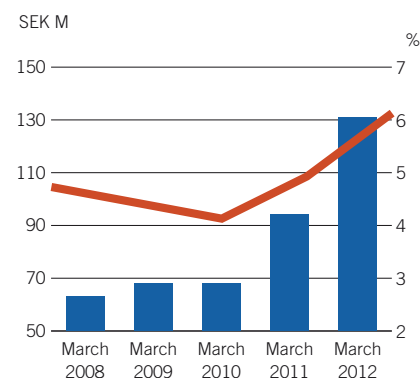


#### BANK CARD TREND

Number of bank cards, 000s



#### OPERATING PROFIT AND RETURN ON EQUITY



## Key figures

Group	Q 1 2012	Q 1 2011	Q 4 2011	Full-year 2011
Return on equity, %	6.2	5.0	5.7	4.8
Return on total capital, %	0.29	0.25	0.29	0.24
Investment margin, %	1.09	1.04	1.14	1.07
Cost/income ratio before loan losses	0.64	0.70	0.69	0.71
Cost/income ratio after loan losses	0.70	0.72	0.71	0.75
Core Tier 1 ratio according to Basel II	11.5	11.2	11.5	11.5
Tier 1 ratio according to Basel II, %	12.1	11.8	12.1	12.1
Capital adequacy ratio according to Basel II, %	14.0	13.5	14.0	14.0
Percentage of impaired loans, %	0.17	0.19	0.17	0.17
Reserve ratio in relation to loans, %	0.22	0.25	0.21	0.21
Loan losses, %	0.08	0.03	0.03	0.04

## Income statement, quarterly

Group, SEK M	Q 1 2012	Q 4 2011	Q 3 2011	Q 2 2011	Q 1 2011
Net interest income	482.1	483.9	430.6	422.7	391.0
Net commission expense	-94.8	-103.7	-111.8	-101.5	-99.1
Net gains from financial items	6.3	-0.8	6.9	3.8	0
Other operating income	46.3	43.4	45.8	61.4	46.9
<b>Total operating income</b>	<b>439.9</b>	<b>422.8</b>	<b>371.6</b>	<b>386.4</b>	<b>338.8</b>
Staff costs	-95.8	-76.9	-88.6	-96.4	-89.3
Other expenses	-187.4	-215.5	-184.7	-188.3	-146.4
<b>Total operating expenses</b>	<b>-283.2</b>	<b>-292.4</b>	<b>-273.3</b>	<b>-284.7</b>	<b>-235.7</b>
<b>Profit before loan losses</b>	<b>156.7</b>	<b>130.4</b>	<b>98.3</b>	<b>101.7</b>	<b>103.1</b>
Loan losses, net	-26.0	-9.7	-14.8	-14.4	-9.2
<b>Operating profit</b>	<b>130.7</b>	<b>120.7</b>	<b>83.5</b>	<b>87.3</b>	<b>93.9</b>

## Market commentary

With its two three-year long-term refinancing operations, the European Central Bank provided a very large amount of liquidity to the European banking system, which had a significant effect on risk appetite in the first quarter. Global stock markets rose for most of the first quarter, while credit spreads generally declined and interest rates for Spanish and Italian government bonds fell. Activity in the European capital market was significantly higher than in the fourth quarter of 2011 when the market, periodically, was essentially closed. Large volumes of covered bonds and unsecured funding were issued during the quarter. Market sentiments weakened again slightly towards the end of the quarter when concern regarding Spain's government finances fuelled lower risk willingness and rising interest rates for Spanish and Italian government bonds. The Swedish market for covered bonds and unsecured funding was highly successful with gradually falling credit spreads. In February, the Riksbank cut the key interest rate by 0.25% to 1.50% due to the weaker economic outlook.

Deposits from households increased 1% during the first two months of the year, according to data from Statistics Sweden. Net household savings in funds primarily took place through unit-linked insurance in the Swedish fund market, while direct savings were made through net withdrawals.

The Swedish housing market experienced higher activity and more supply. Prices of tenant-owned apartments rose 4% and prices of single-family homes increased 1% in the first quarter compared with the prior quarter according to Real Estate Agency Statistics.

The rate of increase in household and retail mortgages continued to slow and amounted to slightly less than 1% during the first two months of 2012, according to data from Statistics Sweden.

## First quarter of 2012 compared with first quarter of 2011

### Growth and customer trend

Business volumes increased 9%, or SEK 21 billion, to SEK 258 billion (237). The number of customers rose 8%, or 66,000, to 904,000 (838,000). The number of customers with Länsförsäkringar as their primary bank increased 14%, or 33,000, to 265,000 (232,000) and the number of products per customer rose to 4.8 (4.7). Some 93% (93) of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of cards increased 14%, or 38,000 to 314,000 (276,000).

### Earnings and profitability

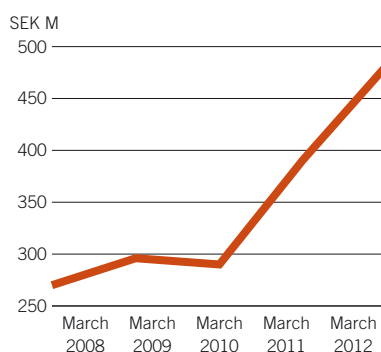
Profit before loan losses rose 52% to SEK 157 M (103) and operating profit increased 39% to SEK 131 M (94), due to higher net interest income. Return on equity strengthened to 6.2% (5.0).

### Income

Operating income rose a total of 30% to SEK 440 M (339), due to higher net interest income. Higher business volumes, improved lending margins and increased return on equity boosted net interest income by 23% to SEK 482 M (391). The investment margin strengthened to 1.09% (1.04). Net interest income was charged with SEK 14 M (12) for fees to the stability fund.

Commission income increased 2% to SEK 236 M (231) attributable to higher business volumes. Commission expense amounted to SEK 331 M (330). Commission expense largely comprises compensation to the regional insurance companies. The remuneration model has been further developed since the start of the year with enhanced precision and business orientation. The new model is being successively introduced and, given no other changes, the first quarter remuneration was slightly lower than if the new model had been fully implemented. The underlying increase in remuneration is attributable to volume growth.

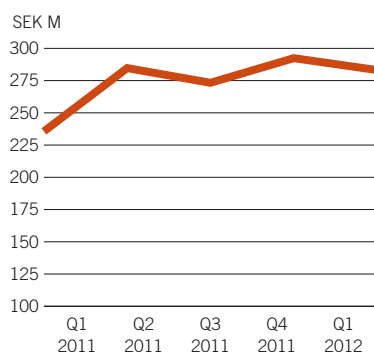
## NET INTEREST INCOME



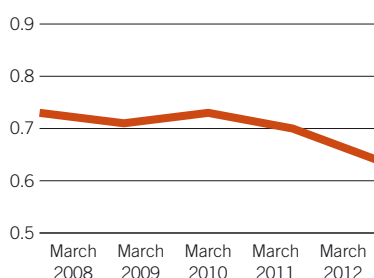
## Expenses

Operating expenses rose 20% to SEK 283 M (236) due to higher IT and staff costs. The year-earlier period had significantly lower costs than other quarters in 2011. The cost/income ratio strengthened to 0.64 (0.70) before loan losses and 0.70 (0.72) after loan losses.

## EXPENSES



## COST/INCOME RATIO



## Loan losses

Loan losses remain low and amounted to SEK 26 M (9), net, corresponding to loan losses of 0.08% (0.03). Reserves amounted to SEK 299 M (301), corresponding to a provision ratio of 0.22% (0.25). Impaired loans increased to SEK 240 M (228) and

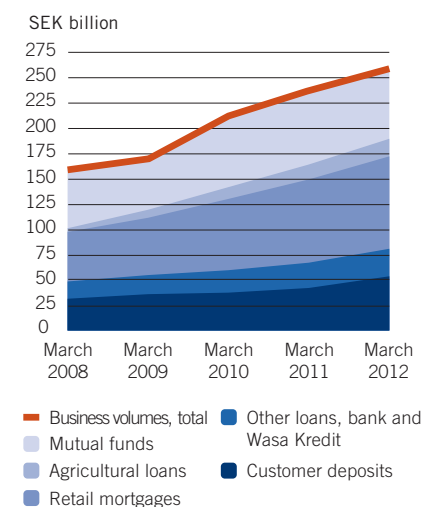
the percentage of impaired loans was 0.17% (0.19). For more information regarding loan losses, reserves and impaired loans, see notes 8 and 9.

## Business volumes

Business volumes rose 9%, or SEK 21 billion, to SEK 258 billion (237), and the increase excluding fund volumes was 15%. Loans to the public rose 11%, or SEK 13 billion, to SEK 135 billion (122). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 9 billion, to SEK 91 billion (82). Deposits from the public increased 27%, or SEK 11 billion, to SEK 53 billion (42). The volume of managed funds declined 5% or SEK 4 billion to SEK 69 billion (73).

Bank services for small businesses is an offering that has been launched gradually and growth is progressing favourably according to plan, primarily in deposits which totalled SEK 5.9 billion on March 31, 2012. Loans amounted to SEK 3.3 billion.

## BUSINESS VOLUMES



## Savings

Deposits from the public rose 27%, or SEK 11 billion, to SEK 53 billion (42), with all types of deposit accounts showing an increase. The market share strengthened to 3.9% (3.5) on February 29, 2012 and the bank's share of market growth was high, according to data from Statistics Sweden. Fund volumes fell 5%, or SEK 4 billion, to SEK 69 billion (73), mainly due to the negative value trend in

the equities market during the preceding year. Monthly savings in funds performed well, as did fund transfers. The IPS offering, Individual Pension Savings, showed a stable trend.

## Loans

Loans to the public rose 11%, or SEK 13 billion, to SEK 135 billion (122). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 9 billion, to SEK 91 billion (82). All loans are granted in Sweden and in SEK. On February 29, 2012, the market share for household deposits and retail mortgages increased to 4.7% (4.4), according to data from Statistics Sweden.

The loan portfolio, totalling SEK 135 billion (122), has a favourable geographic distribution and maintains a high level of quality. A total of 80% (81) of the portfolio comprises household credits. Most of the total portfolio, 73% (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 21% to SEK 14.2 billion (11.7) and agricultural lending increased 17% to a total of SEK 17.2 billion (14.7). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 83% (80) of agricultural loans.

## Loan portfolio

Lending segment, %	Mar. 31, 2012	Mar. 31, 2011
Retail mortgages	73	74
Agricultural loans	13	12
Unsecured loans	4	4
Leasing	4	4
Hire purchase	3	3
Multi-family homes	2	2
Other	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

## Borrowing

Debt securities in issue rose 10%, or SEK 9 billion, to SEK 103 billion (94), of which covered bonds increased to SEK 83 billion (82). The Bank Group has low refinancing risk and long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Issued covered bonds during the quarter totalled a nominal amount of SEK

10.2 billion (8.6) and repurchased covered bonds a nominal amount of SEK 7.2 billion (4.6). Matured covered bonds during the first quarter totalled a nominal amount of SEK 5.6 billion (1.0).

Financing is also conducted through Länsförsäkringar Bank's borrowing programmes. During the quarter, a nominal amount of SEK 4.8 billion (2.4) was issued under the MTN programme. The maturity structure of the Bank Group's borrowing is highly diversified. For more information about the borrowing programmes, see the Appendix page 21.

## Liquidity

The liquidity reserve totalled a nominal amount of SEK 33.1 billion (22.5) at March 31, 2012. All liquidity is invested in Swedish securities with high credit quality. A total of 81% (81) of the liquidity reserve comprises Swedish covered bonds with the credit rating of AAA/Aaa and 19% (19) comprises Swedish government bonds. The liquidity of the investments is high and all securities included in the liquidity reserve are eligible for transactions with the Riksbank. By utilising the liquidity reserve, contracted undertakings for almost two years can be met without needing to secure new borrowing in the capital market. The Bank Group's Liquidity Coverage Ratio (LCR), as defined by the Swedish Financial Supervisory Authority, amounted to an average of 289% for the first quarter of 2012.

## 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 <sup>1)</sup>	Standard & Poor's	AAA/stable	A-1+
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa/stable	-

<sup>1)</sup> 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 exposure. 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 bank is monitoring the development of the Capital Requirements Directive CRD IV and assesses that the Bank Group has a solid basis on which to meet currently known requirements.

The capital base strengthened to SEK 6,792 M (6,140) and the capital adequacy ratio according to Basel II was 14.0% (13.5). Tier 1 capital strengthened to SEK 5,873 M (5,401) 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. The capital target is permitted to vary +/- 0.5 percentage points. Core Tier 1 capital amounted to SEK 5,583 M (5,111) and the core Tier 1 ratio was 11.5% (11.2). For more information on the calculation of capital adequacy, see Note 12.

## Interest-rate risk

On March 31, 2012, an increase in market interest rates of 1 percentage point would have resulted in a decrease in the value of interest-bearing assets and liabilities, including derivatives, of SEK 11 M (-56).

## Risks and uncertainties

The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks which are restricted through narrow limits. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly satisfactory during the first quarter.

A detailed description of risks is available in the 2011 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

## First quarter of 2012 compared with fourth quarter of 2011

Operating profit rose 8% to SEK 131 M (121) as a result of higher net interest income. The return on equity strengthened to 6.2% (5.7). Operating income increased a total of 4%, or SEK 17 M, to SEK 440 M (423), as a result of higher net interest income. Net interest income amounted to SEK 482 M (484). The investment margin amounted to 1.09% (1.14). Commission income amounted to SEK 236 M (237). Commission expense declined 3%, or SEK 10 M, to SEK 331 M (341). Commission expense largely comprises compensation to the regional insurance companies. The remuneration model has been further developed since the start of the year with enhanced precision and business orientation. The new model is being successively introduced and, given no other changes, the first quarter remuneration was slightly lower than if the new model had been fully implemented. The underlying increase in remuneration is attributable to volume growth. Operating expenses declined 3%, or SEK 9 M, to SEK 283 M (292). Loan losses, net, remained low at SEK 26 M (10).

## Events after the end of the period

No significant events took place after the end of the period.

# Parent Company

First quarter of 2012 compared with first quarter of 2011

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 14%, or SEK 4 billion, to SEK 33 billion (29). Deposits from the public increased 27%, or SEK 11 billion, to SEK 53 billion (42). Debt securities in issue rose 83%, or SEK 10 billion, to SEK 21 billion (11) due to increased senior borro-

wing. Operating loss amounted to SEK 14 M (11). Operating income increased a total of 47% to SEK 145 M (99) due to higher net interest income. Net interest income rose 23% to SEK 191 M (155) boosted by higher business volumes. Net interest income was charged with SEK 5 M (5) for fees to the stability fund.

Commission income rose 17% to SEK 51 M (44). Commission expense declined 5% to SEK 145 M (153). The remuneration model has been further developed since the start of the year with enhanced precision and business orientation. The new model is being successively introduced and, given no other changes, the first quarter remuneration was slightly lower than if the new model had been fully implemented. The underlying increase in remuneration is attributable to volume growth.

Operating expenses increased 34% to SEK 148 M (110) due to the continued rate of development of the business operations. Recoveries exceeded loan losses and amounted to SEK 11 M (0), net.

# Subsidiaries

## Länsförsäkringar Hypotek

First quarter of 2012 compared with first quarter of 2011

Retail mortgages in the bank's mortgage institution increased 11%, or SEK 9 billion, to SEK 91 billion (82). Retail mortgages up to 75% of the market value of the collateral are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Higher net interest income explains the higher operating profit of SEK 81 M (45). Loan losses, net, amounted to SEK 2 M (-2), corresponding to loan losses of 0.01% (-0.01). The number of retail mortgage customers rose to 165,000 (152,000).

SEK M	Mar. 31, 2012	Mar. 31, 2011
Total assets	115,166	105,551
Lending volume	90,798	82,426
Net interest income	172	125
Operating profit	81	45

## Wasa Kredit

First quarter of 2012 compared with first quarter of 2011

Lending volumes rose 9% to SEK 12.0 billion (11.0) as a result of high sales in a climate of intensified competition. Operating profit rose 3% to SEK 38 M (37). Net interest income increased 7% to SEK 119 M (110). Expenses rose 10% to SEK 95 M (86) and loan losses amounted to SEK 13 M (11).

SEK M	Mar. 31, 2012	Mar. 31, 2011
Total assets	12,422	11,385
Lending volume	12,015	11,001
Net interest income	119	110
Operating profit	38	37

## Länsförsäkringar Fondförvaltning

First quarter of 2012 compared with first quarter of 2011

Länsförsäkringar is Sweden's fifth largest fund company. The volume of managed funds fell 5%, or SEK 4 billion, to SEK 69 billion (73), mainly due to the negative trend in asset values in the equities market during the year. The company manages 33 (32) mutual funds with various 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 amounted to SEK 25 M (23).

SEK M	Mar. 31, 2012	Mar. 31, 2011
Total assets	213	185
Assets under management	69,363	73,209
Net flow	-1,878	1,707
Net commission expense	71	66
Operating profit	25	23

## Income statement – Group

SEK M	Note	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full year 2011
Interest income	3	2,686.8	2,004.3	34%	2,596.2	3%	9,529.8
Interest expense	4	-2,204.7	-1,613.3	37%	-2,112.3	4%	-7,801.5
<b>Net interest income</b>		<b>482.1</b>	<b>391.0</b>	<b>23%</b>	<b>483.9</b>	<b>0%</b>	<b>1,728.3</b>
Dividends received		–	–		0.0		0.0
Commission income	5	236.4	230.8	2%	237.4	0%	947.7
Commission expense	6	-331.2	-329.9	0%	-341.1	-3%	-1,363.9
Net gains from financial items	7	6.3	0.0		-0.8		9.9
Other operating income		46.3	46.9	-1%	43.4	7%	197.6
<b>Total operating income</b>		<b>439.9</b>	<b>338.8</b>	<b>30%</b>	<b>422.8</b>	<b>4%</b>	<b>1,519.6</b>
Staff costs		-95.8	-89.3	7%	-76.9	25%	-351.0
Other administration expenses		-165.4	-126.6	31%	-192.7	-14%	-652.1
<b>Total administration expenses</b>		<b>-261.2</b>	<b>-215.9</b>	<b>21%</b>	<b>-269.6</b>	<b>-3%</b>	<b>-1,003.1</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets		-22.0	-19.8	11%	-22.8	-4%	-82.9
<b>Total operating expenses</b>		<b>-283.2</b>	<b>-235.7</b>	<b>20%</b>	<b>-292.4</b>	<b>-3%</b>	<b>-1,086.0</b>
<b>Profit before loan losses</b>		<b>156.7</b>	<b>103.1</b>	<b>52%</b>	<b>130.4</b>	<b>20%</b>	<b>433.6</b>
Loan losses, net	8	-26.0	-9.2	180%	-9.7	167%	-48.2
<b>Operating profit</b>		<b>130.7</b>	<b>93.9</b>	<b>39%</b>	<b>120.7</b>	<b>8%</b>	<b>385.4</b>
Tax		-34.4	-24.7	39%	-17.7	94%	-87.6
<b>Profit for the period</b>		<b>96.3</b>	<b>69.2</b>	<b>39%</b>	<b>103.0</b>	<b>-7%</b>	<b>297.8</b>

## Statement of comprehensive income – Group

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
<b>Profit for the period</b>	<b>96.3</b>	<b>69.2</b>	<b>39%</b>	<b>103.0</b>	<b>-7%</b>	<b>297.8</b>
<b>Other comprehensive income</b>						
<i>Available-for-sale financial assets</i>						
Change in fair value	99	83.7	18%	59.8	66%	193.6
Reclassification realised securities	-7.3	–	–	1.1	-737%	-26.5
Tax	-24.1	-22.0	10%	-16.0	50%	-43.9
<b>Other comprehensive income for the period, net after tax</b>	<b>67.6</b>	<b>61.7</b>	<b>10%</b>	<b>44.9</b>	<b>50%</b>	<b>123.2</b>
<b>Total comprehensive income for the period</b>	<b>163.9</b>	<b>130.9</b>	<b>-26%</b>	<b>147.9</b>	<b>11%</b>	<b>421.0</b>

## Balance sheet – Group

SEK M	Note	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Assets</b>				
Cash and balances with central banks		54.8	66.9	69.2
Treasury bills and other eligible bills		4,165.1	8,341.5	3,870.1
Loans to credit institutions		3,169.7	1,706.1	738.2
Loans to the public	9	135,402.2	134,011.3	121,552.6
Bonds and other interest-bearing securities		27,836.5	20,628.2	21,954.7
Shares and participations		10.4	10.4	10.4
Derivatives	10	1,117.7	1,566.7	1,190.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		450.8	709.9	-147.1
Intangible assets		437.8	438.6	374.6
Property and equipment		10.7	9.7	12.1
Deferred tax assets		6.0	6.0	3.1
Other assets		472.6	251.2	287.1
Prepaid expenses and accrued income		2,135.4	2,309.9	1,660.4
<b>Total assets</b>		<b>175,269.7</b>	<b>170,056.4</b>	<b>151,576.3</b>
<b>Liabilities and equity</b>				
Liabilities to credit institutions		2,706.8	2,192.0	4,006.1
Deposits and borrowing from the public		53,370.0	49,610.2	41,906.7
Debt securities in issue		103,478.1	101,279.5	93,721.8
Derivatives	10	1,924.4	2,458.2	2,690.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,283.1	1,836.6	-1,281.8
Deferred tax liabilities		58.7	58.7	94.9
Other liabilities		649.8	991.2	327.9
Accrued expenses and deferred income		3,653.1	3,791.6	2,957.0
Provisions		15.6	16.3	17.0
Subordinated liabilities		1,489.8	1,489.7	1,250.0
<b>Total liabilities</b>		<b>168,629.4</b>	<b>163,724.0</b>	<b>145,690.5</b>
<b>Equity</b>				
Share capital, 9,548,708 shares		954.9	954.9	954.9
Other capital contributed		5,169.5	5,025.5	4,453.5
Reserves		236.1	168.5	107.0
Retained earnings		183.5	-114.3	301.2
Profit for the period		96.3	297.8	69.2
<b>Total equity</b>		<b>6,640.3</b>	<b>6,332.4</b>	<b>5,885.8</b>
<b>Total liabilities and equity</b>		<b>175,269.7</b>	<b>170,056.4</b>	<b>151,576.3</b>
<b>Pledged assets, contingent liabilities and commitments</b>	<b>11</b>			
<b>Other notes</b>				
Accounting policies	1			
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## Cash-flow statement in summary, indirect method – Group

SEK M	Q 1 2012	Q 1 2011
<b>Cash and cash equivalents, January 1</b>	<b>1,369.7</b>	<b>1,182.7</b>
Cash flow from operating activities	1,359.3	–590.6
Cash flow from investing activities	–22.1	–20.6
Cash flow from financing activities	–419.8	–156.4
<b>Cash flow for the period</b>	<b>917.4</b>	<b>–767.6</b>
<b>Cash and cash equivalents, March 31</b>	<b>2,287.1</b>	<b>415.1</b>

Cash and cash equivalents are 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 bonds and other interest-bearing securities SEK –7,228.5 M (–910.6), deposits and borrowing from the public SEK 3,916.3 M (316.6) and debt securities in issue SEK 3,883.0 M (274.5).

Changes to the cash flow from financing activities are attributable to shareholders' contribution received SEK 144.0 M (226.0), Group contribution paid SEK –563.8 M (–382.4).

## Statement of changes in shareholders' equity – Group

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings	Profit for the period	Total
<b>Opening balance, January 1, 2011</b>	<b>954.9</b>	<b>4,227.5</b>	<b>45.3</b>	<b>55.9</b>	<b>245.3</b>	<b>5,528.9</b>
Profit for the period					69.2	69.2
Other comprehensive income for the period			61.7			61.7
<i>Comprehensive income for the period</i>			<i>61.7</i>		<i>69.2</i>	<i>130.9</i>
According to the Board's proposal				245.3	–245.3	–
Conditional shareholders' contribution received		226.0				226.0
<b>Closing balance, March 31, 2011</b>	<b>954.9</b>	<b>4,453.5</b>	<b>107.0</b>	<b>301.2</b>	<b>69.2</b>	<b>5,885.8</b>
<b>Opening balance, April 1, 2011</b>	<b>954.9</b>	<b>4,453.5</b>	<b>107.0</b>	<b>301.2</b>	<b>69.2</b>	<b>5,885.8</b>
Profit for the period					228.6	228.6
Other comprehensive income for the period			61.5			61.5
<i>Comprehensive income for the period</i>			<i>61.5</i>		<i>228.6</i>	<i>290.1</i>
Conditional shareholders's contribution received		572.0				572.0
Group contribution paid				–563.8		–563.8
Tax on Group contribution paid				148.3		148.3
<b>Closing balance, December 31, 2011</b>	<b>954.9</b>	<b>5,025.5</b>	<b>168.5</b>	<b>–114.3</b>	<b>297.8</b>	<b>6,332.4</b>
<b>Opening balance, January 31, 2012</b>	<b>954.9</b>	<b>5,025.5</b>	<b>168.5</b>	<b>–114.3</b>	<b>297.8</b>	<b>6,332.4</b>
Profit for the period					96.3	96.3
Other comprehensive income for the period			67.6			67.6
<i>Comprehensive income for the period</i>			<i>67.6</i>		<i>96.3</i>	<i>163.9</i>
According to the Board's proposal				297.8	–297.8	–
Conditional shareholders' contribution received		144.0				144.0
<b>Closing balance, March 31, 2012</b>	<b>954.9</b>	<b>5,169.5</b>	<b>236.1</b>	<b>183.5</b>	<b>96.3</b>	<b>6,640.3</b>



## 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 interim report complies with the requirements of IAS 34, Interim Financial Reporting. The Interim report for the Group was prepared according to the same accounting policies and calculation methods as those applied in the 2011 Annual Report.

### NOTE 2 SEGMENT REPORTING

SEK M Income statement, Q 1 2012	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	191.0	171.7	118.6	0.8	–	482.1
Net commission	–94.8	–79.1	8.9	69.2	1.0	–94.8
Net gains from financial items	–3.2	9.4	0.1	0.0	–	6.3
Intra-Group income	22.2	0.0	1.6	0.1	–23.9	0.0
Other income	30.0	0.1	16.0	0.2	–	46.3
<b>Total operating income</b>	<b>145.2</b>	<b>102.1</b>	<b>145.2</b>	<b>70.3</b>	<b>–22.9</b>	<b>439.9</b>
Intra-Group expenses	–0.7	–13.0	–3.3	–5.9	22.9	0.0
Other administration expenses	–130.8	–5.6	–85.9	–38.9	–	–261.2
Depreciation / amortisation and impairment	–16.6	0.0	–5.4	0.0	–	–22.0
<b>Total operating expenses</b>	<b>–148.1</b>	<b>–18.6</b>	<b>–94.6</b>	<b>–44.8</b>	<b>22.9</b>	<b>–283.2</b>
<b>Profit / loss before loan losses</b>	<b>–2.9</b>	<b>83.5</b>	<b>50.6</b>	<b>25.5</b>	<b>–</b>	<b>156.7</b>
Loan losses, net	–10.8	–2.4	–12.8	0.0	–	–26.0
<b>Operating profit / loss</b>	<b>–13.7</b>	<b>81.1</b>	<b>37.8</b>	<b>25.5</b>	<b>–</b>	<b>130.7</b>

#### Balance sheet, March 31, 2012

<b>Total assets</b>	<b>84,859.7</b>	<b>115,165.9</b>	<b>12,422.0</b>	<b>213.3</b>	<b>–37,391.2</b>	<b>175,269.7</b>
Liabilities	78,339.3	110,581.4	11,521.7	121.7	–31,934.7	168,629.4
Equity	6,520.4	4,584.5	900.3	91.6	–5,456.4	6,640.3
<b>Total liabilities and equity</b>	<b>84,859.7</b>	<b>115,165.9</b>	<b>12,422.0</b>	<b>213.3</b>	<b>–37,391.1</b>	<b>175,269.7</b>

#### Income statement, Q 1 2011

Net interest income	155.4	124.5	110.4	0.7	–	391.0
Net commission	–109.6	–63.4	8.8	64.3	0.8	–99.1
Net gains from financial items	2.0	–2.0	0.0	–	–	0.0
Intra-Group income	19.9	–	1.1	–	–21.0	–
Other income	31.0	–	13.8	2.1	–	46.9
<b>Total operating income</b>	<b>98.7</b>	<b>59.1</b>	<b>134.1</b>	<b>67.1</b>	<b>–20.2</b>	<b>338.8</b>
Intra-Group expenses	–0.8	–11.1	–2.8	–5.5	20.2	–
Other administration expenses	–95.0	–4.7	–78.0	–38.2	–	–215.9
Depreciation / amortisation and impairment	–14.5	–	–5.3	–	–	–19.8
<b>Total operating expenses</b>	<b>–110.3</b>	<b>–15.8</b>	<b>–86.1</b>	<b>–43.7</b>	<b>20.2</b>	<b>–235.7</b>
<b>Profit / loss before loan losses</b>	<b>–11.6</b>	<b>43.3</b>	<b>48.0</b>	<b>23.4</b>	<b>–</b>	<b>103.1</b>
Loan losses, net	0.4	1.7	–11.3	–	–	–9.2
<b>Operating profit / loss</b>	<b>–11.2</b>	<b>45.0</b>	<b>36.7</b>	<b>23.4</b>	<b>–</b>	<b>93.9</b>

#### Balance sheet, March 31, 2011

<b>Total assets</b>	<b>70,639.0</b>	<b>105,551.1</b>	<b>11,384.8</b>	<b>184.0</b>	<b>–36,182.6</b>	<b>151,576.3</b>
Liabilities	64,856.4	101,695.4	10,480.2	93.3	–31,434.8	145,690.5
Equity	5,782.6	3,855.7	904.6	90.7	–4,747.8	5,885.8
<b>Total liabilities and equity</b>	<b>70,639.0</b>	<b>105,551.1</b>	<b>11,384.8</b>	<b>184.0</b>	<b>–36,182.6</b>	<b>151,576.3</b>

### NOTE 3 INTEREST INCOME

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Loans to credit institutions	9.5	4.8	100%	10.5	-10%	30.0
Loans to the public	1,502.4	1,105.2	36%	1,462.4	3%	5,222.5
Interest-bearing securities	224.9	185.7	21%	210.2	7%	826.5
<i>Derivatives</i>						
Hedge accounting	949.9	644.9	47%	913.1	4%	3,319.3
Non-hedge accounting	–	63.4		–		131.5
Other interest income	0.1	0.3	-82%	0.0	194%	0.0
<b>Total interest income</b>	<b>2,686.8</b>	<b>2,004.3</b>	<b>34%</b>	<b>2,596.2</b>	<b>3%</b>	<b>9,529.8</b>
of which interest income on impaired loans	-0.4	0.8		-14.5	-98%	-11.6
of which interest income from financial items not measured at fair value	1,512.0	1,110.3	36%	1,472.9	3%	5,252.4
Average interest rate on loans to the public during the period, including net leasing, %	4.5	3.7		4.5		4.1

### NOTE 4 INTEREST EXPENSE

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Liabilities to credit institutions	-0.8	-15.3	-95%	-3.0	-74%	-37.1
Deposits and borrowing from the public	-277.5	-147.6	88%	-265.1	5%	-845.2
Interest-bearing securities	-872.9	-688.0	27%	-827.8	5%	-3,145.4
Subordinated liabilities	-19.9	-14.0	42%	-19.6	2%	-68.2
<i>Derivatives</i>						
Hedge accounting	-1,006.6	-662.8	52%	-977.0	3%	-3,484.8
Non-hedge accounting	-4.2	-65.7	-94%	-0.3		-137.5
Other interest expense, including government deposit insurance	-22.8	-19.9	14%	-19.5	17%	-83.3
<b>Total interest expense</b>	<b>-2,204.7</b>	<b>-1,613.3</b>	<b>37%</b>	<b>-2,112.3</b>	<b>4%</b>	<b>-7,801.5</b>
of which interest expense from financial items not measured at fair value	-1,193.8	-884.8	35%	-1,135.1	5%	-4,179.2
Average interest rate on deposits from the public during the period, %	2.2	1.4		2.2		1.9

### NOTE 5 COMMISSION INCOME

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Payment mediation	9.7	8.7	11%	17.5	7%	63.6
Loans	20.8	19.3	8%	20.1	45%	78.3
Deposits	2.4	2.0	22%	1.8	41%	7.1
Financial guarantees	0.1	0.1	-34%	0.1	72%	0.3
Securities	175.3	177.5	-1%	166.6	38%	688.1
Bank cards	27.2	22.5	20%	30.3	98%	106.7
Other commission	0.9	0.7	22%	1.0	83%	3.6
<b>Total commission income</b>	<b>236.4</b>	<b>230.8</b>	<b>2%</b>	<b>237.4</b>	<b>0%</b>	<b>947.7</b>
of which commission income from financial items not measured at fair value	50.5	43.8	15%	52.8	72%	194.6

### NOTE 6 COMMISSION EXPENSE

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Payment mediation	-24.7	-21.2	16%	-25.3	-2%	-95.7
Securities	-91.2	-97.5	-6%	-84.0	9%	-375.8
Bank cards	-24.1	-18.6	29%	-21.4	12%	-82.2
Remuneration to regional insurance companies	-187.8	-189.3	-1%	-206.9	-9%	-793.7
Other commission	-3.4	-3.3	4%	-3.5	-1%	-16.5
<b>Total commission expense</b>	<b>-331.2</b>	<b>-329.9</b>	<b>0%</b>	<b>-341.1</b>	<b>-3%</b>	<b>-1,363.9</b>
of which commission expense from financial items not measured at fair value	-187.8	-189.3	-1%	-206.9	-9%	-793.7

# NOTE 7 NET GAINS FROM FINANCIAL ITEMS

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
<b>Change in fair value</b>						
Interest-related instruments	42.7	-58.0		173.1		455.6
Currency-related instruments	-52.9	-404.2	-87%	-625.1	-92%	18.0
Change in fair value of hedged items	-15.0	460.6		435.2		-498.7
<b>Capital gain / loss</b>						
Interest-related instruments	20.6	-2.1		4.9	318%	6.4
Interest compensation	10.9	3.7	196%	11.1	-2%	28.6
<b>Total net gains from financial items</b>	<b>6.3</b>	<b>0.0</b>		<b>-0.8</b>		<b>9.9</b>

# NOTE 8 LOAN LOSSES, NET

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
<b>Specific reserve for individually assessed loan receivables</b>						
Write-off of confirmed loan losses during the period	-20.5	-1.1		-54.0	-62%	-92.7
Reversed earlier impairment of loan losses recognised as confirmed losses	17.5	1.5		51.3	-66%	92.5
Impairment of loan losses during the period	-31.5	-59.1	-47%	-67.4	-53%	-200.7
Payment received for prior confirmed loan losses	9.9	6.5	52%	18.9	-47%	41.5
Reversed impairment of loan losses no longer required	7.0	5.9	20%	40.7	-83%	62.2
Loss coverage from related company	-	-		-		-
<b>Net expense for the period for individually assessed loan receivables</b>	<b>-17.6</b>	<b>-46.3</b>	<b>-62%</b>	<b>-10.5</b>	<b>67%</b>	<b>-97.2</b>
<b>Collective reserves for individually assessed receivables</b>	<b>-</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 for loan losses	-8.5	37.1		0.7		48.7
<b>Net expense for the period for collectively assessed homogenous loan receivables</b>	<b>-8.5</b>	<b>37.1</b>		<b>0.7</b>		<b>48.7</b>
Net expense for the period for fulfilment of guarantees	0.1	0.0	105%	0.1	-21%	0.3
<b>Net expense of loan losses for the period</b>	<b>-26.0</b>	<b>-9.2</b>	<b>180%</b>	<b>-9.7</b>	<b>167%</b>	<b>-48.2</b>

**NOTE 9 LOANS TO THE PUBLIC**

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Loan receivables, gross</b>			
Public sector	702.9	2,246.1	265.8
Corporate sector	9,879.9	9,658.6	8,929.9
Retail sector	125,097.6	122,390.4	112,629.9
Other	21.1	0.0	28.3
<b>Total loan receivables, gross</b>	<b>135,701.5</b>	<b>134,295.1</b>	<b>121,853.9</b>
<b>Impairment of individually assessed loan receivables</b>			
Corporate sector	-57.5	-61.3	-51.3
Retail sector	-131.4	-120.6	-136.4
<b>Total individual reserves</b>	<b>-188.9</b>	<b>-181.9</b>	<b>-187.7</b>
<b>Impairment of collectively reserved loan receivables</b>			
Corporate sector	-25.2	-24.0	-19.6
Retail sector	-85.3	-77.9	-94.0
Other	0.0	0.0	0.0
<b>Total collective reserves</b>	<b>-110.5</b>	<b>-101.9</b>	<b>-113.6</b>
<b>Total reserves</b>	<b>-299.4</b>	<b>-283.8</b>	<b>-301.3</b>
<b>Loan receivables, net</b>			
Public sector	702.9	2,246.1	265.8
Corporate sector	9,797.2	9,573.3	8,859.0
Retail sector	124,881.0	122,191.9	112,399.5
Other	21.1	0.0	28.3
<b>Total loans to the public, net</b>	<b>135,402.2</b>	<b>134,011.3</b>	<b>121,552.6</b>
<b>Impaired loans</b>			
Corporate sector	84.3	87.8	76.1
Retail sector	155.6	145.5	151.4
<b>Total impaired loans</b>	<b>239.9</b>	<b>233.3</b>	<b>227.5</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 it is not covered by collateral in an adequate amount.

# NOTE 10 DERIVATIVES

SEK M	March 31, 2012		Dec 31, 2011		March 31, 2011	
	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	72,197.0	955.6	63,925.0	1,378.0	51,102.0	888.2
Currency	10,576.6	428.1	10,576.6	454.2	1,777.7	292.2
Collateral received, CSA	–	–266.1	–	–265.7	–	–
<i>Other derivatives</i>						
Interest	160.0	0.1	210.0	0.2	13,210.0	4.2
Currency	–	–	–	–	554.7	6.3
<b>Total derivatives with positive values</b>	<b>82,933.6</b>	<b>1,117.7</b>	<b>74,711.6</b>	<b>1,566.7</b>	<b>66,644.4</b>	<b>1,190.9</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	68,336.0	1,012.2	75,199.0	1,571.0	67,269.0	1,568.0
Currency	11,852.1	907.2	11,852.1	887.2	10,577.1	1,121.5
<i>Other derivatives</i>						
Interest	–	–	–	–	4,000.0	0.1
Currency	1,819.1	5.0	–	–	270.5	1.1
<b>Total derivatives with negative values</b>	<b>82,007.2</b>	<b>1,924.4</b>	<b>87,051.1</b>	<b>2,458.2</b>	<b>82,116.6</b>	<b>2,690.7</b>

# NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>For own liabilities, pledged assets</b>			
Pledged securities in the Riksbank	1,900.0	1,900.0	1,900.0
Pledged securities in Euroclear	850.0	850.0	1,150.0
Collateral provided for derivatives	–	–	–
Loan receivables, covered bonds	86,502.6	84,428.1	78,350.2
Commitments resulting from repurchase transactions	2,344.9	1,938.0	3,347.2
Other collateral for securities	15.0	15.0	15.0
<b>Total for own liabilities, pledged assets</b>	<b>91,612.5</b>	<b>89,131.1</b>	<b>84,762.4</b>
<b>Other pledged assets</b>	None	None	None
<b>Contingent liabilities</b>			
Guarantees	39.4	35.2	28.7
Conditional shareholders' contribution	3,017.0	2,873.0	2,301.0
Early retirement at age 62 in accordance with pension agreement, 80%	54.0	54.0	59.8
<b>Total contingent liabilities</b>	<b>3,110.4</b>	<b>2,962.2</b>	<b>2,389.5</b>
<b>Other commitments</b>			
Loans approved but not disbursed	5,611.6	5,115.4	5,779.0
Unutilised portion of overdraft facilities	1,984.4	2,097.4	2,080.4
Unutilised portion of credit card facilities	956.5	933.0	667.9
<b>Total other commitments</b>	<b>8,552.5</b>	<b>8,145.8</b>	<b>8,527.2</b>

**NOTE 12 CAPITAL-ADEQUACY ANALYSIS**

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Capital base</b>			
Tier 1 capital before deductions	6,598.0	6,454.0	5,999.6
Less intangible assets	-437.7	-438.6	-374.6
Less deferred tax assets	-6.0	-6.0	-3.1
Less / plus IRB deficit / surplus	-281.1	-261.9	-221.0
<b>Tier 1 capital</b>	<b>5,873.1</b>	<b>5,747.4</b>	<b>5,401.0</b>
Subordinated debt, perpetual	-290.0	-290.0	-290.0
<i>Total Core Tier 1 capital</i>	<i>5,583.1</i>	<i>5,457.4</i>	<i>5,111.0</i>
Tier 2 capital	1,200.0	1,200.0	960.0
Deductions for Tier 2 capital	-281.0	-261.9	-221.0
<b>Total capital base</b>	<b>6,792.0</b>	<b>6,685.5</b>	<b>6,140.1</b>
<b>Risk-weighted assets according to Basel II</b>	<b>48,575.4</b>	<b>47,617.4</b>	<b>45,628.8</b>
<b>Risk-weighted assets according to transition rules</b>	<b>73,649.8</b>	<b>71,572.8</b>	<b>65,199.3</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	768.8	679.3	806.0
Capital requirement for credit risk according to IRB Approach	2,961.1	2,984.2	2,698.4
Capital requirement for operational risk	156.2	145.9	145.9
<b>Capital requirement according to Basel II</b>	<b>3,886.0</b>	<b>3,809.4</b>	<b>3,650.3</b>
Adjustment according to transition rules	2,006.0	1,916.4	1,663.3
<b>Total capital requirement</b>	<b>5,892.0</b>	<b>5,725.8</b>	<b>5,313.6</b>
<b>Capital ratio</b>			
Tier 1 ratio according to Basel II, %	12.09	12.07	11.84
Core Tier 1 ratio according to Basel II, %	11.49	11.46	11.20
Capital-adequacy ratio according to Basel II, %	13.98	14.04	13.46
Capital ratio according to Basel II *	1.75	1.75	1.68
Tier 1 ratio according to transition rules, %	7.97	8.03	8.13
Core Tier 1 ratio according to transition rules, %	7.58	7.62	7.69
Capital-adequacy ratio according to transition rules, %	9.22	9.34	9.24
Capital ratio according to transition rules*	1.15	1.17	1.16
<b>Special disclosures</b>			
<b>IRB Provisions surplus (+) / deficit (-)</b>	<b>-562.2</b>	<b>-523.9</b>	<b>-441.9</b>
- Total provisions (+)	250.9	237.8	260.6
- Anticipated loss (-)	-813.1	-761.7	-702.6
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	68.8	77.8	60.5
Exposures to corporates	208.6	195.2	207.9
Retail exposures	94.1	93.1	232.9
Exposures secured on residential property	132.4	126.3	104.4
Past due items	0.8	0.4	0.9
Covered bonds	229.0	169.2	180.7
Other items	35.0	17.2	18.8
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>768.8</b>	<b>679.3</b>	<b>806.0</b>

**NOTE 12 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Credit risk according to IRB Approach</b>			
<i>Retail exposures</i>			
Exposures secured by real estate collateral	1,360.3	1,420.3	1,230.4
Other retail exposures	682.6	670.5	654.7
<i>Total retail exposures</i>	<i>2,042.9</i>	<i>2,090.7</i>	<i>1,885.1</i>
Exposures to corporates	917.3	892.7	812.3
Non credit-obligation assets	0.9	0.8	1.0
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>2,961.1</b>	<b>2,984.2</b>	<b>2,698.4</b>
<b>Operational risk</b>			
Standardised Approach	156.2	145.9	145.9
<b>Total capital requirement for operational risk</b>	<b>156.2</b>	<b>145.9</b>	<b>145.9</b>

\* 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 first quarter 2012. No other significant changes have occurred in the company's agreements with these related legal entities since December 31, 2011.

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, 2011, no significant changes have occurred in the company's agreements with these persons.



## Income statement – Parent Company

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Interest income	822.9	541.2	52%	736.7	12%	2,642.2
Interest expense	-631.9	-385.8	64%	-538.3	17%	-1,916.2
<b>Net interest income</b>	<b>191.0</b>	<b>155.4</b>	<b>23%</b>	<b>198.4</b>	<b>-4%</b>	<b>726.0</b>
Dividends received	0.0	–		0.0		0.0
Group contributions received	0.0	–		52.8		52.8
Commission income	51.0	43.5	17%	57.4	-11%	210.5
Commission expense	-145.8	-153.1	-5%	-179.1	-19%	-681.1
Net gains from financial items	-3.2	2.0		1.9		6.2
Other operating income	52.2	50.9	3%	63.7	-18%	226.5
<b>Total operating income</b>	<b>145.2</b>	<b>98.7</b>	<b>47%</b>	<b>195.1</b>	<b>-26%</b>	<b>540.9</b>
Staff costs	-31.5	-30.3	4%	-20.8	51%	-108.6
Other administration expenses	-100.0	-65.5	53%	-124.7	-20%	-388.3
<b>Total administration expenses</b>	<b>-131.5</b>	<b>-95.8</b>	<b>37%</b>	<b>-145.5</b>	<b>-10%</b>	<b>-496.9</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets	-16.6	-14.5	14%	-16.9	-1%	-61.0
<b>Total operating expenses</b>	<b>-148.1</b>	<b>-110.3</b>	<b>34%</b>	<b>-162.4</b>	<b>-9%</b>	<b>-557.9</b>
<b>Profit/loss before loan losses</b>	<b>-2.9</b>	<b>-11.6</b>	<b>-75%</b>	<b>32.7</b>	<b>-109%</b>	<b>-17.0</b>
Loan losses, net	-10.8	0.4		3.6		1.1
<b>Operating profit/loss</b>	<b>-13.7</b>	<b>-11.2</b>	<b>23%</b>	<b>36.3</b>		<b>-15.9</b>
Tax	3.6	2.9	23%	-4.3		9.4
<b>Profit/loss for the period</b>	<b>-10.1</b>	<b>-8.2</b>	<b>23%</b>	<b>32.0</b>		<b>-6.5</b>

## Statement of comprehensive income – Parent Company

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
<b>Profit/loss for the period</b>	<b>-10.1</b>	<b>-8.2</b>		<b>32.0</b>		<b>-6.5</b>
<b>Other comprehensive income</b>						
<i>Available-for-sale financial assets</i>						
Change in fair value	46.8	15.6	200%	-1.0	–	32.6
Reclassification realised securities	–	–		2.6	-100%	-22.8
Tax	-12.3	-4.1	200%	-0.4	–	-2.6
<b>Other comprehensive income for the period, net after tax</b>	<b>34.5</b>	<b>11.5</b>	<b>200%</b>	<b>1.2</b>	<b>–</b>	<b>7.2</b>
<b>Total comprehensive income for the period</b>	<b>24.4</b>	<b>3.3</b>	<b>639%</b>	<b>33.2</b>	<b>-27%</b>	<b>0.7</b>

## Balance sheet – Parent Company

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Assets</b>			
Cash and balances with central banks	54.8	66.9	69.2
Treasury bills and other eligible bills	0.0	0.0	1,096.4
Loans to credit institutions	34,084.9	31,029.1	26,721.7
Loans to the public	32,589.5	33,399.9	28,517.6
Bonds and other interest-bearing securities	11,305.4	6,123.7	8,633.1
Shares and participations	10.4	10.4	10.4
Shares and participations in Group companies	5,454.0	5,304.0	4,744.0
Derivatives	131.8	96.2	78.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	45.6	69.5	-10.1
Intangible assets	351.6	353.5	288.7
Property and equipment	4.6	5.2	7.9
Deferred tax assets	2.7	2.7	0.0
Other assets	273.8	55.1	83.6
Prepaid expenses and accrued income	550.6	316.1	398.1
<b>Total assets</b>	<b>84,859.7</b>	<b>76,832.3</b>	<b>70,639.0</b>
<b>Liabilities, provisions and equity</b>			
Liabilities to credit institutions	1,133.6	2,171.7	9,282.1
Deposits and borrowing from the public	53,506.5	49,766.0	42,029.1
Debt securities in issue	20,660.6	15,883.3	11,296.2
Derivatives	169.6	220.5	147.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	47.8	80.9	-23.6
Deferred tax liabilities	0.0	0.0	8.2
Other liabilities	406.7	241.0	115.6
Accrued expenses and deferred income	919.5	622.0	746.7
Provisions	5.2	5.2	4.9
Subordinated liabilities	1,489.8	1,489.7	1,250.0
<b>Total liabilities and provisions</b>	<b>78,339.3</b>	<b>70,480.3</b>	<b>64,856.4</b>
<b>Equity</b>			
Share capital, 9,548,708 shares	954.9	954.9	954.9
Statutory reserve	18.4	18.4	18.4
Fair value reserve	57.3	22.8	27.2
Retained earnings	5,499.9	5,362.4	4,790.4
Loss for the period	-10.1	-6.5	-8.2
<b>Total equity</b>	<b>6,520.4</b>	<b>6,352.0</b>	<b>5,782.6</b>
<b>Total liabilities, provisions and equity</b>	<b>84,859.7</b>	<b>76,832.3</b>	<b>70,639.0</b>
<b>Memorandum items</b>			
For own liabilities, pledged assets	2,765.0	2,765.0	6,412.2
Other pledged assets	None	None	None
Contingent liabilities	3,068.9	2,920.7	2,340.7
Other commitments	10,790.8	7,855.0	14,741.0
<b>Other notes</b>			
Accounting policies	1		
Capital-adequacy analysis	2		
Disclosures on related parties	3		

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

SEK M	Q 1 2012	Q 1 2011
<b>Cash and cash equivalents, January 1</b>	<b>1,363.9</b>	<b>1,159.8</b>
Cash flow from operating activities	883.2	–845.6
Cash flow from investing activities	–164.2	–168.6
Cash flow from financing activities	196.8	263.7
<b>Cash flow for the period</b>	<b>915.8</b>	<b>–750.5</b>
<b>Cash and cash equivalents, March 31</b>	<b>2,279.7</b>	<b>409.3</b>

Cash and cash equivalents are 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 bonds and other interest-bearing securities SEK –5,208.8 M (23.8), debt securities in issue SEK 4,781.3 M (1,745.6) and deposits and borrowings from the public SEK 3,883.0 M (306.5). Changes to the cash flow from investing activities are mainly attributable to shares in subsidiaries SEK 144.0 M (150.0) and from financing activities to shareholders' contribution received SEK 52.8 M (37.7).

## Statement of changes in shareholders' equity – Parent Company

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings	Profit for the period	Total
<b>Opening balance, January 1, 2011</b>	<b>954.9</b>	<b>18.4</b>	<b>15.7</b>	<b>4,590.2</b>	<b>–25.8</b>	<b>5,553.4</b>
Profit for the period					–8.2	–8.2
Other comprehensive income for the period			11.5			11.5
<i>Comprehensive income for the period</i>			<i>11.5</i>		<i>–8.2</i>	<i>3.3</i>
According to the Board's proposal				–25.8	25.8	–
Conditional shareholders' contribution received				226.0		226.0
<b>Closing balance, March 31, 2011</b>	<b>954.9</b>	<b>18.4</b>	<b>27.2</b>	<b>4,790.4</b>	<b>–8.2</b>	<b>5,782.6</b>
<b>Opening balance, April 1, 2011</b>	<b>954.9</b>	<b>18.4</b>	<b>27.2</b>	<b>4,790.4</b>	<b>–8.2</b>	<b>5,782.6</b>
Profit for the period					1.7	1.7
Other comprehensive income for the period			–4.3			–4.3
<i>Comprehensive income for the period</i>			<i>–4.3</i>		<i>1.7</i>	<i>–2.6</i>
Conditional shareholders's contribution received						
Group contribution paid						
Tax on Group contribution paid				572.0		572.0
<b>Closing balance, December 31, 2011</b>	<b>954.9</b>	<b>18.4</b>	<b>22.8</b>	<b>5,362.4</b>	<b>–6.5</b>	<b>6,352.0</b>
<b>Opening balance, January 31, 2012</b>	<b>954.9</b>	<b>18.4</b>	<b>22.8</b>	<b>5,362.4</b>	<b>–6.5</b>	<b>6,352.0</b>
Profit for the period					–10.1	–10.1
Other comprehensive income for the period			34.5			34.5
<i>Comprehensive income for the period</i>			<i>34.5</i>		<i>–10.1</i>	<i>24.4</i>
According to the Board's proposal				–6.5	6.5	–
Conditional shareholders' contribution received				144.0		144.0
<b>Closing balance, March 31, 2012</b>	<b>954.9</b>	<b>18.4</b>	<b>57.3</b>	<b>5,499.9</b>	<b>–10.1</b>	<b>6,520.4</b>

## 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.

The interim report for the company was prepared according to the same accounting policies and calculation methods as those applied in the 2011 Annual Report

### NOTE 2 CAPITAL ADEQUACY ANALYSIS

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Capital base</b>			
Tier 1 capital before deductions	6,753.0	6,618.9	6,045.5
Less intangible assets	-351.6	-353.2	-288.7
Avgår uppskjutna skattefordringar	-2.7	-2.7	-
Less / plus IRB deficit / surplus	-128.2	-111.0	-70.7
<b>Tier 1 capital</b>	<b>6,270.5</b>	<b>6,151.9</b>	<b>5,686.0</b>
Subordinated debt perpetual	-290.0	-290.0	-290.0
<i>Total Core Tier capital</i>	<i>5,980.5</i>	<i>5,861.9</i>	<i>4,139.5</i>
Tier 2 capital	1,200.0	1,200.0	960.0
Deductions for Tier 2 capital	-128.2	-111.0	-70.7
<b>Total capital base</b>	<b>7,342.2</b>	<b>7,240.9</b>	<b>6,575.3</b>
<b>Risk-weighted assets according to Basel II</b>	<b>19,681.5</b>	<b>18,693.0</b>	<b>18,082.3</b>
<b>Risk-weighted assets according to transition rules</b>	<b>21,260.3</b>	<b>20,369.0</b>	<b>19,202.4</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	226.7	151.0	229.0
Capital requirement for credit risk according to IRB Approach	1,275.8	1,276.2	1,149.3
Capital requirement for operational risk	72.0	68.3	68.3
<b>Capital requirement according to Basel II</b>	<b>1,574.5</b>	<b>1,495.4</b>	<b>1,446.6</b>
Adjustment according to transition rules	126.3	134.1	113.3
<b>Total capital requirement</b>	<b>1,700.8</b>	<b>1,629.5</b>	<b>1,559.9</b>
<b>Capital ratio</b>			
Tier 1 ratio according to Basel II, %	31.86	32.91	31.45
Core Tier ratio according to Basel II, %	30.39	31.36	29.84
Capital-adequacy ratio according to Basel II, %	37.31	38.74	36.36
Capital ratio according to Basel II *	4.66	4.84	4.55
Tier 1 ratio according to transition rules, %	29.49	30.20	29.16
Core Tier ratio according to transition rules, %	28.13	28.78	27.67
Capital-adequacy ratio according to transition rules, %	34.54	35.55	33.72
Capital ratio according to transition rules*	4.32	4.44	4.22
<b>Special disclosures</b>			
<b>IRB Provisions surplus (+) / deficit (-)</b>	<b>-256.5</b>	<b>-222.0</b>	<b>-141.5</b>
- Total reserves (+)	-94.5	83.3	112.0
- Anticipated loss (-)	-350.9	-305.3	-253.4
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	10.3	6.2	14.1
Exposures to corporates	80.5	69.4	85.7
Retail exposures	7.3	8.0	40.4
Exposures secured on residential property	8.5	8.7	6.8
Past due items	0.6	0.3	0.7
Covered bonds	93.0	50.0	71.3
Other items	26.4	8.6	10.1
<b>Total capital requirement according to the Standardised Approach</b>	<b>226.7</b>	<b>151.0</b>	<b>229.0</b>

**NOTE 2 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Credit risk according to IRB Approach</b>			
<i>Retail exposures</i>			
Exposures secured by real estate collateral	249.4	269.9	235.7
Other retail exposures	191.3	193.1	176.2
<i>Total retail exposures</i>	<i>440.7</i>	<i>463.0</i>	<i>441.9</i>
Exposures to corporates	834.7	812.7	736.8
Non credit-obligation assets	0.4	0.4	0.6
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,275.8</b>	<b>1,276.2</b>	<b>1,149.3</b>
<b>Operational risk</b>			
Standardised Approach	72.0	68.3	68.3
<b>Total capital requirement for operational risk</b>	<b>72.0</b>	<b>68.3</b>	<b>68.3</b>

\* 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 January - March 2012. Since December 31, 2011, no significant changes have occurred in the company's agreements with these related legal entities.

Related key persons are Board members, senior executives and close family members to these individuals. Since December 31, 2011, no significant changes have occurred in the company's agreements with these persons.

This interim report has not been reviewed by the company's auditors.

Stockholm, April 23, 2012

Rikard Josefson  
President

## Appendix

### BORROWING PROGRAMMES

Programme	Limit, Nominal	Issued, Jan-March, 2012 Nominal, SEK billion	Issued, Jan-March, 2011 Nominal, SEK billion	Outstanding, March 31, 2012 Nominal, SEK billion	Outstanding, March 31, 2011 Nominal, SEK billion	Remaining average term, March 31, 2012 Years	Remaining average term, March 31, 2011 Years
<b>Länsförsäkringar Bank</b>							
Medium Term Note	SEK 20 billion	4.8	2.4	13.5	7.7	1.6	2.0
Domestic Commercial Paper	SEK 15 billion	4.2	3.4	5.3	2.8	0.4	0.2
Euro Commercial Paper	EUR 1.5 billion	1.8	1.1	1.8	0.8	0.2	0.1
Euro Medium Term Note	EUR 2 billion	–	–	–	–	–	–
<b>Total</b>		<b>10.8</b>	<b>6.9</b>	<b>20.6</b>	<b>11.3</b>	<b>1.1</b>	<b>1.4</b>
<b>Länsförsäkringar Hypotek</b>							
Benchmark	Unlimited	7.3	5.6	52.2	55.0	2.9	2.9
Medium Term Covered Note	SEK 30 billion	2.9	3.0	9.0	15.4	1.9	1.1
Euro Medium Term Covered Note	EUR 4 billion	0	–	21.5	11.5	2.6	3.9
<b>Total</b>		<b>10.2</b>	<b>8.6</b>	<b>82.7</b>	<b>81.9</b>	<b>2.8</b>	<b>2.7</b>
<b>Group total</b>		<b>21.0</b>	<b>15.5</b>	<b>103.4</b>	<b>93.2</b>	<b>2.4</b>	<b>2.5</b>

### Borrowing by maturity

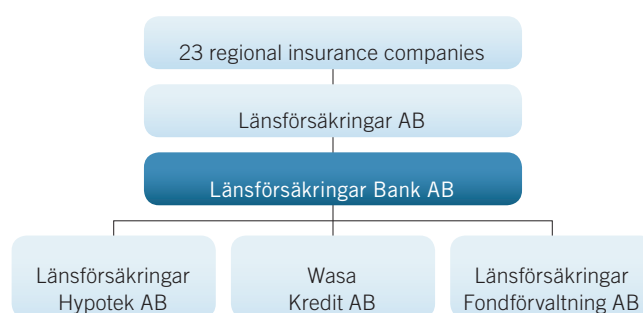
Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, billion	9.7	21.3	32.0	15.5	19.6	5.0	0.3	–	0.1	103.4

## Financial calendar

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

Interim report, January-September 2012 ..... **October 25, 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 April 23, 2012 at 11.00 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.

### Contact information

**Rikard Josefson**, President, Länsförsäkringar Bank AB,  
+46 (0)8-588 410 75, +46 (0)70-206 69 55

**Anders Borgcrantz**, Vice Executive President and CFO,  
Länsförsäkringar Bank AB, +46 (0)8-588 412 51, +46 (0)73-964 12 51

**Anna-Lena Löfvenberg**, Investor Relations, Länsförsäkringar Bank AB,  
+46 (0)8-588 415 16, +46 (0)73-964 15 16

Länsförsäkringar Bank AB (publ),  
Corporate Registration Number 516401-9878  
Street address: Tegeluddsvägen 11-13  
Postal address: SE-106 50 Stockholm  
Telephone: +46 (0)8-588 400 00