

# Länsförsäkringar Hypotek

## January–March 2010

INTERIM REPORT

### The period in brief

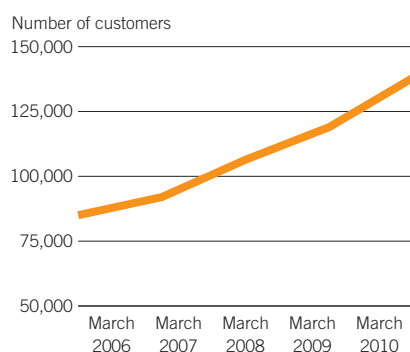
- Lending rose 25% to SEK 70 billion (56).
- Market share strengthened to 3.9% (3.4).
- Credit quality was highly favourable and the operations maintained a low risk profile.
- Operating profit decreased 18% to SEK 30 M (37).
- Net interest income declined 23% to SEK 68 M (89).
- Net profit from financial transactions declined to SEK 3 M (22).
- Loan losses amounted to positive SEK 2 M (3), net.
- The Tier 1 ratio according to Basel II was 17.8% (20.6) and the capital adequacy ratio was 21.0% (26.3).
- The number of customers rose to 138,000 (119,000).

Figures in parentheses pertain to the same period in 2009.

**Anders Borgcrantz,**  
President of Länsförsäkringar Hypotek:

*Länsförsäkringar continued to grow and strengthened the position in the retail mortgage market. Earnings were strong given the extremely weak market interest rates and were on par with the fourth quarter and higher than the third quarter 2009. Credit quality was excellent with a low percentage of impaired loans and no loan losses at all. The liquidity situation was favourable. During the quarter, a successful issue of EUR 1 billion was implemented to increase diversification in accordance with the funding strategy.*

### CUSTOMER TREND



## Key figures

	Q1 2010	Q1 2009	Full-year 2009
Return on shareholders' equity, %	3.1	4.5	4.1
Return on total capital, %	0.13	0.22	0.19
Investment margin, %	0.30	0.52	0.38
Cost/income ratio before loan losses	0.36	0.31	0.33
Cost/income ratio after loan losses	0.32	0.25	0.30
Tier 1 ratio according to Basel II, %	17.8	20.6	20.3
Capital adequacy ratio according to Basel II, %	21.0	26.3	24.2
Percentage of impaired loans, net, %	0.01	0	0
Provision ratio in relation to lending, %	0.05	0.07	0.07
Loan loss level, %	0	0	0

## Quarterly development

SEK M	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Net interest income	68.3	55.5	58.9	81.9	89.1
Net commission	-27.1	-27.4	-33.6	-38.3	-61.5
Net profit from financial transactions	3.2	19.3	16.4	19.3	21.8
Other operating income	0	0.1	0	0	0
<b>Total operating income</b>	<b>44.4</b>	<b>47.5</b>	<b>41.7</b>	<b>62.9</b>	<b>49.4</b>
Staff costs	-3.2	-3.2	-2.1	-2.9	-2.5
Other administration expenses	-12.7	-15.4	-13.7	-13.3	-13.0
<b>Total operating expenses</b>	<b>-15.9</b>	<b>-18.6</b>	<b>-15.8</b>	<b>-16.2</b>	<b>-15.5</b>
<b>Profit before loan losses</b>	<b>28.5</b>	<b>28.9</b>	<b>25.9</b>	<b>46.7</b>	<b>33.9</b>
Loan losses, net	1.8	0.6	-0.3	1.9	3.2
<b>Operating profit</b>	<b>30.3</b>	<b>29.5</b>	<b>25.6</b>	<b>48.6</b>	<b>37.1</b>

## Market commentary

Retail mortgage volumes continued to grow during the first quarter and Länsförsäkringar strengthened the position in the retail mortgage market.

Prices for single-family homes in Sweden rose 1% during the first quarter. Prices continued to grow in all major cities. Länsförsäkringar Hypotek's loan portfolio has a good geographic spread.

The market for covered bonds in Sweden and Europe was strong during the first quarter with a high level of activity among issuers and robust demand. Meanwhile, weaker government finances in several European countries had an impact on financial markets, which created some uncertainty in the market.

## Growth and customer trend

Volumes continued to grow, amounting to SEK 70 billion (56) at March 31, 2010. The number of customers rose to 138,000 (119,000).

## First quarter of 2010 compared with first quarter of 2009

**Earnings and profitability**  
Profit before loan losses fell 16% to SEK 28 M (34) and operating profit declined 18% to SEK 30 M (37). The decline was attributable to low market interest rates and the fact that the year-earlier period was favourably impacted by a sharp fall in market interest rates. In addition, the duration of the borrowing portfolio was extended. The return on average shareholders' equity was 3.1% (4.5).

## Income

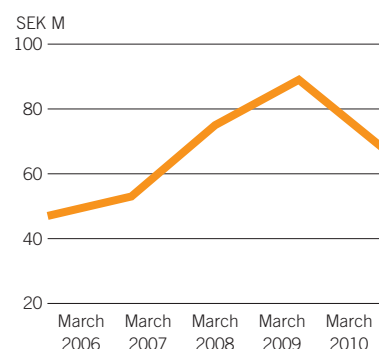
Operating income declined a total of SEK 5 M, or 10%, to SEK 44 M (49). Net interest income declined SEK 21 M, or 23%, to SEK 68 M (89) and the investment margin fell to 0.30% (0.52).

The low market interest rate scenario and the extension of the duration in the borrowing portfolio had an adverse effect on net interest income. Net interest income was charged with a provision totalling SEK 3 M (0) for stability fund fees. Net interest income was also impacted by costs for a higher liquidity reserve. Increased lending volumes strengthened the company's net interest income.

Commission expenses declined to SEK 28 M (62) due to lower margins, which explained the improved net commission of negative SEK 27 M (neg: 61).

Net profit from financial transactions declined to SEK 3 M (22) due to fewer existing customers switching from fixed interest loans to loans with floating interest rates.

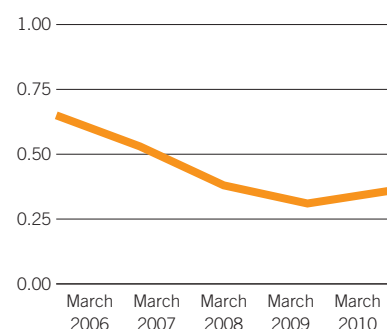
#### NET INTEREST INCOME



#### Expenses

Operating expenses remained unchanged at SEK 16 M (16). The cost/income ratio was 0.36 (0.31) before loan losses and 0.32 (0.25) after loan losses.

#### COST/INCOME RATIO



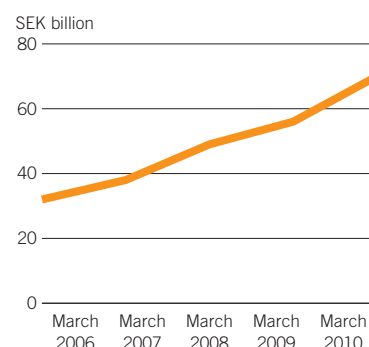
#### Loan losses

Loan losses amounted to positive SEK 2 M (3), net, since recoveries exceeded loan losses. Impaired loans amounted to SEK 5 M (1), corresponding to a share of impaired loans totalling 0.01% (0). For more information regarding impaired loans, provisions and loan losses, refer to notes 8 and 10.

#### Lending

Lending to the public rose SEK 14 billion, or 25%, to SEK 70 billion (56). The already favourable credit quality continued to strengthen further during the quarter. Länsförsäkringar's market share for retail mortgage lending to households amounted to 3.9% (3.4) on March 31, 2010, and the share of market growth during the first quarter was more than 7%.

#### LENDING



#### Cover pool

Essentially all of Länsförsäkringar Hypotek's lending qualifies to be included in the company's covered-bond operations, known as the cover pool, in accordance with the Swedish Covered Bonds Issuance Act (2003:1223). The term covered bonds refers to bonds with preferential rights to the sections of the issuing institution's assets that are approved by legislation (cover pool).

The average loan-to-value ratio (LTV) was 60% (58) and the average commitment per borrower SEK 801,000 (744,000). The current OC <sup>2)</sup> amounted to 14.6% (22.6). The quality of the loan portfolio remains high and has not been significantly affected by the performance of the real economy. The geographic distribution in Sweden is good and collateral comprises private homes, including single-family homes, tenant-owned apartments and, to a small extent, leisure homes.

Cover pool	March 31, 2010	March 31, 2009
Volume, SEK billion	68	54
Collateral	Private homes	Private homes
Weighted average LTV <sup>1)</sup> , %	60	58
Seasoning, months	51	50
Number of properties	85,069	73,704
Average commitment, SEK 000s	801	744
Average loan, SEK 000s	369	346
Interest-rate type, up to 12 months, %	69	53
Interest-rate type, more than 12 months, %	31	47
OC <sup>2)</sup> , minimum level, %	9	5
OC <sup>2)</sup> , current level, %	14.6	22.6
Separate deposit account <sup>3)</sup> , SEK billion	10.7	5.4
Percentage of separate deposit account in cover pool, %	11.4	8.9
Substitute collateral, SEK billion	15.0	0

<sup>1)</sup> According to the "Maximum LTV (loan-to-value) per property" calculation method

<sup>2)</sup> OC indicates the relationship 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.

<sup>3)</sup> The separate deposit account comprises cash and cash equivalents pertaining to the covered-bond operations that are deposited with the Parent Company.

During a stress test of the cover pool based on a 20% price drop in the market value of the loan portfolio, the average LTV amounted to 67% compared with an actual weighted average LTV of 60% on March 31, 2010.

#### Borrowing

Debt securities in issue rose SEK 24 billion, or 54%, to SEK 70 billion (46). In March, a successful international issue of EUR 1 billion was implemented to increase diversification in accordance with the funding strategy. A public issue was also implemented in March in the Swiss market. Newly issued covered bonds during the first quarter amounted to a nominal SEK 22.8 billion (6.6). Repurchased securities totalled a nominal SEK 3.0 billion (3.2) and matured securities amounted to a nominal SEK 4.0 billion (-).

#### Liquidity

Liquidity, which is managed for the entire Group by the Parent Company, remained favourable. On March 31, 2010, a total of SEK 10.7 billion (5.4) was deposited in the separate deposit account with the Parent

Programmes	Limit, Nominal	Issued in Jan-March 2010 Nom, SEK bn	Issued in Jan-March 2009, Nom, SEK bn	Remaining March 31, 2010 Nom, SEK bn	Remaining March 31, 2009 Nom, SEK bn	Remaining term March 31, 2010 Years	Remaining term March 31, 2009 Years
Benchmark	Unlimited	8.6	0.8	41.5	29.0	2.6	1.9
Medium Term Covered Note	SEK 20 billion	3.6	5.8	15.8	10.8	1.1	1.4
Euro Medium Term Covered Note	EUR 2 billion	10.6	-	12.0	6.0	4.7	1.8
<b>Total</b>		<b>22.8</b>	<b>6.6</b>	<b>69.3</b>	<b>45.8</b>		

#### Borrowing by maturity

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, billion	8.4	17.0	13.0	6.8	13.2	10.6	-	-	0.3	-	0.1	69.3

Company. Substitute collateral, which amounted to SEK 15.0 billion (0), exclusively comprises Swedish covered bonds with the highest rating. The level of substitute collateral matches the refinancing need for the remainder of the year in respect of bond maturities and to a significant percentage of expected growth.

#### Rating

Länsförsäkringar's covered bonds were assigned the highest credit rating, AAA, by Standard & Poor's and the highest credit rating, Aaa, by Moody's. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

Due to a previously announced new rating method from Standard & Poor's, Länsförsäkringar Hypotek's covered-bond programmes and those of essentially all international and Swedish issuers of covered-bonds were added to a watchlist and given negative forecasts.

The Parent Company's, Länsförsäkringar Bank, credit rating remains unchanged with a stable outlook. Länsförsäkringar Bank has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The bank's short-term rating from

Standard & Poor's is A-1. Moody's short-term rating is P-1 and Länsförsäkringar Bank's Financial Strength Rating is C.

#### Capital adequacy

Länsförsäkringar applies the Internal Ratings-based Approach (IRB Approach). The aim is to achieve enhanced transparency and valuation of risks to determine appropriate capital. The advanced risk-classification method 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. Changes in the capital requirement will emerge gradually through transition rules. According to the transition rules, the capital requirement is reduced to 80% of the Basel I rules through 2011, pursuant to the Swedish Financial Supervisory Authority's general guidelines for the continued application of transition rules for capital base requirements.

The Tier 1 ratio according to Basel II was 17.8% (20.6) and the capital adequacy ratio was 21.0% (26.3) on March 31, 2010. For more information on the calculation of capital adequacy, refer to note 13.

#### Interest-rate risk

On March 31, 2010, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 38 M (neg: 32).

#### 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 satisfactory during the first quarter of 2010. A detailed description of risks is available in the 2009 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

In April, the Swedish parliament approved the government's proposal to amend the Swedish Covered Bonds Issuance Act to permit receivers in bankruptcy to raise loans in order to maintain liquidity matching. This amendment will come into effect on June 1, 2010.

## Income statement

SEK M	Note	Q1 2010	Q1 2009	Change	Full-year 2009
Interest income	3	820.2	1,089.6		3,641.8
Interest expenses	4	-751.9	-1,000.5		-3 356.4
<b>Net interest income</b>		<b>68.3</b>	<b>89.1</b>	<b>-23.3%</b>	<b>285.4</b>
Commission income	5	0.5	0.5		2.0
Commission expense	6	-27.6	-62.0		-162.8
Net profit from financial transactions	7	3.2	21.8		76.8
Other operating income		0	0		0.1
<b>Total operating income</b>		<b>44.4</b>	<b>49.4</b>	<b>-10.1%</b>	<b>201.5</b>
Staff costs		-3.2	-2.5	28.0%	-10.7
Other administration expenses		-12.7	-13.0	-2.3%	-55.4
<b>Total operating expenses</b>		<b>-15.9</b>	<b>-15.5</b>	<b>2.6%</b>	<b>-66.1</b>
<b>Profit before loan losses</b>		<b>28.5</b>	<b>33.9</b>	<b>-15.9%</b>	<b>135.4</b>
Loan losses, net	8	1.8	3.2		5.4
<b>Operating profit</b>		<b>30.3</b>	<b>37.1</b>	<b>-18.3%</b>	<b>140.8</b>
Tax		-8.0	-9.8		-40.9
<b>Profit for the period</b>		<b>22.3</b>	<b>27.3</b>	<b>-18.2%</b>	<b>99.9</b>

## Statement of comprehensive income

SEK M	Q1 2010	Q1 2009	Change	Full-year 2009
<b>Profit for the period</b>	<b>22.3</b>	<b>27.3</b>	<b>-18.3%</b>	<b>99.9</b>
<b>Other comprehensive income</b>				
Change in fair value of available-for-sale financial assets	-7.1	-		14.3
Tax on available-for-sale financial assets	1.9	-		-3.8
<b>Total other comprehensive income/loss for the period, net after tax</b>	<b>-5.2</b>	<b>-</b>		<b>10.5</b>
<b>Total comprehensive income for the period</b>	<b>17.1</b>	<b>27.3</b>	<b>-37.4%</b>	<b>110.4</b>

## Balance sheet

SEK M	Note	March 31, 2010	March 31, 2009	December 31, 2009
<b>Assets</b>				
Lending to credit institutions	9	11,821.5	5,883.6	9,389.0
Lending to the public	10	70,474.1	56,425.9	67,535.9
Bonds and other interest-bearing securities		14,339.5	-	2,056.7
Derivatives	11	954.0	2,271.4	1,416.8
Fair value adjustment of interest-rate hedged items in portfolio hedge		654.5	1,168.5	706.6
Deferred tax assets		-	0	-
Other assets		0.6	693.2	0.1
Prepaid expenses and accrued income		1,137.6	852.9	644.9
<b>Total assets</b>		<b>99,381.8</b>	<b>67,295.5</b>	<b>81,750.0</b>
<b>Liabilities, provisions and shareholders' equity</b>				
Liabilities to credit institutions	9	22,009.8	14,300.6	20,476.2
Debt securities in issue		70,218.4	45,726.3	54,679.5
Derivatives	11	926.8	1,342.8	842.8
Fair value adjustment of interest-rate hedged items in portfolio hedge		851.6	1,155.3	754.0
Deferred tax liabilities		1.9	-	3.7
Other liabilities		134.1	146.3	127.6
Accrued expenses and deferred income		1,662.5	1,583.0	1,406.6
Provisions		0.2	0.2	0.2
Subordinated liabilities		575.0	662.6	575.0
<b>Total liabilities and provisions</b>		<b>96,380.3</b>	<b>64,917.1</b>	<b>78,865.6</b>
<b>Shareholders' equity</b>				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		5.3	-	10.5
Retained earnings		2,889.5	2,266.7	2,689.6
Profit for the period		22.3	27.3	99.9
<b>Total shareholders' equity</b>		<b>3,001.5</b>	<b>2,378.4</b>	<b>2,884.4</b>
<b>Total liabilities, provisions and shareholders' equity</b>		<b>99,381.8</b>	<b>67,295.5</b>	<b>81,750.0</b>
Memorandum items	12			
<b>Other notes</b>				
Accounting policies	1			
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## Cash-flow statement, indirect method

SEK M	Q1 2010	Q1 2009
<b>Cash and cash equivalents, January 1</b>	<b>146.9</b>	<b>0.3</b>
Cash flow from operating activities	-112.1	340.2
Cash flow from investing activities	-	-
Cash flow from financing activities	100.0	-
<b>Net cash flow for the period</b>	<b>-12.1</b>	<b>340.2</b>
Exchange-rate differences in cash and cash equivalents	-	-
<b>Cash and cash equivalents, March 31, 2010</b>	<b>134.8</b>	<b>340.5</b>

Cash and cash equivalents at the end of the period are defined as lending and liabilities to credit institutions payable on demand.

Changes to the cash flow from operating activities are largely attributable to lending to the public.

## Statement of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit/loss for the period	Total
<b>Opening balance, January 1, 2009</b>	<b>70.3</b>	<b>14.1</b>	<b>-</b>	<b>2,173.9</b>	<b>92.8</b>	<b>2,351.1</b>
Total comprehensive income for the period					27.3	27.3
Resolution by Annual General Meeting				92.8	-92.8	-
<b>Closing balance, March 31, 2009</b>	<b>70.3</b>	<b>14.1</b>	<b>-</b>	<b>2,266.7</b>	<b>27.3</b>	<b>2,378.4</b>
<b>Opening balance, April 1, 2009</b>	<b>70.3</b>	<b>14.1</b>	<b>-</b>	<b>2,266.7</b>	<b>27.3</b>	<b>2,378.4</b>
Total comprehensive income for the period			10.5		72.6	83.1
Group contribution paid				-155.6		-155.6
Tax on Group contribution paid				40.9		40.9
Conditional shareholders' contribution received				537.6		537.6
<b>Closing balance, December 31, 2009</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>
<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>
Total comprehensive income for the period			-5.2		22.3	17.1
Resolution by Annual General Meeting				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>

## Notes

### NOTE 1 ACCOUNTING POLICIES

The interim report for Länsförsäkringar Hypotek was prepared in accordance with IAS 34 Interim Financial Reporting. Länsförsäkringar Hypotek prepared its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528), the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25), and the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities.

The accounting policies applied in the interim report comply with the accounting policies that were applied in the preparation of the 2009 Annual Report.

### NOTE 2 SEGMENT REPORTING

The business of the company is viewed as a homogeneous segment.

### NOTE 3 INTEREST INCOME

SEK M	Q1 2010	Q1 2009	Change	Full-year 2009
Interest income on lending to credit institutions	18.7	39.4	-52.5%	74.1
Interest income on lending to the public	427.0	576.8	-26.0%	1,974.8
Interest income on interest-bearing securities	48.6	-		33.7
<i>Interest income on derivatives</i>				
Hedge accounting	325.8	456.7	-28.7%	1,520.2
Non-hedge accounting	0.1	16.7	-99.4%	39.0
Other interest income	-	0		-
<b>Total interest income</b>	<b>820.2</b>	<b>1,089.6</b>	<b>-24.7%</b>	<b>3,641.8</b>
of which interest income on impaired loans	0.5	0.7		3.9
of which interest income from financial items not valued at fair value	445.7	616.2		2,048.9
Average interest rate on lending to the public during the period, %	2.5	4.2		3.3

### NOTE 4 INTEREST EXPENSE

SEK M	Q1 2010	Q1 2009	Change	Full-year 2009
Interest expense on liabilities to credit institutions	19.0	95.5	-80.1%	180.9
Interest expense, interest-bearing securities	437.0	427.5	2.2%	1,625.1
Interest expense, subordinated liabilities	3.9	6.4	-39.1%	21.5
<i>Interest expense on derivatives</i>				
Hedge accounting	288.8	454.2	-36.4%	1,480.6
Non-hedge accounting	0.2	16.9	-98.8%	38.1
Other interest expense	3.0	0		10.2
<b>Total interest expense</b>	<b>751.9</b>	<b>1,000.5</b>	<b>-24.8%</b>	<b>3,356.4</b>
of which interest expense from financial items not measured at fair value	462.9	529.4		1,837.7

### NOTE 5 COMMISSION INCOME

SEK M	Q1 2010	Q1 2009	Change	Full-year 2009
Lending commission	0.5	0.5	0%	2.0
<b>Total commission income</b>	<b>0.5</b>	<b>0.5</b>	<b>0%</b>	<b>2.0</b>
of which commission income from financial items not measured at fair value	0.5	0.5		2.0

### NOTE 6 COMMISSION EXPENSE

SEK M	Q1 2010	Q1 2009	Change	Full-year 2009
Remuneration to regional insurance companies	27.0	61.6	-56.2%	161.3
Other commission	0.6	0.4	50.0%	1.5
<b>Total commission expense</b>	<b>27.6</b>	<b>62.0</b>	<b>-55.5%</b>	<b>162.8</b>
of which commission expense from financial items not measured at fair value	27.0	61.6		161.3



**NOTE 7 NET PROFIT/LOSS FROM FINANCIAL TRANSACTIONS**

SEK M	Q1 2010	Q1 2009	Change	Full-year 2009
<b>Change in fair value</b>				
Interest-related instruments	104.4	34.3		103.1
Currency-related instruments	-26.4	10.9		-5.3
Change in fair value of hedged item	-83.6	-39.0		-94.8
<b>Capital gain/loss</b>				
Interest-related instruments	-2.3	-3.0		-4.1
Interest compensation	11.1	18.6		77.9
<b>Total net profit/loss from financial transactions</b>	<b>3.2</b>	<b>21.8</b>	<b>-85.5%</b>	<b>76.8</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Q1 2010	Q1 2009	Change	Full-year 2009
<b>Specific reserve for individually assessed loan receivables</b>				
Write-off of confirmed loan losses during the period	0.3	-		2.6
Reversed earlier impairment of loan losses recognised in the interim accounts as confirmed losses	-	-		-0.2
Impairment of loan losses during the period	0.7	0.4		2.5
Payment received for prior confirmed loan losses	-1.1	-1.5		-5.1
Reversed impairment of loan losses no longer required	0	0		-1.6
<b>Net income/expense for the period for individually assessed loan receivables</b>	<b>-0.1</b>	<b>-1.1</b>	<b>-90.9%</b>	<b>-1.8</b>
<b>Collective reserves for individually assessed receivables</b>				
	-	-	-	-
<b>Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk</b>				
Provision/reversal of impairment of loan losses	-1.7	-2.1		-3.6
Net income/expense for the period for collectively assessed homogenous loan receivables	-1.7	-2.1	-19.0%	-3.6
<b>Net income/expense of loan losses for the period</b>	<b>-1.8</b>	<b>-3.2</b>	<b>-43.8%</b>	<b>-5.4</b>

All information pertains to receivables from the public.

**NOTE 9 LENDING/LIABILITIES TO CREDIT INSTITUTIONS**

Lending to credit institutions includes deposits of SEK 10,671.6 M (5,543.1) in the Parent Company.

Lending to credit institutions includes borrowing of SEK 21,618.5 M (14,801.4) from the Parent Company.

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

**NOTE 10 LENDING TO THE PUBLIC**

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	March 31, 2010	March 31, 2009	December 31, 2009
<b>Loan receivables, gross</b>			
Corporate sector	1,101.7	464.5	936.7
Retail sector	69,412.9	56,002.0	66,640.8
<b>Total loan receivables, gross</b>	<b>70,514.6</b>	<b>56,466.5</b>	<b>67,577.5</b>
<b>Impairment of individually reserved loan receivables</b>			
Retail sector	-1.6	-0.2	-1.0
<b>Total individual reserves</b>	<b>-1.6</b>	<b>-0.2</b>	<b>-1.0</b>
<b>Impairment of collectively reserved loan receivables</b>			
Corporate sector	-0.8	-0.4	-0.7
Retail sector	-38.1	-40.0	-39.9
<b>Total collective reserves</b>	<b>-38.9</b>	<b>-40.4</b>	<b>-40.6</b>
<b>Total provisions</b>	<b>-40.5</b>	<b>-40.6</b>	<b>-41.6</b>
<b>Loan receivables, net</b>			
Corporate sector	1,100.9	464.1	936.0
Retail sector	69,373.2	55,961.8	66,599.9
<b>Total loan receivables, net</b>	<b>70,474.1</b>	<b>56,425.9</b>	<b>67,535.9</b>
<b>Impaired loans</b>			
Retail sector	4.8	1.4	3.4
<b>Total impaired loans</b>	<b>4.8</b>	<b>1.4</b>	<b>3.4</b>

**Definitions:**

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

**NOTE 11 DERIVATIVES**

SEK M	March 31, 2010		March 31, 2009		December 31, 2009	
	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	41,172.5	911.2	31,197.5	1,185.8	37,814.5	814.6
Currency	1,394.4	342.9	1,394.4	423.1	1,394.4	332.4
<i>Other derivatives</i>						
Interest	-	-	775.0	23.8	-	-
Currency	-	-	3,626.5	754.2	3,267.6	427.6
Collateral received, CSA	-	-300.1	-	-115.5	-	-157.8
<b>Total derivatives with positive values</b>	<b>42,566.9</b>	<b>954.0</b>	<b>36,993.4</b>	<b>2,271.4</b>	<b>42,476.5</b>	<b>1,416.8</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	32,741.0	825.1	25,580.0	1,301.1	22,500.0	831.9
Currency	10,577.1	101.7	-	-	-	-
<i>Other derivatives</i>						
Interest	-	-	775.0	23.8	-	-
Currency	-	-	91.7	17.9	91.7	10.9
<b>Total derivatives with negative values</b>	<b>43,318.1</b>	<b>926.8</b>	<b>26,446.7</b>	<b>1,342.8</b>	<b>22,591.7</b>	<b>842.8</b>

**NOTE 12 MEMORANDUM ITEMS**

SEK M	March 31, 2010	March 31, 2009	December 31, 2009
<b>For own liabilities, pledged assets/collateral</b>			
Collateral pledged due to repurchase agreement	11,004.6	3,691.1	10,076.9
Loan receivables, covered bonds	67,661.1	54,462.9	65,111.6
<b>Total for own liabilities, pledged assets/collateral</b>	<b>78,665.7</b>	<b>58,154.0</b>	<b>75,188.5</b>
<b>Other pledged assets/collateral</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>
<b>Contingent liabilities</b>			
Early retirement at age 62 in accordance with pension agreement	0.7	0.7	0.7
<b>Commitments</b>			
Loans approved but not disbursed	296.2	279.6	221.9

**NOTE 13 CAPITAL-ADEQUACY ANALYSIS**

SEK M	March 31, 2010	March 31, 2009	December 31, 2009
Tier 1 capital, gross	2,973.8	2,351.0	2,873.9
Less IRB deficit	-40.8	-25.0	-37.4
<b>Tier 1 capital, net</b>	<b>2,933.0</b>	<b>2,326.0</b>	<b>2,836.5</b>
Tier 2 capital	569.0	662.6	575.0
Deductions for Tier 2 capital	-40.8	-25.0	-37.4
<b>Total capital base</b>	<b>3,461.2</b>	<b>2,963.6</b>	<b>3,374.1</b>
<b>Risk-weighted assets according to Basel II</b>	<b>16,457.4</b>	<b>11,282.1</b>	<b>13,962.5</b>
<b>Risk-weighted assets according to transition rules</b>	<b>34,326.6</b>	<b>26,663.0</b>	<b>31,598.8</b>
<b>Capital requirement for credit risk</b>			
Capital requirement for credit risk according to Standardised Approach	254.9	112.9	145.4
Capital requirement for credit risk according to IRB Approach	1,041.5	773.8	955.8
Capital requirement for operational risk	20.2	15.8	15.8
<b>Capital requirement</b>	<b>1,316.6</b>	<b>902.5</b>	<b>1,117.0</b>
Adjustment according to transition rules	1,429.5	1,230.5	1,410.9
<b>Total capital requirement</b>	<b>2,746.1</b>	<b>2,133.0</b>	<b>2,527.9</b>
Tier 1 ratio according to Basel II, %	17.82	20.62	20.31
Capital-adequacy ratio according to Basel II, %	21.03	26.27	24.16
Own funds in relation to capital requirement according to Basel II, %	2.63	3.28	3.02
Tier 1 ratio according to transition rules, %	8.54	8.72	8.98
Capital-adequacy ratio according to transition rules, %	10.08	11.12	10.68
Own funds in relation to capital requirement according to transition rules	1.26	1.39	1.33
<b>Special disclosures</b>			
<b>IRB provisions surplus (+)/deficit (-)</b>	<b>-90.6</b>	<b>-50.0</b>	<b>-74.8</b>
IRB Total provisions (+)	38.8	40.0	39.1
IRB Anticipated loss (-)	-129.4	-90.0	-113.9
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	60.7	43.5	28.5
Exposures to corporates	15.9	6.4	12.5
Exposures secured on residential property	59.1	60.0	85.3
Past due items	-	0.5	0.6
Covered bonds	117.7	-	16.9
Other items	1.5	2.5	1.6
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>254.9</b>	<b>112.9</b>	<b>145.4</b>

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

SEK M	March 31, 2010	March 31, 2009	December 31, 2009
<b>Credit risk according to IRB Approach</b>			
<b>Retail exposures</b>			
Exposures secured by real estate collateral	975.9	770.0	953.4
Other retail exposures	2.3	3.8	2.4
<b>Total retail exposures</b>	<b>978.2</b>	<b>773.8</b>	<b>955.8</b>
<b>Exposures to corporates</b>	<b>63.3</b>	<b>-</b>	<b>-</b>
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,041.5</b>	<b>773.8</b>	<b>955.8</b>
<b>Operational risk</b>			
Standardised Approach	20.2	15.8	15.8
<b>Total capital requirement for operational risk</b>	<b>20.2</b>	<b>15.8</b>	<b>15.8</b>
<b>Capital-adequacy analysis according to Basel I</b>			
Tier 1 capital	2,973.9	2,351.1	2,873.9
Tier 2 capital	569.0	662.6	575.0
<b>Total capital base</b>	<b>3,542.9</b>	<b>3,013.7</b>	<b>3,448.9</b>
Risk-weighted assets	44,183.7	34,109.6	40,667.2
Capital requirement for credit risk	3,534.7	2,728.8	3,253.4
Tier 1 ratio	6.73	6.89	7.07
Capital-adequacy ratio	8.02	8.84	8.48
Capital ratio	1.00	1.10	1.06

Capital ratio = total own funds/total capital requirement

In addition to the Parent Company Länsförsäkringar Bank AB publ (556401-9878), 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 14 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS**

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

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

This interim report is unaudited.

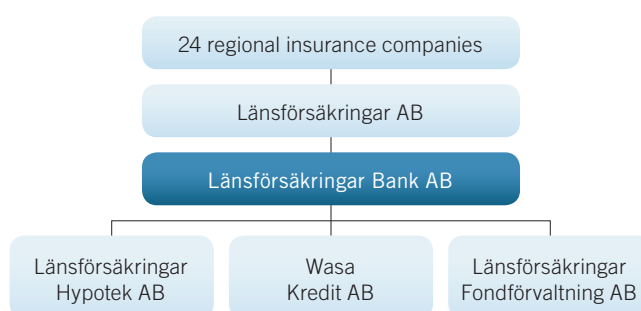
Stockholm, April 27, 2010

Anders Borgcrantz  
President

## Financial calendar

Interim report, January – June ..... **August 24, 2010**

Interim report, January – September..... **October 26, 2010**



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 3.3 million and the Länsförsäkringar Alliance has a joint total of 5,800 employees.

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