# Länsförsäkringar Bank
# January–March 2011

INTERIM REPORT

## The period in brief, Group

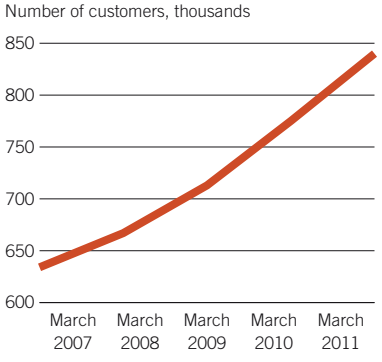
- Operating profit increased 38% to SEK 94 M (68).
- Net interest income rose 35% to SEK 391 M (290).
- Loan losses remained low and amounted to SEK 12 M (18), net, corresponding to a loan loss of 0.04% (0.07).
- Business volumes rose 12% to SEK 237 billion (211).
- The Tier 1 ratio according to Basel II was 11.8% (11.6) and the capital adequacy ratio was 13.5% (13.5).
- The number of customers rose 8% to 840,000 (775,000) and the number of bank cards increased 18% to 276,000 (234,000).
- The number of customers with Länsförsäkringar as their primary bank increased 16% to 232,000 (200,000) and the number of products per customer is increasing.

Figures in parentheses pertain to the same period in 2010.

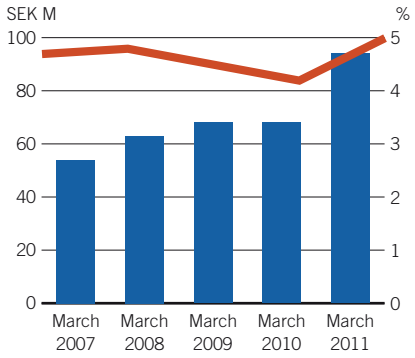
**Anders Borgcrantz, President of Länsförsäkringar Bank:**

*"The bank is continuing to grow in all areas, even though market growth is declining. Focus is intensifying on the different forms of savings and the products have been developing well. We are strengthening our position in agricultural loans and hold a market share of nearly 8%. The number of customers is increasing and more customers are choosing Länsförsäkringar as their primary bank. Net interest income is increasing due to such reasons as rising market interest rates, and profitability is strengthening. Growth in loans is healthy and credit quality remained very high with low loan losses and a low percentage of impaired loans."*

**CUSTOMER TREND**




**OPERATING PROFIT AND RETURN ON EQUITY**



## Key figures

| Group | Q 1 2011 | Q 1 2010 | Full-year 2010 |
|---|---|---|---|
| Return on equity, % | 5.0 | 4.2 | 4.9 |
| Return on total capital, % | 0.25 | 0.19 | 0.24 |
| Investment margin, % | 1.04 | 0.83 | 0.93 |
| Cost/income ratio before loan losses | 0.69 | 0.73 | 0.71 |
| Cost/income ratio after loan losses | 0.73 | 0.79 | 0.75 |
| Tier 1 ratio according to Basel II, % | 11.8 | 11.6 | 11.8 |
| Capital adequacy ratio according to Basel II, % | 13.5 | 13.5 | 13.5 |
| Percentage of impaired loans, % | 0.19 | 0.22 | 0.17 |
| Reserve ratio in relation to loans, % | 0.25 | 0.31 | 0.24 |
| Loan losses, % | 0.04 | 0.07 | 0.05 |

## Income statement, quarterly

| Group, SEK M | Q 1 2011 | Q 4 2010 | Q 3 2010 | Q 2 2010 | Q 1 2010 |
|---|---|---|---|---|---|
| Net interest income | 391.0 | 389.6 | 358.8 | 324.1 | 290.3 |
| Net commission expense | –96.3 | –63.0 | –56.8 | –24.9 | –10.7 |
| Net gains / losses from financial items | 0 | –0.4 | 10.4 | –3.6 | 3.6 |
| Other operating income | 46.9 | 42.2 | 42.7 | 46.9 | 37.4 |
| **Total operating income** | **341.6** | **368.4** | **355.1** | **342.5** | **320.7** |
| Staff costs | –89.3 | –78.0 | –72.0 | –83.5 | –77.9 |
| Other expenses | –146.4 | –183.4 | –162.2 | –167.4 | –156.8 |
| **Total operating expenses** | **–235.6** | **–261.4** | **–234.2** | **–250.9** | **–234.7** |
| **Profit before loan losses** | **106.0** | **107.0** | **120.9** | **91.6** | **86.0** |
| Loan losses, net | –12.1 | –10.1 | –18.5 | –13.3 | –18.2 |
| **Operating profit** | **93.9** | **96.9** | **102.4** | **78.3** | **67.8** |

### Market commentary

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

Deposits from households fell 0.1% during the first two months of the year in total, compared with December 31, 2010, according to data from Statistics Sweden. Savings in monetary-market funds and mixed funds rose during the quarter, while savings in equity funds declined.

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

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

#### Growth and customer trend

Business volumes rose 12%, or SEK 26 billion, to SEK 237 billion (211) and the number of customers increased 8% or 65,000 to 840,000 (775,000). The number of customers who have Länsförsäkringar as their primary bank rose 16%, or 32,000, to 232,000 (200,000) and of these customers, 93% (92) also have insurance and/or a pension with Länsförsäkringar. The number of products per customer is rising. The number of cards increased 18%, or 42,000, to 276,000 (234,000).

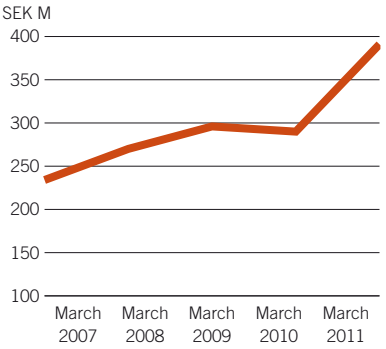
#### Earnings and profitability

Profit before loan losses rose 23% to SEK 106 M (86) and operating profit increased 38% to SEK 94 M (68), due to higher net interest income. Return on equity strengthened to 5.0% (4.2).

## Income

Operating income rose a total of 6% to SEK 342 M (321), due to higher net interest income. The increase in net interest income was attributable to strengthened margins, increased business volumes and higher return on equity. Net interest income rose 35% to SEK 391 M (290). The investment margin strengthened to 1.04% (0.84). Net interest income was charged with SEK 12 M (6) for fees to the stability fund and SEK 7 M (4) for mandatory government deposit insurance. Commission income increased 8% to SEK 231 M (214) due to higher mutual fund and bank card volumes. Commission expense rose 45% to SEK 327 M (225) attributable to higher business volumes and strengthened margins, which led to increased compensation to the regional insurance companies.

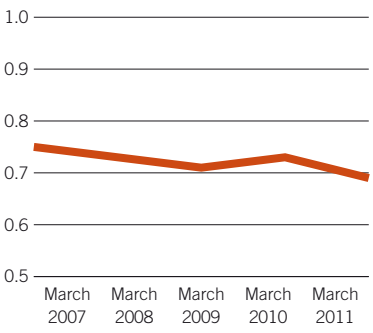
**NET INTEREST INCOME**




## Expenses

Operating expenses remained nearly unchanged at SEK 236 M (235). The cost/income ratio strengthened to 0.69 (0.73) before loan losses and to 0.73 (0.79) after loan losses.

**COST/INCOME RATIO**




## Loan losses

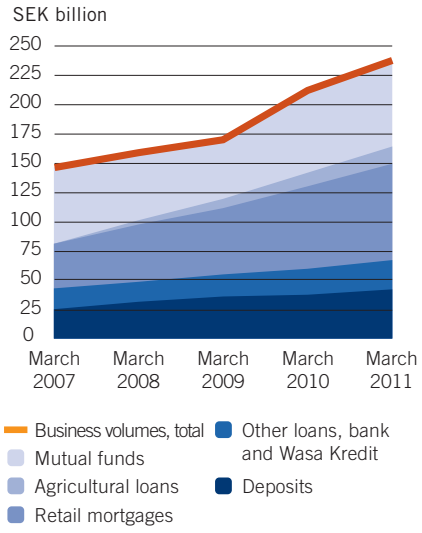
Loan losses remained low and amounted to SEK 12 M (18), net, corresponding to a loan loss of 0.04% (0.07). Reserves amounted to SEK 301 M (328) and the reserve ratio in relation to loans was 0.25% (0.31). The lower reserves and impaired loans are mainly due to the higher credit quality of Wasa Kredit's loan portfolio. Impaired loans fell to SEK 228 M (233), corresponding to a percentage of impaired loans of 0.19% (0.22). For more information regarding loan losses, reserves and impaired loans, refer to Notes 8 and 9.

## Business volumes

Business volumes increased 12%, or SEK 26 billion, to SEK 237 billion (211). Loans to the public rose 17%, or SEK 18 billion, to SEK 122 billion (104). Retail mortgages in Länsförsäkringar Hypotek increased 16%, or SEK 12 billion, to SEK 82 billion (70). Deposits from the public rose 12%, or SEK 5 billion, to SEK 42 billion (37). The volume of managed funds increased 5% or SEK 3 billion to SEK 73 billion (70).

Banking services for small businesses is an offering that has been gradually launched and volumes, which are currently small, are growing at a stable rate concerning mainly deposits.

**BUSINESS VOLUMES**




## Savings

Deposits from the public rose 12%, or SEK 5 billion, to SEK 42 billion (37), with the increase primarily attributable to fixed-interest and private accounts. Länsförsäkringar continues to hold a stable and growing position in deposits for the first two months of 2011, according to data from Statistics Sweden.

Fund volumes rose 5% to SEK 73 billion (70) and the number of fund savers rose sharply during the period. The IPS service, Individual Pension Savings, continued to perform favourably.

## Loans

Loans to the public rose 17%, or SEK 18 billion, to SEK 122 billion (104). Retail mortgages in Länsförsäkringar Hypotek increased 16%, or SEK 12 billion, to SEK 82 billion (70). All lending exposure occurred in Sweden and in SEK. The market share for household and retail mortgages in Sweden increased to 4.4% (4.1) on February 28, 2011 and the share of market growth for the period was nearly 12%, according to data from Statistics Sweden. Länsförsäkringar strengthened its position among mortgage lenders. First-lien mortgage for agricultural properties rose 37% to SEK 11.7 billion (8.6) and agricultural lending increased 27% to a total of SEK 14.7 billion (11.6). The market share is nearly 8% (7), according to statistics from Lantbruksbarometern, making Länsförsäkringar the fourth largest agricultural bank.

The loan portfolio, totalling SEK 122 billion (104), had a robust geographic distribution and maintained a high level of quality. A total of 81% (84) of the portfolio comprised household credits. Most of the total portfolio, 74% (75) pertained to retail mortgages, of which 81% (81) comprised collateral in single-family homes and 19% (19) tenant-owned apartments. Agricultural lending accounted for 12% (11) of the loan portfolio and the average agricultural commitment was low. First-lien mortgages, mainly to family-owned agricultural properties, accounted for 80% (74) of agricultural loans.

## Borrowing

Debt securities in issue rose 23%, or SEK 18 billion, to SEK 94 billion (76), of which covered bonds increased to SEK 82 billion (70). During the period a nominal of SEK 15.5 billion (25.7) were issued, of which a corresponding nominal SEK – billion (10.6) was issued in the international market.

The Bank Group's long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Covered bonds in a nominal amount of SEK 8.6 billion (22.8) were issued during the period. Repurchased covered bonds totalled a nominal SEK 4.6 billion (3.0) and matured covered bonds amounted to a nominal SEK 1.0 billion (4.0).

Financing of a nominal SEK 6.9 billion (3.0) also took place through Länsförsäkringar Bank, of which a nominal SEK 2.4 billion (-) under the MTN programme, a nominal SEK 3.4 billion (3.0) under the DCP programme and a nominal SEK 1.1 billion (-) under the ECP programme.

The maturity structure of the Bank Group's borrowing is highly diversified and was extended during the period.

## Liquidity

The liquidity reserve totalled a nominal SEK 22.5 billion (35.2) on March 31, 2011. All liquidity is invested in Swedish securities with very high credit quality. A total of 81% (82) of the liquidity reserve comprises Swedish covered bonds with the highest credit rating, 19% (16) securities with the Swedish government as the counterparty and 0% (6) mortgage certificates, commercial papers and housing bonds. The liquidity of the investments is very high.

## Rating

The credit ratings are unchanged, with a stable outlook from both Standard & Poor's and Moody's. Länsförsäkringar Hypotek's covered bonds have the highest rating, Aaa, from Moody's and the highest credit rating, AAA, 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/stable | P1 |
| Länsförsäkringar Hypotek [1] | Standard & poor's | AAA | A–1+ |
| Länsförsäkringar Hypotek [1] | Moody's | Aaa | – |

[1] Pertains to the company's covered bonds.

## Capital adequacy

The Bank Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The basic IRB Approach is used for agricultural exposures. The Standardised Approach is applied to other exposures to calculate the capital requirement for credit risk. The transition rules from Basel I to Basel II have been extended through 2011 and entail a capital requirement of 80%.

The capital base amounted to SEK 6,140 M (5,472) and the capital adequacy ratio according to Basel II was 13.5% (13.5). Tier 1 capital strengthened to SEK 5,401 M (4,673) net, and the Tier 1 ratio according to Basel II totalled 11.8% (11.6). The target level for Tier 1 ratio is 12 percentage points when Basel II is fully implemented. The target level for the Tier 1 ratio is permitted to vary +/- 0.5 percentage points. For more information on the calculation of capital adequacy, refer to Note 12.

## Interest-rate risk

On March 31, 2011, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 56 M (44).

## Risks and uncertainties

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

| Borrowing programmes | Limit, Nominal | Issued in Jan-March 2011, Nominal, SEK billion | Issued in Jan-March 2010, Nominal, SEK billion | Outstanding, March 31, 2011, Nominal, SEK billion | Outstanding, March 31, 2010, Nominal, SEK billion | Remaining average term, March 31, 2011, years | Remaining average term, March 31, 2010, years |
|---|---|---|---|---|---|---|---|
| **Länsförsäkringar Bank** | | | | | | | |
| Medium Term Note | SEK 20 billion | 2.4 | – | 7.7 | 0 | 2.0 | 0.3 |
| Domestic Commercial Paper | SEK 15 billion | 3.4 | 3.0 | 2.8 | 5.9 | 0.2 | 0.2 |
| Euro Commercial Paper | EUR 1.5 billion | 1.1 | – | 0.8 | – | 0.1 | – |
| Euro Medium Term Note | EUR 2 billion | – | – | – | – | – | – |
| **Total** | | **6.9** | **3.0** | **11.3** | **5.9** | **1.4** | **0.2** |
| **Länsförsäkringar Hypotek** | | | | | | | |
| Benchmark | Unlimited | 5.6 | 8.6 | 55.0 | 41.5 | 2.9 | 2.6 |
| Medium Term Covered Note | SEK 30 billion | 3.0 | 3.6 | 15.4 | 15.8 | 1.1 | 1.1 |
| Euro Medium Term Covered Note | EUR 4 billion | – | 10.6 | 11.5 | 12.0 | 3.9 | 4.7 |
| **Total** | | **8.6** | **22.8** | **81.9** | **69.3** | **2.7** | **2.6** |
| **Group total** | | **15.5** | **25.8** | **93.2** | **75.2** | **2.5** | **2.4** |

**Borrowing by maturity**

| Years | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Totalt |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Nominal, billion | 14.1 | 19.8 | 15.3 | 17.4 | 12.4 | 13.8 | – | 0.3 | – | 0.1 | 93.2 |

# Parent Company

Customer 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 18%, or SEK 5 billion, to SEK 29 billion (24). Deposits from the public rose 12%, or SEK 5 billion, to SEK 42 billion (37). Debt securities in issue increased 87%, or SEK 5 billion, to SEK 11 billion (6).

Operating loss totalled SEK 11 M (9). Net interest income was strengthened by higher business volumes and improved margins in deposits and rose 33% to SEK 155 M (117). Net interest income was charged with SEK 5 M (3) for fees to the stability fund and SEK 7 M (4) for mandatory government deposit insurance. Operating income fell 16% to SEK 101 M (120) attributable to higher compensation to the regional insurance companies. Commission income increased 4% to SEK 44 M (42) due to higher bank card volumes. Commission expense rose 56% to SEK 150 M (96) attributable to increased compensation to the regional insurance companies, resulting in net commission expense of SEK 107 M (54). Operating expenses declined 11% to SEK 110 M (124). Loan losses, net, remained low and amounted to SEK 2 M (5).

# Subsidiaries

### Länsförsäkringar Hypotek

Retail mortgages in the bank's mortgage institution increased 16%, or SEK 12 billion, to SEK 82 billion (70). Retail mortgages up to 75% of the market value of the collateral are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit rose to SEK 45 M (30), attributable to a higher net interest income. Recoveries exceeded loan losses, amounting to SEK 1 M (2), net, corresponding to loan losses of -0.01% (-0.01). The number of retail mortgage customers rose to 152,000 (138,000).

| SEK M | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Total assets | 105,551 | 99,382 |
| Lending volume | 82,034 | 70,474 |
| Net interest income | 125 | 68 |
| Operating profit | 45 | 30 |

### Wasa Kredit

The lending volume rose 18% to SEK 11.0 billion (9.3) primarily due to higher leasing volumes. Operating profit rose 29% to SEK 34 M (27). Net interest income rose 5% to SEK 110 M (105). Expenses increased 8% to SEK 90 M (83) and loan losses declined to SEK 14 M (15), net.

| SEK M | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Total assets | 11,385 | 9,833 |
| Lending volume | 11,001 | 9,304 |
| Net interest income | 110 | 105 |
| Operating profit | 34 | 27 |

### Länsförsäkringar Fondförvaltning

The volume of managed funds rose 5%, or SEK 3 billion, to SEK 73 billion (70), primarily attributable to the value growth trend. The company manages 33 (30) investment funds with different investment orientations. The funds are available as direct fund savings, IPS and unit-linked insurance and through the PPM system, Premium Pension. All fund managers are continuously evaluated to ensure that they meet return targets, and those that do not achieve these targets are replaced. Operating profit rose to SEK 23 M (19).

| SEK M | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Total assets | 184 | 225 |
| Assets under management | 73,209 | 69,797 |
| Net flow | 2 | 1 |
| Net commission expense | 66 | 63 |
| Operating profit | 23 | 19 |

## Income statement – Group

| SEK M | Note | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|---|
| Interest income | 3 | 2,004.3 | 1,186.4 | | 5,634.4 |
| Interest expense | 4 | –1,613.3 | –896.1 | | –4,271.6 |
| **Net interest income** | | **391.0** | **290.3** | **35%** | **1,362.8** |
| Dividends received | | – | 0.1 | | 0.2 |
| Commission income | 5 | 230.8 | 214.5 | 8% | 918.8 |
| Commission expense | 6 | –327.1 | –225.1 | –45% | –1,073.7 |
| Net gains from financial items | 7 | 0 | 3.6 | | 10.0 |
| Other operating income | | 46.9 | 37.3 | | 168.8 |
| **Total operating income** | | **341.6** | **320.7** | **6%** | **1,386.9** |
| Staff costs | | –89.3 | –77.9 | 15% | –311.4 |
| Other administration expenses | | –126.6 | –137.9 | –8% | –587.8 |
| **Total administration expenses** | | **–215.8** | **–215.8** | **0%** | **–899.2** |
| Depreciation / amortisation and impairment of property and equipment / intangible assets | | –19.8 | –18.9 | 5% | –82.3 |
| **Total operating expenses** | | **–235.6** | **–234.7** | **0%** | **–981.5** |
| **Profit before loan losses** | | **106.0** | **86.0** | **23%** | **405.4** |
| Loan losses, net | 8 | –12.1 | –18.2 | –34% | –60.1 |
| **Operating profit** | | **93.9** | **67.8** | **38%** | **345.3** |
| Tax | | –24.7 | –17.8 | | –100.0 |
| **Profit for the period** | | **69.2** | **50.0** | **38%** | **245.3** |

## Statement of comprehensive income – Group

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| **Profit for the period** | **69.2** | **50.0** | **38%** | **245.3** |
| **Other comprehensive income** | | | | |
| *Available-for-sale financial assets* | | | | |
| Change in fair value | 83.7 | –8.0 | | 28.8 |
| Tax | –22.0 | 2.1 | | –7.6 |
| **Other comprehensive income for the period, net after tax** | **61.7** | **–5.9** | | **21.2** |
| **Total comprehensive income for the period** | **130.9** | **44.1** | **197%** | **266.5** |

# Balance sheet – Group

| SEK M | Note | March 31, 2011 | Dec 31, 2010 | March 31, 2010 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | | 69.2 | 84.8 | 72.1 |
| Treasury bills and other eligible bills | | 3,870.1 | 4,170.0 | 3,299.8 |
| Loans to credit institutions | | 738.2 | 1,529.8 | 2,465.8 |
| Loans to the public | 9 | 121,552.6 | 117,910.2 | 103,941.4 |
| Bonds and other interest-bearing securities | | 21,954.7 | 21,203.3 | 32,308.9 |
| Shares and participations | | 10.4 | 10.4 | 10.4 |
| Derivatives | 10 | 1,190.9 | 1,041.9 | 962.9 |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge | | –147.1 | 140.6 | 708.3 |
| Intangible assets | | 374.6 | 372.7 | 323.0 |
| Property and equipment | | 12.1 | 13.1 | 16.7 |
| Deferred tax assets | | 3.1 | 3.1 | 2.2 |
| Other assets | | 287.1 | 254.4 | 416.9 |
| Prepaid expenses and accrued income | | 1,660.4 | 1,799.5 | 1,759.6 |
| **Total assets** | | **151,576.3** | **148,533.8** | **146,288.0** |
| **Liabilities and equity** | | | | |
| Liabilities to credit institutions | | 4,006.1 | 5,212.3 | 21,158.1 |
| Deposits and borrowing from the public | | 41,906.7 | 41,590.1 | 37,338.1 |
| Debt securities in issue | | 93,721.8 | 89,248.0 | 76,250.6 |
| Derivatives | 10 | 2,690.7 | 2,093.6 | 1,239.6 |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge | | –1,281.8 | –392.4 | 859.8 |
| Deferred tax liabilities | | 94.9 | 72.9 | 81.0 |
| Other liabilities | | 327.9 | 780.6 | 584.1 |
| Accrued expenses and deferred income | | 2,957.0 | 3,130.9 | 2,570.9 |
| Provisions | | 17.0 | 18.9 | 17.5 |
| Subordinated liabilities | | 1,250.0 | 1,250.0 | 1,250.0 |
| **Total liabilities** | | **145,690.5** | **143,004.9** | **141,349.7** |
| **Equity** | | | | |
| Share capital, 9,548,708 shares | | 954.9 | 954.9 | 954.9 |
| Other capital contributed | | 4,453.5 | 4,227.5 | 3,577.5 |
| Reserves | | 107.0 | 45.3 | 18.2 |
| Retained earnings | | 301.2 | 55.9 | 337.7 |
| Profit for the period | | 69.2 | 245.3 | 50.0 |
| **Total equity** | | **5,885.8** | **5,528.9** | **4,938.3** |
| **Total liabilities and equity** | | **151,576.3** | **148,533.8** | **146,288.0** |
| **Pledged assets, contingent liabilities and commitments** | **11** | | | |
| **Other notes** | | | | |
| Accounting policies | 1 | | | |
| Segment reporting | 2 | | | |
| Capital-adequacy analysis | 12 | | | |
| Disclosures on related parties | 13 | | | |

## Cash-flow statement in summary, indirect method – Group

| SEK M | Q 1 2011 | Q 1 2010 |
|---|---|---|
| **Cash and cash equivalents, January 1** | **1,182.7** | **2,924.7** |
| Cash flow from operating activities | –590.6 | –1,896.0 |
| Cash flow from investing activities | –20.6 | –10.7 |
| Cash flow from financing activities | –156.4 | 200.0 |
| **Cash flow for the year** | **–767.6** | **–1,706.7** |
| Exchange rate differences in cash and cash equivalents | – | – |
| **Cash and cash equivalents, March 31** | **415.1** | **1,218.0** |

Cash and cash equivalents is defined as cash and balances at central banks, lending and due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.
Changes to the cash flow from operating activities are largely attributable to debt securities in issue SEK 4,632.6 M (14,816.9), bonds and interest-bearing securities SEK -910.6 M (-9,551.3) as well as loans to the public SEK -3,658.0 M (-4,379.7).

Changes to the cash flow from financing activities are attributable to shareholders´ contributions received SEK 226.0 M (200.0) and Group contributions paid SEK -382.4 M (-).

## Statement of changes in shareholders' equity – Group

| SEK M | Share capital | Other capital contributed | Reserves | Retained earnings | Profit for the year | Total |
|---|---|---|---|---|---|---|
| **Opening balance, January 1, 2010** | **954.9** | **3,377.5** | **24.1** | **159.9** | **177.8** | **4,694.2** |
| Profit for the period | | | | | 50.0 | 50.0 |
| Other comprehensive income for the period | | | –5.9 | | | –5.9 |
| *Comprehensive income for the period* | | | *–5.9* | | *50.0* | *44.1* |
| According to the Board's proposal | | | | 177.8 | –177.8 | – |
| Conditional shareholders' contribution received | | 200.0 | | | | 200.0 |
| **Closing balance, March 31, 2010** | **954.9** | **3,577.5** | **18.2** | **337.7** | **50.0** | **4,938.3** |
| | | | | | | |
| **Opening balance, April 1, 2010** | **954.9** | **3,577.5** | **18.2** | **337.7** | **50.0** | **4,938.3** |
| Profit for the period | | | | | 195.3 | 195.3 |
| Other comprehensive income for the period | | | 27.1 | | | 27.1 |
| *Comprehensive income for the year* | | | *27.1* | | *195,3* | *222.4* |
| Conditional shareholders' contribution received | | 650.0 | | | | 650.0 |
| Group contribution paid | | | | –382.4 | | –382.4 |
| Tax on Group contribution paid | | | | 100.6 | | 100.6 |
| **Closing balance, December 31, 2010** | **954.9** | **4,227.5** | **45.3** | **55.9** | **245.3** | **5,528.9** |
| | | | | | | |
| **Opening balance, January 1, 2011** | **954.9** | **4,227.5** | **45.3** | **55.9** | **245.3** | **5,528.9** |
| Profit for the period | | | | | 69.2 | 69.2 |
| Other comprehensive income for the period | | | 61.7 | | | 61.7 |
| *Comprehensive income for the period* | | | *61.7* | | *69.2* | *130.9* |
| According to the Board's proposal | | | | 245.3 | –245.3 | – |
| Conditional shareholders' contribution received | | 226.0 | | | | 226.0 |
| **Closing balance, March 31, 2011** | **954.9** | **4,453.5** | **107.0** | **301.2** | **69.2** | **5,885.8** |

# 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 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. In other respects, the interim report for the Group was prepared according to the same accounting policies and calculation methods as those applied in the 2010 Annual Report.

### NOTE 2 SEGMENT REPORTING

| SEK M<br>Income statement, Q1 2011 | Banking operations | Mortgage institution | Finance company | Mutual funds | Eliminations / Adjustments | Total |
|---|---|---|---|---|---|---|
| Net interest income | 155.4 | 124.5 | 110.4 | 0.7 | – | 391.0 |
| Net commission | –106.9 | –63.2 | 8.8 | 64.2 | 0.8 | –96.3 |
| Net gains from financial items | 2.0 | –2.0 | 0 | – | – | 0 |
| Intra-Group income | 19.9 | – | 1.1 | – | –21.1 | – |
| Other income | 31.0 | – | 13.8 | 2.1 | – | 46.9 |
| **Total operating income** | **101.4** | **59.3** | **134.1** | **67.0** | **–20.3** | **341.6** |
| Intra-Group expenses | –0.8 | –11.1 | –2.8 | –5.5 | 20.3 | – |
| Other administration expenses | –95.0 | –4.7 | –78.0 | –38.2 | – | –215.8 |
| Depreciation / amortisation and impairment | –14.5 | – | –5.3 | – | – | –19.8 |
| **Total operating expenses** | **–110.3** | **–15.8** | **–86.1** | **–43.7** | **20.3** | **–235.6** |
| **Profit / loss before loan losses** | **–8.9** | **43.5** | **48.0** | **23.3** | **–** | **106.0** |
| Loan losses, net | –2.3 | 1.5 | –11.3 | – | – | –12.1 |
| **Operating profit / loss** | **–11.2** | **45.0** | **36.7** | **23.3** | **–** | **93.9** |
| **Balance sheet, March 31, 2011** | | | | | | |
| **Total assets** | **70,639.0** | **105,551.1** | **11,384.8** | **184.0** | **–36,182.6** | **151,576.3** |
| 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 |
| **Total liabilities and equity** | **70,639.0** | **105,551.1** | **11,384.8,** | **184.0** | **–36,182.6** | **151,576.3** |
| **Income statement, Q1 2010** | | | | | | |
| Net interest income | 116.6 | 68.3 | 105.3 | 0.1 | – | 290.3 |
| Net commission | –54.6 | –27.1 | 8.2 | 62.9 | – | –10.6 |
| Net gains from financial items | 0.9 | 3.2 | –0.4 | – | – | 3.7 |
| Intra-Group income | 30.5 | – | 1.1 | – | –31.6 | 0 |
| Other income | 26.7 | 0 | 10.6 | 0 | – | 37.3 |
| **Total operating income** | **120.1** | **44.4** | **124.8** | **63.0** | **–31.6** | **320.7** |
| Intra-Group expenses | –0.7 | –11.5 | –5.3 | –14.1 | 31.6 | 0 |
| Other administration expenses | –109.0 | –4.4 | –72.9 | –29.5 | – | –215.8 |
| Depreciation / amortisation and impairment | –14.0 | – | –4.9 | – | – | –18.9 |
| **Total operating expenses** | **–123.7** | **–15.9** | **–83.1** | **–43.6** | **31.6** | **–234.7** |
| **Profit / loss before loan losses** | **–3.6** | **28.5** | **41.7** | **19.4** | **0** | **86.0** |
| Loan losses, net | –5.0 | 1.8 | –15.0 | – | – | –18.2 |
| **Operating profit / loss** | **–8.6** | **30.3** | **26.7** | **19.4** | **0** | **67.8** |
| **Balance sheet, March 31, 2010** | | | | | | |
| **Total assets** | **82,092.7** | **99,381.8** | **9,833.5** | **225.1** | **–45,245.1** | **146,288.0** |
| Liabilities | 77,200.4 | 96,380.3 | 9,074.4 | 137.4 | –41,442.9 | 141,349.6 |
| Equity | 4,892.3 | 3,001.5 | 759.1 | 87.7 | –3,802.2 | 4,938.4 |
| **Total liabilities and equity** | **82,092.7** | **99,381.8** | **9,833.5** | **225.1** | **–45,245.1** | **146,288.0** |

## NOTE 3 INTEREST INCOME

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| Loans to credit institutions | 4.8 | 0.8 | 496% | 8.2 |
| Loans to the public | 1,105.2 | 697.3 | 58% | 3,183.9 |
| Interest-bearing securities | 185.7 | 145.1 | 28% | 721.5 |
| *Derivatives* | | | | |
| Hedge accounting | 644.9 | 342.5 | 88% | 1,719.1 |
| Non-hedge accounting | 63.4 | 0.7 | | 1.5 |
| Other interest income | 0.3 | – | | 0.2 |
| **Total interest income** | **2,004.3** | **1,186.4** | **69%** | **5,634.4** |
| of which interest income on impaired loans | 0.8 | 6.9 | –88% | 1.6 |
| of which interest income from financial items not measured at fair value | 1,110.3 | 712.0 | 56% | 3,214.1 |
| Average interest rate on loans to the public during the period, including net leasing, % | 3.7 | 2.7 | | 2.7 |

## NOTE 4 INTEREST EXPENSE

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| Liabilities to credit institutions | –6.7 | –18.4 | –64% | –74.1 |
| Deposits and borrowing from the public | –772.7 | –42.1 | | –244.8 |
| Interest-bearing securities | –62.9 | –445.8 | –86% | –2,220.9 |
| Subordinated liabilities | –22.6 | –9.4 | 140% | –47.5 |
| *Derivatives* | | | | |
| Hedge accounting | –662.8 | –365.3 | 81% | –1,622.0 |
| Non-hedge accounting | –65.7 | –5.0 | | –11.6 |
| Other interest expense, including government deposit insurance | –19.9 | –10.1 | 97% | –50.7 |
| **Total interest expense** | **–1,613.3** | **–896.1** | **80%** | **–4,271.6** |
| of which interest expense from financial items not measured at fair value | –884.8 | –525.8 | 68% | –2,638.0 |
| Average interest rate on deposits from the public during the period, % | 1.4 | 0.6 | | 0.6 |

## NOTE 5 COMMISSION INCOME

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| Payment mediation | 8.7 | 17.1 | –49% | 81.1 |
| Loans | 19.3 | 17.5 | 10% | 72.9 |
| Deposits | 2.0 | 1.8 | 9% | 6.9 |
| Financial guarantees | 0.1 | 0.1 | | 0.2 |
| Securities | 177.5 | 163.5 | 8% | 679.9 |
| Bank cards | 22.5 | 14.0 | 61% | 75.2 |
| Other commission | 0.7 | 0.5 | 40% | 2.6 |
| **Total commission income** | **230.8** | **214.5** | **8%** | **918.8** |
| of which commission income from financial items not measured at fair value | 43.9 | 33.4 | 31% | 155.2 |

## NOTE 6 COMMISSION EXPENSE

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| Payment mediation | –21.2 | –21.4 | –1% | –82.5 |
| Securities | –97.5 | –88.2 | 10% | –363.5 |
| Bank cards | –18.6 | –17.8 | 5% | –80.2 |
| Remuneration to regional insurance companies | –186.5 | –93.9 | 99% | –531.3 |
| Other commission | –3.3 | –3.8 | –12% | –16.2 |
| **Total commission expense** | **–327.1** | **–225.1** | **45%** | **–1,073.7** |
| of which commission expense from financial items not measured at fair value | –186,5 | –93.9 | 99% | –531.3 |

## NOTE 7 NET GAINS FROM FINANCIAL ITEMS

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| **Change in fair value** | | | | |
| Interest-related instruments | –58.0 | 121.5 | | –82.0 |
| Currency-related instruments | –404.2 | –26.4 | | –449.5 |
| Change in fair value of hedged items | 460.6 | –101.1 | | 494.8 |
| **Capital gain / loss** | | | | |
| Interest-related instruments | –2.1 | –2.3 | –10% | 0.1 |
| Interest compensation | 3.7 | 11.9 | –69% | 46.6 |
| **Total net gains from financial items** | **0** | **3.6** | **–100%** | **10.0** |

## NOTE 8 LOAN LOSSES, NET

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| **Specific reserve for individually assessed loan receivables** | | | | |
| Write-off of confirmed loan losses during the period | –3.9 | –3.8 | | –123.6 |
| Reversed earlier impairment of loan losses recognised as confirmed losses | 1.5 | 0.8 | | 105.3 |
| Impairment of loan losses during the period | –59.2 | –24.1 | | –109.2 |
| Payment received for prior confirmed loan losses | 6.5 | 5.5 | | 26.2 |
| Reversed impairment of loan losses no longer required | 5.9 | 3.3 | | 17.3 |
| Loss coverage from related company | – | – | | 10.0 |
| **Net expense for the period for individually assessed loan receivables** | **–49.2** | **–18.3** | **170%** | **–74.0** |
| **Collective reserves for individually assessed receivables** | – | – | | **–** |
| **Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk** | | | | |
| Provision / reversal of impairment for loan losses | 37.1 | 0 | | 13.9 |
| **Net expense for the period for collectively assessed homogenous loan receivables** | **37.1** | **0** | | **13.9** |
| Net expense for the period for fulfilment of guarantees | 0.0 | 0.1 | | – |
| **Net expense of loan losses for the period** | **–12.1** | **–18.2** | **34%** | **–60.1** |

## NOTE 9 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

| SEK M | March 31, 2011 | Dec 31, 2010 | March 31, 2010 |
|---|---|---|---|
| **Loan receivables, gross** | | | |
| Public sector | 265.8 | 236.5 | 185.1 |
| Corporate sector | 8,929.9 | 8,723.1 | 7,338.2 |
| Retail sector | 112,629.9 | 109,233.4 | 96,721.3 |
| Other | 28.3 | 3.7 | 24.7 |
| **Total loan receivables, gross** | **121,853.9** | **118,196.7** | **104,269.3** |
| **Impairment of individually assessed loan receivables** | | | |
| Corporate sector | –51.3 | –40.5 | –51.2 |
| Retail sector | –136.4 | –95.3 | –112.1 |
| **Total individual reserves** | **–187.7** | **–135.8** | **–163.3** |
| **Impairment of collectively reserved loan receivables** | | | |
| Corporate sector | –19.6 | –24.0 | –23.8 |
| Retail sector | –94.0 | –126.7 | –140.6 |
| Other | 0 | 0 | –0.2 |
| **Total collective reserves** | **–113.6** | **–150.7** | **–164.6** |
| **Total reserves** | **–301.3** | **–286.5** | **–327.9** |
| **Loan receivables, net** | | | |
| Public sector | 265.8 | 236.5 | 185.1 |
| Corporate sector | 8,859.0 | 8,658.6 | 7,263.2 |
| Retail sector | 112,399.5 | 109,011.4 | 96,468.6 |
| Other | 28.3 | 3.7 | 24.5 |
| **Total loans to the public, net** | **121,552.6** | **117,910.2** | **103,941.4** |
| **Impaired loans** | | | |
| Corporate sector | 76.1 | 67.9 | 58.9 |
| Retail sector | 151.4 | 140.9 | 174.1 |
| **Total impaired loans** | **227.5** | **208.8** | **233.0** |

**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

| | March 31, 2011 | | Dec 31, 2010 | | March 31, 2010 | |
|---|---|---|---|---|---|---|
| **SEK M** | **Nominal value** | **Fair value** | **Nominal value** | **Fair value** | **Nominal value** | **Fair value** |
| **Derivatives with positive values** | | | | | | |
| *Derivatives in hedge accounting* | | | | | | |
| Interest | 51,102.0 | 888.2 | 47,397.0 | 643.4 | 41,452.5 | 919.5 |
| Currency | 1,777.7 | 292.2 | 1,777.7 | 401.3 | 1,394.4 | 342.9 |
| Collateral received, CSA | – | – | – | –17.0 | – | –300.1 |
| *Other derivatives* | | | | | | |
| Interest | 13,210.0 | 4.2 | 13,810.0 | 2.5 | 435.0 | 0.6 |
| Currency | 554.7 | 6.3 | 385.6 | 11.7 | – | – |
| **Total derivatives with positive values** | **66,644.4** | **1,190.9** | **63,370.3** | **1,041.9** | **43,281.9** | **962.9** |
| **Derivatives with negative values** | | | | | | |
| *Derivatives in hedge accounting* | | | | | | |
| Interest | 67,269.0 | 1,568.0 | 61,594.0 | 1,260.1 | 40,709.0 | 1,134.5 |
| Currency | 10,577.1 | 1,121.5 | 10,577.1 | 827.7 | 10,577.1 | 101.7 |
| *Other derivatives* | | | | | | |
| Interest | 4,000.0 | 0.1 | – | – | 600.0 | 3.4 |
| Currency | 270.5 | 1.1 | 1,343.3 | 5.8 | – | – |
| **Total derivatives with negative values** | **82,116.6** | **2,690.7** | **73,514.4** | **2,093.6** | **51,886.1** | **1,239.6** |

## NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITTMENTS

| **SEK M** | **March 31, 2011** | **Dec 31, 2010** | **March 31, 2010** |
|---|---|---|---|
| **For own liabilities, pledged assets** | | | |
| Pledged securities in the Riksbank | 1,900.0 | 1,900.0 | 22,540.0 |
| Pledged securities in Euroclear | 1,150.0 | 1,150.0 | 2,300.0 |
| Collateral provided for derivatives | – | – | 10.0 |
| Loan receivables, covered bonds | 78,350.2 | 76,653.7 | 67,661.1 |
| Commitments resulting from repurchase transactions | 3,347.2 | 4,919.2 | 391.4 |
| Other collateral for securities | 15.0 | 15.0 | 5.0 |
| **Total for own liabilities, pledged assets** | **84,762.4** | **84,637.9** | **92,907.5** |
| **Other pledged assets** | **None** | **None** | **None** |
| **Contingent liabilities** | | | |
| Guarantees | 28.7 | 31.2 | 31.4 |
| Conditional shareholders' contribution | 2,301.0 | 2,075.0 | 1,425.0 |
| Early retirement at age 62 in accordance with pension agreement, 80% | 59.8 | 59.8 | 61.7 |
| **Total contingent liabilities** | **2,389.5** | **2,166.0** | **1,518.1** |
| **Other commitments** | | | |
| Loans approved but not disbursed | 5,779.0 | 4,670.9 | 4,646.3 |
| Unutilised portion of overdraft facilities | 2,080.4 | 1,755.2 | 1,985.7 |
| Unutilised portion of credit card facilities | 667.9 | 719.6 | 576.7 |
| **Total other commitments** | **8,527.2** | **7,145.7** | **7,208.7** |

## NOTE 12 CAPITAL-ADEQUACY ANALYSIS

| SEK M | March 31, 2011 | Dec 31, 2010 | March 31, 2010 |
|---|---|---|---|
| Tier 1 capital, gross | 5.999,6 | 5,773.6 | 5,160.1 |
| Less intangible assets | –374.6 | –372.7 | –323.0 |
| Less deferred tax assets | –3.1 | –3.1 | –2.2 |
| Less / plus IRB deficit / surplus | –221.0 | –214.8 | –161.7 |
| **Tier 1 capital, net** | **5,401.0** | **5,183.0** | **4,673.3** |
| Tier 2 capital | 960.0 | 960.0 | 960.0 |
| Deductions for Tier 2 capital | –221.0 | –214.8 | –161.7 |
| **Total capital base** | **6,140.1** | **5,928.2** | **5,471.6** |
| **Risk-weighted assets according to Basel II** | **45,628.8** | **43,944.2** | **40,451.7** |
| **Risk-weighted assets according to transition rules** | **65,199.3** | **63,161.2** | **57,601.8** |
| **Capital requirement** | | | |
| Capital requirement for credit risk according to Standardised Approach | 806.0 | 725.4 | 597.3 |
| Capital requirement for credit risk according to IRB Approach | 2,698.4 | 2,656.4 | 2,505.4 |
| Capital requirement for operational risk | 145.9 | 133.8 | 133.5 |
| **Capital requirement according to Basel II** | **3,650.3** | **3,515.5** | **3,236.1** |
| Adjustment according to transition rules | 1,666.3 | 1,537.4 | 1,372.0 |
| **Total capital requirement** | **5,313.6** | **5,052.9** | **4,608.1** |
| Tier 1 ratio according to Basel II, % | 11.84 | 11.79 | 11.55 |
| Capital-adequacy ratio according to Basel II, % | 13.46 | 13.49 | 13.53 |
| Capital ratio according to Basel II * | 1.68 | 1.69 | 1.69 |
| Tier 1 ratio according to transition rules, % | 8.13 | 8.21 | 8.11 |
| Capital-adequacy ratio according to transition rules, % | 9.24 | 9.39 | 9.50 |
| Capital ratio according to transition rules* | 1.16 | 1.17 | 1.19 |
| **Special disclosures** | | | |
| **IRB Provisions surplus (+) / deficit (–)** | –441.9 | –429.6 | –323.4 |
| – Total provisions (+) | 260.6 | 241.5 | 299.2 |
| – Anticipated loss (–) | –702.6 | –671.1 | –622.5 |
| **Capital requirement** | | | |
| **Credit risk according to Standardised Approach** | | | |
| Exposures to institutions | 60.5 | 77.3 | 106.7 |
| Exposures to corporates | 207.9 | 167.3 | 133.7 |
| Retail exposures | 232.9 | 190.2 | 30.8 |
| Exposures secured on residential property | 104.4 | 97.7 | 63.6 |
| Past due items | 0.9 | 1.0 | 0.6 |
| Covered bonds | 180.7 | 173.6 | 245.2 |
| Other items | 18.8 | 18.2 | 16.8 |
| **Total capital requirement for credit risk according to Standardised Approach** | **806.0** | **725.4** | **597.3** |

## NOTE 12 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

| SEK M | March 31, 2011 | Dec 31, 2010 | March 31, 2010 |
|---|---|---|---|
| **Credit risk according to IRB Approach** | | | |
| *Retail exposures* | | | |
| Exposures secured by real estate collateral | 1,230.4 | 1,241.0 | 1,265.8 |
| Other retail exposures | 654.7 | 626.4 | 568.0 |
| *Total retail exposures* | *1.885.1* | *1,867.4* | *1,833.8* |
| Exposures to corporates | 812.3 | 787.9 | 670.3 |
| Non credit-obligation assets | 1.0 | 1.0 | 1.3 |
| **Total capital requirement for credit risk according to IRB Approach** | **2,698.4** | **2,656.4** | **2,505.4** |
| **Operational risk** | | | |
| Standardised Approach | 145.9 | 133.8 | 133.5 |
| **Total capital requirement for operational risk** | **145.9** | **133.8** | **133.5** |
| **Capital-adequacy analysis according to Basel I** | | | |
| Tier 1 capital | 5,622.0 | 5,397.8 | 4,835.0 |
| Tier 2 capital | 960.0 | 960.0 | 960.0 |
| **Total capital base** | **6,582.0** | **6,357.8** | **5,795.0** |
| Risk-weighted assets | 89,931.1 | 85,663.8 | 77,055.1 |
| Capital requirement for credit risk | 7,194.5 | 6,853.1 | 6,164.4 |
| Tier 1 ratio, % | 6.25 | 6.30 | 6.27 |
| Capital-adequacy ratio, % | 7.32 | 7.42 | 7.52 |
| Capital ratio* | 0.91 | 0.93 | 0.94 |

* 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 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 during January - March, 2011. Since December 31, 2010, no significant changes have occurred in the company's agreements with these related legal entities. The Banking Group's compensation to the regional insurance companies in accordance with prevailing outsourcing agreements is presented in Note 6 Commission expense.

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

# Income statement – Parent Company

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| Interest income | 541.2 | 302.0 | | 1,409.3 |
| Interest expense | –385.8 | –185.4 | | –904.5 |
| **Net interest income** | **155.4** | **116.6** | **33%** | **504.8** |
| Dividends received | – | 0.1 | | 0.2 |
| Commission income | 43.5 | 41.9 | 4% | 199.0 |
| Commission expense | –150.4 | –96.5 | 56% | –461.8 |
| Net gains from financial items | 2.0 | 0.9 | | 1.9 |
| Other operating income | 50.9 | 57.1 | | 208.4 |
| **Total operating income** | **101.4** | **120.1** | **–16%** | **452.5** |
| Staff costs | –30.3 | –28.4 | 6% | –94.0 |
| Other administration expenses | –65.5 | –81.3 | –20% | –322.5 |
| **Total administration expenses** | **–95.8** | **–109.7** | **–13%** | **–416.5** |
| Depreciation / amortisation and impairment of property and equipment / intangible assets | –14.5 | –14.0 | 4% | –56.9 |
| **Total operating expenses** | **–110.3** | **–123.7** | **–14%** | **–473.4** |
| **Loss before loan losses** | **–8.8** | **–3.6** | **147%** | **–20.9** |
| Loan losses, net | –2.3 | –5.0 | –54% | –14.6 |
| **Operating loss** | **–11.2** | **–8.6** | **30%** | **–35.5** |
| Tax | 2.9 | 2.3 | | 9.7 |
| **Loss for the period** | **–8.2** | **–6.3** | **30%** | **–25.8** |

# Statement of comprehensive income – Parent Company

| SEK M | Q 1 2011 | Q 1 2010 | Change | Full-year 2010 |
|---|---|---|---|---|
| **Loss for the period** | **–8.2** | **–6.3** | **30%** | **–25.8** |
| **Other comprehensive income / loss** | | | | |
| *Available-for-sale financial assets* | | | | |
| Change in fair value | 15.6 | –1.0 | | 2.8 |
| Tax | –4.1 | 0.3 | | –0.7 |
| **Other comprehensive income / loss for the period, net after tax** | **11.5** | **–0.7** | | **2.1** |
| **Comprehensive income / loss for the period** | **3.3** | **–7.0** | | **–23.7** |

# Balance sheet – Parent Company

| SEK M | | March 31, 2011 | Dec 31, 2010 | March 31, 2010 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | | 69.2 | 84.8 | 72.1 |
| Treasury bills and other eligible bills | | 1,096.4 | 1,349.3 | 3,299.8 |
| Loans to credit institutions | | 26,721.7 | 28,344.4 | 31,810.8 |
| Loans to the public | | 28,517.6 | 27,532.5 | 24,163.1 |
| Bonds and other interest-bearing securities | | 8,633.1 | 8,720.0 | 17,969.5 |
| Shares and participations | | 10.4 | 10.4 | 10.4 |
| Shares and participations in Group companies | | 4,744.0 | 4,594.0 | 3,799.1 |
| Derivatives | | 78.3 | 45.5 | 8.2 |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge | | –10.1 | 14.2 | 53.9 |
| Intangible assets | | 288.7 | 283.8 | 217.4 |
| Property and equipment | | 7.9 | 8.8 | 11.6 |
| Other assets | | 83.6 | 63.9 | 103.5 |
| Prepaid expenses and accrued income | | 398.1 | 304.7 | 573.3 |
| **Total assets** | | **70,639.0** | **71,356.3** | **82,092.7** |
| **Liabilities and equity** | | | | |
| Liabilities to credit institutions | | 9,282.1 | 12,363.2 | 31,454.9 |
| Deposits and borrowing from the public | | 42,029.1 | 41,722.5 | 37,447.4 |
| Debt securities in issue | | 11,296.2 | 9,552.6 | 6,030.8 |
| Derivatives | | 147.4 | 228.8 | 312.8 |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge | | –23.6 | –13.5 | 8.2 |
| Deferred tax liabilities | | 8.2 | 4.1 | 20.7 |
| Other liabilities | | 115.6 | 211.9 | 98.3 |
| Accrued expenses and deferred income | | 746.7 | 478.5 | 572.5 |
| Provisions | | 4.9 | 4.8 | 4.8 |
| Subordinated liabilities | | 1,250.0 | 1,250.0 | 1,250.0 |
| **Total liabilities** | | **64,856.4** | **65,802.9** | **77,200.4** |
| **Equity** | | | | |
| Share capital, 9,548,708 shares | | 954.9 | 954.9 | 954.9 |
| Statutory reserve | | 18.4 | 18.4 | 18.4 |
| Fair value reserve | | 27.2 | 15.6 | 12.9 |
| Retained earnings | | 4,790.4 | 4,590.3 | 3,912.4 |
| Loss for the period | | –8.2 | –25.8 | –6.3 |
| **Total equity** | | **5,782.6** | **5,553.4** | **4,892.3** |
| **Total liabilities and equity** | | **70,639.0** | **71,356.3** | **82,092.7** |
| **Memorandum items** | | | | |
| For own liabilities, pledged assets | | 6,412.2 | 6,997.0 | 24,855.0 |
| Other pledged assets | | None | None | None |
| Contingent liabilities | | 2,340.7 | 2,117.3 | 1,467.2 |
| Other commitments | | 14,741.0 | 14,526.8 | 6,069.6 |
| **Other notes** | | | | |
| Accounting policies | 1 | | | |
| Capital-adequacy analysis | 2 | | | |
| Disclosures on related parties | 3 | | | |

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

| SEK M | Q 1 2011 | Q 1 2010 |
|---|---|---|
| **Cash and cash equivalents, January 1** | **1,159.8** | **2,764.2** |
| Cash flow from operating activities | –845.6 | –1,939.6 |
| Cash flow from investing activities | –168.6 | –109.4 |
| Cash flow from financing activities | 263.7 | 200.0 |
| **Cash flow for the year** | **–750.5** | **–1,849.0** |
| Exchange rate differences in cash and cash equivalents | – | – |
| **Cash and cash equivalents, December 31** | **409.3** | **915.2** |

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

Changes in the cash flow from operating activities are primarily attributable to debt securities in issue SEK 1,745.6 M (-1,152.6) bonds and interest-bearing securities SEK -3,108.3 M (1,442.4). Changes in the cash flow from investing activities are mainly attributable to shares and participations in Group companies SEK -150.0 M (-100.0) and in financing activities to shareholders' contribution received SEK 226.0 M (200.0).

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

| SEK M | Share capital | Statutory reserve | Fair value reserve | Retained earnings | Loss for the period | Total |
|---|---|---|---|---|---|---|
| **Opening balance, January 1, 2010** | **954.9** | **18.4** | **13.6** | **3,745.9** | **–33.4** | **4,699.4** |
| Profit for the period | | | | | –6.3 | –6.3 |
| Other comprehensive income for the period | | | –0.7 | | | –0.7 |
| *Comprehensive income for the period* | | | *–0.7* | | *–6.3* | *–7.0* |
| According to the Board's proposal | | | | –33.4 | 33.4 | – |
| Conditional shareholders' contribution received | | | | 200.0 | | 200.0 |
| **Closing balance, March 31, 2010** | **954.9** | **18.4** | **12.9** | **3,912.4** | **–6.3** | **4,892.3** |
| | | | | | | |
| **Opening balance, April 1, 2010** | **954.9** | **18.4** | **12.9** | **3,912.4** | **–6.3** | **4,892.3** |
| Profit for the period | | | | | –19.5 | –19.5 |
| Other comprehensive income for the period | | | 2.8 | | | 2.8 |
| *Comprehensive income for the period* | | | *2.8* | | *–19.5* | *–16.7* |
| Group contribution received | | | | 37.7 | | 37.7 |
| Tax on Group contribution received | | | | –9.9 | | –9.9 |
| Conditional shareholders' contribution received | | | | 650.0 | | 650.0 |
| **Closing balance, December 31, 2010** | **954.9** | **18.4** | **15.7** | **4,590.2** | **–25.8** | **5,553.4** |
| | | | | | | |
| **Opening balance, January 1, 2011** | **954.9,** | **18.4** | **15.7** | **4,590.2** | **–25.8** | **5,553.4** |
| Profit for the period | | | | | –8.2 | –8.2 |
| Other comprehensive income for the period | | | 11.5 | | | 11.5 |
| *Comprehensive income for the period* | | | *11.5* | | *–8.2* | *3.3* |
| According to the Board's proposal | | | | –25.8 | 25.8 | – |
| Conditional shareholders' contribution received | | | | 226.0 | | 226.0 |
| **Closing balance, March 31, 2011** | **954.9** | **18.4** | **27.2** | **4,790.4** | **–8.2** | **5,782.6** |

# Notes – Parent Company

### NOTE 1 ACCOUNTING POLICIES

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

In other respects, the interim report was prepared in accordance with the same accounting policies and basis of calculation applied in the preparation of the 2010 Annual Report.

### NOTE 2 CAPITAL ADEQUACY

| SEK M | March 31, 2011 | Dec 31, 2010 | March 31, 2010 |
|---|---|---|---|
| Tier 1 capital, gross | 6,045.5 | 5,827.7 | 5,169.4 |
| Less intangible assets | –288.7 | –283.8 | –217.4 |
| Less / plus IRB deficit / surplus | –70.7 | –68.5 | –53.9 |
| **Tier 1 capital, net** | **5,686.0** | **5,475.4** | **4,898.2** |
| Tier 2 capital | 960.0 | 960.0 | 960.0 |
| Deductions for Tier 2 capital | –70.7 | –68.5 | –53.9 |
| **Total capital base** | **6, 575.3** | **6,367.0** | **5,804.3** |
| **Risk-weighted assets according to Basel II** | **18,082.3** | **17,713.5** | **17,037.4** |
| **Risk-weighted assets according to transition rules** | **19,202.4** | **18,514.4** | **17,196.3** |
| **Capital requirement** | | | |
| Capital requirement for credit risk according to Standardised Approach | 229.0 | 196.3 | 224.2 |
| Capital requirement for credit risk according to IRB Approach | 1,149.3 | 1,155.6 | 1,073.6 |
| Capital requirement for operational risk | 68.3 | 65.2 | 65.2 |
| **Capital requirement according to Basel II** | **1,446.6** | **1,417.1** | **1,363.0** |
| Adjustment according to transition rules | 113.3 | 64.1 | 12.7 |
| **Total capital requirement** | **1,559.9** | **1,481.2** | **1,375.7** |
| Tier 1 ratio according to Basel II, % | 31.45 | 30.91 | 28.75 |
| Capital-adequacy ratio according to Basel II, % | 36.36 | 35.94 | 34.07 |
| Capital ratio according to Basel II * | 4.55 | 4.49 | 4.26 |
| Tier 1 ratio according to transition rules, % | 29.16 | 29.57 | 28.48 |
| Capital-adequacy ratio according to transition rules, % | 33.72 | 34.39 | 33.75 |
| Capital ratio according to transition rules* | 4.22 | 4.30 | 4.22 |
| **Special disclosures** | | | |
| **IRB Provisions surplus (+) / deficit (–)** | –141.5 | –136.9 | –107.7 |
| – Total reserves (+) | –112.0 | 113.2 | 122.5 |
| – Anticipated loss (–) | –253.4 | –250.2 | –230.2 |
| **Capital requirement** | | | |
| **Credit risk according to Standardised Approach** | | | |
| Exposures to institutions | 14.1 | 24.5 | 43.3 |
| Exposures to corporates | 85.7 | 51.4 | 39.7 |
| Retail exposures | 40.4 | 32.8 | – |
| Exposures secured on residential property | 6.8 | 6.2 | 4.5 |
| Past due items | 0.7 | 0.7 | 0.6 |
| Covered bonds | 71.3 | 71.2 | 127.4 |
| Other items | 10.1 | 9.4 | 8.6 |
| **Total capital requirement according to the Standardised Approach** | **229.0** | **196.3** | **224.2** |

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

| SEK M | March 31, 2011 | Dec 31, 2010 | March 31, 2010 |
|---|---|---|---|
| **Credit risk according to IRB Approach** | | | |
| *Retail exposures* | | | |
| Exposures secured by real estate collateral | 235.7 | 270.1 | 289.9 |
| Other retail exposures | 176.2 | 171.0 | 175.8 |
| *Total retail exposures* | *411.9* | *441.1* | *465.6* |
| Exposures to corporates | 736.8 | 713.7 | 606.9 |
| Non credit-obligation assets | 0.6 | 0.7 | 0.9 |
| **Total capital requirement for credit risk according to IRB Approach** | **1,149.3** | **1,155.6** | **1,073.6** |
| **Operational risk** | | | |
| Standardised Approach | 68.3 | 65.2 | 65.2 |
| **Total capital requirement for operational risk** | **68.3** | **65.2** | **65.2** |
| **Capital-adequacy analysis according to Basel I** | | | |
| Tier 1 capital | 5,756.7 | 5,543.9 | 4,952.0 |
| Tier 2 capital | 960.0 | 960.0 | 960.0 |
| **Total capital base** | **6,716.7** | **6,503.9** | **5,912.0** |
| Risk-weighted assets | 26,583.1 | 25,282.5 | 23,178.2 |
| Capital requirement for credit risk | 2,126.6 | 2,022.6 | 1,854.3 |
| Tier 1 ratio, % | 21.66 | 21.93 | 21.37 |
| Capital-adequacy ratio, % | 25.27 | 25.72 | 25.51 |
| Capital ratio* | 3.16 | 3.22 | 3.19 |

* 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 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 during January - March, 2011. Since December 31, 2010, 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, 2010, 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.

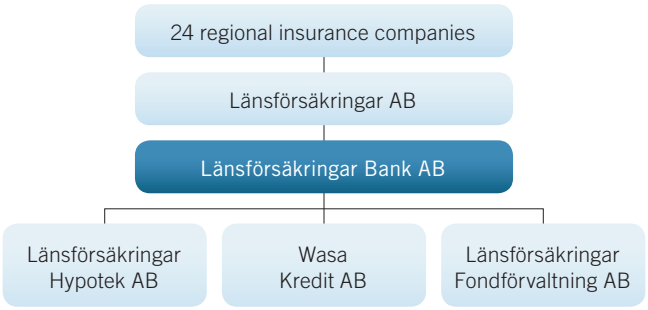
Stockholm, April 29, 2011

Anders Borgcrantz
*President*

# Financial calendar

Interim report, January – June 2011 .....**August 26, 2011**
Interim report, January – September 2011 ...**October 24, 2011**

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




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

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