

# Länsförsäkringar Hypotek January–March 2012

## The period in brief

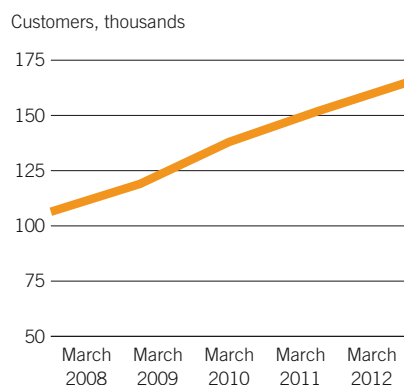
- Loans rose 11% to SEK 91 billion (82).
- Operating profit rose 80% to SEK 81 M (45) and the return on equity amounted to 5.6% (3.7).
- Net interest income increased 38% to SEK 172 M (124).
- Loan losses, net, amounted to SEK 2 M (-2), corresponding to loan losses of 0.01% (-0.01).
- The Core Tier 1 ratio according to Basel II amounted to 21.6% (19.5). The Tier 1 ratio according to Basel II was 21.6% (19.5) and the capital adequacy ratio was 23.8% (21.9).
- The number of customers rose 9% to 165,000 (152,000).

Figures in parentheses pertain to the same period in 2011.

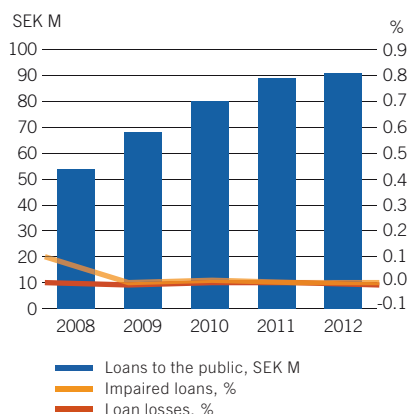
**Anders Borgcrantz,**  
President of Länsförsäkringar Hypotek:

*“Länsförsäkringar is continuing to grow in the mortgage market. Profit increased due to volume growth, improved margins and excellent credit quality. A competitive and sustainable offering to customers requires stable performance of the operations.”*

### CUSTOMER TREND



### LOANS TO THE PUBLIC



## Key figures

	Q 1 2012	Q 1 2011	Q 4 2011	Full-year 2011
Return on equity, %	5.6	3.7	3.7	3.6
Return on total capital, %	0.27	0.17	0.18	0.17
Investment margin, %	0.58	0.47	0.50	0.45
Cost/income ratio before loan losses	0.18	0.27	0.32	0.30
Cost/income ratio after loan losses	0.20	0.24	0.34	0.28
Core Tier 1 ratio according to Basel II, %	21.6	19.5	20.6	20.6
Tier 1 ratio according to Basel II, %	21.6	19.5	20.6	20.6
Tier 1 ratio according to transition rules, %	9.5	9.1	9.4	9.4
Capital adequacy ratio according to Basel II, %	23.8	21.9	22.8	22.8
Capital adequacy ratio according to transition rules, %	10.5	10.2	10.5	10.5
Percentage of impaired loans, %	0.00	0.01	0.00	0.00
Reserve ratio in relation to loans, %	0.04	0.05	0.04	0.04
Loan losses, %	0.01	-0.01	0.01	0.00

## Income statement, quarterly

SEK M	Q 1 2012	Q 4 2011	Q 3 2011	Q 2 2011	Q 1 2011
Net interest income	171.7	147.0	121.2	113.7	124.5
Net commission expense	-79.1	-66.7	-59.0	-59.7	-63.4
Net gains/losses from financial items	9.4	-2.5	3.5	5.5	-2.0
Other operating income	0.1	0	0	0.3	-
<b>Total operating income</b>	<b>102.1</b>	<b>77.8</b>	<b>65.7</b>	<b>59.8</b>	<b>59.1</b>
Staff costs	-2.7	-3.1	-3.8	-3.9	-2.8
Other administration expenses	-15.9	-21.6	-15.8	-13.9	-13.0
<b>Total operating expenses</b>	<b>-18.6</b>	<b>-24.7</b>	<b>-19.6</b>	<b>-17.8</b>	<b>-15.8</b>
<b>Profit before loan losses</b>	<b>83.5</b>	<b>53.1</b>	<b>46.1</b>	<b>42.0</b>	<b>43.3</b>
Loan losses, net	-2.4	-1.3	-1.1	5.0	1.7
<b>Operating profit</b>	<b>81.1</b>	<b>51.8</b>	<b>45.0</b>	<b>47.0</b>	<b>45.0</b>

## Market commentary

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

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

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

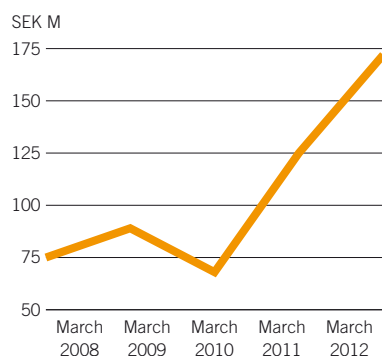
## First quarter of 2012 compared with first quarter of 2011

Growth and customer trend  
Loans to the public rose 11%, or SEK 9 billion, to SEK 91 billion (82). The number of customers rose 9%, or 13,000, to 165,000 (152,000), and 82% (80) of mortgage customers have Länsförsäkringar as their primary bank.

## Earnings and profitability

Profit before loan losses rose 93% to SEK 84 M (43) and operating profit increased 80% to SEK 81 M (45), due to higher net interest income. Return on equity strengthened to 5.6% (3.7).

### NET INTEREST INCOME



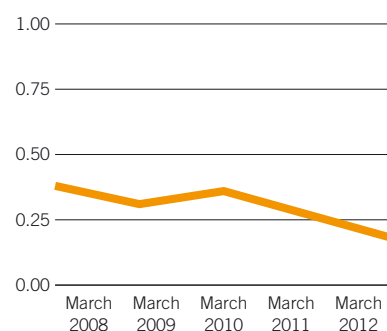
## Income

Net interest income rose 38%, or SEK 47 M, to SEK 172 M (125). The increase was attributable to growth in volumes and improved margins. The investment margin strengthened to 0.58% (0.47). Net interest income was charged with a provision totalling SEK 9 M (8) for stability fund fees. Operating income rose a total of 73%, or SEK 43 M, to SEK 102 M (59). Net commission declined to an expense of SEK 79 M (63) due to higher compensation to the regional insurance companies, which comprises the larger portion of commission expense. The remuneration model has been further developed since the start of the year with enhanced precision and business orientation. The new model is being successively introduced and during the first quarter remuneration, all other things being equal, was slightly lower than if the new model had been fully implemented. The underlying increase in remuneration is attributable to volume growth.

## Expenses

Operating expenses increased 17% to SEK 19 M (16) as a result of higher business volumes. The cost/income ratio strengthened to 0.18 (0.27) before loan loss and 0.20 (0.24) after loan losses.

### COST/INCOME RATIO



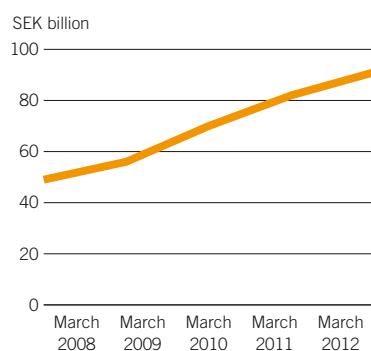
## Loan losses

Loan losses, net, amounted to SEK 2 M (-2), corresponding to loan losses of 0.01% (-0.01). Reserves amounted to SEK 37 M (42), providing a reserve ratio in relation to loans of 0.04% (0.05). Impaired loans fell to SEK 2 M (8), corresponding to a percentage of impaired loans of 0.00% (0.01). For more information regarding loan losses, reserves and impaired loans, see notes 8 and 10.

## Loans

Loans to the public rose 11%, or SEK 9 billion, to SEK 91 billion (82). The loan portfolio, which is comprised as follows: 78% single-family homes, 19% tenant-owned apartments and 3% multi-family homes, continues to have favourable credit quality.

### LOANS



## Cover pool

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, known as the cover pool, in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223). Lending is conducted in Sweden only.

The weighted average loan-to-value ratio, LTV, was 61% (59) and the average commitment per borrower was SEK 861,000 (844,000) on March 31, 2012. The current OC totalled a nominal amount of 24.9% (21.0).

The geographic distribution in Sweden is favourable and collateral comprises only private homes, including single-family homes, tenant-owned apartments and, to a marginal extent, leisure homes. Credit quality is high, which is also confirmed by Moody's key figure of collateral score from February 21, 2012, which indicates that Länsförsäkringar Hypotek has the highest credit quality of all Swedish covered bond issuers and is among the top issuers in Europe. No impaired loans are included in the cover pool.

Cover pool	Mar. 31, 2012	Mar. 31, 2011
Swedish mortgages, SEK bn	87	78
Substitute collateral, SEK bn	20	16
Separate deposit account, SEK bn	0	5
Total, SEK bn	107	99
OC <sup>1)</sup> , nominal, current level, %	24.9	21.0
Weighted average Max-LTV, %	61	59
Collateral	Private homes	Private homes
Seasoning, months	58	54
Number of loans	219,799	203,395
Number of borrowers	100,430	92,870
Number of properties	100,905	93,344
Average commitment, SEK 000s	861	844
Average loan, SEK 000s	394	385
Interest-rate type, variable, %	55	63
Interest-rate type, fixed, %	45	37
Impaired loans	None	None

<sup>1)</sup> OC is calculated using nominal values and excludes accrued interest rates. Debt securities in issue in other currencies than SEK are translated into SEK with the swap rate. Debt securities in issue include repurchase agreements.

During a stress test of the cover pool based on a 20% price drop in the market value of the mortgages' collateral, the weighted average Max-LTV increased to 67% (67) compared with a current weighted average Max-LTV of 61% (59) on March 31, 2012.

## Borrowing

Debt securities in issue rose to SEK 83 billion (82). Borrowing was successful during the period and the maturity structure for borrowing was highly diversified. Covered bonds in the nominal amount of SEK 10.2 billion (8.6) were issued during the first quarter. Repurchased covered bonds totalled a nominal amount of SEK 7.2 billion (4.6) and matured covered bonds amounted to a nominal SEK 5.6 billion (1.0) during the quarter. For more information about the borrowing programmes, see the Appendix page 13.

## Liquidity

Liquidity remained favourable. The liquidity reserve totalled a nominal amount of SEK 19.9 billion (20.8), of which 80% (74) is Swedish covered bonds with an AAA/Aaa credit rating, 19% (-) is Swedish government bonds and 1% (26) is deposits in the separate deposit account. The level of substitute collateral matches the refinancing requirement for all debt securities in issue falling due until the first quarter of 2014.

## Rating

Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both Standard & Poor's and Moody's. The Parent Company Länsförsäkringar Bank's credit rating is A/stable from Standard & Poor's and A2/negative from Moody's.

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

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

## Capital adequacy

Länsförsäkringar Hypotek applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposure. The Standardised Approach is currently applied to other exposures to calculate the

capital requirement for credit risk. Core Tier 1 capital amounted to SEK 4,289 M (3,694) and the Core Tier 1 ratio was 21.6% (19.5) on March 31, 2012. Tier 1 capital amounted to SEK 4,289 M (3,694) and the Tier 1 ratio according to Basel II totalled 21.6% (19.5). The capital base amounted to SEK 4,734 M (4,146) and the capital adequacy ratio according to Basel II was 23.9% (21.9). For more information on the calculation of capital adequacy, see note 13.

## Interest-rate risk

On March 31, 2012, an increase in market interest rates of 1 percentage point would have decreased the value of interest-bearing assets and liabilities, including derivatives, by SEK 17 M (-60).

## Risks and uncertainties

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

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

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

Operating profit rose 57% to SEK 81 M (52), attributable to a higher net interest income. Net interest income increased 17%, or SEK 25 M, to SEK 172 M (147) attributable to improved margins and higher mortgage volumes. The return on equity strengthened to 5.6% (3.7). The investment margin strengthened to 0.58% (0.50). Operating income rose a total of 31%, or SEK 25 M, to SEK 102 M (78). Net commission declined to an expense of SEK 79 M (67) due to higher compensation to the regional insurance companies, which comprises the larger portion of

commission expense. The remuneration model has been further developed since the start of the year with enhanced precisions and business orientation. The new model is being successively introduced and during the first quarter remuneration, all other things being equal, was slightly lower than if the new model had been fully implemented. The underlying increase in remuneration is attributable to volume growth. Expenses fell 25% to SEK 19 M (25). Loan losses, net, amounted to SEK 2 M (1).

## Events after the end of the period

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

## Income statement

SEK M	Note	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Interest income	3	1,899.4	1,459.4	30%	1,859.1	2%	6,891.7
Interest expense	4	-1,727.7	-1,334.9	29%	-1,712.1	1%	-6,385.3
<b>Net interest income</b>		<b>171.7</b>	<b>124.5</b>	<b>38%</b>	<b>147.0</b>	<b>17%</b>	<b>506.4</b>
Commission income	5	0.6	0.5	15%	0.6	5%	2.2
Commission expense	6	-79.7	-63.9	25%	-67.3	19%	-250.8
Net gains from financial items	7	9.4	-2.0		-2.5		4.5
Other operating income		0.1	-		0.0		0.4
<b>Total operating income</b>		<b>102.1</b>	<b>59.1</b>	<b>73%</b>	<b>77.8</b>	<b>31%</b>	<b>262.7</b>
Staff costs		-2.7	-2.8	-4%	-3.1	-13%	-13.6
Other administration expenses		-15.9	-13.0	21%	-21.6	-27%	-64.4
Depreciation and impairment of tangible assets		0.0	-		0.0		0.0
<b>Total operating expenses</b>		<b>-18.6</b>	<b>-15.8</b>	<b>17%</b>	<b>-24.7</b>	<b>-25%</b>	<b>-78.0</b>
<b>Profit before loan losses</b>		<b>83.5</b>	<b>43.3</b>	<b>93%</b>	<b>53.1</b>	<b>57%</b>	<b>184.7</b>
Loan losses, net	8	-2.4	1.7	-242%	-1.3	85%	4.0
<b>Operating profit</b>		<b>81.1</b>	<b>45.0</b>	<b>80%</b>	<b>51.8</b>	<b>57%</b>	<b>188.7</b>
Tax		-21.3	-11.8	80%	-3.2	568%	-39.2
<b>Profit for the period</b>		<b>59.8</b>	<b>33.1</b>	<b>80%</b>	<b>48.6</b>	<b>23%</b>	<b>149.5</b>

## Statement of comprehensive income

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
<b>Profit for the period</b>	<b>59.8</b>	<b>33.1</b>	<b>80%</b>	<b>48.6</b>	<b>23%</b>	<b>149.5</b>
<b>Other comprehensive income</b>						
<i>Available-for-sale-financial assets</i>						
Fair value change	52.2	68.1	-23%	60.8	-14%	161.0
Reclassification realised securities	-7.3	-		-1.5	388%	-3.6
Tax	-11.8	-17.9	-34%	-15.6	-24%	-41.4
<b>Total other comprehensive income for the period, net after tax</b>	<b>33.1</b>	<b>50.2</b>	<b>-34%</b>	<b>43.7</b>	<b>-24%</b>	<b>116.0</b>
<b>Total comprehensive income for the period</b>	<b>92.9</b>	<b>83.3</b>	<b>11%</b>	<b>92.3</b>	<b>0.0%</b>	<b>265.5</b>

## Balance sheet

SEK M	Note	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Assets</b>				
Treasury bills and other eligible bills		4,165.1	8,341.5	2,773.7
Loans to credit institutions	9	782.0	1,912.1	5,266.4
Loans to the public	10	90,797.5	88,625.0	82,034.4
Bonds and other interest-bearing securities		16,531.2	14,504.5	13,321.6
Derivatives	11	985.9	1,470.3	1,111.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		405.2	640.5	-137.0
Tangible assets		0.3	0.3	-
Deferred tax assets		0.3	0.3	-
Other assets		1.0	1.2	0.7
Prepaid expenses and accrued income		1,497.4	1,916.1	1,179.9
<b>Total assets</b>		<b>115,165.9</b>	<b>117,411.8</b>	<b>105,551.1</b>
<b>Liabilities, provisions and equity</b>				
Due to credit institutions	9	21,834.3	19,985.7	15,514.2
Debt securities in issue		82,817.6	85,396.2	82,425.6
Derivatives	11	1,754.9	2,237.8	2,543.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,235.2	1,755.8	-1,258.2
Deferred tax liabilities		-	-	28.4
Other liabilities		40.4	355.4	20.5
Accrued expenses and deferred income		2,398.0	2,838.3	1,920.4
Provisions		-	-	0.2
Subordinated liabilities		501.0	501.0	501.0
<b>Total liabilities and provisions</b>		<b>110,581.4</b>	<b>113,070.2</b>	<b>101,695.5</b>
<b>Equity</b>				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		178.7	145.6	79.9
Retained earnings		4,261.6	3,962.1	3,658.2
Profit for the year		59.8	149.5	33.1
<b>Total equity</b>		<b>4,584.5</b>	<b>4,341.6</b>	<b>3,855.6</b>
<b>Total liabilities, provisions and equity</b>		<b>115,165.9</b>	<b>117,411.8</b>	<b>105,551.1</b>
<b>Memorandum items</b>				
	12			
For own liabilities, pledged assets		88,847.5	86,366.1	78,350.2
Other pledged assets		None	None	None
Contingent liabilities		2,342.6	2,192.6	1,633.3
Other commitments		4,191.5	3,893.7	4,159.5
<b>Other notes</b>				
Accounting policies	1			
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## Cash-flow statement in summary, indirect method

SEK M	Q 1 2012	Q 1 2011
<b>Cash and cash equivalents, January 1</b>	<b>5.8</b>	<b>22.9</b>
Cash flow from operating activities	199.0	10.6
Cash flow from financing activities	–	–27.7
<b>Cash flow for the period</b>	<b>–197.5</b>	<b>–17.1</b>
<b>Cash and cash equivalents, March 31</b>	<b>7.3</b>	<b>5.8</b>

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

Changes in the cash flow from operating activities are largely attributable to treasury bills and other eligible bills SEK 3,883.0 M (21.6), loans to the public SEK –2,175.0 M (–2,367.7) and to debt securities in issue SEK –2,457.2 M (2,887.0).

Changes in the cash flow from financing activities are attributable to shareholders' contribution received SEK 150.0 M (150.0) and to group contribution paid SEK –347.5 M (–177.7).

## Statement of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the period	Total
<b>Opening balance, January 1, 2011</b>	<b>70.3</b>	<b>14.1</b>	<b>29.6</b>	<b>3,403.5</b>	<b>104.8</b>	<b>3,622.3</b>
Profit for the period					33.1	33.1
Other comprehensive income for the period			50.2			50.2
<i>Comprehensive income for the period</i>			<i>50.2</i>		<i>33.1</i>	<i>83.3</i>
According to the Board's proposal				104.8	–104.8	–
Conditional shareholders' contribution received				150.0		150.0
<b>Closing balance, March 31, 2011</b>	<b>70.3</b>	<b>14.1</b>	<b>79.9</b>	<b>3,658.2</b>	<b>33.1</b>	<b>3,855.6</b>
<b>Opening balance, April 1, 2011</b>	<b>70.3</b>	<b>14.1</b>	<b>79.9</b>	<b>3,658.2</b>	<b>33.1</b>	<b>3,855.6</b>
Profit for the period					116.4	116.4
Other comprehensive income for the period			65.7			65.7
<i>Comprehensive income for the period</i>			<i>65.7</i>		<i>116.4</i>	<i>182.1</i>
According to the Board's proposal				–347.6		–347.6
Tax on Group contribution paid				91.4		91.4
Conditional shareholders' contribution received				560.0		560.0
<b>Closing balance, December 31, 2011</b>	<b>70.3</b>	<b>14.1</b>	<b>145.6</b>	<b>3,962.1</b>	<b>149.5</b>	<b>4,341.6</b>
<b>Opening balance, January 1, 2012</b>	<b>70.3</b>	<b>14.1</b>	<b>145.6</b>	<b>3,962.1</b>	<b>149.5</b>	<b>4,341.6</b>
Profit for the period					59.8	59.8
Other comprehensive income for the period			33.1			33.1
<i>Comprehensive income for the period</i>			<i>33.1</i>		<i>59.8</i>	<i>92.9</i>
Resolution by Annual General Meeting				149.5	–149.5	–
Conditional shareholders' contribution received				150.0		150.0
<b>Closing balance, March 31, 2012</b>	<b>70.3</b>	<b>14.1</b>	<b>178.7</b>	<b>4,261.6</b>	<b>59.8</b>	<b>4,584.5</b>

## Notes

### NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Hypotek prepares its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528), 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 the 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 link between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS. This year-end report was prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies applied in the interim report comply with the accounting policies and basis of calculation that will be applied in the preparation of the 2011 Annual Report.

### NOTE 2 SEGMENT REPORTING

The business of the company represents one operating segment and reporting to the chief operating decision maker thus agrees with the year's income statement and balance sheet.

### NOTE 3 INTEREST INCOME

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Loans to credit institutions	16.5	36.0	-54%	7.1	131%	86.5
Loans to the public	924.2	670.1	38%	877.1	5%	3,149.7
Interest-bearing securities	155.5	112.5	38%	162.4	-4%	568.5
<i>Derivatives</i>						
Hedge accounting	803.2	577.4	39%	812.5	-1%	2,955.5
Non-hedge accounting	-	63.4		-		131.5
<b>Total interest income</b>	<b>1,899.4</b>	<b>1,459.4</b>	<b>30%</b>	<b>1,859.1</b>	<b>2%</b>	<b>6,891.7</b>
of which interest income on impaired loans	-0.1	0.4	-118%	-1.4	-96%	-2.7
of which interest income from financial items not measured at fair value	940.7	706.1	33%	884.4	6%	3,236.1
Average interest rate on loans to the public during the period, %	4.1	3.3		4.0		3.7

### NOTE 4 INTEREST EXPENSE

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Due to credit institutions	-131.1	-67.8	93%	-127.4	3%	-400.5
Interest-bearing securities	-720.8	-625.1	15%	-695.5	4%	-2,729.9
Subordinated liabilities	-6.3	-5.5	16%	-6.2	2%	-23.7
<i>Derivatives</i>						
Hedge accounting	-860.8	-568.8	51%	-875.5	-2%	-3,072.1
Non-hedge accounting	-	-60.0		-		-125.1
Other interest expense	-8.7	-7.7	14%	-7.5	17%	-34.0
<b>Total interest expense</b>	<b>-1,727.7</b>	<b>-1,334.9</b>	<b>29%</b>	<b>-1,712.1</b>	<b>1%</b>	<b>-6,385.3</b>
of which interest expense from financial items not measured at fair value	-866.9	-706.1	23%	-836.7	4%	-3,188.1

### NOTE 5 COMMISSION INCOME

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Lending	0.6	0.5	15%	0.6	5%	2.2
<b>Total commission income</b>	<b>0.6</b>	<b>0.5</b>	<b>15%</b>	<b>0.6</b>	<b>5%</b>	<b>2.2</b>
of which commission income from financial items not measured at fair value	0.6	0.5	15%	0.6	5%	2.2



**NOTE 6 COMMISSION EXPENSE**

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
Remuneration to regional insurance companies	-79.3	-63.5	25%	-66.8	19%	-249.2
Other commission	-0.4	-0.4	-6%	-0.5	-19%	-1.6
<b>Total commission expense</b>	<b>-79.7</b>	<b>-63.9</b>	<b>25%</b>	<b>-67.3</b>	<b>19%</b>	<b>-250.8</b>
of which commission expense from financial items not measured at fair value	-79.3	-63.5	25%	-66.8	19%	-249.1

**NOTE 7 NET GAINS FROM FINANCIAL ITEMS**

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
<b>Change in fair value</b>						
Interest-related instruments	-38.6	-173.6	-78%	147.1		469.2
Currency-related instruments	-51.9	-405.5	-87%	-625.7	-92%	15.6
Change in fair value of hedged items	66.5	576.0	-88%	466.1	-86%	-506.5
<b>Capital gain / loss</b>						
Interest-related instruments	24.7	-2.1		0.3		1.4
Interest compensation	8.7	3.1	184%	9.7	-10%	24.8
<b>Total net gains from financial items</b>	<b>9.4</b>	<b>-2.0</b>		<b>-2.5</b>		<b>4.5</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Q 1 2012	Q 1 2011	Change	Q 4 2011	Change	Full-year 2011
<b>Specific reserve for individually assessed loan receivables</b>						
Write-off of confirmed loan losses during the period	-0.8	0.1		-17.2	-95%	-17.5
Reversed earlier impairment of loan losses recognised as confirmed losses	0.0	0.1	-78%	4.4	-99%	4.8
Impairment of loan losses during the period	-1.9	-2.9	-35%	-0.6	208%	-8.4
Payment received for prior confirmed loan losses	2.0	0.9	127%	10.3	-81%	13.1
Reversed impairment of loan losses no longer required	0.5	0.6	-27%	1.2	-62%	6.7
<b>Net income / expense for the period for individually assessed loan receivables</b>	<b>-0.2</b>	<b>-1.2</b>	<b>-85%</b>	<b>-1.9</b>	<b>-90%</b>	<b>-1.3</b>
<b>Collective reserves for individually assessed receivables</b>	<b>-</b>	<b>-</b>		<b>-</b>		<b>-</b>
<b>Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk</b>						
Provision/reversal of impairment of loan losses	-2.2	2.9	-175%	0.6	-455%	5.3
<b>Net income / expense for the period for collectively assessed homogenous loan receivables</b>	<b>-2.2</b>	<b>2.9</b>	<b>-175%</b>	<b>0.6</b>	<b>-455%</b>	<b>5.3</b>
<b>Net income / expense of loan losses for the period</b>	<b>-2.4</b>	<b>1.7</b>	<b>-242%</b>	<b>-1.3</b>	<b>85%</b>	<b>4.0</b>

All information pertains to receivables from the public.

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

Loans to credit institutions include deposits with the parent company of SEK 761,1 M (5 260,6).  
Due to credit institutions includes borrowings of SEK 19 489,4 M (15 514,2).

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

**NOTE 10 LOANS TO THE PUBLIC**

Loan receivables are geographically attributable in their entirety to Sweden

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Loan receivables, gross</b>			
Corporate sector	1,821.7	1,733.8	1,540.4
Retail sector	89,013.1	86,925.0	80,535.5
<b>Total loan receivables, gross</b>	<b>90,834.8</b>	<b>88,658.8</b>	<b>82,075.9</b>
<b>Impairment of individually assessed loan receivables</b>			
Corporate sector	-0.1	-	-
Retail sector	-1.5	-0.3	-5.6
<b>Total individual reserves</b>	<b>-1.6</b>	<b>-0.3</b>	<b>-5.6</b>
<b>Impairment of collectively assessed loan receivables</b>			
Corporate sector	-2.7	-2.5	-1.1
Retail sector	-33.0	-31.0	-34.8
<b>Total collective reserves</b>	<b>-35.7</b>	<b>-33.5</b>	<b>-35.9</b>
<b>Total reserves</b>	<b>-37.3</b>	<b>-33.8</b>	<b>-41.5</b>
<b>Loan receivables, net</b>			
Corporate sector	1,818.9	1,731.3	1,539.3
Retail sector	88,978.6	86,893.7	80,495.1
<b>Total loans to the public, net</b>	<b>90,797.5</b>	<b>88,625.0</b>	<b>82,034.4</b>
<b>Impaired loans</b>			
Retail sector	1.6	0.8	8.0
<b>Total impaired loans</b>	<b>1.6</b>	<b>0.8</b>	<b>8.0</b>

**Definition**

A loan receivable is considered impaired if a payment is more than 60 days past due or if there are other reasons to expect that the counterparty cannot meet its undertaking. The loan receivable is considered impaired to the extent that its not covered by collateral in an adequate amount.

**NOTE 11 DERIVATIVES**

SEK M	March 31, 2012		Dec 31, 2011		March 31, 2011	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	62,040.0	844.4	59,395.0	1,292.2	46,752.0	816.2
Currency	10,576.6	428.1	10,576.6	454.2	1,777.7	292.2
Collateral received, CSA	-	-286.6	-	-276.1	-	-
<i>Other derivatives</i>						
Interest	0.0	0.0	0.0	0.0	13,000.0	3.0
<b>Total derivatives with positive values</b>	<b>72,616.6</b>	<b>985.9</b>	<b>69,971.6</b>	<b>1,470.3</b>	<b>61,529.7</b>	<b>1,111.4</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	53,256.0	847.7	61,169.0	1,350.6	58,841.0	1,421.8
Currency	11,852.1	907.2	11,852.1	887.2	10,577.1	1,121.5
<i>Other derivatives</i>						
Currency	-	-	-	-	4,000.0	0.1
<b>Total derivatives with negative values</b>	<b>65,108.1</b>	<b>1,754.9</b>	<b>73,021.1</b>	<b>2,237.8</b>	<b>73,418.1</b>	<b>2,543.4</b>

**NOTE 12 MEMORANDUM ITEMS**

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>For own liabilities, pledged assets</b>			
Collateral pledged due to repurchase agreements	2,344.9	1,938.0	–
Loan receivables, covered bonds	86,502.6	84,428.1	78,350.2
<b>Total for own liabilities, pledged assets</b>	<b>88,847.5</b>	<b>86,366.1</b>	<b>78,350.2</b>
<b>Other pledged assets</b>	None	None	None
<b>Contingent liabilities</b>			
Conditional shareholders' contribution	2,342.6	2,192.6	1,632.6
Early retirement at age 62 in accordance with pension agreement, 80%	–	–	0.7
<b>Total contingent liabilities</b>	<b>2,342.6</b>	<b>2,192.6</b>	<b>1,633.3</b>
<b>Commitments</b>			
Loans approved but not disbursed	4,191.5	3,893.7	4,159.5

**NOT 13 CAPITAL-ADEQUACY ANALYSIS**

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Capital base</b>			
Tier 1 capital and Core Tier 1 capital before deductions	4,346.0	4,196.0	3,742.6
Deduction deferred tax assets	–0.3	–0.3	–
Less IRB deficit	–56.6	–56.2	–48.6
<b>Tier 1 capital and Core Tier 1 capital</b>	<b>4,289.1</b>	<b>4,139.5</b>	<b>3,694.0</b>
Tier 2 capital	501.0	501.0	501.0
Deductions for Tier 2 capital	–56.6	–56.2	–48.6
<b>Total capital base</b>	<b>4,733.5</b>	<b>4,584.3</b>	<b>4,146.4</b>
<b>Risk-weighted assets according to Basel II</b>	<b>19,873.4</b>	<b>20,130.8</b>	<b>18,911.6</b>
<b>Risk-weighted assets according to transition rules</b>	<b>45,037.4</b>	<b>43,844.0</b>	<b>39,564.0</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	368.5	355.0	416.2
Capital requirement for credit risk according to IRB Approach	1,194.1	1,230.9	1,072.2
Capital requirement for operational risk	27.3	24.6	24.6
<b>Capital requirement according to Basel II</b>	<b>1,589.9</b>	<b>1,610.5</b>	<b>1,512.9</b>
Adjustment according to transition rules	2,013.1	1,897.0	1,726.2
<b>Total capital requirement</b>	<b>3,603.0</b>	<b>3,507.5</b>	<b>3,239.2</b>
<b>Capital adequacy</b>			
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	21.58	20.56	19.53
Capital-adequacy ratio according to Basel II, %	23.82	22.77	21.93
Capital ratio according to Basel II*	2.98	2.85	2.74
Tier 1 ratio according to transition rules, %	9.52	9.44	9.12
Capital-adequacy ratio according to transition rules, %	10.51	10.46	10.24
Capital ratio according to transition rules*	1.31	1.31	1.28
<b>Special disclosures</b>			
<b>IRB Provisions surplus (+) / deficit (-)</b>	<b>-113.2</b>	<b>-112.4</b>	<b>-97.2</b>
– Total provisions (+)	34.6	31.2	39.3
– Anticipated loss (-)	<b>-147.8</b>	<b>-143.6</b>	-136.5
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	56.4	69.5	44.9
Exposures to corporates	1.8	1.1	5.1
Retail exposures	48.9	46.1	157.7
Exposures secured on residential property	123.9	117.7	97.5
Past due items	0.3	0.2	0.2
Covered bonds	136.0	119.2	109.5
Other items	1.2	1.2	1.3
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>368.5</b>	<b>355.0</b>	<b>416.2</b>

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

SEK M	March 31, 2012	Dec 31, 2011	March 31, 2011
<b>Credit risk according to IRB Approach</b>			
<b>Retail exposures</b>			
Exposures secured by real estate collateral	1,110.9	1,150.3	994.8
Other retail exposures	0.6	0.6	1.9
<i>Total retail exposures</i>	<i>1,111.5</i>	<i>1,150.9</i>	<i>996.7</i>
Exposures to corporates	82.6	80.0	75.5
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,194.1</b>	<b>1,230.9</b>	<b>1,072.2</b>
<b>Operational risk</b>			
Standardised Approach	27.3	24.6	24.6
<b>Total capital requirement for operational risk</b>	<b>27.3</b>	<b>24.6</b>	<b>24.6</b>

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

**NOTE 14 DISCLOSURES ON RELATED PARTIES**

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, the 23 regional insurance companies with subsidiaries, as well as the local insurance companies that hold shares in Länsförsäkringar AB.

Normal business transactions between the related parties took place during January-March 2012.

Since December 31, 2011, 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, 2011, no significant changes have occurred in the company's agreements with these persons.

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

Stockholm, April 23, 2012

Anders Borgcrantz  
President

## Appendix

### BORROWING PROGRAMMES

Programmes	Limit, Nominal	Issued in	Issued in	Remaining,	Remaining,	Remaining	Remaining
		Jan-March 2012	Jan-March 2011	March 31, 2012	March 31, 2011	average term, March 31, 2012	average term, March 31, 2011
	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Year	Year
Benchmark	Unlimited	7.3	5.6	52.2	55.0	2.9	2.9
Medium Term Covered Note	SEK 30 billion	2.9	3.0	9.0	15.4	1.9	1.1
Euro Medium Term Covered Note	EUR 4 billion	0	–	21.5	11.5	2.6	3.9
<b>Total</b>		<b>10.2</b>	<b>8.6</b>	<b>82.7</b>	<b>81.9</b>	<b>2.8</b>	<b>2.7</b>

### Borrowing by maturity

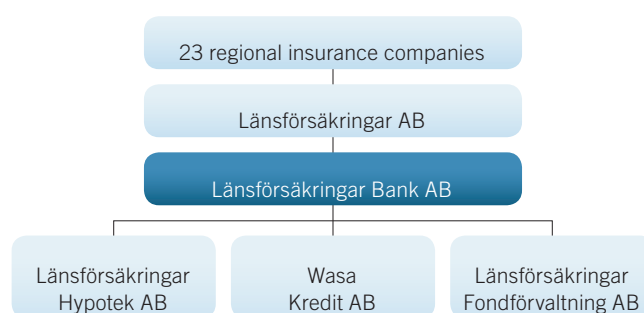
Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, SEK billion	1.0	14.6	28.9	13.5	19.3	5.0	0.3	–	0.1	82.7

## Financial calendar

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

Interim Report January-September 2012 ..... **October 25, 2012**

This report contains such information that Länsförsäkringar Hypotek AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on April 23, 2012 at 11:00 a.m. Swedish time



The Länsförsäkringar Alliance comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is based on a strong belief in local presence and customer contacts are made at the regional insurance companies. The regional insurance companies offer a wide range of insurance, banking services and other financial solutions for private individuals, corporate customers and agricultural customers. The number of customers amounts to nearly 3.4 million and the Länsförsäkringar Alliance has a joint total of approximately 5,800 employees.

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