

Länsförsäkringar Hypotek

Year-end report 2012

The year in brief

- Länsförsäkringar has Sweden's most satisfied retail mortgage customers according to the Swedish Quality Index.
- Operating profit rose 69% to SEK 319 M (189) and the return on equity strengthened to 5.2% (3.6).
- Net interest income increased 57% to SEK 796 M (506).
- Loan losses amounted to SEK 2 M (-4), corresponding to loan losses of 0.00% (0.00).
- Lending rose 14% to SEK 101 billion (89).
- The Core Tier 1 ratio and Tier 1 ratio amounted to 22.3% (20.6) and the capital adequacy ratio to 24.2% (22.8).
- The number of customers rose 10% to 177,000 (161,000).

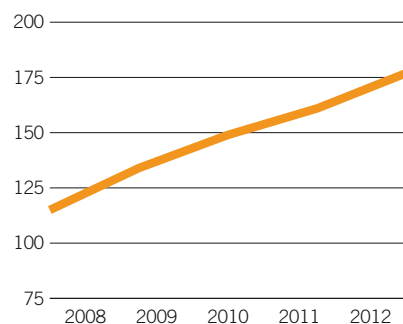
Figures in parentheses pertain to 2011.

Anders Borgcrantz,
President of Länsförsäkringar Hypotek:

Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the eighth consecutive year, which shows that customers appreciate our attractive and reasonably priced mortgage offering. The loan portfolio, which largely comprises mortgages for private individuals' homes, continues to maintain very high credit quality. Funding with covered bonds was successful during the year and the liquidity situation is strong.

CUSTOMER TREND

Number of customers, 000s



Key figures

	Q 4 2012	Q 4 2011	Q 3 2012	Jan-Dec 2012	Jan-Dec 2011
Return on equity, %	4.1	3.7	4.4	5.2	3.6
Return on total capital, %	0.20	0.18	0.22	0.26	0.17
Investment margin, %	0.69	0.50	0.64	0.65	0.45
Cost/income ratio before loan losses	0.25	0.32	0.25	0.22	0.30
Cost/income ratio after loan losses	0.28	0.34	0.25	0.23	0.28
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	22.3	20.6	20.9	22.3	20.6
Tier 1 ratio and Core Tier 1 ratio according to transition rules, %	9.4	9.4	9.4	9.4	9.4
Capital adequacy ratio according to Basel II, %	24.2	22.8	22.9	24.2	22.8
Capital adequacy ratio according to transition rules, %	10.1	10.5	10.2	10.1	10.5
Percentage of impaired loans, %	0.00	0.00	0.00	0.00	0.00
Reserve ratio in relation to loans, %	0.04	0.04	0.04	0.04	0.04
Loan losses, %	0.01	0.01	0.00	0.00	0.00

Income statement, quarterly

SEK M	Q 4 2012	Q 3 2012	Q 2 2012	Q 1 2012	Q 4 2011
Net interest income	221.3	198.6	204.0	171.7	147.0
Net commission	-117.9	-92.2	-96.0	-79.1	-66.7
Net gains/losses from financial items	-13.3	-14.7	21.0	9.4	-2.5
Other operating income	0.0	0.0	0.0	0.1	0.0
Total operating income	90.1	91.7	129.0	102.1	77.8
Staff costs	-3.6	-3.3	-3.3	-2.7	-3.1
Other administration expenses	-19.1	-19.8	-23.5	-15.9	-21.6
Total operating expenses	-22.7	-23.1	-26.8	-18.6	-24.7
Profit before loan losses	67.4	68.6	102.2	83.5	53.1
Loan losses, net	-2.4	-0.2	2.7	-2.4	-1.3
Operating profit	65.0	68.4	104.9	81.1	51.8

Market commentary

Leading global economies were in different economic phases in 2012. At the start of the year, the ECB injected another large sum of liquidity into the European banking system, which had a hugely positive effect on risk willingness among investors. The European economy subsequently weakened and the status of government finances in mainly Spain and Italy declined. During the summer, the ECB lowered its key interest rate from 1% to 0.75%. Later, a bailout package was launched to enable the ECB to make conditional purchases of government bonds issued by European states with financial problems, which mainly resulted in lower interest rates in Spain and Italy. The Federal Reserve, Bank of England and Bank of Japan subsequently followed the ECB's example by also launching new stimulus packages. The latter part of the year was dominated by a focus on the US and the outcome of the US presidential election. Attention was then directed to a solution to the fiscal cliff. A positive trend was that the US housing market showed clear indications of a start to recovery. China showed signs of avoiding a hard landing while the economic outlook weakened for the previously resistant Germany.

Trends in the Swedish economy during the year were relatively positive due to stable household consumption, continued low inflation and rising income. A strong SEK together with the increasingly weak European economic climate led to a decline in Swedish export and the Swedish economy was also impacted by the economic slowdown in Europe. The slowdown, combined with very low pressure on inflation, resulted in the Riksbank lowering its repo rate on three occasions during the year from 1.75% to 1.00%. Employment weakened slightly during the second half of 2012, totalling an unemployment rate of 7.8% at year-end.

During the fourth quarter, the situation in financial markets was relatively stable. Interest rates in the US, Germany and Sweden generally fell during the quarter. Credit spreads for both senior funding and covered funding narrowed slightly.

The housing price trend in Sweden remained stable. Household and retail mortgages increased 2% during the fourth quarter, according to data from Statistics Sweden.

2012 compared with 2011

Growth and customer trend

Loans to the public rose 14%, or SEK 12 billion, to SEK 101 billion (89). The number of customers rose 10%, or 16,000, to 177,000 (161,000), and 82% of mortgage customers have Länsförsäkringar as their primary bank. According to the Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied retail mortgage customers for the eighth consecutive year. The survey shows that Länsförsäkringar is the mortgage provider that customers consider most reasonably priced and that best meets customer expectations in terms of quality, information and advice. And as in 2011, loyalty, image and the quality of products and services receives the highest rating. Länsförsäkringar also has Sweden's most satisfied retail bank customers for the eighth time in nine years.

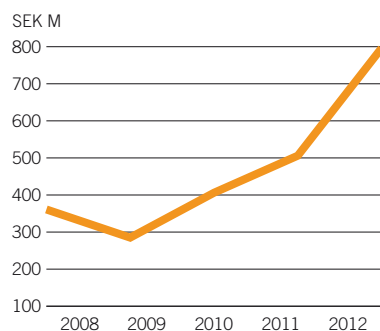
Earnings and profitability

Profit before loan losses increased 74% to SEK 322 M (185) and operating profit rose 69% to SEK 319 M (189) primarily due to higher net interest income. Return on equity strengthened to 5.2% (3.6).

Income

Net interest income rose 57%, or SEK 290 M, to SEK 796 M (506). This rise was attributable to increased volumes and margins. The investment margin strengthened to 0.65% (0.45). Net interest income was charged with a provision totalling SEK 37 M (34) for stability fund fees. Net gains from financial items amounted to SEK 2 M (4). Operating income increased a total of 57%, or SEK 150 M, to SEK 413 M (263), as a result of higher net interest income. Net commission fell to an expense of SEK 385 M (249) attributable to higher compensation to the regional insurance companies.

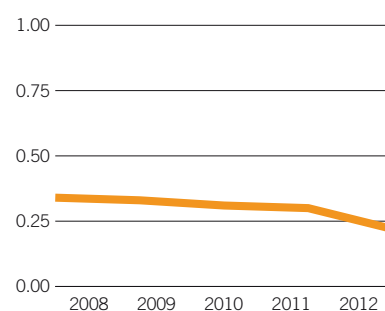
NET INTEREST INCOME



Expenses

Operating expenses rose 17% to SEK 91 M (78) as a result of the greater use of the Parent Company's services due to higher volumes. The cost/income ratio before loan losses strengthened to 0.22 (0.30) and the cost/income ratio after loan losses strengthened to 0.23 (0.28).

COST/INCOME RATIO BEFORE LOAN LOSSES



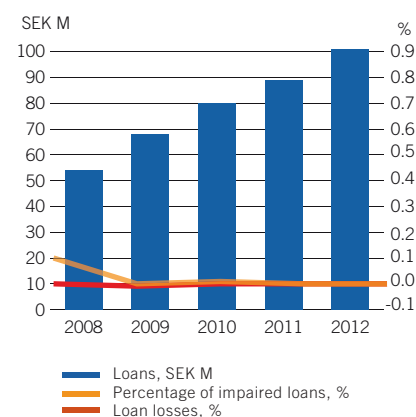
Loan losses

Loan losses amounted to SEK 2 M (-4), net, corresponding to unchanged loan losses of 0.00%. Reserves amounted to SEK 40 M (34), providing a reserve ratio in relation to loans of 0.04%. Impaired loans amounted to SEK 3 M (1), corresponding to an unchanged percentage of impaired loans of 0.00%. For more information regarding loan losses, reserves and impaired loans, see notes 8 and 10.

Loans

Loans to the public rose 14%, or SEK 12 billion, to SEK 101 billion (89). Lending is conducted solely in SEK and in Sweden. The loan portfolio, comprising 75% single-family homes, 20% tenant-owned apartments, 4% multi-family homes and 1% other lending, continued to have favourable credit quality.

LOANS TO THE PUBLIC



Cover pool

All loans, except for only 6%, are included in the cover pool. The collateral comprises private homes: 78% single-family homes, 20% tenant-owned apartments and 2% vacation homes. The geographic spread throughout Sweden is favourable and the average loan amount is SEK 404,000 (391,000). The weighted average loan-to-value ratio, LTV, was 63% (61) and the nominal, current OC amounted to 25% (22). 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 was 68% (67) on December 31, 2012. No impaired loans are included in the cover pool. Credit quality is high, which is also confirmed by Moody's key figure of collateral score from the report on October 9, 2012. The assets in Länsförsäkringar Hypotek's cover pool continue to maintain the highest credit quality among all Swedish covered-bond issuers and are among the best in Europe.

Cover pool	Dec 31, 2012	Dec 31, 2011
Cover pool, SEK billion	114	107
OC ¹⁾ , nominal, current level, %	25	22
Weighted average Max-LTV, %	63	61
Collateral	Private homes	Private homes
Seasoning, months	58	58
Number of loans	236,639	215,668
Number of borrowers	108,527	98,296
Number of properties	109,057	98,766
Average commitment, SEK 000s	875	859
Average loan, SEK 000s	404	391
Fixed-interest period, variable, %	52	58
Fixed-interest period, fixed, %	48	42
Impaired loans	None	None

¹⁾ 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. From June 1, 2012, OC is reported excluding the separate deposit account.

Funding

Debt securities in issue rose 7%, or SEK 6 billion, to SEK 91 billion (85). Funding was successful during the year and the maturity structure for funding was highly diversified. Covered bonds totalling a nominal amount of SEK 28.5 billion (26.8) were issued and a nominal amount of SEK 16.0 billion (12.3) was repurchased. Matured covered bonds amounted to a nominal amount of SEK 6.6 billion (7.9).

For more information about the funding programmes, see the Appendix on page 14.

Liquidity

The liquidity reserve totalled a nominal amount of SEK 20.1 billion (22.8), of which 85% (60) is in Swedish covered bonds with an AAA/Aaa credit rating, 7% (33) is Swedish government bonds and 8% (7) comprises cash and cash equivalents in the separate deposit account. The level of the liquidity reserve corresponds to the refinancing requirement for all debt securities in issue falling due in about 1.5 years.

Rating

Länsförsäkringar Hypotek is one of four issuers 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 ¹⁾	Standard & Poor's	AAA/stable	A-1+
Länsförsäkringar Hypotek ¹⁾	Moody's	Aaa/stable	-
Länsförsäkringar Bank	Standard & Poor's	A/stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A2/negative	P-1

¹⁾ Pertains to the company's covered bonds.

Capital adequacy

Länsförsäkringar Hypotek applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposure and to counterparty exposures to corporates and the agricultural sector up to SEK 5 M. The Foundation Internal Ratings-Based Approach is used for counterparty exposures to corporates and the agricultural sector in excess of SEK 5 M. The Standardised Approach is applied to other exposures. Tier 1 and Core Tier 1 capital amounted to SEK 4,739 M (4,140) and the Tier 1 and Core Tier 1 ratio was 22.3% (20.6) according to Basel II on December 31, 2012. The capital base amounted to SEK 5,143 M (4,584) and the capital adequacy ratio was 24.2% (22.8).

For more information on the calculation of capital adequacy, see note 13.

Interest-rate risk

On December 31, 2012, 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 64 M (20).

Risks and uncertainties

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

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.

Fourth quarter of 2012 compared with fourth quarter of 2011

Operating profit rose 25% to SEK 65 M (52), attributable to a higher net interest income. Net interest income increased 50% or SEK 74 M, to SEK 221 M (147) and the return on equity strengthened to 4.1% (3.7). The investment margin strengthened to 0.69% (0.50). Net losses from financial items declined to SEK 13 M (3). Operating income rose a total of 16%, or SEK 12 M, to SEK 90 M (78). Net commission fell to an expense of SEK 118 M (67) attributable to higher compensation to the regional insurance companies. Expenses declined to SEK 23 M (25) and the cost/income ratio strengthened to 0.25% (0.32). Loan losses, net, totalled SEK 2 M (1).

Fourth quarter of 2012 compared with third quarter of 2012

Operating profit declined 5% to SEK 65 M (68), attributable to a lower net commission. Net interest income rose 11% or SEK 22 M, to SEK 221 M (199) due to higher volumes and margins. Return on equity was 4.1% (4.4) and the investment margin improved to 0.69% (0.64). Net losses from financial items amounted to SEK 13 M (15). Operating income declined a total of 2%, or SEK 2 M, to SEK 90 M (92). Net commission fell to an expense of SEK 118 M (92) attributable to higher compensation to the regional insurance companies. Expenses remained unchanged at SEK 23 M and the cost/income ratio before loan losses remained unchanged at 0.25. Loan losses, net, totalled SEK 2 M (0).

Events after the end of the year

No significant events took place after the close of the year.

Annual Report

The Annual Report will be available on Länsförsäkringar Hypotek's website lansforsakringar.se/financialhypotek from February week 8, 2013.

Income statement

SEK M	Note	Q 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Interest income	3	1,679.3	1,859.1	-10%	1,818.5	-8%	7,205.9	6,891.7	5%
Interest expense	4	-1,458.0	-1,712.1	-15%	-1,619.9	-10%	-6,410.3	-6,385.3	0%
Net interest income		221.3	147.0	50%	198.6	11%	795.6	506.4	57%
Commission income	5	0.6	0.6	6%	0.6	-1%	2.4	2.2	10%
Commission expense	6	-118.5	-67.3	76%	-92.8	28%	-387.6	-250.8	55%
Net gains from financial items	7	-13.3	-2.5	444%	-14.7	-9%	2.4	4.5	-47%
Other operating income		0.0	0.0	-74%	0.0	-33%	0.1	0.4	-73%
Total operating income		90.1	77.8	16%	91.7	-2%	412.9	262.7	57%
Staff costs		-3.6	-3.1	16%	-3.3	11%	-12.9	-13.6	-5%
Other administration expenses		-19.1	-21.6	-12%	-19.8	-4%	-78.2	-64.4	22%
Depreciation and impairment of tangible assets		0.0	0.0	500%	0.0	24%	-0.1	0.0	
Total operating expenses		-22.7	-24.7	-8%	-23.1	-2%	-91.2	-78.0	17%
Profit before loan losses		67.4	53.1	27%	68.6	2%	321.7	184.7	74%
Loan losses, net	8	-2.4	-1.3	85%	-0.2	910%	-2.3	4.0	-138%
Operating profit		65.0	51.8	25%	68.4	-5%	319.4	188.7	69%
Tax		4.9	-3.2	-253%	-18.0	-127%	-62.1	-39.2	58%
Profit for the period		69.9	48.6	44%	50.4	39%	257.3	149.5	72%

Statement of comprehensive income

SEK M	Q 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Profit for the period	69.9	48.6	44%	50.4	39%	257.3	149.5	72%
Other comprehensive income								
<i>Available-for-sale-financial assets</i>								
Fair value change	-8.5	60.8	-113%	-43.8	-82%	-48.0	161.0	-129%
Reclassification realised securities	-31.1	-1.5		-		-38.4	-3.6	938%
Tax	10.2	-15.6	-165%	11.5	-11%	22.5	-41.4	-154%
Total other comprehensive income for the period, net after tax	-29.4	43.7	-165%	-32.3	-11%	-63.9	116.0	-155%
Total comprehensive income for the period	40.5	92.3		18.1		193.4	265.5	

Balance sheet

SEK M	Note	Dec 31, 2012	Dec 31, 2011
Assets			
Treasury bills and other eligible bills		1,544.9	8,341.5
Loans to credit institutions	9	1,696.2	1,912.1
Loans to the public	10	101,434.4	88,625.0
Bonds and other interest-bearing securities		18,218.7	14,504.5
Derivatives	11	1,746.4	1,470.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		781.1	640.5
Tangible assets		0.6	0.3
Deferred tax assets		3.3	0.3
Other assets		23.4	1.2
Prepaid expenses and accrued income		1,869.6	1,916.1
Total assets		127,318.6	117,411.8
Liabilities, provisions and equity			
Due to credit institutions	9	22,984.2	19,985.7
Debt securities in issue		90,962.4	85,396.2
Derivatives	11	2,824.3	2,237.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,067.7	1,755.8
Deferred tax liabilities		-	-
Other liabilities		256.0	355.4
Accrued expenses and deferred income		2,831.5	2,838.3
Provisions		0.5	-
Subordinated liabilities		501.0	501.0
Total liabilities and provisions		122,427.6	113,070.2
Equity			
Share capital, 70,335 shares		70.3	70.3
Statutory reserve		14.1	14.1
Fair value reserve		81.7	145.6
Retained earnings		4,467.6	3,962.1
Profit for the year		257.3	149.5
Total equity		4,891.0	4,341.6
Total liabilities, provisions and equity		127,318.6	117,411.8
Memorandum items			
	12		
For own liabilities, pledged assets		95,541.1	86,366.1
Other pledged assets		None	None
Contingent liabilities		2,730.6	2,192.6
Other commitments		4,952.2	3,893.7
Other notes			
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Cash-flow statement in summary, indirect method

SEK M	Jan-Dec 2012	Jan-Dec 2011
Cash and cash equivalents, January 1	5.8	22.9
Cash flow from operating activities	-189.1	-549.0
Cash flow from investing activities	-0.3	-
Cash flow from financing activities	190.5	531.9
Cash flow for the period	1.1	-17.1
Cash and cash equivalents, September 30	6.9	5.8

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 Loans to the public SEK -12,816.0 M (-8,952.1), Treasury bills and other eligible bills SEK 6,446.1 M (-5,051.8) and to Debt securities in issue SEK 6,395.2 M (6,154.1).

Changes in the cash flow from financing activities are attributable to Shareholders' contribution received SEK 538.0 M (710.0) and to Group contribution paid SEK -347.5 M (-177.8).

Statement of changes in Shareholders' equity

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the period	Total
Opening balance, January 1, 2011	70.3	14.1	29.6	3,403.5	104.8	3,622.3
Profit for the year					149.5	149.5
Other comprehensive income for the year			116.0			116.0
<i>Comprehensive income for the year</i>			<i>116.0</i>		<i>149.5</i>	<i>265.5</i>
Resolution by Annual General Meeting				104.8	-104.8	-
Group contribution paid				-347.6		-347.6
Tax on Group contribution paid				91.4		91.4
Conditional shareholders' contribution received				710.0		710.0
Closing balance, December 31, 2011	70.3	14.1	145.6	3,962.1	149.5	4,341.6
Opening balance, January 1, 2012	70.3	14.1	145.6	3,962.1	149.5	4,341.6
Profit for the year					257.3	257.3
Other comprehensive income for the year			-63.9			-63.9
<i>Comprehensive income for the year</i>			<i>-63.9</i>		<i>257.3</i>	<i>193.4</i>
Resolution by Annual General Meeting				149.5	-149.5	-
Group contribution paid				-247.0		-247.0
Tax on Group contribution paid				65.0		65.0
Conditional shareholders' contribution received				538.0		538.0
Closing balance, December 31, 2012	70.3	14.1	81.7	4,467.6	257.3	4,891.0

Noter

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, including amendment regulations). 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 interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies applied in the year-end report comply with the accounting policies and basis of calculation that will be applied in the preparation of the 2012 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 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Loans to credit institutions	3.9	7.1	-46%	6.1	-36%	34.8	86.5	-60%
Loans to the public	909.1	877.2	4%	930.4	-2%	3,687.0	3,149.7	17%
Interest-bearing securities	138.2	162.4	-15%	141.4	-2%	576.5	568.5	1%
<i>Derivatives</i>								
Hedge accounting	628.1	812.5	23%	740.6	15%	2,907.6	2,955.5	-2%
Non-hedge accounting	-	-	-	-	-	-	131.5	-100%
Total interest income	1,679.3	1,859.2	-10%	1,818.5	-8%	7,205.9	6,891.7	5%
of which interest income on impaired loans	0.0	0.0	700%	0.0	86%	0.0	0.0	-
of which interest income from financial items not measured at fair value	913.0	884.4	3%	936.5	-3%	3,721.8	3,236.1	15%
Average interest rate on loans to the public during the period, %	3.7	4.0	-	3.9	-	3.9	3.7	-

NOTE 4 INTEREST EXPENSE

SEK M	Q 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Due to credit institutions	-125.3	-127.4	-2%	-145.2	-14%	-540.1	-400.5	35%
Interest-bearing securities	-693.5	-695.6	0%	-723.4	-4%	-2,833.4	-2,729.9	4%
Subordinated liabilities	-5.1	-6.2	-18%	-5.7	-11%	-22.9	-23.7	-3%
<i>Derivatives</i>								
Hedge accounting	-624.3	-875.5	-29%	-736.0	-15%	-2,977.4	-3,072.1	-3%
Non-hedge accounting	-	-	-	-	-	-	-125.1	-100%
Other interest expense	-9.8	-7.4	31%	-9.6	2%	-36.5	-34.0	7%
Total interest expense	-1,458.0	-1,712.1	-15%	-1,619.9	-10%	6,410.3	-6,385.3	0%
of which interest expense from financial items not measured at fair value	-833.7	-836.7	0%	-883.9	-6%	-3,432.9	-3,188.1	8%

NOTE 5 COMMISSION INCOME

SEK M	Q 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Lending	0.6	0.6	6%	0.6	-1%	2.4	2.2	10%
Total commission income	0.6	0.6	6%	0.6	-1%	2.4	2.2	10%

NOTE 6 COMMISSION EXPENSE

SEK M	Q 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Remuneration to regional insurance companies	-118.3	-66.8	77%	-92.4	28%	-386.3	-249.2	55%
Other commission	-0.2	-0.5	-55%	-0.4	-44%	-1.3	-1.6	-20%
Total commission expense	-118.5	-67.3	76%	-92.8	28%	-387.6	-250.8	55%

NOTE 7 NET GAINS FROM FINANCIAL ITEMS

SEK M	Q 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Change in fair value								
Interest-related instruments	94.6	147.1	-36%	124.4	-24%	281.8	469.2	-40%
Currency-related instruments	343.5	-625.7	-155%	-803.9	-143%	-783.9	15.6	
Change in fair value of hedged items	-431.7	466.1	-193%	677.2	-164%	478.2	-506.5	-194%
Capital gain / loss								
Interest-related instruments	-33.5	0.3		-25.4	32%	-23.4	1.4	
Interest compensation	13.8	9.7	42%	13.0	7%	49.7	24.8	100%
Total net gains from financial items	-13.3	-2.5	444%	-14.7	-9%	2.4	4.5	-47%

NOTE 8 LOAN LOSSES, NET

SEK M	Q 4 2012	Q 4 2011	Change	Q 3 2012	Change	Jan-Dec 2012	Jan-Dec 2011	Change
Specific reserve for individually assessed loan receivables								
Write-off of confirmed loan losses during the period	-3.4	-17.2	-80%	-0.8	319%	-8.0	-17.5	-54%
Reversed earlier impairment of loan losses recognised as confirmed losses	1.3	4.4	-72%	0.3	355%	1.8	4.8	-62%
Impairment of loan losses during the period	-1.9	-0.6	-0,6%	-0.7	188%	-4.6	-8.4	-45%
Payment received for prior confirmed loan losses	4.1	10.3	-59%	1.7	143%	11.7	13.1	-11%
Reversed impairment of loan losses no longer required	0.1	1.2	-98%	0.4	-82%	1.1	6.7	-83%
Net income / expense for the period for individually assessed loan receivables	0.2	-1.9	-109%	0.9	-80%	2.0	-1.3	-253%
Collective reserves for individually assessed receivables	-	-		-		-	-	
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk								
Provision / reversal of impairment of loan losses	-2.6	0.6	-520%	-1.1	145%	-4.3	5.3	-181%
Net income / expense for the period for collectively assessed homogenous loan receivables	-2.6	0.6	-520%	-1.1	145%	-4.3	5.3	-181%
Net income / expense of loan losses for the period	-2.4	-1.3	85%	-0.2	910%	-2.3	4.0	-138%

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 1,683.8 M (1,906.3).

Due to credit institutions includes borrowings of SEK 22,972.9 M (18,047.7).

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	Dec 31, 2012	Dec 31, 2011
Loan receivables, gross		
Corporate sector	3,881.7	1,733.8
Retail sector	97,592.4	86,925.0
Total loan receivables, gross	101,474.1	88,658.8
Impairment of individually assessed loan receivables		
Corporate sector	-	-
Retail sector	-1.9	-0.3
Total individual reserves	-1.9	-0.3
Impairment of collectively assessed loan receivables		
Corporate sector	-3.2	-2.5
Retail sector	-34.6	-31.0
Total collective reserves	-37.8	-33.5
Total reserves	-39.7	-33.8
Loan receivables, net		
Corporate sector	3,878.4	1,731.3
Retail sector	97,556.0	86,893.7
Total loans to the public	101,434.4	88,625.0
Impaired loans		
Retail sector	3.1	0.8
Total impaired loans	3.1	0.8

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	Dec 31, 2012		Dec 31, 2011	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest	64,458.0	1,522.2	59,395.0	1,292.2
Currency	8,651.5	417.1	10,576.6	454.2
Collateral received, CSA	-	-192.9	-	-276.1
<i>Other derivatives</i>				
Interest	0.0	0.0	0.0	0.0
Total derivatives with positive values	73,109.5	1,746.4	69,971.6	1,470.3
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	67,333.0	1,205.1	61,169.0	1,350.6
Currency	26,065.6	1,619.2	11,852.1	887.2
<i>Other derivatives</i>				
Currency	-	-	-	-
Total derivatives with negative values	93,398.6	2,824.3	73,021.1	2,237.8

NOTE 12 MEMORANDUM ITEMS

SEK M	Dec 31, 2012	Dec 31, 2011
For own liabilities, pledged assets		
Collateral pledged due to repurchase agreements	11.3	1,938.0
Loan receivables, covered bonds	95,529.8	84,428.1
Total for own liabilities, pledged assets	95,541.1	86,366.1
Other pledged assets	None	None
Contingent liabilities		
Conditional shareholders' contribution	2,730.6	2,192.6
Early retirement at age 62 in accordance with pension agreement, 80%	–	–
Total contingent liabilities	2,730.6	2,192.6
Commitments		
Loans approved but not disbursed	4,952.2	3,893.7

NOTE 13 CAPITAL-ADEQUACY ANALYSIS

SEK M	Dec 31, 2012	Dec 31, 2011
Capital base		
Tier 1 capital and Core Tier 1 capital before deductions	4,809.3	4,196.0
Deduction deferred tax assets	–3.3	–0.3
Less IRB deficit	–67.2	–56.2
Tier 1 capital and Core Tier 1 capital	4,738.8	4,139.5
Tier 2 capital	471.0	501.0
Deductions for Tier 2 capital	–67.2	–56.2
Total capital base	5,142.6	4,584.3
Risk-weighted assets according to Basel II	21,248.9	20,130.8
Risk-weighted assets according to transition rules	50,668.7	43,844.0
Capital requirement		
Capital requirement for credit risk according to Standardised Approach	291.6	355.0
Capital requirement for credit risk according to IRB Approach	1,381.0	1,230.9
Capital requirement for operational risk	27.3	24.6
Capital requirement according to Basel II	1,699.9	1,610.5
Adjustment according to transition rules	2,353.6	1,897.0
Total capital requirement	4,053.5	3,507.5
Capital adequacy		
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	22.3	20.6
Capital-adequacy ratio according to Basel II, %	24.2	22.8
Capital ratio according to Basel II*	3.03	2.85
Tier 1 ratio and core Tier 1 ratio according to transition rules, %	9.4	9.4
Capital-adequacy ratio according to transition rules, %	10.1	10.5
Capital ratio according to transition rules*	1.27	1.31
Special disclosures		
IRB Provisions surplus (+) / deficit (-)	–134.4	–112.4
– Total provisions (+)	39.7	31.2
– Anticipated loss (-)	–174.1	–143.6
Capital requirement		
Credit risk according to Standardised Approach		
Exposures to institutions	80.6	69.5
Exposures to corporates	2.8	1.1
Retail exposures	57.3	46.1
Exposures secured on residential property	0.0	117.7
Past due items	0.0	0.2
Covered bonds	149.7	119.2
Other items	1.1	1.2
Total capital requirement for credit risk according to Standardised Approach	291.6	355.0

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Dec 31, 2012	Dec 31, 2011
Credit risk according to IRB Approach		
Retail exposures		
Exposures secured by real estate collateral	1,122.9	1,150.3
Other retail exposures	1.2	0.6
<i>Total retail exposures</i>	<i>1,124.1</i>	<i>1,150.9</i>
Exposures to corporates	256.9	80.0
Total capital requirement for credit risk according to IRB Approach	1,381.0	1,230.9
Operational risk		
Standardised Approach	27.3	24.6
Total capital requirement for operational risk	27.3	24.6

*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 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 year-end report is a translation of the Swedish year-end report that has been reviewed by the company's auditors.

We hereby confirm that this year-end report provides a true and fair overview of the company's operations, financial position and results and describes material risks and uncertainty factors faced by the company.

Stockholm, February 4, 2013

Rikard Josefson
Chairman of the Board

Christian Bille
Board member

Bengt Clemedtson
Board member

Maria Jerhamre-Engström
Board member

Christer Malm
Board member

Anders Borgcrantz
President

Auditors' report on the review of the financial year-end information

To the board of directors of Länsförsäkringar Hypotek AB (publ)
Org nr 556244-1781

Introduction

I have conducted a review of the financial interim information of the year-end report for Länsförsäkringar Hypotek AB (publ), Corporate Registration Number 556244-1781, at December 31, 2012 and for the twelve-month period that ended on that date. The Board of Directors and the President are responsible for preparing and presenting this year-end report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express an opinion on this year-end report based on my review.

Focus and scope of the review

I conducted my review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and substantially more limited scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable me to obtain a level of assurance that would make me aware of all significant matters that might be identified in an audit. Therefore, a conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the year-end report has not, in all material aspects, been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, February 6, 2013

Stefan Holmström
Authorised Public Accountant

Appendix

FUNDING PROGRAMMES

Programmes	Limit, Nominal	Issued	Issued	Outstanding	Outstanding	Remaining	Remaining
		Nominal, SEK billion	Nominal, SEK billion	Dec 31, 2012	Dec 31, 2011	average term, Dec 31, 2012	average term, Dec 31, 2011
				Nominal, SEK billion	Nominal, SEK billion	Year	Year
Swedish Covered Benchmark	Unlimited	22.7	11.7	58.8	53.9	2.4	2.6
Medium Term Covered Note	SEK 30 billion	3.3	4.8	8.7	10.1	1.5	1.2
Euro Medium Term Covered Note	EUR 4 billion	2.5	10.3	23.8	21.5	2.3	2.9
Total		28.5	26.8	91.3	85.5	2.3	2.5

Funding by maturity December 31, 2012

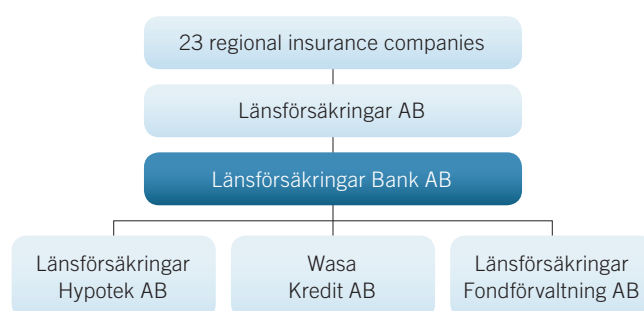
Years	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, SEK billion	9.5	25.2	17.2	19.7	14.3	4.0	1.3	0.1	91.3

Financial calendar

Interim report January-March.....**April 24, 2013**

Interim report April-June.....**July 19, 2013**

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 February 6, 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 3.5 million and the Länsförsäkringar Alliance has a joint total of approximately 5,800 employees.

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