

# Länsförsäkringar Hypotek

## January-March 2013

INTERIM REPORT

### The period in brief

- Net interest income increased 29% to SEK 222 M (172).
- Loan losses amounted to SEK 1 M (2), corresponding to loan losses of 0.00% (0.01).
- Operating profit fell 13% to SEK 70 M (81) and the return on equity amounted to 4.5% (5.6).
- Lending rose 15% to SEK 104 billion (91).
- The Core Tier 1 ratio and Tier 1 ratio amounted to 22.4% (21.6) and the capital adequacy ratio to 24.3% (23.8).
- The number of customers rose 9% to 180,000 (165,000).

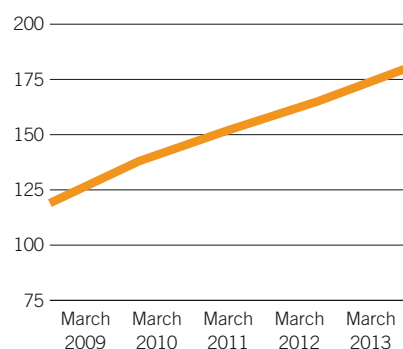
Figures in parentheses pertain to the comparative period in 2012.

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

*Länsförsäkringar has a balanced and stable growth in mortgages and a continued increasing net interest income. Credit quality is high with a level of loan losses and impaired loans, which are virtually nil. Funding was successful during the period and the liquidity situation is strong.*

### CUSTOMER TREND

Number of customers, 000s



## Key figures

	Q 1 2013	Q 1 2012	Q 4 2012	Full-year 2012
Return on equity, %	4.5	5.6	4.1	5.2
Return on total capital, %	0.22	0.27	0.20	0.26
Investment margin, %	0.68	0.58	0.69	0.65
Cost/income ratio before loan losses	0.24	0.18	0.25	0.22
Cost/income ratio after loan losses	0.25	0.20	0.28	0.23
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	22.4	21.6	22.3	22.3
Tier 1 ratio and the core Tier 1 ratio according to transition rules, %	9.1	9.5	9.4	9.4
Capital adequacy ratio according to Basel II, %	24.3	23.8	24.2	24.2
Capital adequacy ratio according to transition rules, %	9.9	10.5	10.1	10.1
Percentage of impaired loans, %	0.00	0.00	0.00	0.00
Reserve ratio in relation to loans, %	0.04	0.04	0.04	0.04
Loan losses, %	0.00	0.01	0.01	0.00

## Income statement, quarterly

SEK M	Q 1 2013	Q 4 2013	Q 3 2012	Q 2 2012	Q1 2012
Net interest income	221.5	221.3	198.6	204.0	171.7
Net commission	-78.9	-117.9	-92.2	-96.0	-79.1
Net gains/losses from financial items	-49.3	-13.3	-14.7	21.0	9.4
Other operating income	0.2	0.0	0.0	0.0	0.1
<b>Total operating income</b>	<b>93.6</b>	<b>90.1</b>	<b>91.7</b>	<b>129.0</b>	<b>102.1</b>
Staff costs	-3.9	-3.6	-3.3	-3.3	-2.7
Other administration expenses	-18.3	-19.1	-19.8	-23.5	-15.9
<b>Total operating expenses</b>	<b>-22.2</b>	<b>-22.7</b>	<b>-23.1</b>	<b>-26.8</b>	<b>-18.6</b>
<b>Profit before loan losses</b>	<b>71.4</b>	<b>67.4</b>	<b>68.6</b>	<b>102.2</b>	<b>83.5</b>
Loan losses, net	-1.1	-2.4	-0.2	2.7	-2.4
<b>Operating profit</b>	<b>70.3</b>	<b>65.0</b>	<b>68.4</b>	<b>104.9</b>	<b>81.1</b>

## Market commentary

The risk appetite of investors increased at the start of the quarter and both stock markets and long-term interest rates rose globally. Budgetary problems in the US were managed temporarily and the Federal Reserve signalled a continued highly expansionary monetary policy until 2015 as long as the labour market does not make a marked improvement. Growth in China is expected to continue to remain stable. The intentions of the new Governor of the Bank of Japan regarding an aggressive monetary stimulus package gave hope of higher growth in Japan.

The European economy remains in different phases. German export benefited from accelerating global growth, while such countries as France, Spain and Italy have weak international competitiveness and fiscal deficits. Elections in Italy led to continued political uncertainty and the handling of the Cypriot bank problems was surrounded by some turbulence. Primarily European, although also US and Swedish, interest rates fell again at the end of the quarter.

The Swedish economy began 2013 with slightly higher confidence in the future among Swedish companies. The performance of domestic demand was positive primarily due to continued low inflation. The Riksbank decided to hold the key interest rate unchanged at 1.00% at its monetary policy meeting in February. The housing price trend in Sweden was stable during the period.

Credit spreads for covered bonds narrowed during the quarter.

## First quarter of 2013 compared with first quarter of 2012

### Growth and customer trend

Loans to the public rose 15%, or SEK 13 billion, to SEK 104 billion (91). The number of customers rose 9%, or 15,000, to 180,000 (165,000), and 83% of mortgage customers have Länsförsäkringar as their primary bank.

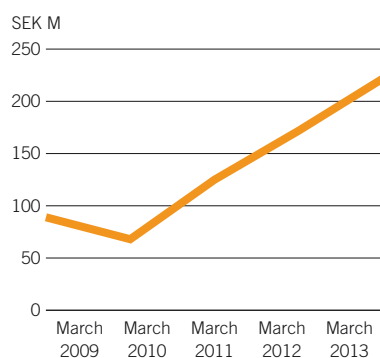
## Earnings and profitability

Profit before loan losses fell 14% to SEK 71 M (84) and operating profit declined 13% to SEK 70 M (81), which was attributable to lower net gains/losses from financial items. Return on equity amounted to 4.5% (5.6).

## Income

Operating income excluding net gains/losses from financial items increased 54% to SEK 143 M (93). Operating income including net gains/losses from financial items fell a total of 8% to SEK 94 M (102). Net interest income rose 29% to SEK 222 M (172), primarily due to higher lending volumes. The investment margin strengthened to 0.68% (0.58). Net interest income was charged with a provision totalling SEK 9 M for stability fund fees. Net losses from financial items declined to SEK 49 M (-9) and was attributable to the effects of changes in fair value and the repurchase of own debt. Net commission remained unchanged at an expense of SEK 79 M.

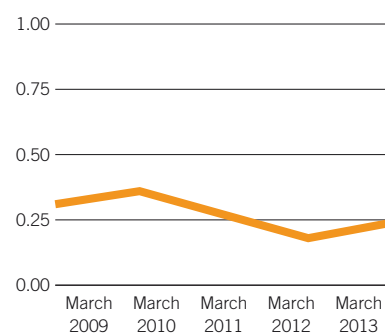
### NET INTEREST INCOME



## Expenses

Operating profit increased to SEK 22 M (19). The cost/income ratio was 0.24 (0.18) before loan losses and 0.25 (0.20) after loan losses.

### COST/INCOME RATIO BEFORE LOAN LOSSES



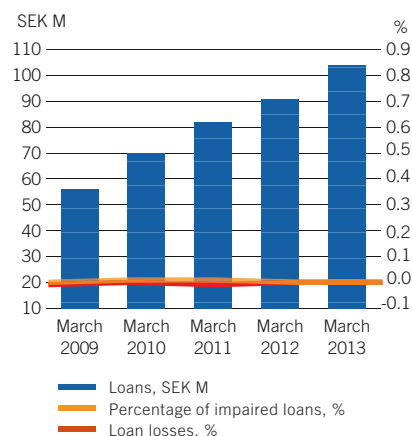
## Loan losses

Loan losses amounted to SEK 1 M (2), net, corresponding to loan losses of 0.00% (0.01). Reserves amounted to SEK 42 M (37), providing an unchanged reserve ratio in relation to loans of 0.04%. Impaired loans amounted to SEK 4 M (2), 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 15%, or SEK 13 billion, to SEK 104 billion (91), up 3% or SEK 3 billion from year-end 2012. All loans are granted in Sweden and in SEK. The loan portfolio, comprising the following: 75% (78) single-family homes, 20% (19) tenant-owned apartments, 4% (3) multi-family housing and 0.8% (0.4) other loans, continued to have favourable credit quality.

### LOANS TO THE PUBLIC



## Cover pool

A total of 93% of the loan portfolio is included in the cover pool. The collateral comprises private homes: 77% single-family homes, 21% tenant-owned apartments and 2% vacation homes. The geographic distribution throughout Sweden is well-diversified and the average loan amount is SEK 405,000 (394,000). The weighted average loan-to-value ratio, LTV, was 63% (61) and the nominal, current OC amounted to 24% (25). 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 March 31, 2013. No impaired loans are included in the cover pool. 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, according to Moody's report from January 28, 2013.

Cover pool	March 31, 2013	March 31, 2012
Cover pool, SEK billion	115	107
OC <sup>1)</sup> , nominal, current level, %	24	25
Weighted average Max-LTV, %	63	61
Collateral	Private homes	Private homes
Seasoning, months	58	58
Number of loans	240,653	219,799
Number of borrowers	110,470	100,430
Number of properties	110,979	100,905
Average commitment, SEK 000s	879	861
Average loan, SEK 000s	405	394
Fixed-interest period, variable, %	51	55
Fixed-interest period, fixed, %	49	45
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. From June 1, 2012, OC is reported excluding the separate deposit account.

## Funding

Debt securities in issue rose 9%, or SEK 7 billion, to SEK 90 billion (83). Covered bonds totalling a nominal SEK 3.7 billion (10.2) were issued and matured covered bonds amounted to a nominal SEK 2.3 M (5.6).

## Liquidity

As of March 31, 2013 the liquidity reserve amounted to SEK 18.6 billion (21.3) according to the definition of the Swedish Bankers' Association, of which 92% (80) is in Swedish covered bonds with an AAA/Aaa credit rating, 8% (20) is Swedish government bonds. The level of the liquidity reserve corresponds to the refinancing requirement for all debt securities in issue falling due in slightly more than 1 year.

## 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 <sup>1)</sup>	Standard & Poor's	AAA/stable	-
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> Avser bolagets säkerställda obligationer.

## Capital adequacy

Länsförsäkringar Hypotek applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposures and the Standardised Approach is used for other exposures. Tier 1 capital and Core Tier 1 capital amounted to SEK 4,737 M (4,289) and the Tier 1 and Core Tier 1 ratio accor-

ding to Basel II totalled 22.4% (21.6) on March 31, 2013. The capital base amounted to SEK 5,130 M (4,734) and the capital adequacy ratio was 24.3% (23.8).

For more information on the calculation of capital adequacy, see Note 14.

## Interest-rate risk

On March 31, 2013, 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 59 M (-17).

## 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 period. A detailed description of risks is available in the 2012 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 2013 compared with fourth quarter of 2012

Operating profit increased 8% to SEK 70 M (65), mainly due to lower commission expense. Return on equity was 4.5% (4.1). Operating income excluding net gains/losses from financial items increased 38%

to SEK 143 M (1033). Operating income including net gains/losses from financial items increased 4% to SEK 94 M (90). Net interest income amounted to SEK 222 M (221) and the investment margin amounted to 0.68% (0.69). Net losses from financial items declined to SEK 49 M (13) and was attributable to the effects of changes in fair value and the repurchase of own debt. Net commission improved to an expense of SEK 79 M (118) as a result of lower commission expense. Operating expenses amounted to SEK 22 M (23) and the cost/income ratio amounted to 0.24 (0.25). Loan losses, net, totalled SEK 1 M (2).

## 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 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
Interest income	3	1,600.6	1,899.4	-16%	1,679.3	-5%	7,205.9
Interest expense	4	-1,379.1	-1,727.7	-20%	-1,458.0	-5%	-6,410.3
<b>Net interest income</b>		<b>221.5</b>	<b>171.7</b>	<b>29%</b>	<b>221.3</b>	<b>0%</b>	<b>795.6</b>
Commission income	5	0.6	0.6	6%	0.6	5%	2.4
Commission expense	6	-79.5	-79.7	0%	-118.5	-33%	-387.6
Net gains/losses from financial items	7	-49.3	9.4	-622%	-13.3	270%	2.4
Other operating income		0.2	0.1	356%	0.0		0.1
<b>Total operating income</b>		<b>93.5</b>	<b>102.1</b>	<b>-8%</b>	<b>90.1</b>	<b>4%</b>	<b>412.9</b>
Staff costs		-3.9	-2.7	42%	-3.6	8%	-12.9
Other administration expenses		-18.2	-15.9	14%	-19.1	-5%	-78.2
Depreciation and impairment of tangible assets		0.0	0.0	-265%	0.0	-197%	-0.1
<b>Total operating expenses</b>		<b>-22.1</b>	<b>-18.6</b>	<b>19%</b>	<b>-22.7</b>	<b>-3%</b>	<b>-91.2</b>
<b>Profit before loan losses</b>		<b>71.4</b>	<b>83.5</b>	<b>-14%</b>	<b>67.4</b>	<b>6%</b>	<b>321.7</b>
Loan losses, net	8	-1.1	-2.4	-54%	-2.4	-54%	-2.3
<b>Operating profit</b>		<b>70.3</b>	<b>81.1</b>	<b>-13%</b>	<b>65.0</b>	<b>8%</b>	<b>319.4</b>
Tax		-15.5	-21.3	-28%	4.9	-415%	-62.1
<b>Profit for the period</b>		<b>54.8</b>	<b>59.8</b>	<b>-8%</b>	<b>69.9</b>	<b>-22%</b>	<b>257.3</b>

## Statement of comprehensive income

SEK M	Q 1 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
<b>Profit for the period</b>	<b>54.8</b>	<b>59.8</b>	<b>-8%</b>	<b>69.9</b>	<b>-22%</b>	<b>257.3</b>
<b>Other comprehensive income</b>						
<i>Available-for-sale-financial assets</i>						
Fair value change	12.3	52.2	-76%	-8.5	-245%	-48.0
Reclassification realised securities	-0.2	-7.3	-97%	-31.1	-99%	-38.4
Tax attributable to items that are rerouted or can be rerouted as income for the period	-2.7	-11.8	-77%	10.2	-126%	22.5
<b>Total other comprehensive income for the period, net after tax</b>	<b>9.4</b>	<b>33.1</b>	<b>-72%</b>	<b>-29.4</b>	<b>-132%</b>	<b>-63.9</b>
<b>Total comprehensive income for the period</b>	<b>64.2</b>	<b>92.9</b>	<b>-31%</b>	<b>40.5</b>	<b>59%</b>	<b>193.4</b>

## Balance sheet

SEK M	Note	March 31, 2013	Dec 31, 2012	March 31, 2012
<b>Assets</b>				
Treasury bills and other eligible bills		1,525.3	1,544.9	4,165.1
Loans to credit institutions	9	4,195.4	1,696.2	782.0
Loans to the public	10	104,401.7	101,434.4	90,797.5
Bonds and other interest-bearing securities		16,525.9	18,218.7	16,531.2
Derivatives	11	1,383.0	1,746.4	985.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		540.4	781.1	405.2
Tangible assets		0.6	0.6	0.3
Deferred tax assets		3.3	3.3	0.3
Other assets		11.4	23.4	1.0
Prepaid expenses and accrued income		1,623.8	1,869.6	1,497.4
<b>Total assets</b>		<b>130,210.8</b>	<b>127,318.6</b>	<b>115,165.9</b>
<b>Liabilities, provisions and equity</b>				
Due to credit institutions	9	27,341.8	22,984.2	21,834.3
Debt securities in issue		90,026.0	90,962.4	82,817.6
Derivatives	11	3,496.4	2,824.3	1,754.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,359.9	2,067.7	1,235.2
Deferred tax liabilities		–	–	–
Other liabilities		16.2	256.0	40.4
Accrued expenses and deferred income		2,513.7	2,831.5	2,398.0
Provisions		0.6	0.5	–
Subordinated liabilities		501.0	501.0	501.0
<b>Total liabilities and provisions</b>		<b>125,255.6</b>	<b>122,427.6</b>	<b>110,581.4</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		91.1	81.7	178.7
Retained earnings		4,724.9	4,467.6	4,261.6
Profit for the year		54.8	257.3	59.8
<b>Total equity</b>		<b>4,955.2</b>	<b>4,891.0</b>	<b>4,584.5</b>
<b>Total liabilities, provisions and equity</b>		<b>130,210.8</b>	<b>127,318.6</b>	<b>115,165.9</b>
<b>Memorandum items</b>				
	12			
For own liabilities, pledged assets		98,867.0	95,541.1	88,847.5
Other pledged assets		None	None	None
Contingent liabilities		2,730.6	2,730.6	2,342.6
Other commitments		5,422.4	4,952.2	4,191.5
<b>Other notes</b>				
Accounting policies	1			
Segment reporting	2			
Fair value valuation techniques	13			
Capital-adequacy analysis	14			
Disclosures on related parties	15			

## Cash-flow statement in summary, indirect method

SEK M	Q 1 2013	Q 1 2012
<b>Cash and cash equivalents, January 1</b>	<b>6.9</b>	<b>5.8</b>
Cash flow from operating activities	244.7	199.0
Cash flow from investing activities	–	–
Cash flow from financing activities	–247.0	–
<b>Cash flow for the period</b>	<b>–2.3</b>	<b>–197.5</b>
<b>Cash and cash equivalents, March 31</b>	<b>4.6</b>	<b>7.3</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 Loans to credit institutions SEK –2,501.5 M (1,131.6), Loans to the public SEK –2,968.3 M (–2,175.0) and to Due to credit institutions SEK 4,357.6 M (1,901.4).

Changes in the cash flow from financing activities are attributable to Group contribution paid SEK –247.0 M (–347.5).

## 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, 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>
According to the Board's proposal				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>
<b>Opening balance, April 1, 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>
Profit for the period					197.5	197.5
Other comprehensive income for the period			–97.0			–97.0
<i>Comprehensive income for the period</i>			<i>–97.0</i>		<i>197.5</i>	<i>100.5</i>
Group contribution paid				–247.0		–247.0
Tax on Group contribution paid				65.0		65.0
Conditional shareholders' contribution received				388.0		388.0
<b>Closing balance, December 31, 2012</b>	<b>70.3</b>	<b>14.1</b>	<b>81.7</b>	<b>4,467.6</b>	<b>257.3</b>	<b>4,891.0</b>
<b>Opening balance, January 1, 2013</b>	<b>70.3</b>	<b>14.1</b>	<b>81.7</b>	<b>4,467.6</b>	<b>257.3</b>	<b>4,891.0</b>
Profit for the period					54.8	54.8
Other comprehensive income for the period			9.4			9.4
<i>Comprehensive income for the period</i>			<i>9.4</i>		<i>54.8</i>	<i>64.2</i>
Resolution by Annual General Meeting				257.3	–257.3	0.0
Conditional shareholders' contribution received						0.0
<b>Closing balance, March 31, 2013</b>	<b>70.3</b>	<b>14.1</b>	<b>91.1</b>	<b>4,724.9</b>	<b>54.8</b>	<b>4,955.2</b>

## Notes

### NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Hypotek AB 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 company applies IFRS 13 Fair Value Measurement, a new accounting standard for the measurement of financial instruments, from January 1, 2013. The standard is a collection and development of the principles for the measurement of fair value from other IFRSs.

In all other respects, this interim report has been prepared in accordance with the same accounting policies and calculation methods applied in 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 1 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
Loans to credit institutions	7.2	16.5	-56%	3.9	86%	34.8
Loans to the public	874.6	924.2	-5%	909.1	-4%	3,687.0
Interest-bearing securities	128.4	155.5	-17%	138.2	-7%	576.5
<i>Derivatives</i>						
Hedge accounting	590.4	803.2	-26%	628.1	-6%	2,907.6
Non-hedge accounting	-	-	-	-	-	-
<b>Total interest income</b>	<b>1,600.6</b>	<b>1,899.4</b>	<b>-16%</b>	<b>1,679.3</b>	<b>-5%</b>	<b>7,205.9</b>
of which interest income on impaired loans	0.0	0.0	916%	0.0	-22%	0.0
of which interest income from financial items not measured at fair value	881.8	940.7	-6%	913.0	-3%	3,721.8
Average interest rate on loans to the public during the period, %	3.4	4.1		3.7		3.9

### NOTE 4 INTEREST EXPENSE

SEK M	Q 1 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
Due to credit institutions	-117.7	-131.1	-10%	-125.3	-6%	-540.1
Interest-bearing securities	-673.2	-720.8	-7%	-693.5	-3%	-2,833.4
Subordinated liabilities	-4.6	-6.3	-27%	-5.1	-9%	-22.9
<i>Derivatives</i>						
Hedge accounting	-574.8	-860.8	-33%	-624.3	-8%	-2,977.4
Non-hedge accounting	-	-	-	-	-	-
Other interest expense	-8.8	-8.7	2%	-9.8	-10%	-36.5
<b>Total interest expense</b>	<b>-1,379.1</b>	<b>-1,727.7</b>	<b>-20%</b>	<b>-1,458.0</b>	<b>-5%</b>	<b>-6,410.3</b>
of which interest expense from financial items not measured at fair value	-804.3	-866.9	-7%	-833.7	-4%	-3,432.9

### NOTE 5 COMMISSION INCOME

SEK M	Q 1 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
Loans	0.6	0.6	6%	0.6	5%	2.4
<b>Total commission income</b>	<b>0.6</b>	<b>0.6</b>	<b>6%</b>	<b>0.6</b>	<b>5%</b>	<b>2.4</b>

### NOTE 6 COMMISSION EXPENSE

SEK M	Q 1 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
Remuneration to regional insurance companies	-79.3	-79.3	0%	-118.3	-33%	-386.3
Other commission	-0.2	-0.4	-40%	-0.2	7%	-1.3
<b>Total commission expense</b>	<b>-79.5</b>	<b>-79.7</b>	<b>0%</b>	<b>-118.5</b>	<b>-33%</b>	<b>-387.6</b>



**NOTE 7 NET GAINS/LOSSES FROM FINANCIAL ITEMS**

SEK M	Q 1 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
<b>Change in fair value</b>						
Interest-related instruments	-156.9	-38.6	307%	94.6	-266%	281.8
Currency-related instruments	-920.3	-51.9		343.5	-355%	-783.9
Change in fair value of hedged items	1,032.5	66.5		-431.7	-329%	478.2
<b>Capital gains/losses</b>						
Interest-related instruments	-14.9	24.7	-173%	-33.5	-56%	-23.4
Interest compensation	10.3	8.7	18%	13.8	-25%	49.7
<b>Total net gains/losses from financial items</b>	<b>-49.3</b>	<b>9.4</b>	<b>-622%</b>	<b>-13.3</b>	<b>270%</b>	<b>2.4</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Q 1 2013	Q 1 2012	Change	Q 4 2012	Change	Full-year 2012
<b>Specific reserve for individually assessed loan receivables</b>						
Write-off of confirmed loan losses during the period	-2.2	-0.8	179%	-3.4	-35%	-8.0
Reversed earlier impairment of loan losses recognised as confirmed losses	0.4	0.0		1.3	-65%	1.8
Impairment of loan losses during the period	-9.9	-1.9	433%	-1.9	417%	-4.6
Payment received for prior confirmed loan losses	3.2	2.0	61%	4.1	-22%	11.7
Reversed impairment of loan losses no longer required	1.5	0.5	230%	0.1		1.1
<b>Net income / expense for the period for individually assessed loan receivables</b>	<b>-7.0</b>	<b>-0.2</b>		<b>0.2</b>		<b>2.0</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	5.9	-2.2	-369%	-2.6	-328%	-4.3
<b>Net income / expense for the period for collectively assessed homogenous loan receivables</b>	<b>5.9</b>	<b>-2.2</b>	<b>-369%</b>	<b>-2.6</b>	<b>-328%</b>	<b>-4.3</b>
<b>Net income / expense of loan losses for the period</b>	<b>-1.1</b>	<b>-2.4</b>	<b>-54%</b>	<b>-2.4</b>	<b>-54%</b>	<b>-2.3</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 870.1 M (761.1). Due to credit institutions includes borrowings from the Parent Company of SEK 24,507.1 M (19,489.4).

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, 2013	Dec 31, 2012	March 31, 2012
<b>Loan receivables, gross</b>			
Corporate sector	4,437.8	3,881.7	1,821.7
Retail sector	100,005.7	97,592.4	89,013.1
<b>Total loan receivables, gross</b>	<b>104,443.5</b>	<b>101,474.1</b>	<b>90,834.8</b>
<b>Impairment of individually assessed loan receivables</b>			
Corporate sector	-	-	-0.1
Retail sector	-9.9	-1.9	-1.5
<b>Total individual reserves</b>	<b>-9.9</b>	<b>-1.9</b>	<b>-1.6</b>
<b>Impairment of collectively assessed loan receivables</b>			
Corporate sector	-	-3.2	-2.7
Retail sector	-31.9	-34.6	-33.0
<b>Total collective reserves</b>	<b>-31.9</b>	<b>-37.8</b>	<b>-35.7</b>
<b>Total reserves</b>	<b>-41.8</b>	<b>-39.7</b>	<b>-37.3</b>
<b>Loan receivables, net</b>			
Corporate sector	4,437.8	3,878.4	1,818.9
Retail sector	99,963.9	97,556.0	88,978.6
<b>Total loans to the public</b>	<b>104,401.7</b>	<b>101,434.4</b>	<b>90,797.5</b>
<b>Impaired loans</b>			
Retail sector	3.5	3.1	1.6
<b>Total impaired loans</b>	<b>3.5</b>	<b>3.1</b>	<b>1.6</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, 2013		Dec 31, 2012		March 31, 2012	
	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	61,903.0	1,084.3	64,458.0	1,522.2	62,040.0	844.4
Currency	8,651.5	456.0	8,651.5	417.1	10,576.6	428.1
Collateral received, CSA	-	-157.3	-	-192.9	-	-286.6
<i>Other derivatives</i>						
Interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total derivatives with positive values</b>	<b>70,554.5</b>	<b>1,383.0</b>	<b>73,109.5</b>	<b>1,746.4</b>	<b>72,616.6</b>	<b>985.9</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	68,853.0	924.2	67,333.0	1,205.1	53,256.0	847.7
Currency	28,064.5	2,561.0	26,065.6	1,619.2	11,852.1	907.2
<i>Other derivatives</i>						
Currency	171.2	11.2	-	-	-	-
<b>Total derivatives with negative values</b>	<b>97,088.7</b>	<b>3,496.4</b>	<b>93,398.6</b>	<b>2,824.3</b>	<b>65,108.1</b>	<b>1,754.9</b>

**NOTE 12 MEMORANDUM ITEMS**

SEK M	March 31, 2013	Dec 31, 2012	March 31, 2012
<b>For own liabilities, pledged assets</b>			
Collateral pledged due to repurchase agreements	1,354.6	11.3	2,344.9
Loan receivables, covered bonds	97,512.4	95,529.8	86,502.6
<b>Total for own liabilities, pledged assets</b>	<b>98,867.0</b>	<b>95,541.1</b>	<b>88,847.5</b>
<b>Other pledged assets</b>	None	None	None
<b>Contingent liabilities</b>			
Conditional shareholders' contribution	2,730.6	2,730.6	2,342.6
<b>Total contingent liabilities</b>	<b>2,730.6</b>	<b>2,730.6</b>	<b>2,342.6</b>
<b>Commitments</b>			
Loans approved but not disbursed	5,422.4	4,952.2	4,191.5

**NOTE 13 FAIR VALUE VALUATION TECHNIQUES**

Determination of fair value through published price quotations or valuation techniques.  
For information and determination of fair value, refer to the accounting policies.

March 31, 2013 SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible bills	1,525.3			1,525.3
Bonds and other interest-bearing securities	16,525.9			16,525.9
Derivatives		1,383.0		1,383.0
<b>Liabilities</b>				
Derivatives		3,496.4		3,496.4
<b>Dec 31, 2012</b>				
SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible bills	1,544.9			1,544.9
Bonds and other interest-bearing securities	18,218.7			18,218.7
Derivatives		1,746.4		1,746.4
<b>Liabilities</b>				
Derivatives		2,824.3		2,824.3
<b>March 31, 2012</b>				
SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible bills	4,165.1			4,165.1
Bonds and other interest-bearing securities	16,531.2			16,531.2
Derivatives		985.9		985.9
<b>Liabilities</b>				
Derivatives		1,754.9		1,754.9

Level 1 includes Instruments with published price quotations, Level 2 includes Valuation techniques based on observable market prices and Level 3 includes Valuation techniques based on unobservable market price.

**NOTE 13 FAIR VALUE VALUATION TECHNIQUES, CONTINUED**

SEK M	March 31, 2013		Dec 31, 2012		March 31, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Assets</b>						
Loans to the public	104,401.7	105,083.9	101,434.4	102,389.8	90,797.5	91,840.3
<b>Liabilities</b>						
Debt securities in issue	90,026.0	95,051.4	90,962.4	96,094.7	82,817.6	90,156.3

**NOTE 14 CAPITAL-ADEQUACY ANALYSIS**

SEK M	March 31, 2013	Dec 31, 2012	March 31, 2012
<b>Capital base</b>			
Tier 1 capital and Core Tier 1 capital before deductions	4,809.3	4,809.3	4,346.0
Deduction deferred tax assets	-3.3	-3.3	-0.3
Special deduction for IRB-exposures	-69.2	-67.2	-56.6
<b>Tier 1 capital and Core Tier 1 capital</b>	<b>4,736.8</b>	<b>4,738.8</b>	<b>4,289.1</b>
Tier 2 capital	463.0	471.0	501.0
Special deduction for IRB-exposures	-69.2	-67.2	-56.6
<b>Total capital base</b>	<b>5,130.5</b>	<b>5,142.6</b>	<b>4,733.5</b>
<b>Risk-weighted assets according to Basel II</b>	<b>21,135.0</b>	<b>21,248.9</b>	<b>19,873.4</b>
<b>Risk-weighted assets according to transition rules</b>	<b>51,986.1</b>	<b>50,668.7</b>	<b>45,037.4</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	215.9	291.6	368.5
Capital requirement for credit risk according to IRB Approach	1,439.2	1,381.0	1,194.1
Capital requirement for operational risk	35.7	27.3	27.3
<b>Capital requirement according to Basel II</b>	<b>1,690.8</b>	<b>1,699.9</b>	<b>1,589.9</b>
Adjustment according to transition rules	2,468.1	2,353.6	2,013.1
<b>Total capital requirement</b>	<b>4,158.9</b>	<b>4,053.5</b>	<b>3,603.0</b>
<b>Capital adequacy</b>			
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	22.4	22.3	21.6
Capital-adequacy ratio according to Basel II, %	24.3	24.2	23.8
Capital ratio according to Basel II*	3.03	3.03	2.98
Tier 1 ratio and core Tier 1 ratio according to transition rules, %	9.1	9.4	9.5
Capital-adequacy ratio according to transition rules, %	9.9	10.1	10.5
Capital ratio according to transition rules*	1.23	1.27	1.31
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	71.2	80.6	56.4
Exposures to corporates	4.2	2.8	1.8
Retail exposures	3.1	57.3	48.9
Exposures secured on residential property	0.0	0.0	123.9
Past due items	0.0	0.0	0.3
Covered bonds	136.4	149.7	136.0
Other items	1.0	1.1	1.2
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>215.9</b>	<b>291.6</b>	<b>368.5</b>

**NOTE 14 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK M	March 31, 2013	Dec 31, 2012	March 31, 2012
<b>Credit risk according to IRB Approach</b>			
<b>Retail exposures</b>			
Exposures secured by real estate collateral	1,169.4	1,122.9	1,110.9
Other retail exposures	2.1	1.2	0.6
<i>Total retail exposures</i>	<i>1,171.5</i>	<i>1,124.1</i>	<i>1,111.5</i>
Exposures to corporates	267.7	256.9	82.6
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,439.2</b>	<b>1,381.0</b>	<b>1,194.1</b>
<b>Operational risk</b>			
Standardised Approach	35.7	27.3	27.3
<b>Total capital requirement for operational risk</b>	<b>35.7</b>	<b>27.3</b>	<b>27.3</b>

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

**NOTE 15 DISCLOSURES ON RELATED PARTIES**

Normal business transactions between the related parties took place during January-March 2013. Since December 31, 2012, 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, 2012, 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 18, 2013

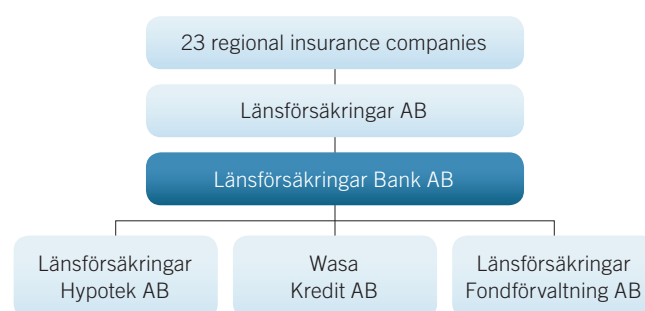
Anders Borgcrantz  
*President*

## Financial calendar

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

Interim report July-September..... **October 25, 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 April 24, 2013 at 10:00 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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