

# Länsförsäkringar Hypotek

## January-June 2013

INTERIM REPORT

### The period in brief

- Net interest income increased 14% to SEK 427 M (376).
- Loan losses amounted to SEK 3 M (-0.3), corresponding to unchanged loan losses of 0.00%.
- Operating profit declined 10% to SEK 168 M (186) and the return on equity amounted to 5.4% (6.3).
- Lending rose 13% to SEK 108 billion (95).
- The Core Tier 1 ratio and Tier 1 ratio amounted to 23.3% (21.4) and the capital adequacy ratio to 25.4% (23.5).
- The number of customers rose 8% to 183,000.

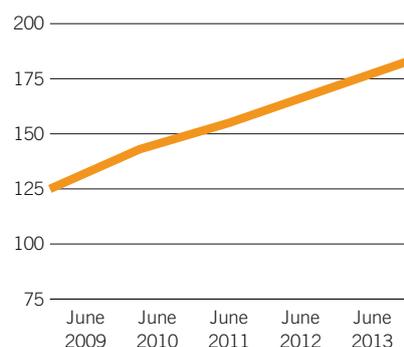
Figures in parentheses pertain to the comparative period in 2012.

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

*“Länsförsäkringar has a balanced growth in the mortgage market and net interest income is increasing. Credit quality remained high. Several successful issuances with long maturities were launched during the quarter.”*

### CUSTOMER TREND

Number of customers, 000s



## Key figures

	Q 2 2013	Q 2 2012	Q 1 2013	Jan-Jun 2013	Jan-Jun 2012	Full-year 2012
Return on equity, %	6.2	6.9	4.5	5.4	6.3	5.2
Return on total capital, %	0.29	0.35	0.22	0.26	0.31	0.26
Investment margin, %	0.62	0.68	0.68	0.65	0.63	0.65
Cost/income ratio before loan losses	0.19	0.21	0.24	0.21	0.20	0.22
Cost/income ratio after loan losses	0.20	0.19	0.25	0.22	0.20	0.23
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	23.3	21.4	22.4	23.3	21.4	22.3
Tier 1 ratio and the core Tier 1 ratio according to transition rules, %	9.1	9.4	9.1	9.2	9.4	9.4
Capital adequacy ratio according to Basel II, %	25.4	23.5	24.3	25.4	23.5	24.2
Capital adequacy ratio according to transition rules, %	9.9	10.3	9.9	10.0	10.3	10.1
Percentage of impaired loans, %	0.00	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	0.04
Loan losses, %	0.01	-0.01	0.00	0.01	0.00	0.00

## Income statement, quarterly

SEK M	Q 2 2013	Q 1 2013	Q 4 2012	Q 3 2012	Q 2 2012
Net interest income	205.8	221.5	221.3	198.6	204.0
Net commission	-88.7	-78.9	-117.9	-92.2	-96.0
Net gains/losses from financial items	5.5	-49.3	-13.3	-14.7	21.0
Other operating income	0.0	0.2	0.0	0.0	0.0
<b>Total operating income</b>	<b>122.6</b>	<b>93.5</b>	<b>90.1</b>	<b>91.7</b>	<b>129.0</b>
Staff costs	-3.9	-3.9	-3.6	-3.3	-3.3
Other administration expenses	-19.2	-18.2	-19.1	-19.8	-23.5
<b>Total operating expenses</b>	<b>-23.1</b>	<b>-22.1</b>	<b>-22.7</b>	<b>-23.1</b>	<b>-26.8</b>
<b>Profit before loan losses</b>	<b>99.5</b>	<b>71.4</b>	<b>67.4</b>	<b>68.6</b>	<b>102.2</b>
Loan losses, net	-1.9	-1.1	-2.4	-0.2	2.7
<b>Operating profit</b>	<b>97.6</b>	<b>70.3</b>	<b>65.0</b>	<b>68.4</b>	<b>104.9</b>

## Second-quarter market commentary

During the second quarter, the Federal Reserve signalled that quantitative easing would tapered but refrained from making a decision about when the tapering would start. The Federal Reserve's statement impacted the capital market in the form of rising long-term interest rates and a stronger USD.

Europe reported a weak economic performance and the euro system will probably continue to require financial support for some time to come, which generated expectations of the ECB making further key interest rate cuts.

In April, the Riksbank lowered its interest rate path due to a downward revision of its inflation forecast. However, the key interest rate was kept unchanged at 1.00%. A certain decline was noted in unemployment and consumer and industry confidence indicators rose slightly.

The credit curve for covered bonds steepened in the second quarter with credit spreads for shorter maturities that lowered, while the longer end of the curve rose somewhat.

## January-June 2013 compared with January-June 2012

### Growth and customer trend

Loans to the public rose 13%, or SEK 13 billion, to SEK 108 billion (95). The number of customers rose 8%, or 14,000, to 183,000 (169,000), and 83% of mortgage customers have Länsförsäkringar as their primary bank.

### Earnings and profitability

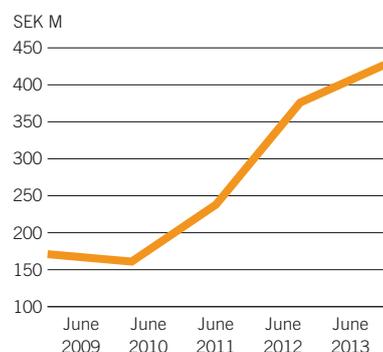
Profit before loan losses fell 8% to SEK 171 M (186) and operating profit declined 10% to SEK 168 M (186), which was attributable to lower net gains from financial items. Return on equity amounted to 5.4% (6.3).

### Income

Operating profit fell 6% to SEK 216 M (231), attributable to a lower net gains from financial items. Higher lending volumes strengthened net interest income by 14% to SEK 427 M (376). The investment margin amounted to 0.65% (0.63). Net interest income was charged with SEK 18 M (17) for the provisions for fees to the

stability fund. Net gains from financial items declined to a loss of SEK 44 M (gain: 30) and were attributable to the negative effects of changes in fair value and the repurchase of own debt. Net commission amounted to an expense of SEK 168 M (175).

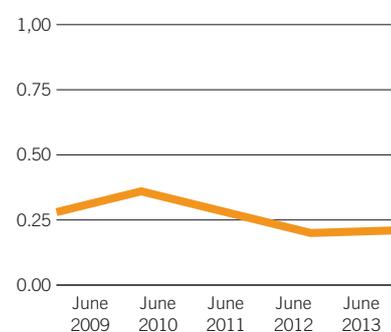
#### NET INTEREST INCOME



#### Expenses

Operating expenses were unchanged at SEK 45 M and the cost/income ratio before loan losses amounted to 0.21 (0.20). The cost/income ratio after loan losses amounted to 0.22 (0.20).

#### COST/INCOME RATIO BEFORE LOAN LOSSES



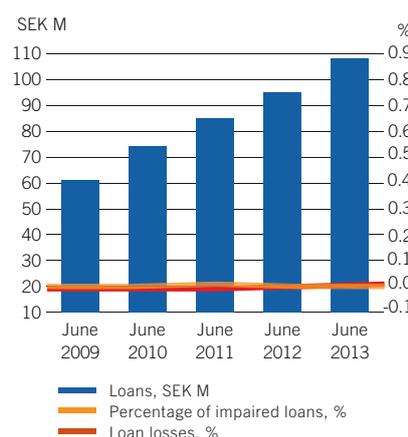
#### Loan losses

Loan losses amounted to SEK 3 M (-0.3), net, corresponding to loan losses of 0.01% (0.00). Reserves amounted to SEK 44 M (36), 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 13%, or SEK 13 billion, to SEK 108 billion (95), up 6% or SEK 6 billion from year-end 2012. All loans are granted in Sweden and in SEK. The loan portfolio, comprising the following: 75% (77) single-family homes, 20% (20) tenant-owned apartments, 4% (3) multi-family housing and 1% (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, which corresponds to approximately SEK 100 billion. The collateral comprises private homes: up to 77% (78) single-family homes, 21% (20) tenant-owned apartments and 2% (2) vacation homes. The geographic spread throughout Sweden is well-diversified and the average loan amount is SEK 408,000 (397,000). The weighted average loan-to-value ratio, LTV, was 63% (62) and the nominal, current OC amounted to 24% (21). 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 an unchanged 68% on June 30, 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 May 9, 2013.

Cover pool	June 30, 2013	June 30, 2012
Cover pool, SEK billion	118	109
OC <sup>1)</sup> , nominal, current level, %	24	21
Weighted average Max-LTV, %	63	62
Collateral	Private homes	Private homes
Seasoning, months	59	58
Number of loans	245 947	225 612
Number of borrowers	112 720	103 294
Number of properties	113 236	103 751
Average commitment, SEK 000s	891	868
Average loan, SEK 000s	408	397
Fixed-interest period, variable, %	51	54
Fixed-interest period, fixed, %	49	46
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.

#### Funding

Debt securities in issue rose 8%, or SEK 7 billion, to SEK 95 billion (88). During the period, primarily bonds with longer maturities were issued and own debt was repurchased. At the end of April, a EUR 500 M 7 yr benchmark covered bond was successfully issued.

Issued covered bonds totalled a nominal SEK 7.1 billion (16.6) and repurchases of a nominal SEK 4.5 billion (7.7) were executed during the period. Matured covered bonds amounted to a nominal of SEK 3.2 billion (5.9).

#### Liquidity

On June 30, 2013, the liquidity reserve amounted to SEK 18.5 billion (20.3) according to the Swedish Bankers' Association's definition, of which 92% (81) is in Swedish covered bonds with an AAA/Aaa credit rating and 8% (19) is Swedish government bonds. The level of the liquidity reserve corresponds to the refinancing requirement for all debt securities in issue falling due in just under 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 was revised to A3/Stable from A2/Negative by 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	–
Länsförsäkringar Bank	Standard & Poor's	A/stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A3/stable	P-2

<sup>1)</sup> Pertain 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 exposures and the Standardised Approach is used for all other exposures. Tier 1 and Core Tier 1 capital amounted to SEK 4,863 M (4,419) and the Tier 1 and Core Tier 1 ratio according to Basel II was 23.3% (21.4) on June 30, 2013. The capital base amounted to SEK 5,290 M (4,856) and the capital adequacy ratio was 25.4% (23.5).

For more information on the calculation of capital adequacy, see note 15.

## Interest-rate risk

On June 30, 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 38 M (31).

## 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.

## Second quarter of 2013 compared with first quarter of 2013

Operating profit rose 39% to SEK 98 M (70), mainly attributable to improved net gains from financial items. Return on equity amounted to 6.2% (4.5). Operating income increased 31% to SEK 123 M (94). Net interest income declined 7% to SEK 206 M (222) due to lower lending margins

and the investment margin was 0.62% (0.68). Net gains from financial items improved to SEK 6 M (losses: 49). Net commission fell to an expense of SEK 89 M (79) attributable to higher distribution remuneration to the regional insurance companies for larger volumes. Expenses amounted to SEK 23 M (22) and the cost/income ratio strengthened to 0.19 (0.24). Loan losses, net, remained low and 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 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
Interest income	3	1,567.6	1,808.7	-13%	1,600.6	-2%	3,168.2	3,708.1	-15%	7,205.9
Interest expense	4	-1,361.8	-1,604.7	-15%	-1,379.1	-1%	-2,740.9	-3,332.4	-18%	-6,410.3
<b>Net interest income</b>		<b>205.8</b>	<b>204.0</b>	<b>1%</b>	<b>221.5</b>	<b>-7%</b>	<b>427.3</b>	<b>375.7</b>	<b>14%</b>	<b>795.6</b>
Commission income	5	0.6	0.6	-12%	0.6	-10%	1.2	1.2	-3%	2.4
Commission expense	6	-89.3	-96.6	-8%	-79.5	12%	-168.8	-176.3	-4%	-387.6
Net gains/losses from financial items	7	5.5	21.0	-74%	-49.3	-111%	-43.8	30.4	-244%	2.4
Other operating income		0.0	0.0	-127%	0.2	-103%	0.2	0.1	191%	0.1
<b>Total operating income</b>		<b>122.6</b>	<b>129.0</b>	<b>-5%</b>	<b>93.5</b>	<b>31%</b>	<b>216.1</b>	<b>231.1</b>	<b>-6%</b>	<b>412.9</b>
Staff costs		-3.9	-3.3	17%	-3.9	0%	-7.8	-6.0	30%	-12.9
Other administration expenses		-19.2	-23.5	-18%	-18.2	5%	-37.4	-39.4	-5%	-78.2
Depreciation and impairment of tangible assets		-0.0	-0.0	100%	0.0	100%	-0.0	0.0	180%	-0.1
<b>Total operating expenses</b>		<b>-23.1</b>	<b>-26.8</b>	<b>-14%</b>	<b>-22.1</b>	<b>4%</b>	<b>-45.2</b>	<b>-45.4</b>	<b>0%</b>	<b>-91.2</b>
<b>Profit before loan losses</b>		<b>99.5</b>	<b>102.2</b>	<b>-3%</b>	<b>71.4</b>	<b>39%</b>	<b>170.9</b>	<b>185.7</b>	<b>-8%</b>	<b>321.7</b>
Loan losses, net	8	-1.9	2.7	-170%	-1.1	72%	-3.0	0.3		-2.3
<b>Operating profit</b>		<b>97.6</b>	<b>104.9</b>	<b>-7%</b>	<b>70.3</b>	<b>39%</b>	<b>167.9</b>	<b>186.0</b>	<b>-10%</b>	<b>319.4</b>
Tax		-21.4	-27.6	-22%	-15.5	38%	-36.9	-48.9	-24%	-62.1
<b>Profit for the period</b>		<b>76.2</b>	<b>77.3</b>	<b>-1%</b>	<b>54.8</b>	<b>39%</b>	<b>131.0</b>	<b>137.1</b>	<b>-4%</b>	<b>257.3</b>

## Statement of comprehensive income

SEK M	Q 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
<b>Profit for the period</b>	<b>76.2</b>	<b>77.3</b>	<b>-1%</b>	<b>54.8</b>	<b>39%</b>	<b>131.0</b>	<b>137.1</b>	<b>-4%</b>	<b>257.3</b>
<b>Other comprehensive income</b>									
<i>Available-for-sale-financial assets</i>									
Fair value change	-5.8	-48.0	-88%	12.3	-147%	6.5	4.2	55%	-48.0
Reclassification realised securities	-12.8	-		-0.2		-13.0	-7.3	78%	-38.4
Tax attributable to items that are rerouted or can be rerouted as income for the period	4.1	12.6	-67%	-2.7	-252%	1.4	0.8	75%	22.5
<b>Total other comprehensive income for the period, net after tax</b>	<b>-14.5</b>	<b>-35.4</b>	<b>-59%</b>	<b>9.4</b>	<b>-254%</b>	<b>-5.1</b>	<b>-2.3</b>	<b>122%</b>	<b>-63.9</b>
<b>Total comprehensive income for the period</b>	<b>61.7</b>	<b>41.9</b>	<b>47%</b>	<b>64.2</b>	<b>-4%</b>	<b>125.9</b>	<b>134.8</b>	<b>-7%</b>	<b>193.4</b>

## Balance sheet

SEK M	Note	June 30, 2013	Dec 31, 2012	June 30, 2012
<b>Assets</b>				
Treasury bills and other eligible bills		1,506.4	1,544.9	3,697.5
Loans to credit institutions	9	2,533.8	1,696.2	5,160.0
Loans to the public	10	107,558.0	101,434.4	94,833.4
Bonds and other interest-bearing securities		16,819.8	18,218.7	16,347.9
Derivatives	11	1,090.5	1,746.4	1,142.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		332.5	781.1	491.4
Tangible assets		0.6	0.6	0.3
Deferred tax assets		3.3	3.3	0.3
Other assets		0.1	23.4	0.3
Prepaid expenses and accrued income		719.6	1,869.6	944.4
<b>Total assets</b>		<b>130,564.6</b>	<b>127,318.6</b>	<b>122,617.6</b>
<b>Liabilities, provisions and equity</b>				
Due to credit institutions	9	25,514.9	22,984.2	23,963.4
Debt securities in issue		95,015.5	90,962.4	88,291.6
Derivatives	11	2,661.6	2,824.3	2,020.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		481.3	2,067.7	1,480.9
Deferred tax liabilities		-	-	-
Other liabilities		16.3	256.0	63.1
Accrued expenses and deferred income		1,356.5	2,831.5	1,670.5
Provisions		0.6	0.5	-
Subordinated liabilities		501.0	501.0	501.0
<b>Total liabilities and provisions</b>		<b>125,547.7</b>	<b>122,427.6</b>	<b>117,991.2</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		76.6	81.7	143.3
Retained earnings		4,724.9	4,467.6	4,261.6
Profit for the year		131.0	257.3	137.1
<b>Total equity</b>		<b>5,016.9</b>	<b>4,891.0</b>	<b>4,626.4</b>
<b>Total liabilities, provisions and equity</b>		<b>130,564.6</b>	<b>127,318.6</b>	<b>122,617.6</b>
<b>Memorandum items</b>				
	12			
For own liabilities, pledged assets		100,593.2	95,541.1	91,495.2
Other pledged assets		None	None	None
Contingent liabilities		2,730.6	2,730.6	2,342.6
Other commitments		6,322.4	4,952.2	6,021.3
<b>Other notes</b>				
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## Cash-flow statement in summary, indirect method

SEK M	Jan-Jun 2013	Jan-Jun 2012
<b>Cash and cash equivalents, January 1</b>	<b>6.8</b>	<b>5.8</b>
Cash flow from operating activities	244.0	198.3
Cash flow from investing activities	0.1	–
Cash flow from financing activities	–247.0	–197.5
<b>Cash flow for the period</b>	<b>–2.9</b>	<b>0.8</b>
<b>Cash and cash equivalents, June 30</b>	<b>3.9</b>	<b>6.6</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 the public SEK –6,127.9 M (–6,209.6), Debt securities in issue SEK 3,654.2 M (3,268.5) and to Due to credit institutions SEK 2,530.7 M (4,030.5).

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					137.1	137.1
Other comprehensive income for the period			–2.3			–2.3
<i>Comprehensive income for the period</i>			–2.3		137.1	134.8
According to the Board's proposal				149.5	–149.5	0.0
Conditional shareholders' contribution received				150.0		150.0
<b>Closing balance, June 30, 2012</b>	<b>70.3</b>	<b>14.1</b>	<b>143.3</b>	<b>4,261.6</b>	<b>137.1</b>	<b>4,626.4</b>
<b>Opening balance, July 1, 2012</b>	<b>70.3</b>	<b>14.1</b>	<b>143.3</b>	<b>4,261.6</b>	<b>137.1</b>	<b>4,626.4</b>
Profit for the period					120.2	120.2
Other comprehensive income for the period			–61.6			–61.6
<i>Comprehensive income for the period</i>			–61.6		120.2	58.6
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					131.0	131.0
Other comprehensive income for the period			–5.1			–5.1
<i>Comprehensive income for the period</i>			–5.1		131.0	125.9
Resolution by Annual General Meeting				257.3	–257.3	0.0
Conditional shareholders' contribution received						–
<b>Closing balance, June 30, 2013</b>	<b>70.3</b>	<b>14.1</b>	<b>76.6</b>	<b>4,724.9</b>	<b>131.0</b>	<b>5,016.9</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 interim report.

### NOTE 3 INTEREST INCOME

SEK M	Q 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
Loans to credit institutions	6.7	8.3	-20%	7.2	-7%	13.9	24.8	-44%	34.8
Loans to the public	865.3	923.3	-6%	874.6	-1%	1,739.9	1,847.5	-6%	3,687.0
Interest-bearing securities	119.5	141.5	-16%	128.4	-7%	247.9	297.0	-17%	576.5
<i>Derivatives</i>									
Hedge accounting	576.1	735.6	-22%	590.4	-2%	1,166.5	1,538.8	-24%	2,907.6
Non-hedge accounting	-	-	-	-	-	-	-	-	-
<b>Total interest income</b>	<b>1,567.6</b>	<b>1,808.7</b>	<b>-13%</b>	<b>1,600.6</b>	<b>-2%</b>	<b>3,168.2</b>	<b>3,708.1</b>	<b>-15%</b>	<b>7,205.9</b>
of which interest income on impaired loans	0.0	0.0		0.0		0.0	0.0		0.0
of which interest income from financial items not measured at fair value	872.1	931.6	-6%	881.8	-1%	1,753.9	1,872.4	-6%	3,721.8
Average interest rate on loans to the public during the period, %	3.3	4.0		3.4		3.3	4.1		3.9

### NOTE 4 INTEREST EXPENSE

SEK M	Q 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
Due to credit institutions	-131.8	-138.6	-5%	-117.7	12%	-249.5	-269.7	-7%	-540.1
Interest-bearing securities	-685.8	-695.5	-1%	-673.2	2%	-1,359.0	-1,416.2	-4%	-2,833.4
Subordinated liabilities	-5.0	-5.9	-14%	-4.6	9%	-9.6	-12.2	-21%	-22.9
<i>Derivatives</i>									
Hedge accounting	-529.9	-756.3	-30%	-574.8	-8%	-1,104.7	-1,617.1	-32%	-2,977.4
Non-hedge accounting	-	-	-	-	-	-	-	-	-
Other interest expense	-9.3	-8.4	10%	-8.8	5%	-18.1	-17.2	5%	-36.5
<b>Total interest expense</b>	<b>-1,361.8</b>	<b>-1,604.7</b>	<b>-15%</b>	<b>-1,379.1</b>	<b>-1%</b>	<b>-2,740.9</b>	<b>-3,332.4</b>	<b>-18%</b>	<b>-6,410.3</b>
of which interest expense from financial items not measured at fair value	-831.9	-848.4	-2%	-804.3	3%	-1,636.2	-1,715.3	-5%	-3,432.9

### NOTE 5 COMMISSION INCOME

SEK M	Q 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
Loans	0.6	0.6	-12%	0.6	-10%	1.2	1.2	-3%	2.4
<b>Total commission income</b>	<b>0.6</b>	<b>0.6</b>	<b>-12%</b>	<b>0.6</b>	<b>-10%</b>	<b>1.2</b>	<b>1.2</b>	<b>-3%</b>	<b>2.4</b>

### NOTE 6 COMMISSION EXPENSE

SEK M	Q 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
Remuneration to regional insurance companies	-89.1	-96.3	-7%	-79.3	12%	-168.4	-175.6	-4%	-386.3
Other commission	-0.2	-0.3	-33%	-0.2	0%	-0.4	-0.7	-51%	-1.3
<b>Total commission expense</b>	<b>-89.3</b>	<b>-96.6</b>	<b>-8%</b>	<b>-79.5</b>	<b>12%</b>	<b>-168.8</b>	<b>-176.3</b>	<b>-4%</b>	<b>-387.6</b>

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

SEK M	Q 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
<b>Change in fair value</b>									
Interest-related instruments	-312.6	101.4	-408%	-156.9	99%	-469.5	62.8	-847%	281.8
Currency-related instruments	2,060.4	-271.6	-859%	-920.3	-324%	1,140.1	-323.4	-452%	-783.9
Change in fair value of hedged items	-1,743.3	166.2		1,032.5	-269%	-710.8	232.6	-400%	478.2
<b>Capital gains/losses</b>									
Interest-related instruments	-10.4	10.8	-262%	-14.9	-30%	-25.3	35.5	-181%	-23.4
Interest compensation	11.4	14.2	-20%	10.3	10%	21.7	22.9	-5%	49.7
<b>Total net gains/losses from financial items</b>	<b>5.5</b>	<b>21.0</b>	<b>-74%</b>	<b>-49.3</b>	<b>-111%</b>	<b>-43.8</b>	<b>30.4</b>	<b>-244%</b>	<b>2.4</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Q 2 2013	Q 2 2012	Change	Q 1 2013	Change	Jan-Jun 2013	Jan-Jun 2012	Change	Full-year 2012
<b>Specific reserve for individually assessed loan receivables</b>									
Write-off of confirmed loan losses during the period	-0.6	-3.0	-80%	-2.2	-74%	-2.8	-3.8	-26%	-8.0
Reversed earlier impairment of loan losses recognised as confirmed losses	0.6	0.3	139%	0.4	40%	1.0	0.3	231%	1.8
Impairment of loan losses during the period	-5.6	-0.2		-9.9	-44%	-15.5	-2.0	658%	-4.6
Payment received for prior confirmed loan losses	1.4	3.8	-63%	3.2	-56%	4.6	5.8	-21%	11.7
Reversed impairment of loan losses no longer required	2.6	0.2		1.5	69%	4.1	0.7	508%	1.1
<b>Net income / expense for the period for individually assessed loan receivables</b>	<b>-1.6</b>	<b>1.1</b>	<b>-237%</b>	<b>-7.0</b>	<b>-78%</b>	<b>-8.6</b>	<b>0.9</b>		<b>2.0</b>
<b>Collective reserves for individually assessed receivables</b>	<b>-</b>	<b>-</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	-0.3	1.6	-119%	5.9	-105%	5.6	-0.6	-968%	-4.3
<b>Net income / expense for the period for collectively assessed homogenous loan receivables</b>	<b>-0.3</b>	<b>1.6</b>	<b>-119%</b>	<b>5.9</b>	<b>-105%</b>	<b>5.6</b>	<b>-0.6</b>	<b>-968%</b>	<b>-4.3</b>
<b>Net income / expense of loan losses for the period</b>	<b>-1.9</b>	<b>2.7</b>	<b>-170%</b>	<b>-1.1</b>	<b>72%</b>	<b>-3.0</b>	<b>0.3</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 953.0 M (2,360.6). Due to credit institutions includes borrowings from the Parent Company of SEK 24,047.3 M (20,319.9).

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	June 30, 2013	Dec 31, 2012	June 30, 2012
<b>Loan receivables, gross</b>			
Corporate sector	4,694.1	3,881.7	2,670.4
Retail sector	102,908.4	97,592.4	92,198.5
<b>Total loan receivables, gross</b>	<b>107,602.5</b>	<b>101,474.1</b>	<b>94,868.9</b>
<b>Impairment of individually assessed loan receivables</b>			
Corporate sector	-0.1	-	0.0
Retail sector	-12.2	-1.9	-1.4
<b>Total individual reserves</b>	<b>-12.3</b>	<b>-1.9</b>	<b>-1.4</b>
<b>Impairment of collectively assessed loan receivables</b>			
Corporate sector	0.0	-3.2	-3.3
Retail sector	-32.2	-34.6	-30.8
<b>Total collective reserves</b>	<b>-32.2</b>	<b>-37.8</b>	<b>-34.1</b>
<b>Total reserves</b>	<b>-44.5</b>	<b>-39.7</b>	<b>-35.5</b>
<b>Loan receivables, net</b>			
Corporate sector	4,694.0	3,878.4	2,667.0
Retail sector	102,864.0	97,556.0	92,166.4
<b>Total loans to the public</b>	<b>107,558.0</b>	<b>101,434.4</b>	<b>94,833.4</b>
<b>Impaired loans</b>			
Retail sector	3.8	3.1	2.0
<b>Total impaired loans</b>	<b>3.8</b>	<b>3.1</b>	<b>2.0</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	June 30, 2013		Dec 31, 2012		June 30, 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	113,331.0	903.5	64,458.0	1,522.2	61,358.0	971.4
Currency	8,418.5	294.4	8,651.5	417.1	4,079.5	393.1
Collateral received, CSA	-	-107.4	-	-192.9	-	-222.4
<i>Other derivatives</i>						
Interest	-	-	0.0	0.0	-	-
<b>Total derivatives with positive values</b>	<b>121,749.5</b>	<b>1,090.5</b>	<b>73,109.5</b>	<b>1,746.4</b>	<b>65,437.5</b>	<b>1,142.1</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest	95,731.0	935.6	67,333.0	1,205.1	57,421.0	873.4
Currency	32,517.5	1,726.0	26,065.6	1,619.2	26,065.6	1,147.3
<i>Other derivatives</i>						
Currency	-	-	-	-	-	-
<b>Total derivatives with negative values</b>	<b>128,248.5</b>	<b>2,661.6</b>	<b>93,398.6</b>	<b>2,824.3</b>	<b>83,486.6</b>	<b>2,020.7</b>

**NOTE 12 MEMORANDUM ITEMS**

SEK M	June 30, 2013	Dec 31, 2012	June 30, 2012
<b>For own liabilities, pledged assets</b>			
Collateral pledged due to repurchase agreements	205.0	11.3	1,846.5
Loan receivables, covered bonds	100,388.2	95,529.8	89,648.7
<b>Total for own liabilities, pledged assets</b>	<b>100,593.2</b>	<b>95,541.1</b>	<b>91,495.2</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	6,322.4	4,952.2	6,021.3

**NOTE 13 FAIR VALUE VALUATION TECHNIQUES**

Determination of fair value through published price quotations or valuation techniques. 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.

June 30, 2013 SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible bills	1,506.4			1,506.4
Bonds and other interest-bearing securities	16,819.8			16,819.8
Derivatives		1,090.5		1,090.5
<b>Liabilities</b>				
Derivatives		2,661.6		2,661.6
<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>June 30, 2012</b>				
SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible bills	3,697.5			3,697.5
Bonds and other interest-bearing securities	16,347.9			16,347.9
Derivatives		1,142.1		1,142.1
<b>Liabilities</b>				
Derivatives		2,020.7		2,020.7

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

SEK M	June 30, 2013		Dec 31, 2012		June 30, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Assets</b>						
Treasury bills and other eligible bills	1,506.4	1,506.4	1 544,9	1 544,9	3 697,5	3 697,5
Loans to credit institutions	2,533.8	2,533.8	1 696,2	1 696,2	5 160,0	5 160,0
Loans to the public	107,558.0	111,079.6	101 434,4	102 389,8	94 833,4	95,229.8
Bonds and other interest-bearing securities	16,819.8	16,819.8	18 218,7	18 218,7	16 347,9	16 347,9
Derivatives	1,090.5	1,090.5	1 746,4	1 746,4	1 142,1	1 142,1
Accounts receivable	–	–	23,4	–	–	–
<b>Total assets</b>	<b>129,508.5</b>	<b>129,508.5</b>	<b>124 664,0</b>	<b>124 664,0</b>	<b>121 180,9</b>	<b>121 180,9</b>
<b>Liabilities</b>						
Due to credit institutions	25,514.9	25,514.9	22 984,2	22 984,2	23 963,4	23 963,4
Debt securities in issue	95,015.5	98,103.6	90 962,4	96 094,7	88 291,6	93,086.0
Derivatives	2,661.6	2,661.6	2 824,3	2 824,3	2 020,7	2 020,7
Accounts payable	0.1	–	2,0	–	4 895,6	–
Subordinated liabilities	501.0	–	501,0	–	501,0	–
<b>Total Liabilities</b>	<b>123,693.1</b>	<b>123,693.1</b>	<b>117 273,9</b>	<b>117 273,9</b>	<b>114 777,2</b>	<b>114 777,2</b>

**NOTE 14 INFORMATION ABOUT OFFSETTING**

Information per type of instrument. Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not off set in the balance sheet. Länsförsäkringar Hypotek has ISDA and CSA agreements with all derivative counter-parties which means that all exposures shown below are covered by the two types of agreements.

Related amounts that are not offset in the balance sheet					
June 30, 2013 SEK M	Amount recognised in the balance sheet	Financial Instruments	Provided (+) Received (-) collateral – securities	Provided (+) Received (-) cash collateral	Net amount
<b>Assets</b>					
Derivatives	1,090.5	–838.8	–	–	251.7
Repos	–	–	–	–	–
<b>Liabilities</b>					
Derivatives	–2,661.6	838.8	–	107.5	–1,715.3
Repos	–205.0	–	205.0	–	0.0
<b>Total</b>	<b>–1,776.1</b>	<b>0.0</b>	<b>205.0</b>	<b>107.5</b>	<b>–1,463.6</b>

Related amounts that are not offset in the balance sheet					
Dec 31, 2012 SEK M	Amount recognised in the balance sheet	Financial Instruments	Provided (+) Received (-) collateral – securities	Provided (+) Received (-) cash collateral	Net amount
<b>Assets</b>					
Derivatives	1,746.4	–1,485.9	–	–	260.5
Repos	–	–	–	–	–
<b>Liabilities</b>					
Derivatives	–2,824.3	1,485.9	–	193.0	–1,145.4
Repos	–11.3	–	11.3	–	0.0
<b>Total</b>	<b>–1,089.2</b>	<b>0.0</b>	<b>11.3</b>	<b>193.0</b>	<b>–884.9</b>

Related amounts that are not offset in the balance sheet					
June 30, 2012 SEK M	Amount recognised in the balance sheet	Financial Instruments	Provided (+) Received (-) collateral – securities	Provided (+) Received (-) cash collateral	Net amount
<b>Assets</b>					
Derivatives	1,142.1	–932.0	–	–	210.1
Repos	620.5	–	–620.5	–	0.0
<b>Liabilities</b>					
Derivatives	–2,020.7	932.0	–	–	–1,088.7
Repos	–1,846.5	–	1,846.5	–	0.0
<b>Total</b>	<b>–2,104.6</b>	<b>0.0</b>	<b>1,226.0</b>	<b>–</b>	<b>–878.6</b>

**NOTE 15 CAPITAL-ADEQUACY ANALYSIS**

SEK M	June 30, 2013	Dec 31, 2012	June 30, 2012
<b>Capital base</b>			
Tier 1 capital and Core Tier 1 capital before deductions	4,940.2	4,809.3	4,483.0
Deduction deferred tax assets	-3.3	-3.3	-0.3
Special deduction for IRB-exposures	-74.1	-67.2	-64.0
<b>Tier 1 capital and Core Tier 1 capital</b>	<b>4,862.8</b>	<b>4,738.8</b>	<b>4,418.7</b>
Tier 2 capital	501.0	471.0	501.0
Special deduction for IRB-exposures	-74.1	-67.2	-64.0
<b>Total capital base</b>	<b>5,289.7</b>	<b>5,142.6</b>	<b>4,855.6</b>
<b>Risk-weighted assets according to Basel II</b>	<b>20,839.4</b>	<b>21,248.9</b>	<b>20,665.7</b>
<b>Risk-weighted assets according to transition rules</b>	<b>53,407.5</b>	<b>50,668.7</b>	<b>47,280.4</b>
<b>Capital requirement</b>			
Capital requirement for credit risk according to Standardised Approach	188.2	291.6	265.4
Capital requirement for credit risk according to IRB Approach	1,443.2	1,381.0	1,360.6
Capital requirement for operational risk	35.7	27.3	27.3
<b>Capital requirement according to Basel II</b>	<b>1,667.1</b>	<b>1,699.9</b>	<b>1,653.3</b>
Adjustment according to transition rules	2,605.5	2,353.6	2,129.2
<b>Total capital requirement</b>	<b>4,272.6</b>	<b>4,053.5</b>	<b>3,782.4</b>
<b>Capital adequacy</b>			
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	23.3	22.3	21.4
Capital-adequacy ratio according to Basel II, %	25.4	24.2	23.5
Capital ratio according to Basel II*	3.17	3.03	2.94
Tier 1 ratio and core Tier 1 ratio according to transition rules, %	9.1	9.4	9.4
Capital-adequacy ratio according to transition rules, %	9.9	10.1	10.3
Capital ratio according to transition rules*	1.24	1.27	1.28
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	45.9	80.6	57.2
Exposures to corporates	1.2	2.8	10.8
Retail exposures	4.4	57.3	64.2
Exposures secured on residential property	-	-	-
Past due items	-	-	-
Covered bonds	135.8	149.7	132.1
Other items	0.9	1.1	1.1
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>188.2</b>	<b>291.6</b>	<b>265.4</b>
<b>Credit risk according to IRB Approach</b>			
<b>Retail exposures</b>			
Exposures secured by real estate collateral	1,221.9	1,122.9	1,178.9
Other retail exposures	2.0	1.2	1.6
<i>Total retail exposures</i>	<i>1,223.9</i>	<i>1,124.1</i>	<i>1,180.5</i>
Exposures to corporates	219.3	256.9	180.0
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,443.2</b>	<b>1,381.0</b>	<b>1,360.6</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 16 DISCLOSURES ON RELATED PARTIES**

Normal business transactions between the related parties took place during January-June 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 is a translation of the Swedish interim report that has been reviewed by the company's auditors.

Stockholm, July 18, 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 Borgerantz  
*President*

## **Auditors' report on the review of the interim financial information**

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

### **Introduction**

We have reviewed the accompanying balance sheet of Länsförsäkringar Hypotek AB (publ) as of June 30, 2013 and the related statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act of Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Focus and scope of the review**

We conducted our 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 of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the half-year interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act of Credit Institutions and Securities Companies.

Stockholm, July 18, 2013

Stefan Holmström  
*Authorised Public Accountant*

## Appendix

### FUNDING PROGRAMMES

Programmes	Limit, Nominal	Issued	Issued	Outstanding	Outstanding	Remaining	Remaining
		jan-jun 2013	jan-jun 2012	Jun 30, 2013	Jun 30, 2012	average term, Jun 30, 2013	average term, Jun 30, 2012
	Nominal, SEK billion	Year	Year				
Swedish Covered Benchmark	Unlimited	5.0	11.0	59.3	55.5	2.7	2.9
Medium Term Covered Note	SEK 30 billion	-	3.1	5.7	9.0	1.6	1.8
Euro Medium Term Covered Note	EUR 5 billion	2.1	2.5	30.0	23.8	2.2	2.8
<b>Total</b>		<b>7.1</b>	<b>16.6</b>	<b>95.0</b>	<b>88.3</b>	<b>2.5</b>	<b>2.7</b>

### Funding by maturity June 30, 2013

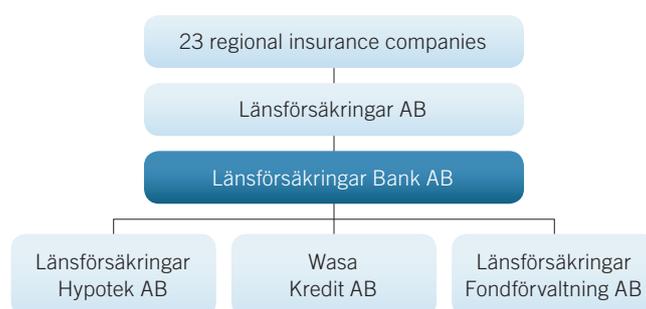
Years	2013	2014	2015	2016	2017	2018	2019	>=2020	Total
Nominal, SEK billion	5.3	21.9	17.6	19.7	14.4	8.4	1.3	6.5	95.0

## Financial calendar

Interim report July-September..... **October 25, 2013**

Year-end report 2013..... **February 10, 2014**

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 July 19, 2013 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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