

Länsförsäkringar Hypotek

January-September 2013

INTERIM REPORT

The period in brief

- Net interest income increased 11% to SEK 636 M (574).
- Loan losses amounted to SEK 3.7 M (-0.1), corresponding to unchanged loan losses of 0.00%.
- Operating profit declined 2% to SEK 248 M (254) and the return on equity was 5.3% (5.7).
- Lending rose 12% to SEK 110 billion (98).
- The Core Tier 1 ratio and Tier 1 ratio amounted to 22.9% (20.9) and the capital adequacy ratio to 24.9% (22.9).
- The number of customers rose 8% to 186,000.

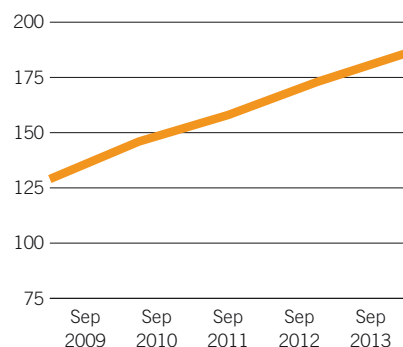
Figures in parentheses pertain to the comparative period in 2012.

Anders Borgcrantz,
President of Länsförsäkringar Hypotek:

Länsförsäkringar is continuing to grow in the mortgage market and in line with our plan. The credit quality of the loan portfolio remains very high and several successful issuances of covered bonds with longer maturities were launched during the quarter.

CUSTOMER TREND

Number of customers, 000s



Key figures

	Q 3 2013	Q 2 2013	Q 3 2012	Jan-Sep 2013	Jan-Sep 2012	Full-year 2012
Return on equity, %	5.0	6.2	4.4	5.3	5.7	5.2
Return on total capital, %	0.24	0.29	0.22	0.25	0.28	0.26
Investment margin, %	0.63	0.62	0.64	0.64	0.63	0.65
Cost/income ratio before loan losses	0.21	0.19	0.25	0.21	0.21	0.22
Cost/income ratio after loan losses	0.22	0.20	0.25	0.22	0.21	0.23
Core Tier 1 ratio and Tier 1 ratio according to Basel II, %	22.9	23.3	20.9	22.9	20.9	22.3
Core Tier 1 ratio and Tier 1 ratio according to transition rules, %	9.0	9.1	9.4	9.0	9.4	9.4
Capital adequacy ratio according to Basel II, %	24.9	25.4	22.9	24.9	22.9	24.2
Capital adequacy ratio according to transition rules, %	9.8	9.9	10.2	9.8	10.2	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, %	0.00	0.01	0.00	0.00	0.00	0.00

Income statement, quarterly

SEK M	Q 3 2013	Q 2 2013	Q 1 2013	Q 4 2012	Q 3 2012
Net interest income	209.1	205.8	221.5	221.3	198.6
Net commission	-90.6	-88.7	-78.9	-117.9	-92.2
Net gains/losses from financial items	-15.3	5.5	-49.3	-13.3	-14.7
Other operating income	0.2	0.0	0.2	0.0	0.0
Total operating income	103.4	122.6	93.5	90.1	91.7
Staff costs	-3.6	-3.9	-3.9	-3.6	-3.3
Other administration expenses	-18.7	-19.2	-18.2	-19.1	-19.8
Total operating expenses	-22.3	-23.1	-22.1	-22.7	-23.1
Profit before loan losses	81.1	99.5	71.4	67.4	68.6
Loan losses, net	-0.7	-1.9	-1.1	-2.4	-0.2
Operating profit	80.4	97.6	70.3	65.0	68.4

Third-quarter market commentary

During the third quarter, relatively large fluctuations took place on the fixed-income market. Initially, interest rates continued to rise when the market expected the Federal Reserve to taper its bond buying programme. Towards the end of September, interest rates fell again when the Federal Reserve decided to delay the tapering of its bond buying. The ten-year US government bond rate fell from a peak of 3.0% at the start of September to 2.6% at the end of the month. The Swedish market interest rates largely matched this movement.

Indicators concerning economic development in Europe improved and GDP growth was positive in the eurozone as a whole, according to statistics published for the second quarter. Short-term market interest rates remained low in Europe after the ECB indicated that it intends to retain an expansive monetary policy over the long term. The world's leading stock markets generally increased during the quarter.

Indicators regarding the Swedish economy improved during the third quarter following the weaker trend in the second quarter. The Riksbank kept the interest rate unchanged at 1.0% at its meetings in July and September, while the interest rate path was revised marginally upwards.

In general, credit spreads broadened in June when the Federal Reserve indicated that it would reduce its bond buying. Credit spreads subsequently narrowed successively over the third quarter.

Loans to households in the Swedish market rose 1% during the first two months of the quarter.

Housing prices in Sweden increased 1.8% during the third quarter, according to Valueguard's HOX Index.

January-September 2013 compared with January-September 2012

Growth and customer trend

Loans to the public rose 12%, or SEK 12 billion, to SEK 110 billion (98). The number of customers rose 8%, or 13,000, to 186,000 (173,000), and 84% (83) of mortgage customers had Länsförsäkringar as their primary bank.

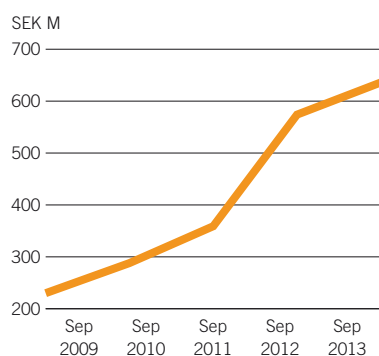
Earnings and profitability

Profit before loan losses declined 1% to SEK 252 M (254) and operating profit declined 2% to SEK 248 M (254), which was due to net losses from financial items. Return on equity amounted to 5.3% (5.7).

Income

Operating profit fell 1% to SEK 320 M (323), attributable to lower net gains from financial items. Higher lending volumes strengthened net interest income by 11% to SEK 636 M (574). The investment margin was 0.64% (0.63). Net losses from financial items amounted to SEK 59 M (gain: 16), due to the effects of changes in fair value and the repurchase of own debt. Net commission amounted to an expense of SEK 258 M (267).

NET INTEREST INCOME



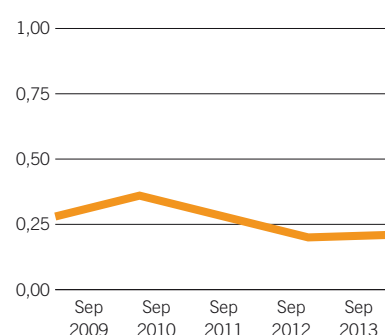
Expenses

Operating expenses amounted to SEK 68 M (69) and the cost/income ratio before loan losses remained unchanged at 0.21. The cost/income ratio after loan losses amounted to 0.22 (0.21).

Loan losses

Loan losses amounted to SEK 3.7 M (-0.1), corresponding to unchanged loan losses of 0.00%. Reserves amounted to SEK 46 M (37), providing an unchanged reserve ratio in relation to loans of 0.04%. Impaired loans amounted to SEK 2.7 M (2.5), 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.

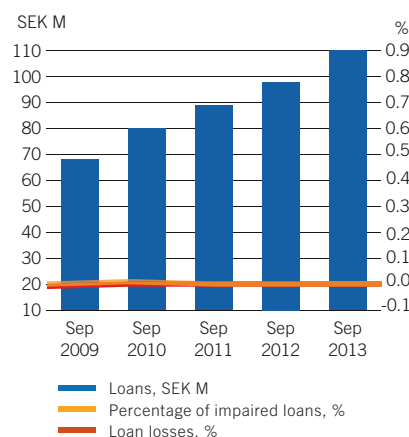
COST/INCOME RATIO BEFORE LOAN LOSSES



Loans

Loans to the public rose 12%, or SEK 12 billion, to SEK 110 billion (98), up 8%, or SEK 8 billion, from year-end 2012. As at August 31, 2013, the market share for retail mortgages strengthened to 4.9%, according to data from Statistics Sweden. All loans are granted in Sweden and in SEK. The credit quality of the loan portfolio, comprising 74% (76) single-family homes, 20% (20) tenant-owned apartments, 5% (4) multi-family housing and 1% (0.5) other loans, continued to be favourable.

LOANS TO THE PUBLIC



Cover pool

A total of 93% of the loan portfolio is included in the cover pool, which corresponds to SEK 102 billion. The collateral comprises private homes of which 77% (78) are 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 412,000 (401,000). The weighted average loan-to-value ratio, LTV, was unchanged at 62% and the nominal, current OC amounted to 24% (26). 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 September 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 October 15, 2013.

Cover pool	Sept 30, 2013	Sept 30, 2012
Cover pool, SEK billion	118	111
OC ¹⁾ , nominal, current level, %	24	26
Weighted average Max-LTV, %	62	62
Collateral	Private homes	Private homes
Seasoning, months	59	58
Number of loans	248,907	230,160
Number of borrowers	114,098	105,535
Number of properties	114,628	106,005
Average commitment, SEK 000s	894	871
Average loan, SEK 000s	412	401
Interest rate type, variable, %	53	52
Interest rate type, fixed, %	47	48
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.

Funding

Debt securities in issue rose 8%, or SEK 8 billion, to SEK 95 billion (87). During the period, issuances were launched, primarily of bonds with longer maturities.

Issued covered bonds totalled a nominal SEK 17.8 billion (19.9) and repurchases of a nominal SEK 5.9 billion (10.7) were executed during the period. Matured covered bonds amounted to a nominal of SEK 8.1 billion (6.5).

Liquidity

On September 30, 2013, the liquidity reserve amounted to SEK 17.2 billion (20.4) according to the Swedish Bankers' Association's definition, of which 91% (82) is in Swedish covered bonds with an AAA/Aaa credit rating and 9% (18) in Swedish government bonds.

Rating

Länsförsäkringar Hypotek is one of four issuers in the Swedish market with the highest rating for covered bonds from both Standard & Poor's and Moody's. The Parent Company Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A3/Stable from Moody's.

Agency	Institut	Long-term rating	Short-term rating
Länsförsäkringar Hypotek ¹⁾	Standard & Poor's	AAA/Stable	–
Länsförsäkringar Hypotek ¹⁾	Moody's	Aaa	–
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A–1(K–1)
Länsförsäkringar Bank	Moody's	A3/Stable	P-2

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 exposures and the Standardised Approach is used for all other exposures. Core Tier 1 and Tier 1 capi-

tal amounted to SEK 4,863 M (4,563) and the Core Tier 1 and Tier 1 ratio according to Basel II was 22.9% (20.9) on September 30, 2013. The capital base amounted to SEK 5,291 M (4,994) and the capital adequacy ratio was 24.9% (22.9). For more information on the calculation of capital adequacy, see note 15.

Interest-rate risk

On September 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 24 M (35).

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.

Third quarter of 2013 compared with the second quarter of 2013

Operating profit fell 18% to SEK 80 M (98), due to net losses from financial items. Return on equity amounted to 5.0% (6.2). Operating income fell 16% to SEK 103 M (123), attributable to lower net gains from financial items. Net interest income increased 2% to SEK 209 M (206). Net losses from financial items amounted to SEK 15 M (gains: 6) due to the negative effects of changes in fair value and the repurchase of own debt. Net commission declined to an expense of SEK 91 M (expense: 89). Expenses amounted to SEK 22 M (23) and the cost/income ratio before loan losses was 0.21 (0.19). Loan losses, net, remained low and amounted to SEK 0.7 M (1.9).

Events after the end of the period

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

Income statement

SEK M	Note	Q 3 2013	Q 2 2013	Change	Q 3 2012	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Interest income	3	1,587.8	1,567.6	1%	1,818.5	-13%	4,756.0	5,526.6	-14%	7,205.9
Interest expense	4	-1,378.7	-1,361.8	1%	-1,619.9	-15%	-4,119.6	-4,952.3	-17%	-6,410.3
Net interest income		209.1	205.8	2%	198.6	5%	636.4	574.3	11%	795.6
Commission income	5	0.5	0.6	-17%	0.6	-17%	1.7	1.8	-6%	2.4
Commission expense	6	-91.1	-89.3	2%	-92.8	-2%	-259.9	-269.1	-3%	-387.6
Net gains/losses from financial items	7	-15.3	5.5	-378%	-14.7	-4%	-59.1	15.7	-476%	2.4
Other operating income		0.2	0.0		0.0		0.4	0.1	300%	0.1
Total operating income		103.4	122.6	-16%	91.7	13%	319.5	322.8	-1%	412.9
Staff costs		-3.6	-3.9	-8%	-3.3	9%	-11.4	-9.3	23%	-12.9
Other administration expenses		-18.7	-19.2	-3%	-19.8	-6%	-56.0	-59.2	-5%	-78.2
Depreciation and impairment of tangible assets		-0.0	-0.0		-0.0		-0.1	-0.1		-0.1
Total operating expenses		-22.3	-23.1	-3%	-23.1	-3%	-67.5	-68.6	-2%	-91.2
Profit before loan losses		81.1	99.5	-18%	68.6	18%	252.0	254.2	-1%	321.7
Loan losses, net	8	-0.7	-1.9	-63%	-0.2	250%	-3.7	0.1		-2.3
Operating profit		80.4	97.6	-18%	68.4	18%	248.3	254.3	-2%	319.4
Tax		-22.4	-21.4	5%	-18.0	24%	-59.4	-66.9	-11%	-62.1
Profit for the period		58.0	76.2	-24%	50.4	15%	188.9	187.4	1%	257.3

Statement of comprehensive income

SEK M	Q 3 2013	Q 2 2013	Change	Q 3 2013	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Profit for the period	58.0	76.2	-24%	50.4	15%	188.9	187.4	1%	257.3
Other comprehensive income									
<i>Available-for-sale-financial assets</i>									
Fair value change	10.6	-5.8	283%	-43.8	124%	4.3	-39.6	111%	-48.0
Reclassification realised securities	-12.8	-12.8	0%	0.0		-13.0	-7.3	78%	-38.4
Tax attributable to items that are rerouted or can be rerouted as income for the period	0.5	4.1	-88%	11.5	-96%	1.9	12.4	-85%	22.5
Total other comprehensive income for the period, net after tax	-1.7	-14.5	88%	-32.3	95%	-6.8	-34.5	80%	-63.9
Total comprehensive income for the period	56.3	61.7	-9%	18.1	211%	182.1	152.9	19%	193.4

Balance sheet

SEK M	Note	Sep 30, 2013	Dec 31, 2012	Sep 30, 2012
Assets				
Treasury bills and other eligible bills		1,495.5	1,544.9	3,701.7
Loans to credit institutions	9	2,999.3	1,696.2	2,637.2
Loans to the public	10	109,824.5	101,434.4	98,008.5
Bonds and other interest-bearing securities		15,444.6	18,218.7	16,382.2
Derivatives	11	789.6	1,746.4	1,764.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		272.4	781.1	756.3
Tangible assets		0.5	0.6	0.7
Deferred tax assets		3.3	3.3	0.3
Other assets		0.3	23.4	0.2
Prepaid expenses and accrued income		1,173.3	1,869.6	1,178.0
Total assets		132,003.3	127,318.6	124,429.7
Liabilities, provisions and equity				
Due to credit institutions	9	26,677.0	22,984.2	24,500.4
Debt securities in issue		94,537.7	90,962.4	87,186.0
Derivatives	11	2,877.3	2,824.3	3,269.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		322.7	2,067.7	2,083.2
Deferred tax liabilities		-	-	-
Other liabilities		32.2	256.0	73.5
Accrued expenses and deferred income		1,981.7	2,831.5	2,021.2
Provisions		0.6	0.5	-
Subordinated liabilities		501.0	501.0	501.0
Total liabilities and provisions		126,930.2	122,427.6	119,635.2
Equity				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		74.9	81.7	111.1
Retained earnings		4,724.9	4,467.6	4,411.6
Profit for the year		188.9	257.3	187.4
Total equity		5,073.1	4,891.0	4,794.5
Total liabilities, provisions and equity		132,003.3	127,318.6	124,429.7
Memorandum items				
	12			
For own liabilities, pledged assets		102,943.2	95,541.1	93,325.9
Other pledged assets		None	None	None
Contingent liabilities		2,730.6	2,730.6	2,492.6
Other commitments		5,566.5	4,952.2	5,369.4
Other notes				
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Cash-flow statement in summary, indirect method

SEK M	Jan-Sep 2013	Jan-Sep 2012
Cash and cash equivalents, January 1	6.9	5.8
Cash flow from operating activities	251.7	51.9
Cash flow from investing activities	0.0	-0.3
Cash flow from financing activities	-247.0	-47.1
Cash flow for the period	4.7	3.8
Cash and cash equivalents, September 30	11.6	9.6

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 -8,397.8 M (-9,386.4), Debt securities in issue SEK 3,466.6 M (2,994.4) and to Due to credit institutions SEK 3,692.8 M (4,567.4).

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
Opening balance, January 1, 2012	70.3	14.1	145.6	3,962.1	149.5	4,341.6
Profit for the period					187.4	187.4
Other comprehensive income for the period			-34.5			-34.5
<i>Comprehensive income for the period</i>			-34.5		187.4	152.9
Resolution by Annual General Meeting				149.5	-149.5	0.0
Conditional shareholders' contribution received				300.0		300.0
Closing balance, September 30, 2012	70.3	14.1	111.1	4,411.6	187.4	4,794.5
Opening balance, October 1, 2012	70.3	14.1	111.1	4,411.6	187.4	4,794.5
Profit for the period					69.9	69.9
Other comprehensive income for the period			-29.4			-29.4
<i>Comprehensive income for the period</i>			-29.4		69.9	40.5
Group contribution paid				-247.0		-247.0
Tax on Group contribution paid				65.0		65.0
Conditional shareholders' contribution received				238.0		238.0
Closing balance, December 31, 2012	70.3	14.1	81.7	4,467.6	257.3	4,891.0
Opening balance, January 1, 2013	70.3	14.1	81.7	4,467.6	257.3	4,891.0
Profit for the period					188.9	188.9
Other comprehensive income for the period			-6.8			-6.8
<i>Comprehensive income for the period</i>			-6.8		188.9	182.1
Resolution by Annual General Meeting				257.3	-257.3	0.0
Closing balance, September 30, 2013	70.3	14.1	74.9	4,724.9	188.9	5,073.1

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 3 2013	Q 2 2013	Change	Q 3 2012	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Loans to credit institutions	12.7	6.7	90%	6.1	108%	26.7	30.9	-14%	34.8
Loans to the public	868.3	865.3	0%	930.4	-7%	2,608.1	2,777.9	-6%	3,687.0
Interest-bearing securities	115.6	119.5	-3%	141.4	-18%	363.5	438.4	-17%	576.5
<i>Derivatives</i>									
Hedge accounting	591.2	576.1	3%	740.6	-20%	1,757.7	2,279.4	-23%	2,907.6
Non-hedge accounting	-	-	-	-	-	-	-	-	-
Total interest income	1,587.8	1,567.6	1%	1,818.5	-13%	4,756.0	5,526.6	-14%	7,205.9
of which interest income on impaired loans	0.1	0.0		0.0		0.1	0.2	-50%	0.0
of which interest income from financial items not measured at fair value	881.0	872.1	1%	936.5	-6%	2,634.8	2,808.8	-6%	3,721.8
Average interest rate on loans to the public during the period, %	3.2	3.3		3.9		3.3	4.0		3.9

NOTE 4 INTEREST EXPENSE

SEK M	Q 3 2013	Q 2 2013	Change	Q 3 2012	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Due to credit institutions	-131.4	-131.8	0%	-145.2	-10%	-380.9	-414.9	-8%	-540.1
Interest-bearing securities	-685.3	-685.8	0%	-723.4	-5%	-2,044.3	-2,139.7	-4%	-2,833.4
Subordinated liabilities	-5.1	-5.0	2%	-5.7	-11%	-14.7	-17.8	-17%	-22.9
<i>Derivatives</i>									
Hedge accounting	-547.2	-529.9	3%	-736.0	-26%	-1,651.9	-2,353.1	-30%	-2,977.4
Non-hedge accounting	-	-	-	-	-	-	-	-	-
Other interest expense	-9.7	-9.3	4%	-9.6	1%	-27.8	-26.8	4%	-36.5
Total interest expense	-1,378.7	-1,361.8	1%	-1,619.9	-15%	-4,119.6	-4,952.3	-17%	-6,410.3
of which interest expense from financial items not measured at fair value	-831.6	-831.9	0%	-883.9	-6%	-2,467.7	-2,599.2	-5%	-3,432.9

NOTE 5 COMMISSION INCOME

SEK M	Q 3 2013	Q 2 2013	Change	Q 3 2012	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Loans	0.5	0.6	-17%	0.6	-17%	1.7	1.8	-6%	2.4
Total commission income	0.5	0.6	-17%	0.6	-17%	1.7	1.8	-6%	2.4

NOTE 6 COMMISSION EXPENSE

SEK M	Q 3 2013	Q 2 2013	Change	Q 3 2012	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Remuneration to regional insurance companies	-90.6	-89.1	2%	-92.4	-2%	-258.9	-268.0	-3%	-386.3
Other commission	-0.5	-0.2	150%	-0.4	25%	-1.0	-1.1	-9%	-1.3
Total commission expense	-91.1	-89.3	2%	-92.8	-2%	-259.9	-269.1	-3%	-387.6

NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 3 2013	Q 2 2013	Change	Q 3 2012	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Change in fair value									
Interest-related instruments	30.3	-312.6	110%	124.4	-76%	-439.2	187.2	-335%	281.8
Currency-related instruments	-14.5	2,060.4	-101%	-803.9	98%	1,125.6	-1,127.4	200%	-783.9
Change in fair value of hedged items	-33.0	-1,743.3	98%	677.2	-105%	-743.9	909.9	-182%	478.2
Capital gains / losses									
Interest-related instruments	-10.1	-10.4	3%	-25.4	60%	-35.3	10.1	-450%	-23.4
Interest compensation	12.0	11.4	5%	13.0	-8%	33.7	35.9	-6%	49.7
Total net gains / losses from financial items	-15.3	5.5	-378%	-14.7	-4%	-59.1	15.7	-476%	2.4

NOTE 8 LOAN LOSSES, NET

SEK M	Q 3 2013	Q 2 2013	Change	Q 3 2012	Change	Jan-Sep 2013	Jan-Sep 2012	Change	Full-year 2012
Specific reserve for individually assessed loan receivables									
Write-off of confirmed loan losses during the period	-3.4	-0.6	467%	-0.8	325%	-6.2	-4.6	35%	-8.0
Reversed earlier impairment of loan losses recognised as confirmed losses	2.8	0.6	367%	0.3	833%	3.7	0.6	517%	1.8
Impairment of loan losses during the period	-8.6	-5.6	54%	-0.7		-24.1	-2.7	793%	-4.6
Payment received for prior confirmed loan losses	3.8	1.4	171%	1.7	124%	8.5	7.5	13%	11.7
Reversed impairment of loan losses no longer required	5.1	2.6	96%	0.4		9.2	1.1	736%	1.1
Net income / expense for the period for individually assessed loan receivables	-0.3	-1.6	-81%	0.9	-133%	-8.9	1.8	-568%	2.0
Collective reserves for individually assessed receivables	-	-		-		-	-		-
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision / reversal of impairment of loan losses	-0.4	-0.3	33%	-1.1	-64%	5.2	-1.7	406%	-4.3
Net income / expense for the period for collectively assessed homogenous loan receivables	-0.4	-0.3	33%	-1.1	-64%	5.2	-1.7	406%	-4.3
Net income / expense of loan losses for the period	-0.7	-1.9	-63%	-0.2	250%	-3.7	0.1		-2.3

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 2,596.3 M (1,277.2). Due to credit institutions includes borrowings from the Parent Company of SEK 25,793.8 M (22,959.8).

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	Sep 30, 2013	Dec 31, 2012	Sep 30, 2012
Loan receivables, gross			
Corporate sector	4,974.9	3,881.7	3,136.2
Retail sector	104,895.3	97,592.4	94,908.8
Total loan receivables, gross	109,870.2	101,474.1	98,045.0
Impairment of individually assessed loan receivables			
Corporate sector	0.0	0.0	0.0
Retail sector	-13.1	-1.9	-1.3
Total individual reserves	-13.1	-1.9	-1.3
Impairment of collectively assessed loan receivables			
Corporate sector	0.0	-3.2	-3.7
Retail sector	-32.6	-34.6	-31.5
Total collective reserves	-32.6	-37.8	-35.2
Total reserves	-45.7	-39.7	-36.5
Loan receivables, net			
Corporate sector	4,974.8	3,878.4	3,132.5
Retail sector	104,849.7	97,556.0	94,876.0
Total loans to the public	109,824.5	101,434.4	98,008.5
Impaired loans			
Retail sector	2.7	3.1	2.5
Total impaired loans	2.7	3.1	2.5

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	Sep 30, 2013		Dec 31, 2012		Sep 30, 2012	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	62,003.0	722.3	64,458.0	1,522.2	57,403.0	1,498.9
Currency-related	8,418.5	328.0	8,651.5	417.1	9,498.7	441.6
Collateral received, CSA	-	-260.7	-	-192.9	-	-175.9
<i>Other derivatives</i>						
Currency-related	0.0	0.0	0.0	0.0	-	-
Total derivatives with positive values	70,421.5	789.6	73,109.5	1,746.4	66,901.7	1,764.6
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	71,213.0	782.5	67,333.0	1,205.1	67,701.0	1,276.4
Currency-related	32,517.5	2,094.8	26,065.6	1,619.2	26,065.6	1,993.4
Total derivatives with negative values	103,730.5	2,877.3	93,398.6	2,824.3	93,766.6	3,269.9

NOTE 12 MEMORANDUM ITEMS

SEK M	Sep 30, 2013	Dec 31, 2012	Sep 30, 2012
For own liabilities, pledged assets			
Collateral pledged due to repurchase agreements	502.3	11.3	1,014.9
Loan receivables, covered bonds	102,440.9	95,529.8	92,311.0
Total for own liabilities, pledged assets	102,943.2	95,541.1	93,325.9
Other pledged assets	None	None	None
Contingent liabilities			
Conditional shareholders' contribution	2,730.6	2,730.6	2,492.6
Total contingent liabilities	2,730.6	2,730.6	2,492.6
Commitments			
Loans approved but not disbursed	5,566.5	4,952.2	5,369.4

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.

Sep 30, 2013 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	1,495.5			1,495.5
Bonds and other interest-bearing securities	15,444.6			15,444.6
Derivatives		789.6		789.6
Liabilities				
Derivatives		2,877.3		2,877.3
Dec 31, 2012				
SEK M	Level 1	Level 2	Level 3	Total
Assets				
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
Liabilities				
Derivatives		2,824.3		2,824.3
Sep 30, 2012				
SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	3,701.6			3,701.6
Bonds and other interest-bearing securities	16,382.2			16,382.2
Derivatives		1,764.6		1,764.6
Liabilities				
Derivatives		3,269.9		3,269.9

NOTE 13 FAIR VALUE VALUATION TECHNIQUES, CONTINUED

SEK M	Sep 30, 2013		Dec 31, 2012		Sep 30, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets						
Treasury bills and other eligible bills	1,495.5	1,495.5	1,544.9	1,544.9	3,701.6	3,701.6
Loans to credit institutions	2,999.3	2,999.3	1,696.2	1,696.2	2,637.2	2,637.2
Loans to the public	109,824.5	110,527.4	101,434.4	102,389.8	98,008.5	97,056.1
Bonds and other interest-bearing securities	15,444.6	15,444.6	18,218.7	18,218.7	16,382.2	16,382.2
Derivatives	789.6	789.6	1,746.4	1,746.4	1,764.6	1,764.6
Accounts receivable	0.1		0.1			
Total assets	130,553.6	131,256.4	124,640.7	125,596.0	122,494.1	121,541.7
Liabilities						
Due to credit institutions	26,677.0	25,514.9	22,984.2	22,984.2	24,500.4	24,500.4
Debt securities in issue	94,537.7	98,199.9	90,962.4	96,094.7	87,186.0	92,606.0
Derivatives	2,877.3	2,877.3	2,824.3	2,824.3	3,269.9	3,269.9
Accounts payable	0.1		2.0		0.3	
Subordinated liabilities	501.0		501.0		501.1	
Total Liabilities	124,593.1	126,592.1	117,273.9	121,903.2	115,457.6	120,376.3

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					
Sep 30, 2013 SEK M	Amount recognised in the balance sheet	Financial Instruments	Provided (+) Received (-) collateral – securities	Provided (+) Received (-) cash collateral	Net amount
Assets					
Derivatives	789.6	-752.1			37.5
Repos	0.0				0.0
Liabilities					
Derivatives	-2,877.3	752.1			-2,125.2
Repos	-502.3		502.3		0.0
Total	-2,590.0	0.0	502.3	-	-2,087.7

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
Assets					
Derivatives	1,746.4	-1,485.9			260.5
Repos					
Liabilities					
Derivatives	-2,824.3	1,485.9			-1,338.4
Repos	-11.3		11.3		0.0
Total	-1,089.2	0.0	11.3	-	-1,077.9

Related amounts that are not offset in the balance sheet					
Sep 30, 2012 SEK M	Amount recognised in the balance sheet	Financial Instruments	Provided (+) Received (-) collateral – securities	Provided (+) Received (-) cash collateral	Net amount
Assets					
Derivatives	1,764.6	-1,441.8			322.8
Repos	0.0				0.0
Liabilities					
Derivatives	-3,269.9	1,441.8			-1,828.1
Repos	-1,014.8		1,014.8		0.0
Total	-2,520.1	0.0	1,014.8	-	-1,505.3

NOTE 15 CAPITAL-ADEQUACY ANALYSIS

SEK M	Sep 30, 2013	Dec 31, 2012	Sep 30, 2012
Capital base			
Core Tier 1 capital and Tier 1 capital before deductions	4,940.3	4,809.3	4,633.0
Deduction deferred tax assets	-3.3	-3.3	0.0
Special deduction for IRB-exposures	-73.6	-67.2	-69.9
Core Tier 1 capital and Tier 1 capital	4,863.4	4,738.8	4,562.9
Tier 2 capital	501.0	471.0	501.0
Special deduction for IRB-exposures	-73.6	-67.2	-69.9
Total capital base	5,290.8	5,142.6	4,994.0
Risk-weighted assets according to Basel II	21,224.2	21,248.9	21,837.3
Risk-weighted assets according to transition rules	54,252.4	50,668.7	48,757.3
Capital requirement			
Capital requirement for credit risk according to Standardised Approach	173.1	291.6	279.2
Capital requirement for credit risk according to IRB Approach	1,489.1	1,381.0	1,440.5
Capital requirement for operational risk	35.7	27.3	27.3
Capital requirement according to Basel II	1,697.9	1,699.9	1,747.0
Adjustment according to transition rules	2,642.3	2,353.6	2,153.6
Total capital requirement	4,340.2	4,053.5	3,900.6
Capital adequacy			
Core Tier 1 ratio and Tier 1 ratio according to Basel II, %	22.9	22.3	20.9
Capital-adequacy ratio according to Basel II, %	24.9	24.2	22.9
Capital ratio according to Basel II*	3.12	3.03	2.86
Core Tier 1 ratio and Tier 1 ratio according to transition rules, %	9.0	9.4	9.4
Capital-adequacy ratio according to transition rules, %	9.8	10.1	10.2
Capital ratio according to transition rules*	1.22	1.27	1.28
Capital requirement			
Credit risk according to Standardised Approach			
Exposures to institutions	46.3	80.6	73.7
Exposures to corporates	0.1	2.8	7.0
Retail exposures	0.0	57.3	64.2
Exposures secured on residential property	-	-	0.0
Past due items	-	-	0.0
Covered bonds	125.8	149.7	133.4
Other items	0.8	1.1	1.0
Total capital requirement for credit risk according to Standardised Approach	173.1	291.6	279.2
Credit risk according to IRB Approach			
Retail exposures			
Exposures secured by real estate collateral	1,252.6	1,122.9	1,226.6
Other retail exposures	2.4	1.2	1.5
<i>Total retail exposures</i>	<i>1,255.0</i>	<i>1,124.1</i>	<i>1,228.1</i>
Exposures to corporates	234.1	256.9	212.4
Total capital requirement for credit risk according to IRB Approach	1,489.1	1,381.0	1,440.5
Operational risk			
Standardised Approach	35.7	27.3	27.3
Total capital requirement for operational risk	35.7	27.3	27.3

*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-September 2013. Since December 31, 2012, no significant changes have occurred in the company's agreements with these related legal entities. The company's remuneration 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 and has not been reviewed by the company's auditors.

Stockholm, October 18, 2013

Anders Borgcrantz
President

Appendix

FUNDING PROGRAMMES

Programmes	Limit, Nominal	Issued	Issued	Outstanding	Outstanding	Remaining	Remaining
		Jan-Sep 2013	Jan-Sep 2012	Sep 30, 2013	Sep 30, 2012	average term, Sep 30, 2013	average term, Sep 30, 2012
	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Year	Year
Swedish Covered Benchmark	Unlimited	11.4	14.3	59.9	55.7	3.0	2.7
Medium Term Covered Note	SEK 30 billion	-	3.1	5.2	8.5	1.5	1.6
Euro Medium Term Covered Note	EUR 5 billion	6.4	2.5	30.0	23.8	2.9	2.5
Total		17.8	19.9	95.1	88.0	2.9	2.6

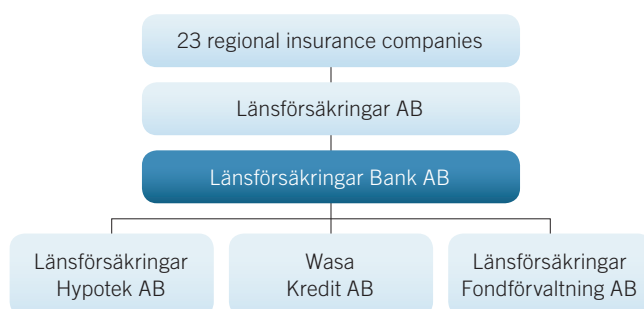
Funding by maturity September 30, 2013

Years	2013	2014	2015	2016	2017	2018	2019	>=2020	Total
Nominal, SEK billion	0.3	20.5	17.6	19.7	14.6	9.9	6.0	6.5	95.1

Financial calendar

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 October 25, 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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