

Länsförsäkringar Hypotek

Interim report January-September 2014

THE PERIOD IN BRIEF

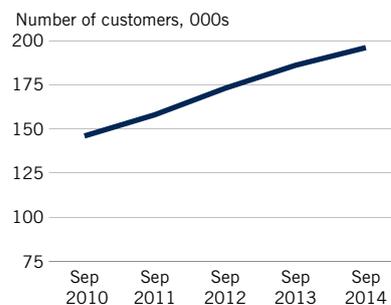
- Net interest income increased 13% to SEK 720 M (636).
- Loan losses amounted to SEK 10.7 M (-3.7), corresponding to loan losses of -0.01% (0.00).
- Operating profit rose 14% to SEK 283 M (248) and the return on equity was 5.2% (5.3).
- Lending increased 10% to SEK 120 billion (110).
- The Core Tier 1 ratio amounted to 22.1% on September 30, 2014.
- The number of customers rose 5% to 196,000.

Figures in parentheses pertain to the comparative period in 2013.

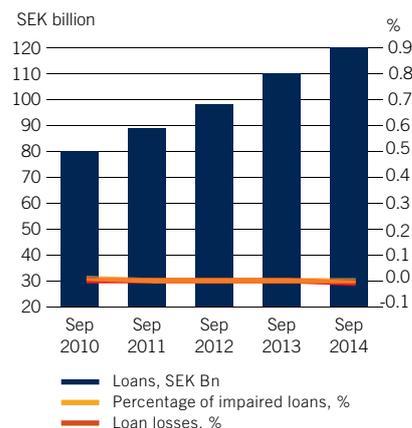
ANDERS BORGCRANTZ, PRESIDENT OF LÄNSFÖRSÄKRINGAR HYPOTEK:

“Länsförsäkringar continues to be successful in the bank market, with healthy growth in retail mortgages and continued high credit quality in the loan portfolio. Funding of the retail mortgage lending operations remained successful and the trend in net interest income was favourable.

CUSTOMER TREND



LOANS TO THE PUBLIC



KEY FIGURES

	Q 3 2014	Q 2 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Return on equity, %	5.2	5.9	5.0	5.2	5.3	4.8
Return on total capital, %	0.28	0.31	0.24	0.27	0.25	0.23
Investment margin, %	0.73	0.69	0.63	0.69	0.64	0.64
Cost/income ratio before loan losses	0.21	0.18	0.21	0.20	0.21	0.22
Cost/income ratio after loan losses	0.19	0.13	0.22	0.17	0.22	0.24
Core Tier 1 ratio, %	22.1	22.6	22.9*	22.1	22.9*	23,4*
Capital adequacy ratio, %	24.0	24.6	24.9*	24.0	24.9*	25,3*
Percentage of impaired loans, gross, %	0.00	0.00	0.00	0.00	0.00	0.01
Reserve ratio in relation to loans, %	0.03	0.03	0.04	0.03	0.04	0.04
Loan losses, %	-0.01	-0.02	0.00	-0.01	0.00	0.01

* According to Basel II

INCOME STATEMENT, QUARTERLY

	Q 3 2014	Q 2 2014	Q 1 2014	Q 4 2013	Q 3 2013
Net interest income	255.5	242.2	221.6	215.9	209.1
Net commission	-139.5	-137.8	-115.5	-87.9	-90.6
Net gains/losses from financial items	-6.5	28.9	-7.4	-46.3	-15.3
Other operating income	0.1	0.0	0.2	0.0	0.2
Total operating income	109.6	133.3	98.9	81.7	103.4
Staff costs	-3.9	-3.9	-3.7	-3.4	-3.6
Other administration expenses	-19.4	-19.7	-18.8	-18.6	-18.7
Total operating expenses	-23.3	-23.7	-22.5	-22.0	-22.3
Profit before loan losses	86.3	109.6	76.4	59.7	81.1
Loan losses, net	2.8	6.6	1.3	-2.9	-0.7
Operating profit	89.1	116.2	77.7	56.8	80.4

Market development

During the quarter, the performance of the financial markets continued to be characterised by the actions of central banks, as the same time as the US economy continued to outperform the economy in Europe.

Economic data from the US continued to improve during the third quarter. The labour market strengthened, unemployment fell and the Federal Reserve continued to reduce its bond purchases and will completely end this programme in October. Despite the strengthening of the US economy in the third quarter, long-term interest rates remained low. A general downgrade of the outlook for global growth and global inflation, increased geo-political concerns in Ukraine, for example, and increased expectations of further measures from the ECB put downward pressure on interest rates.

It became clear in the third quarter that economic recovery in the eurozone had slowed. Persistently low and falling inflation combined with low inflation expectations in Europe led to the ECB cutting interest rates again at its meeting in September and announcing more specific plans regarding its future purchases in the credit market. The market is harbouring doubts about whether the ECB will succeed in expanding its balance sheet to the extent that it would like. This is further adding to speculations that the ECB will be forced to follow in the footsteps of the Federal Reserve and launch a government bond-buying stimulus programme, which has in turn pressed interest rates down.

Economic data from Sweden were mixed. In July, the Riksbank decided to reduce interest rates by 0.5 percentage points to 0.25% and it also significantly lowered its forecasted repo rate path. These measures affected the entire Swedish yield curve, with falling rates across the board.

In the credit market, the spreads for both Swedish covered bonds and senior unsecured bank funding continued to fall. The interest-rate difference between Swedish covered bonds and the government bond curve continued to shrink during the period. Housing prices in Sweden increased 4% during the third quarter, which was largely due to high demand combined with limited supply of residential properties and low interest rates. According to

Valueguard's HOX index, prices of single-family homes rose 3%, while prices of tenant-owned apartments increased 6%.

Growth and customer trend

Loans to the public rose 10%, or SEK 10 billion, to SEK 120 billion (110). The number of customers rose 5%, or 10,000, to 196,000 (186,000), and 85% (84) of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Profit before loan losses rose 8% to SEK 273 M (252) and operating profit increased 14% to SEK 283 M (248), due to higher net interest income and improved net gains from financial items. The return on equity amounted to 5.2% (5.3).

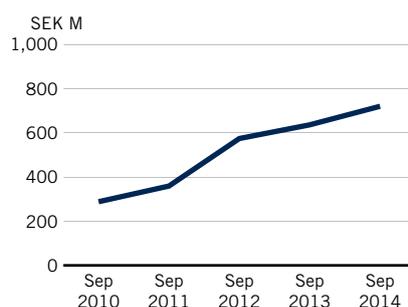
OPERATING PROFIT AND RETURN ON EQUITY



Income

Operating income increased 7% to SEK 342 M (320), due to higher net interest income and improved net gains from financial items. Net interest income increased 13% to SEK 720 M (636). The investment margin strengthened to 0.73% (0.64). Net gains from financial items improved to SEK 15 M (-59), primarily as a result of negative effects of changes in fair value being recognised in the preceding year, combined with the repurchase of own bonds. Net commission amounted to an expense of SEK -393 M (-258), due to higher remuneration to the regional insurance companies.

NET INTEREST INCOME



Expenses

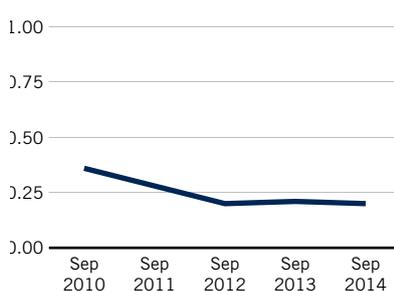
Operating expenses amounted to SEK 69 M (68). The cost/income ratio remained unchanged at 0.21 (0.21) before loan losses and amounted to 0.19 (0.22) after loan losses.

Loan losses

The new settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to the business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commissions. The transition to the new model means that the credit reserves on the date of introduction will be gradually reversed by SEK 21 M. SEK 10 M was reversed during the period.

Loan losses amounted to SEK -10.7 M (-3.7), corresponding to loan losses of -0.01% (0.00). Reserves amounted to SEK 39 M (46), corresponding to a reserve ratio in relation to loans of 0.03% (0.04). Impaired loans, gross, amounted to SEK 1.2 M (-2.7), corresponding to an unchanged percentage of impaired loans, gross, 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

All loans are granted in Sweden and in SEK. Loans to the public rose 10% to SEK 120 billion (110), up 7% from year-end 2013. As of August 31, 2014, the market share for retail mortgages strengthened to 6%, according to data from Statistics Sweden. The credit quality of the loan portfolio, comprising 74% (74) single-family homes, 20% (20) tenant-owned apartments, 5% (5) multi-family housing and 1% (1) other loans, remained strong.

Cover pool

The cover pool contains 93% of the loan portfolio, corresponding to SEK 123 billion. The collateral comprises private homes, of which 77% (77) are single-family homes, 21% (21) tenant-owned apartments and 2% (2) vacation homes. The geographic spread throughout Sweden is well diversified and the average loan amount is only SEK 424,000 (412,000). The weighted average loan-to-value ratio, LTV, was 61% and the nominal, current OC amounted to 30% (24).

A stress test of the coverpool as of September 30, 2014 based on a 20% price drop in the market value of the mortgages collateral, leads to a weighted average LTV of 67% (unchanged from last quarter). No impaired loans are included in the cover pool.

According to Moody's report from September 25, 2014, the assets in Länsförsäkringar Hypotek's cover pool continue to maintain the highest credit quality among all Swedish covered-bond issuers and are among the best in Europe.

Cover pool	Sep 30, 2014	Sep 30, 2013
Cover pool, SEK billion	123	118
OC ¹⁾ , nominal, current level, %	30	24
Weighted average LTV, %	61	62
Collateral	Private homes	Private homes
Seasoning, months	61	59
Number of loans	264,021	248,907
Number of borrowers	120,275	114,098
Number of properties	120,543	114,628
Average commitment, SEK 000s	913	894
Average loan, SEK 000s	424	412
Interest rate type, variable, %	60	53
Interest rate type, fixed, %	40	47
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 using the swap rate. Debt securities in issue include repurchase agreements.

Funding

The funding structure is strong and the maturity profile is well diversified. Debt securities in issue increased 1% to SEK 96 billion (95). Issued covered bonds during the quarter totalled a nominal SEK 18.5 billion (17.8) and repurchases of a nominal SEK 4.6 billion (5.9) were executed. Covered bonds maturities amounted to a nominal SEK 16.6 billion (8.1).

Liquidity

On September 30, 2014, the liquidity reserve totalled SEK 12.4 billion (17.2), according to the Swedish Bankers' Association's definition. The decrease in the liquidity reserve is explained by large maturities during the year. The reserve consists of 88% (91) Swedish covered bonds with the credit rating of AAA/Aaa and 12% (9) comprised Swedish government bonds.

Rating

Länsförsäkringar Hypotek is one of three issuers in the Swedish market with the highest credit 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.

Company	Agency	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 capital and Tier 1 capital was SEK 5,646 M (4,863) and the Core Tier 1 ratio amounted to 22.1% (22.9) on September 30, 2014. The capital base was

SEK 6,205 M (5,291) and the capital adequacy ratio amounted to 24.0% (24.9). Core Tier 1 capital increased SEK 50 M during the third quarter due to generated profit. A deduction of SEK 17.4 M was made during the third quarter due to regulatory requirements regarding prudent valuation of items in the category of fair value. The deduction is to be made from Core Tier 1 capital.

The total Risk Exposure Amount (REA) in Länsförsäkringar Hypotek on September 30, 2014 was SEK 25,808 M (21,224). REA increased SEK 4,583 M during the period. The increase in exposures under the IRB Approach, SEK 1,253 M, was related to the continued growth in lending to households in the form of mortgages.

REA for CVA (Credit Value Adjustment) amounted to SEK 1,886 M. There is no corresponding CVA for September 30, 2013, since this requirement was only introduced on January 1, 2014. The increase from June 30, 2014 was SEK 263 M.

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

Interest-rate risk

On September 30, 2014, a rise in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 10 M (24).

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 more detailed description of risks is available in the 2013 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 2014 COMPARED WITH SECOND QUARTER OF 2014
Operating profit fell 23% to SEK 89 M (116), due to lower operating income. The return on equity amounted to 5.2% (5.9). Operating income fell 17% to SEK 110 M (133), primarily due to lower net gains from financial items. Net interest income increased 6% to SEK 256 M (242). Net gains from financial items declined to a loss of SEK 7 M (gain: 29) due to repurchases of own bonds. Commission expense amounted to SEK 140 M (138). Expenses amounted to SEK 23 M (24) and the cost/income ratio before loan losses to 0.18 (0.19). Loan losses amounted to SEK 3 M (7).

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 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Interest income	3	1,360.2	1,450.6	-6%	1,587.8	-14%	4,328.5	4,756.0	-9%	6,337.4
Interest expense	4	-1,104.7	-1,208.4	-9%	-1,378.7	-20%	-3,609.0	-4,119.6	-12%	-5,485.1
Net interest income		255.5	242.2	5%	209.1	22%	719.5	636.4	13%	852.3
Commission income	5	0.4	0.5	-20%	0.5	-20%	1.5	1.7	-12%	2.1
Commission expense	6	-139.9	-138.3	1%	-91.1	54%	-394.3	-259.9	52%	-348.2
Net gains/losses from financial items	7	-6.5	28.9		-15.3	-58%	15.0	-59.1		-105.4
Other operating income		0.1	0.0		0.2	-50%	0.2	0.4	-50%	0.4
Total operating income		109.6	133.3	-18%	103.4	6%	341.9	319.5	7%	401.2
Staff costs		-3.9	-3.9		-3.6	8%	-11.4	-11.4		-14.8
Other administration expenses		-19.4	-19.7	-2%	-18.7	4%	-57.9	-56.0	3%	-74.6
Depreciation and impairment of tangible assets		-	-0.1		-0.0		-0.1	-0.1		-0.1
Total operating expenses		-23.3	-23.7	-2%	-22.3	4%	-69.4	-67.5	3%	-89.5
Profit before loan losses		86.3	109.6	-21%	81.1	6%	272.5	252.0	8%	311.7
Loan losses, net	8	2.8	6.6	-58%	-0.7		10.7	-3.7		-6.6
Operating profit		89.1	116.2	-23%	80.4	11%	283.2	248.3	14%	305.1
Allocation fund		-	-		-		-	-		-65.0
Tax		-19.4	-25.6	-24%	-22.4	-13%	-62.3	-59.4	5%	-80.6
Profit for the period		69.7	90.6	-23%	58.0	20%	220.9	188.9	17%	159.5

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Profit for the period	69.7	90.6	-23%	58.0	20%	220.9	188.9	17%	159.5
Other comprehensive income									
Items that may subsequently be reclassified to the income statement									
Cash-flow hedges	27.5	17	62%	-		17.8	-		-
Change in fair value from available-for-sale financial assets	27.2	-2.6		10.6	157%	11.3	4.3	163%	-11.6
Reclassification realised securities	-2.8	-1.3	115%	-12.8	-78%	-4.1	-13.0	-68%	-13.0
Tax attributable to items that are rerouted or can be rerouted as income for the period	-11.4	-2.9	293%	0.5		-5.5	1.9		5.4
Total other comprehensive income for the period, net after tax	40.5	10.2	297%	-1.7		19.5	-6.8		-19.2
Total comprehensive income for the period	110.2	100.8	9%	56.3	96%	240.4	182.1	32%	140.3

BALANCE SHEET

SEK M	Note	Sep 30, 2014	Dec 31, 2013	Sep 30, 2013
Assets				
Treasury bills and other eligible bills		1,480.0	1,491.9	1,495.5
Loans to credit institutions	9	3,522.4	4,710.0	2,999.3
Loans to the public	10	120,445.0	112,143.4	109,824.5
Bonds and other interest-bearing securities		10,714.5	15,375.9	15,444.6
Derivatives	11	3,496.9	1,146.2	1,050.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		876.4	486.0	272.4
Tangible assets		0.4	0.5	0.5
Deferred tax assets		–	–	3.3
Other assets		51.0	0.0	0.3
Prepaid expenses and accrued income		896.6	1,854.9	1,173.3
Total assets		141,483.2	137,208.8	132,264.0
Liabilities, provisions and equity				
Due to credit institutions	9	32,483.6	26,437.8	26,937.7
Debt securities in issue		95,766.8	98,989.5	94,537.7
Derivatives	11	1,787.2	2,538.0	2,877.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,936.5	599.7	322.7
Other liabilities		134.6	51.7	32.2
Accrued expenses and deferred income		1,906.0	2,794.1	1,981.7
Provisions		0.8	0.7	0.6
Subordinated liabilities		501.0	501.0	501.0
Total liabilities and provisions		135,516.5	131,912.5	127,190.9
Untaxed reservs		65.0	65.0	–
Equity				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		82.0	62.5	74.9
Retained earnings		5,514.4	4,924.9	4,724.9
Profit for the year		220.9	159.5	188.9
Total equity		5,901.7	5,231.3	5,073.1
Total liabilities, provisions and equity		141,483.2	137,208.8	132,264.0
Memorandum items				
For own liabilities, pledged assets	12	123,754.3	120,780.3	102,943.2
Other pledged assets		None	None	None
Contingent liabilities		3,360.6	2,930.6	2,730.6
Other commitments		7,790.2	4,308.2	5,566.5
Other notes				
Accounting policies	1			
Segment reporting	2			
Fair value valuation techniques	13			
Information about offsetting	14			
Capital-adequacy analysis	15			
Disclosures on related parties				

CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD

SEK M	Jan-Sep 2014	Jan-Sep 2013
Cash and cash equivalents, January 1	7.2	6.9
Cash flow from operating activities	-433.0	251.7
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	430.0	-247.0
Cash flow for the period	-3.0	4.7
Cash and cash equivalents, September 30	4.2	11.6

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

The change in cash flow from operating activities is largely attributable to loans to the public amounting to SEK -8,293.4 M (-8,397.8), bonds and other interest-bearing securities to SEK 4,765.9 M (2,545.3), due to credit institutions to SEK 6,890.9 M (3,692.8) and debt securities in issue to SEK -4,407.7 (3,466.6). The change in cash flow from financing activities is attributable to shareholders' contributions of SEK 430.0 M (0.0)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Share capital	Statutory reserve	Other reserves		Retained earnings	Profit for the period	Total
			Fair value reserve	Hedge reserve			
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
Opening balance, October 1, 2013	70.3	14.1	74.9		4,724.9	188.9	5,073.1
Profit for the period						-29.4	-29.4
Other comprehensive income for the period			-12.4				-12.4
<i>Comprehensive income for the period</i>			-12.4			-29.4	-41.8
Conditional shareholders' contribution received					200.0		200.0
Closing balance, December 31, 2013	70.3	14.1	62.5		4,924.9	159.5	5,231.3
Opening balance, January 1, 2014	70.3	14.1	62.5		4,924.9	159.5	5,231.3
Profit for the period						220.9	220.9
Other comprehensive income for the period			5.6	13.9			19.5
<i>Comprehensive income for the period</i>			5.6	13.9		220.9	240.4
Resolution by annual General Meeting					159.5	-159.5	0.0
Conditional shareholders' contribution received					430.0		430.0
Closing balance, September 30, 2014	70.3	14.1	68.1	13.9	5,514.4	220.9	5,901.7

NOTES

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Hypotek AB prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528) and Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, is to apply all IFRS adopted by the EU and statements 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 relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and additions to IFRS. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

Changes that have significantly impacted the financial statements in 2014

Changes to laws, regulations and recommendations applicable from 2014 have not had any significant effect on the company's accounts in 2014.

From 2014, cash-flow hedging is applied to currency risks attributable to future payments in foreign currency related to the foreign funding programmes. Interest and currency interest-rate swaps that are hedging instruments in cash-flow hedging are measured at fair value. The change in value is recognised in other comprehensive income and in the cash-flow hedging reserve in equity to the extent that the change in the value of the swap is effective and corresponds to future cash flows attributable to the hedged item. Ineffectiveness is recognised in profit and loss in the item Net gains from financial transactions. Gains or losses recognised in the cash-flow hedging reserve under equity in other comprehensive income are reclassified and recognised in profit and loss in the same period as the hedged item affects profit and loss. The application of cash-flow hedging affects the financial statements for the period in question.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2013 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 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Loans to credit institutions	14.4	10.3	40%	12.7	13%	39.1	26.7	46%	41.5
Loans to the public	819.0	830.6	-1%	868.3	-6%	2,495.0	2,608.1	-4%	3,479.3
Interest-bearing securities	58.7	89.0	-34%	115.6	-49%	260.7	363.5	-28%	474.7
<i>Derivatives</i>									
Hedge accounting	468.1	520.9	-10%	591.2	-21%	1,533.7	1,757.7	-13%	2,341.9
Non-hedge accounting	-	-	-	-	-	-	-	-	-
Total interest income	1,360.2	1,450.8	-6%	1,587.8	-14%	4,328.5	4,756.0	-9%	6,337.4
of which interest income on impaired loans	0.1	-0.2		0.1		-0.1	0.1		0.0
Average interest rate on loans to the public during the period, %	2.8	2.9		3.2		2.9	3.3		3.3

NOTE 4 INTEREST EXPENSE

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Due to credit institutions	-123.4	-98.5	25%	-131.4	-6%	-341.7	-380.9	-10%	-519.6
Interest-bearing securities	-595.8	-664.5	-10%	-685.3	-13%	-1,953.9	-2,044.3	-4%	-2,723.1
Subordinated liabilities	-4.1	-5.5	-25%	-5.1	-20%	-14.4	-14.7	-2%	-19.9
<i>Derivatives</i>									
Hedge accounting	-371.9	-429.6	-13%	-547.2	-32%	-1,269.6	-1,651.9	-23%	-2,185.8
Non-hedge accounting	-	-	-	-	-	-	-	-	-
Other interest expense	-9.5	-10.3	-8%	-9.7	-2%	-29.4	-27.8	6%	-36.7
Total interest expense	-1,104.7	-1,208.4	-9%	-1,378.7	-20%	-3,609.0	-4,119.6	-12%	-5,485.1

NOTE 5 COMMISSION INCOME

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Loans	0.4	0.5	-20%	0.5	-20%	1.5	1.7	-12%	2.1
Total commission income	0.4	0.5	-20%	0.5	-20%	1.5	1.7	-12%	2.1

NOTE 6 COMMISSION EXPENSE

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Remuneration to regional insurance companies	-139.7	-138.0	1%	-90.6	54%	-393.5	-258.9	52%	-346.9
Other commission	-0.2	-0.3	-33%	-0.5	-60%	-0.8	-1.0	-20%	-1.3
Total commission expense	-139.9	-138.3	1%	-91.1	54%	-394.3	-259.9	52%	-348.2

NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Change in fair value									
Interest-related instruments	237.1	428.8	-45%	-28.1		1,088.2	-377.3		-284.2
Currency-related instruments	247.0	940.9	-74%	-388.0		1,779.0	-544.6		-165.2
<i>Hedge accounting</i>									
Change in fair value of hedged items	-482.3	-1,336.1	-64%	398.9		-2,847.1	864.4		342.1
Capital gains / losses									
Interest-related instruments	-24.2	-17.2	41%	-10.1	140%	-48.1	-35.3	36%	-44.2
Interest compensation	15.9	12.5	27%	12.0	33%	43.0	33.7	28%	46.1
Total net gains / losses from financial items	-6.5	28.9		-15.3	-58%	15.0	-59.1		-105.4

NOTE 8 LOAN LOSSES AND IMPAIRED LOANS

Loan losses, SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Specific reserve for individually assessed loan receivables									
Write-off of confirmed loan losses during the year	-0.7	-0.7		-3.4	-79%	-2.0	-6.2	-68%	-8.2
Reversed earlier impairment of loan losses recognised as confirmed losses	0.3	0.3		2.8	-89%	1.2	3.7	-68%	5.0
Impairment of loan losses during the year	-1.7	-1.7		-8.6	-80%	-4.4	-24.1	-82%	-35.9
Payment received for prior confirmed loan losses	0.7	1.0	-30%	3.8	-82%	2.7	8.5	-68%	11.1
Reversed impairment of loan losses no longer required	4.2	7.4	-43%	5.1	-18%	12.8	9.2	39%	15.8
Net expense for the year for individually assessed loan receivables	2.8	6.4	-56%	-0.3		10.3	-8.9		-12.2
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision / reversal of impairment of loan losses	0	0.2		-0.4		0.4	5.2	-92%	5.6
Net expense for the year for collectively loan receivables	0	0.2		-0.4		0.4	5.2	-92%	-6.6
Annual net expense for lived up of guarantees	0	-		-		-	-		-
Net expense of loan losses for the year	2.8	6.6	-58%	-0.7		10.7	-3.7		-6.6

All information pertains to receivables from the public.

Impaired loans, SEK M	September 30, 2014				December 31, 2013				September 30, 2013			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	-	-	-	-	-	-	-	-	-	-0.0	-0.0	-
Retail sector	1.2	-11.0	-28.4	-38.2	6.1	-17.0	-32.2	-43.1	2.7	-13.1	-32.5	-42.9
Total	1.2	-11.0	-28.4	-38.2	6.1	-17.0	-32.2	-43.1	2.7	-13.1	-32.5	-42.9

The new settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. On September 30, 2014, the total credit reserve requirement amounted to SEK 49 M, of which LF Hypotek AMs credit reserve amounted to SEK 39 M and the remainder amounting to SEK 10 M was offset against the regional insurance companies' held funds, according to the model described above. The transition to the new model means that the LF Hypotek ABs credit reserves on the date of introduction will be gradually reduced by SEK 21 M, while SEK 10 M was reversed during the period.

NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS

Loans to credit institutions include deposits with the Parent Company of SEK 3,347.0 M (2,596.3).

Due to credit institutions includes borrowings from the Parent Company of 31,696.2 M (25,793.8).

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, 2014	Dec 31, 2013	Sep 30, 2013
Loans to the public before reservations			
Public sector	-	-	-
Corporate sector	6,078.6	5,210.3	4,974.9
Retail sector	114,405.8	106,982.3	104,895.3
Other	-	-	-
Total	120,484.4	112,192.6	109,870.2
Reservations	-39.4	-49.2	-13.1
Loans to the public	120,445.0	112,143.4	109,857.1
Remaining term of not more than 3 month	70,634.1	65,397.4	63,578.9
Remaining term of more than 3 months but not more than 1 year	11,540.5	9,565.5	10,821.5
Remaining term of more than 1 year but not more than 5 years	37,197.9	36,438.9	34,744.1
Remaining term of more than 5 years	1,072.5	741.6	712.6
Total	120,445.0	112,143.4	109,857.1

Definition

Remaining term is defined as the remaining fixed-interest period if the loan has periodically restricted conditions

NOTE 11 DERIVATIVES

SEK M	Sep 30, 2014		Dec 31, 2013		Sep 30, 2013	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	63,165.0	2,290.6	62,013.0	850.9	62,003.0	722.3
Currency-related	12,964.5	1,206.3	2,999.3	295.3	8,418.5	328.0
Total derivatives with positive values	76,129.5	3,496.9	65,012.3	1,146.2	70,421.5	1,050.3
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	60,623.0	1,169.3	79,803.0	818.0	71,213.0	,782.5
Currency-related	14,040.5	617.3	32,517.5	1,720.0	32,517.5	2,094.3
<i>Other derivatives</i>						
Interest-related	9,750.0	0.6	-	-	-	-
Total derivatives with negative values	84,413.5	1,787.2	112,320.5	2,538.0	103,730.5	2,877.3

Länsförsäkringar Hypotek AB enters into financial hedging agreements to hedge against the interest-rate risk and currency risk that the Group's funding programmes give rise to. By using derivatives, the company can hedge both the fair value of the bonds issued due to changes in the market interest rate, and hedge cash flows attributable to future flows in foreign currency. Hedging instruments primarily comprise interest and currency interest-rate swaps.

NOTE 12 MEMORANDUM ITEMS

SEK M	Sep 30, 2014	Dec 31, 2013	Sep 30, 2013
For own liabilities, pledged assets			
Collateral pledged due to repurchase agreements	404.5	24.2	502.3
Loan receivables, covered bonds	112,024.8	104,506.1	102,440.9
Loan receivables, substitute collateral	11,325.0	16,250.0	16,250.0
Total for own liabilities, pledged assets	123,754.3	120,780.3	119,193.2
Other pledged assets			
	None	None	None
Contingent liabilities			
Conditional shareholders' contribution	3,360.6	2,930.6	2,730.6
Total contingent liabilities	3,360.6	2,930.6	2,730.6
Commitments			
Loans approved but not disbursed	7,790.2	4,308.2	5,566.5

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.

SEK M	Level 1	Level 2	Level 3	Total
Sep 30, 2014				
Assets				
Treasury bills and other eligible bills	1,480.1			1,480.1
Bonds and other interest-bearing securities	10,714.5			10,714.5
Derivatives		3,496.9		3,496.9
Liabilities				
Derivatives		1,787.2		1,787.2
Dec 31, 2013				
Assets				
Treasury bills and other eligible bills	1,491.9			1,491.9
Bonds and other interest-bearing securities	15,375.9			15,375.9
Derivatives		1,146.2		1,146.2
Liabilities				
Derivatives		2,538.0		2,538.0
Sep 30, 2013				
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		1,050.3		1,050.3
Liabilities				
Derivatives		2,877.3		2,877.3

NOTE 13 FAIR VALUE VALUATION TECHNIQUES, CONTINUED

SEK M	Sep 30, 2014		Dec 31, 2013		Sep 30, 2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets						
Treasury bills and other eligible bills	1,480.1	1,480.1	1,491.9	1,491.9	1,495.5	1,495.5
Loans to credit institutions	3,522.5	3,522.5	4,710.0	4,710.0	2,999.3	2,999.3
Loans to the public	120,445.0	121,458.0	112,143.4	113,010.2	109,824.5	110,527.4
Bonds and other interest-bearing securities	10,714.5	10,714.5	15,375.9	15,375.9	15,444.6	15,444.6
Derivatives	3,496.9	3,496.9	1,146.2	1,146.2	1,050.3	1,050.3
Total assets	139,659.0	140,672.0	134,867.4	135,734.2	130,814.2	131,517.1
Liabilities						
Due to credit institutions	32,483.5	32,483.5	26,437.8	26,437.8	26,937.7	26,937.7
Debt securities in issue	95,766.8	101,131.0	98,989.5	102,707.6	94,537.7	98,199.9
Derivatives	1,787.2	1,787.2	2,538.0	2,538.0	2,877.3	2,877.3
Other liabilities	0.4	0.4	5.7	5.7	0.1	0.1
Subordinated liabilities	501.0	528.1	501.0	511.6	501.0	507.9
Total Liabilities	130,538.9	135,930.2	128,472.0	132,200.7	124,853.8	128,522.9

There were no transfers between Level 1 and Level 2 during the period. There were no transfers from Level 3 during the period. The fair value of loans to credit institutions, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities.

When calculating the fair value of loans to the public, anticipated future cash flows have been discounted using a discount rate set at the current lending rate applied (including discounts).

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at the closing date or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, and for measuring the fair value of subordinated liabilities, a standard method or valuation technique based on the estimated or original issue spread has been utilised.

Gains and losses are recognised in profit and loss under "net gains/losses from financial items." For information on the determination of fair value, valuation techniques and inputs, see also note 2 Accounting policies in the 2013 Annual Report.

NOT 14 CAPITAL-ADEQUACY ANALYSIS (1)

Mkr	Basel III	Basel II	Basel II
	Sep 30, 2014	Dec 31, 2013	Sep 30, 2013
Total Equity	5,901.7	5,231.3	5,073.1
Part of interim profits not verified	-	-	-57.9
78 % of untaxed reserves	50.7	50.7	-
Own funds eligible for capital- adequacy	5,952.4	5,282.0	5,015.2
Adjustment for cash flow hedge	-13.9	-	-
Adjustment for items to fair value	-68.1	-62.5	-74.9
IRB shortfall	-156.6	-75.9	-73.6
Adjustment for prudent valuation	-17.4	-	-
Deferred tax assets	-	-	-3.3
Common Equity Tier 1 capital	5,696.3	5,143.6	4,863.4
Tier 2 instruments	501.0	501.0	501.0
IRB excess	8.0	-75.9	-73.6
Supplementärt kapital	509.0	425.1	427.4
Own funds	6,205.3	5,568.7	5,290.8
Risk exposure amount according to Basel III	25,807.6	22,032.4	21,224.2
Total Capital requirement enligt Basel III	2,064.6	1,762.6	1,697.9
Capital requirement for creditrisk according to Standardised Approach	235.8	182.2	173.1
Capital requirement for creditrisk according to IRB Approach	1,634.9	1,544.7	1,489.1
Capital requirement for operational risk	43.1	35.7	35.7
Capital requirement according to credit valuation adjustment	150.9	-	-
Core Tier 1 ratio according to CRD IV	22.1%	23.4%	22.9%
Tier 1 ratio according to CRD IV	22.1%	23.4%	22.9%
Capital adequacy ratio according to CRD IV	24.0%	25.3%	24.9%
Special disclosures			
IRB Provisions surplus (+) / deficit (-)	-148.6	-151.8	-147.1
- IRB Total provisions (+)	49.2	49.2	45.7
- IRB Anticipated loss (-)	-197.9	-201.0	-192.8
Capital adequacy Basel I floor	4,945.7	4,556.0	4,487.3
Capital requirement Basel I floor	6,353.9	5,720.5	5,437.9
Surplus of capital according to Basel I floor	1,408.2	1,164.5	950.6

NOT 14 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

Mkr	Basel III Sep 30, 2014		Basel II Dec 31, 2013		Basel II Sep 30, 2013	
	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount
Credit risk according to Standardised Approach						
Exposures to institutions	147.9	1,849.2	53.4	667.6	46.3	579.3
Exposures to corporates	–	–	–	–	0.1	1.7
Covered bonds	87.1	1,088.3	126.4	1,580.6	125.8	1,572.5
Other items	0.8	9.8	2.4	29.4	0.8	10.1
Total capital requirement and risk exposure amount	235.8	2,947.3	182.2	2,277.6	173.1	2,163.6
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Exposures secured by real estate collateral	1,352.8	16,910.0	1,271.8	15,897.6	1,252.6	15,657.1
Other retail exposures	2.1	26.3	3.4	42.5	2.4	29.5
Total retail exposures	1,354.9	16,936.3	1,275.2	15,940.2	1,254.9	15,686.7
Exposures to corporates	280.0	3,499.6	269.4	3,368.0	234.2	2,927.3
Total capital requirement and risk exposure amount	1,634.9	20,435.9	1,544.7	19,308.2	1,489.1	18,614.0
Operational risks						
Standardised Approach	43.1	538.4	35.7	446.6	35.7	446.6
Total capital requirement for operational risk	43.1	538.4	35.7	446.6	35.7	446.6
Total capital requirement for credit valuation adjustments	150.9	1,886.0	–	–	–	–

NOTE 15 DISCLOSURES ON RELATED PARTIES

Significant agreements for Länsförsäkringar Hypotek AB are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. Normal business transactions took place between Group companies as part of the outsourced operations.

This interim report is a translation of the Swedish interim report that has been reviewed by the company's auditors.

The Board of Directors and President affirm that this interim report provides a true and fair view of the company's operations, financial position and earnings and describes the significant risks and uncertainties to which the company is exposed.

Stockholm, October 23, 2014

Rikard Josefson
Chairman of the board

Gert Andersson
Board member

Christian Bille
Board member

Bengt Clemedtson
Board member

Christer Malm
Board member

Anders Borgcrantz
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

I have reviewed the interim report of Länsförsäkringar Hypotek AB (publ) as of September 30, 2014 for the nine-month period then ended. The Board of directors and the Managing Director are 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. My responsibility is to express a conclusion on this interim report based on my review.

Scope of the Review

I conducted my review in accordance with International Standard on Review Engagements ISRE 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 generally accepted auditing standards in Sweden. The procedures performed in a review does not enable me to obtain a level of assurance that would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the 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, October 23, 2014

Dan Beitner
Authorised Public Accountant

Financial calendar

Year-end report Länsförsäkringar Hypotek **February 10 2015**

Year-end report Länsförsäkringar Bank **February 10 2015**

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 23, 2014 at 11:00 a.m. Swedish time.

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