

Länsförsäkringar Hypotek January–September 2011

INTERIM REPORT

The period in brief

- Lending rose 12% to SEK 87 billion (77).
- Operating profit increased 18% to SEK 137 M (116).
- Net interest income rose 25% to SEK 359 M (288).
- Recoveries exceeded loan losses and amounted to SEK 5 M (3), net.
- The Tier 1 ratio according to Basel II was 21.2% (18.3) and the capital adequacy ratio was 23.5% (20.8).
- The number of customers rose 8% to 158,000 (146,000).

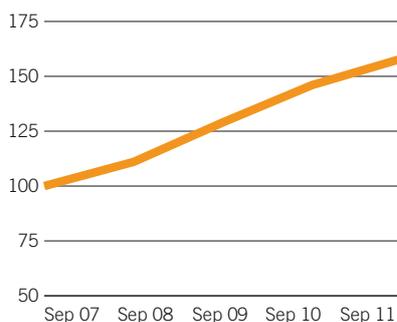
Figures in parentheses pertain to the same period in 2010.

**Anders Borgcrantz,
President Länsförsäkringar Hypotek:**

Länsförsäkringar is growing and strengthening its position in the retail mortgage market. It is also particularly gratifying that Länsförsäkringar has Sweden's most satisfied retail bank customers and that eight out of ten retail mortgage customers are also bank customers. Credit quality is very high. We are well-equipped to meet the more uncertain financial environment with very high liquidity and favourable borrowing durations.

CUSTOMER TREND

Numbers of customers, 000s



Key figures

	Q3 2011	Q3 2010	Q2 2011	Jan-Sep 2011	Jan-Sep 2010	Full year 2010
Return on equity, %	3.4	4.9	3.6	3.5	3.7	3.5
Return on total capital, %	0.15	0.21	0.17	0.17	0.16	0.15
Investment margin, %	0.41	0.48	0.42	0.43	0.39	0.40
Cost/income ratio before loan losses	0.30	0.22	0.29	0.29	0.30	0.31
Cost/income ratio after loan losses	0.32	0.22	0.22	0.26	0.30	0.30
Tier 1 ratio according to Basel II, %	21.2	18.3	20.6	21.2	18.3	19.7
Capital adequacy ratio according to Basel II, %	23.5	20.8	22.9	23.5	20.8	22.3
Percentage of impaired loans, %	0.01	0.01	0.01	0.01	0.01	0.01
Reserve ratio in relation to loans, %	0.04	0.05	0.04	0.04	0.05	0.05
Loan losses, %	0.01	0	-0.02	-0.01	0	0

Income statement, quarterly

SEK M	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Net interest income	121.2	113.7	124.5	118.1	126.4
Net commission expense	-58.8	-59.2	-63.2	-62.6	-64.4
Net gains/losses from financial items	3.5	5.5	-2.0	-0.2	9.9
Other operating income	0	0.3	-	0	0
Total operating income	65.9	60.3	59.3	55.3	71.9
Staff costs	-3.8	-3.9	-2.8	-2.0	-2.5
Other administration expenses	-15.8	-13.9	-13.0	-16.8	-13.5
Total operating expenses	-19.6	-17.8	-15.8	-18.8	-16.0
Profit before loan losses	46.3	42.5	43.5	36.5	55.9
Loan losses, net	-1.3	4.5	1.5	-1.4	-0.1
Operating profit	45.0	47.0	45.0	35.1	55.8

Market commentary

Increasing concerns about government finances are subduing global growth prospects. The Swedish economy is expected to gear down and enter a slower phase, in line with the global environment. Escalating market uncertainty caused stock markets and interest rates to fall during the period. Activity in the Swedish bank and mortgage bond market slowed but remained favourable.

According to statistics from Real Estate Agency Statistics, the housing-price trend in Sweden was relatively stable in the third quarter. Prices of tenant-owned apartments declined marginally 1% and prices of single-family homes declined 2%.

According to data from Statistics Sweden, household and retail mortgages continued to increase, albeit at a lower rate.

January-September 2011 compared with January-September 2010

Growth and customer trend
Loans to the public increased 12%, or SEK 10 billion, to SEK 87 billion (77) and Länsförsäkringar strengthened its position among mortgage lenders. The number of customers rose 8%, or 12,000, to 158,000 (146,000). 81% (78) of mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

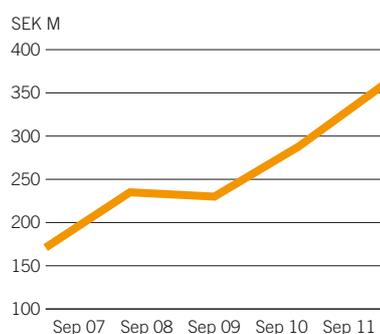
Profit before loan losses increased 16% to SEK 132 M (114) and operating profit rose 18% to SEK 137 M (116) due to higher net interest income.

The return on equity amounted to 3.5% (3.7) and was partly attributable to higher average equity during the current period.

Income

Net interest income rose 25%, or SEK 71 M, to SEK 359 M (288). The increase is attributable to stronger lending volumes and a higher return on equity due to higher market interest rates. The investment margin strengthened to 0.43% (0.39). Net interest income was charged with a provision totalling SEK 26.6 M (15.8) for stability fund fees. Operating income rose a total of 14%, or SEK 23 M, to SEK 185 M (162). Net commission fell to an expense of SEK 181 M (134), attributable to increased compensation to the regional insurance companies. Commission expense to the absolute largest part comprises compensation to the regional insurance companies.

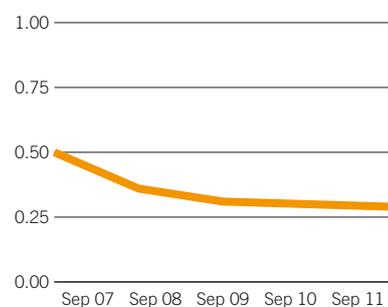
NET INTEREST INCOME



Expenses

Operating expenses increased 9% to SEK 53 M (49). The cost/income ratio strengthened to 0.29 (0.30) before loan losses and to 0.26 (0.30) after loan losses.

COST/INCOME RATIO



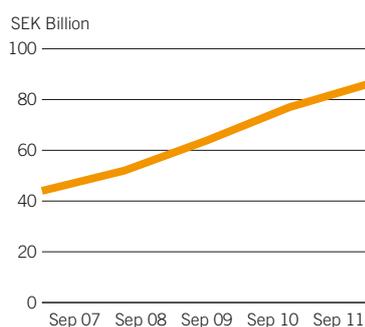
Loan losses

Recoveries exceeded loan losses, amounting to SEK 5 M (3), net, corresponding to loan losses of -0.01% (0). Reserves amounted to SEK 40 M (41) and the reserve ratio in relation to loans was 0.04% (0.05). Impaired loans amounted to SEK 9 M (5), corresponding to a percentage of impaired loans totalling 0.01% (0.01). For more information regarding loan losses, reserves and impaired loans, see Notes 8 and 10.

Loans

Loans to the public rose 12%, or SEK 10 billion, to SEK 87 billion (77) and the increase from year-end was 9%, or SEK 7 billion. The loan portfolio continues to be characterised by favourable credit quality. The market share for retail mortgages to households rose to 4.2% (4.0) on September 30, 2011 and the percentage of market growth was almost 8% for the period.

LOANS



Cover pool

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, known as the cover pool, in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223). Lending only takes place in Sweden. The weighted average loan-to-value ratio, LTV, was 60% (61) and the average commitment per borrower was SEK 857,000 (827,000) on September 30, 2011. The nominal, current OC¹⁾ amounted to a nominal 22.1% (21.1).

The geographic distribution in Sweden is favourable and collateral comprises only private homes, including single-family homes, tenant-owned apartments and, to a marginal extent, leisure homes. Credit quality is high. This is confirmed

by Moody's key figure collateral score, which indicates that Länsförsäkringar Hypotek has the highest credit quality of all Swedish covered bond issuers and is among the top issuers in Europe. No impaired loans are included in the cover pool.

COVER POOL	Sep 30, 2011	Sep 30, 2010
Cover pool, SEK billion	108	101
of which, Swedish mortgages, SEK billion	83	74
of which, substitute collateral, SEK billion	23	16
of which, special deposit account, SEK billion	2	11
OC ¹⁾ , nominal, current level, %	22.1	21.1
Weighted average maximum LTV, %	60	61
Collateral	Private homes	Private homes
Seasoning, months	56	50
Number of loans	212,176	195,708
Number of borrowers	96,592	89,598
Number of properties	97,067	90,211
Average commitment, SEK 000s	857	827
Average loan, SEK 000s	390	378
Interest-rate type, variable, %	60	69
Interest-rate type, fixed, %	40	31
Impaired loans	None	None
Dynamic pool	Yes	Yes

¹⁾ OC is calculated with 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.

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 increased to 67% compared with a current weighted average Max-LTV of 60% on September 30, 2011.

Borrowing

Debt securities in issue increased 14%, or SEK 11 billion, to SEK 87 billion (77). Borrowing was highly successful throughout the period and issuing was performed both in the Swedish and European markets, even during the most turbulent period in August. Covered bonds in a nominal amount of SEK 25.6 billion (39.8) were issued during the period. The increase in issue volumes was attributable to the build-up of the liquidity portfolio during the comparable period. Repurchased covered bonds totalled a nominal SEK 11.6 billion (6.6) and matured covered bonds amounted to a nominal SEK 6.2 billion (10.8) during the period.

For more information about the borrowing programmes, see the Appendix.

Liquidity

Liquidity remained favourable. The liquidity portfolio, which comprises substitute collateral, amounted to a nominal SEK 23 billion (16), of which 68% (84) was deposited in Swedish covered bonds with an AAA/Aaa credit rating and 32% (16) in investments with the Swedish government as the counterparty. On September 30, 2011, a total of SEK 2 billion (11) was deposited in the separate deposit account. The level of substitute collateral matches the refinancing requirement for all debt securities in issue falling due until the second quarter of 2013.

Rating

Länsförsäkringar Hypotek is one of four mortgage institutions in the Swedish market for covered bonds with the highest rating from both rating agencies. The Parent Company Länsförsäkringar Bank's credit rating remained unchanged with a stable outlook.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Hypotek ¹⁾	Standard & Poor's	AAA	A-1+
Länsförsäkringar Hypotek ¹⁾	Moody's	Aaa	-
Länsförsäkringar Bank	Standard & Poor's	A/stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A2/stable	P1

¹⁾ Pertains to the company's covered bonds.

Capital adequacy

Länsförsäkringar Hypotek applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach provides the greatest opportunities to strategically and operationally manage credit risks and is used for all retail exposures. The Standardised Approach is currently applied to other exposures to calculate the capital requirement for credit risk.

Tier 1 capital, net, amounted to SEK 4,057 M (3,340) and the Tier 1 ratio according to Basel II totalled 21.2% (18.3) on September 30, 2011. The capital base amounted to SEK 4,504 M (3,789) and the capital adequacy ratio according to Basel II was 23.5% (20.8).

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

Interest-rate risk

On September 30, 2011, 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 66 M (84).

Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily credit risks and financial risks. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly successful during the period, and the borrowing durations have been extended.

A detailed description of risks is available in the 2010 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 2011 compared with third quarter of 2010

Profit before loan losses fell to SEK 46 M (56) primarily due to lower net interest income. Net interest income declined 4%, or SEK 5 M, to SEK 121 M (126), mainly as a result of a changed pricing model for short-term borrowing from the Parent Company. The return on equity fell to 3.4% (4.9) and was partly attributable to higher average equity during the current period. The investment margin was 0.41% (0.48). Operating income declined a total of 8%, or SEK 6 M, to SEK 65 M (71). Net commission amounted to an expense of SEK 59 M (64), attributable to lower compensation to the regional insurance companies due to lower net interest income. Expenses amounted to SEK 20 M (16) and loan losses to SEK 1 M (0), net.

Third quarter of 2011 compared with second quarter of 2011

Profit before loan losses rose to SEK 46 M (42) due to increased net interest income. Net interest income increased 7%, or SEK 7 M, to SEK 121 M (114) due to improved margins and increased volumes. The return on equity was 3.4% (3.6) and was partly attributable to higher average equity during the period.

The investment margin was 0.41% (0.41). Operating income rose a total of 9%, or SEK 6 M, to SEK 66 M (60). Net commission remained unchanged and amounted to an expense of SEK 59 M. Expenses totalled SEK 20 M (18) and loan losses amounted to SEK 1 M (-4), net.

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 2011	Q 3 2010	Change	Q 2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Interest income	3	1,874.3	1,051.0		1,698.8		5,032.6	2,788.2		4,018.9
Interest expense	4	-1,753.1	-924.6		-1,585.1		-4,673.2	-2,500.5		-3,613.1
Net interest income		121.2	126.4	-4%	113.7	7%	359.4	287.7	25%	405.8
Commission income	5	0.6	0.5	7%	0.6	3%	1.6	1.5	12%	1.9
Commission expense	6	-59.4	-64.9	-8%	-59.8	-1%	-182.9	-135.0	36%	-198.1
Net gains from financial items	7	3.5	9.9	-65%	5.5	-36%	6.9	8.2	-15%	8.0
Other operating income		0	0		0.3		0.3	0		0
Total operating income		65.9	71.9	-8%	60.3	9%	185.3	162.4	14%	217.6
Staff costs		-3.8	-2.5	54%	-3.9	-2%	-10.4	-8.5	23%	-10.4
Other administration expenses		-15.8	-13.5	16%	-13.9	13%	-42.7	-40.2	6%	-57.0
Total operating expenses		-19.6	-16.0	22%	-17.8	10%	-53.1	-48.7	9%	-67.4
Profit before loan losses		46.3	55.9	-17%	42.5	9%	132.2	113.7	16%	150.2
Loan losses. net	8	-1.3	-0.1		4.5		4.7	2.7	76%	1.3
Operating profit		45.0	55.8	-19%	47.0	-4%	136.9	116.4	18%	151.5
Tax		-11.8	-14.7		-12.4		-36.0	-30.6		-46.7
Profit for the period		33.2	41.1	-19%	34.6	-4%	100.9	85.8	18%	104.8

Statement of comprehensive income

SEK M	Q3 2011	Q3 2010	Change	Q2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Profit for the period	33.2	41.1	-19%	34.6	-4%	100.9	85.8	18%	104.8
Other comprehensive income									
<i>Available-for-sale-financial assets</i>									
Fair value change	2.6	10.8	-76%	29.5	-91%	100.2	48.3	107%	25.9
Reclassification realised securities	-	-		-2.2		-2.2	-		-
Tax	-0.7	-2.8	-76%	-7.2	-90%	-25.7	-12.7	103%	-6.8
Total other comprehensive income for the period, net after tax	1.9	8.0	-76%	20.1	-91%	72.3	35.6	103%	19.1
Total comprehensive income for the period	35.1	49.1	-29%	54.7	-36%	173.2	121.4	43%	123.9

Balance sheet

SEK M	Note	Sep 30, 2011	Dec 31, 2010	Sep 30, 2010
Assets				
Treasury bills and other eligible bills		8,293.1	2,820.7	2,906.5
Loans to credit institutions	9	2,017.0	8,155.8	11,437.7
Loans to the public	10	86,588.7	79,666.7	77,043.4
Bonds and other interest-bearing securities		16,370.0	12,483.3	13,805.0
Derivatives	11	1,837.3	995.9	846.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		636.1	126.4	468.7
Other assets		1.6	1.0	1.3
Prepaid expenses and accrued income		1,222.7	1,419.7	880.2
Total assets		116,966.5	105,669.5	107,389.7
Liabilities and equity				
Due to credit institutions	9	19,350.8	17,844.4	22,764.2
Debt securities in issue		87,451.1	79,695.4	76,918.2
Derivatives	11	1,887.6	1,864.8	1,355.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,458.5	-378.9	746.1
Deferred tax liabilities		36.3	10.5	16.4
Other liabilities		45.2	146.3	36.3
Accrued expenses and deferred income		1,990.4	2,363.5	1,571.6
Provisions		0.2	0.2	0.2
Subordinated liabilities		501.0	501.0	501.0
Total liabilities		112,721.0	102,047.2	103,909.9
Equity				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		101.9	29.6	46.1
Retained earnings		3,958.3	3,403.5	3,263.5
Profit for the period		100.9	104.8	85.8
Total equity		4,245.5	3,622.3	3,479.8
Total liabilities and equity		116,966.5	105,669.5	107,389.7
Memorandum items				
	12			
For own liabilities, pledged assets		84,046.9	79,628.9	81,072.9
Other pledged assets		None	None	None
Contingent liabilities		1,933.3	1,483.3	1,212.3
Other commitments		4,052.1	3,226.3	3,804.3
Other notes				
Accounting policies	1			
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Cash-flow statement in summary, indirect method

SEK M	Jan-Sep 2011	Jan-Sep 2010
Cash and cash equivalents, January 1	22.9	160.5
Cash flow from operating activities	-289.4	-348.2
Cash flow from financing activities	272.2	400.0
Cash flow for the period	-17.2	51.8
Cash and cash equivalents, September 30	5.7	212.3

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

Changes to the cash flow from operating activities are largely attributable to debt securities in issue SEK 7,488.5 M (23,312.8), and loans to the public SEK -6,921.0 M (-9,507.0) and interest-bearing securities SEK -3,516.1 M (-11,634.4).

Changes in the cash flow from financing activities are mainly attributable to shareholders' contribution received SEK 450.0 M (474.0) and Group contribution paid SEK -177.8 M (-).

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, 2010	70.3	14.1	10.5	2,689.6	99.9	2,884.4
Profit for the period					85.8	85.8
Other comprehensive income for the period			35.6			35.6
<i>Comprehensive income for the period</i>			<i>35.6</i>		<i>85.8</i>	<i>121.4</i>
Resolution by Annual General Meeting				99.9	-99.9	-
Conditional shareholders' contribution received				474.0		474.0
Closing balance, Sep 30, 2010	70.3	14.1	46.1	3,263.5	85.8	3,479.8
Opening balance, Oct 01, 2010	70.3	14.1	46.1	3,263.5	85.8	3,479.8
Profit for the period					19.0	19.0
Other comprehensive income for the period			-16.5			-16.5
<i>Comprehensive income for the period</i>			<i>-16.5</i>		<i>19.0</i>	<i>2.5</i>
Group contribution paid				-177.8		-177.8
Tax on Group contribution paid				46.8		46.8
Conditional shareholders' contribution received				271.0		271.0
Closing balance, Dec 31, 2010	70.3	14.1	29.6	3,403.5	104.8	3,622.3
Opening balance, Jan 1, 2011	70.3	14.1	29.6	3,403.5	104.8	3,622.3
Profit for the period					100.9	100.9
Other comprehensive income for the period			72.3			72.3
<i>Comprehensive income for the period</i>			<i>72.3</i>		<i>100.9</i>	<i>173.2</i>
Resolution by Annual General Meeting				104.8	-104.8	
Conditional shareholders' contribution received				450.0		450.0
Closing balance, Sep 30, 2011	70.3	14.1	101.9	3,958.3	100.9	4,245.5

Notes

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Hypotek prepares its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528) as well as the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25). 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 stipulates that the company, in the annual accounts for the legal entity, shall apply all IFRS and statements adopted by 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 relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies applied in the interim report comply with the accounting policies and basis of calculation applied in the preparation of the 2010 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 2011	Q 3 2010	Change	Q 2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Loans to credit institutions	12.4	36.2	-66%	30.7	-59%	79.2	74.4	6%	108.2
Loans to the public	831.7	484.9	72%	770.9	8%	2,272.6	1,351.0	68%	1,910.4
Interest-bearing securities	171.9	121.5	42%	121.8	41%	406.3	280.9	45%	389.5
<i>Derivatives</i>									
Hedge accounting	858.3	408.4	110%	707.3	21%	2,143.0	1,081.8	98%	1,610.7
Non-hedge accounting	-	-		68.1		131.5	0.1		0.1
Total interest income	1,874.3	1,051.0	78%	1,698.8	10%	5,032.6	2,788.2	80%	4,018.9
of which interest income on impaired loans	-0.9	0.1		-0.7	32%	-1.3	0.6		0.7
of which interest income from financial items not measured at fair value	844.1	521.1	62%	801.5	5%	2,351.7	1,425.4	65%	2,018.6
Average interest rate on loans to the public during the period, %	3.9	2.6		3.7		3.6	2.5		2.6

NOTE 4 INTEREST EXPENSE

SEK M	Q 3 2011	Q 3 2010	Change	Q 2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Due to credit institutions	-115.2	-38.8	197%	-90.1	28%	-273.1	-80.0	241%	-133.7
Interest-bearing securities	-720.7	-545.3	32%	-688.4	5%	-2,034.3	-1,544.1	32%	-2 137.2
Subordinated liabilities	-6.1	-3.9	58%	-6.0	2%	-17.6	-11.7	50%	-16.2
<i>Derivatives</i>									
Hedge accounting	-900.7	-327.9	175%	-727.0	24%	-2 196.5	-848.6	159%	-1 310.4
Non-hedge accounting	-	-		-65.1		-125.1	-0.2		-0.2
Other interest expense	-10.4	-8.7	19%	-8.5	23%	-26.6	-15.8	69%	-15.4
Total interest expense	-1,753.1	-924.6	90%	-1,585.1	11%	-4,673.2	-2,500.5	87%	-3,613.1
of which interest expense from financial items not measured at fair value	-852.3	-596.7	43%	-792.9	7%	-2,351.5	-1,651.6	42%	-2,302.6

NOTE 5 COMMISSION INCOME

SEK M	Q 3 2011	Q 3 2010	Change	Q 2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Lending	0.6	0.5	7%	0.6	3%	1.6	1.5	12%	1.9
Total commission income	0.6	0.5	7%	0.6	3%	1.6	1.5	12%	1.9
of which commission income from financial items not measured at fair value	0.6	0.5	7%	0.6	3%	1.6	1.5	12%	1.9

NOTE 6 COMMISSION EXPENSE

SEK M	Q 3 2011	Q 3 2010	Change	Q2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Remuneration to regional insurance companies	-59.0	-64.4	-8%	-59.4	-1%	-181.7	-133.4	36%	-196.2
Other commission	-0.4	-0.5	-30%	-0.4	-12%	-1.2	-1.6	-25%	-1.9
Total commission expense	-59.4	-64.9	-8%	-59.8	-1%	-182.9	-135.0	36%	-198.1
of which commission expense from financial items not measured at fair value	-59.0	-64.4	-8%	-59.4	-1%	-181.7	-133.4	36%	-196.2

NOTE 7 NET GAINS FROM FINANCIAL ITEMS

SEK M	Q 3 2011	Q 3 2010	Change	Q2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Change in fair value									
Interest-related instruments	290.6	-102.8		204.9	42%	322.0	12.9		-340.6
Currency-related instruments	481.2	-552.9		565.7	-15%	641.3	-247.1		-447.1
Change in fair value of hedged items	-775.1	646.0		-773.5	0%	-972.6	207.0		752.7
Capital gain / loss									
Interest-related instruments	-1.2	8.1		4.4		1.1	0.1		0.1
Interest compensation	8.0	11.4	-30%	4.0	-100%	15.1	35.2	-57%	42.9
Total net gains from financial items	3.5	9.9	-65%	5.5	-36%	6.9	8.2	-15%	8.0

NOTE 8 LOAN LOSSES, NET

SEK M	Q 3 2011	Q 3 2010	Change	Q 2 2011	Change	Jan-Sep 2011	Jan-Sep 2010	Change	Full-year 2010
Specific reserve for individually assessed loan receivables									
Write-off of confirmed loan losses during the period	-0.2	-0.7	-69%	-0.4	-49%	-0.8	-1.4	-44%	-2.4
Reversed earlier impairment of loan losses recognised as confirmed losses	0.1	-		0.1	-6%	0.4	0.2	133%	0.9
Impairment of loan losses during the period	-2.7	-1.4	94%	-2.3	17%	-7.8	-3.1	155%	-4.6
Payment received for prior confirmed loan losses	1.4	1.4	-58%	0.5	175%	2.7	3.5	-20%	4.4
Reversed impairment of loan losses no longer required	3.1	0.5	549%	1.8	70%	5.5	1.1	412%	1.2
Net income / expense for the period for individually assessed loan receivables	1.7	-0.2		-0.3		0	0.2	-95%	-0.5
Collective reserves for individually assessed receivables									
	-	-		-		-	-		-
Provision / reversal of impairment of loan losses									
Avsättning / upplösning av nedskrivning för kreditförluster	-3.0	0		4.8		4.7	2.5	92%	1.8
Net income / expense for the period for collectively assessed homogenous loan receivables	-3.0	0		4.8		4.7	2.5	92%	1.8
Net income / expense of loan losses for the period	-1.3	-0.1		4.5		4.7	2.7	76%	1.3

All information pertains to receivables from the public.

NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS

Loans to credit institutions include deposits of SEK 2,008.4 M (11,148.1).

Due to credit institutions include borrowing of SEK 18,092.7 M (21,986.3).

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, 2011	Dec 31, 2010	Sep 30, 2010
Loan receivables, gross			
Corporate sector	1,671.9	1,490.0	1,336.6
Retail sector	84,956.3	78,218.9	75,747.7
Total loan receivables, gross	86,628.2	79,708.9	77,084.3
Impairment of individually assessed loan receivables			
Retail sector	-5.4	-3.4	-2.8
Total individual reserves	-5.4	-3.4	-2.8
Impairment of collectively reserved loan receivables			
Corporate sector	-1.1	-1.0	-1.2
Retail sector	-33.0	-37.8	-36.9
Total collective reserves	-34.1	-38.8	-38.1
Total impairment	-39.5	-42.2	-40.9
Loan receivables, net			
Corporate sector	1,670.8	1,489.0	1,335.4
Retail sector	84,917.9	78,177.7	75,708.0
Total loans to the public, net	86,588.7	79,666.7	77,043.4
Impaired loans			
Retail sector	9.1	9.3	5.1
Total impaired loans	9.1	9.3	5.1

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, 2011		Dec 31, 2010		Sep 30, 2010	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest	58,300.0	1,109.4	44,117.0	609.7	54,744.0	749.3
Currency	10,576.6	760.8	1,777.7	401.3	930.5	307.3
Collateral received, CSA	-	-32.9	-	-17.0	-	-209.7
<i>Other derivatives</i>						
Interest	-	-	13,500.0	1.9	-	-
Total derivatives with positive values	68,876.6	1,837.3	59,394.7	995.9	55,674.5	846.9
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest	65,574.0	1,313.6	53,706.0	1,037.1	35,889.0	819.6
Currency	11,852.1	574.0	10,577.1	827.7	10,577.1	536.3
<i>Other derivatives</i>						
Currency	-	-	-	-	-	-
Total derivatives with negative values	77,426.1	1,887.6	64,283.1	1,864.8	46,466.1	1,355.9

NOTE 12 MEMORANDUM ITEMS

SEK M	Sep 30, 2011	Dec 31, 2010	Sep 30, 2010
For own liabilities, pledged assets			
Collateral pledged due to repurchase agreements	1,240.7	2,975.2	7,019.6
Loan receivables, covered bonds	82,806.2	76,653.7	74,053.3
Total for own liabilities, pledged assets	84,046.9	79,628.9	81,072.9
Other pledged assets	None	None	None
Contingent liabilities			
Conditional shareholders' contribution	1,932.6	1,482.6	1,211.6
Early retirement at age 62 in accordance with pension agreement, 80%	0.7	0.7	0.7
Total contingent liabilities	1,933.3	1,483.3	1,212.3
Commitments			
Loans approved but not disbursed	4,052.1	3,226.3	3,804.3

NOTE 13 CAPITAL-ADEQUACY ANALYSIS

SEK M	Sep 30, 2011	Dec 31, 2010	Sep 30, 2010
Capital base			
Tier 1 capital, gross	4,110.4	3,592.6	3,392.5
Less IRB deficit	-53.6	-45.2	-52.1
Tier 1 capital, net	4,056.8	3,547.4	3,340.4
Tier 2 capital	501.0	501.0	501.0
Deductions for Tier 2 capital	-53.6	-45.2	-52.1
Total capital base	4,504.2	4,003.2	3,789.3
Risk-weighted assets according to Basel II	19,158.5	17,973.4	18,233.5
Risk-weighted assets according to transition rules	43,047.9	38,431.9	37,170.7
Capital requirement			
Capital requirement for credit risk according to Standardised Approach	360.0	370.9	244.9
Capital requirement for credit risk according to IRB Approach	1,148.1	1,046.8	1,193.6
Capital requirement for operational risk	24.6	20.2	20.2
Capital requirement according to Basel II	1,532.7	1,437.9	1,458.7
Adjustment according to transition rules	1,911.2	1,636.7	1,515.0
Total capital requirement	3,443.8	3,074.6	2,973.7
Capital adequacy			
Tier 1 ratio according to Basel II, %	21.17	19.74	18.32
Capital-adequacy ratio according to Basel II, %	23.51	22.27	20.78
Capital ratio according to Basel II*	2.94	2.78	2.60
Tier 1 ratio according to transition rules, %	9.42	9.23	8.99
Capital-adequacy ratio according to transition rules, %	10.46	10.42	10.19
Capital ratio according to transition rules*	1.31	1.30	1.27
Special disclosures			
IRB Provisions surplus (+) / deficit (-)	-107.2	-90.4	-104.2
- Total provisions (+)	37.0	40.1	39.0
- Anticipated loss (-)	-144.3	-130.5	-143.2
Capital requirement			
Credit risk according to Standardised Approach			
Exposures to institutions	67.6	50.2	45.2
Exposures to corporates	0.6	1.6	16.5
Retail exposures	48.2	123.5	-
Exposures secured on residential property	108.3	91.5	69.2
Past due items	0.9	0.3	-
Covered bonds	133.2	102.4	112.2
Other items	1.3	1.4	1.8
Total capital requirement for credit risk according to Standardised Approach	360.0	370.9	244.9

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Sep 30, 2011	Dec 31, 2010	Sep 30, 2010
Credit risk according to IRB Approach			
Retail exposures			
Exposures secured by real estate collateral	1,067.8	971.0	1,119.0
Other retail exposures	2.3	1.7	2.3
<i>Total retail exposures</i>	<i>1,070.1</i>	<i>972.7</i>	<i>1,121.3</i>
Exposures to corporates	78.0	74.2	72.2
Total capital requirement for credit risk according to IRB Approach	1,148.1	1,046.9	1,193.5
Operational risk			
Standardised Approach	24.6	20.2	20.2
Total capital requirement for operational risk	24.6	20.2	20.2
Capital-adequacy analysis according to Basel I			
Tier 1 capital	4,110.4	3,592.6	3,392.5
Tier 2 capital	501.0	501.0	501.0
Total capital base	4,611.4	4,093.6	3,893.5
Risk-weighted assets	55,485.5	49,452.1	47,939.7
Capital requirement for credit risk	4,438.8	3,956.2	3,835.2
Tier 1 ratio, %	7.41	7.26	7.08
Capital-adequacy ratio, %	8.31	8.28	13.06
Capital ratio*	1.04	1.03	1.02

*Capital ratio = total capital base / total capital requirement

NOTE 14 DISCLOSURES ON RELATED PARTIES

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, the 23 regional insurance companies with subsidiaries, as well as the local insurance companies that hold shares in Länsförsäkringar AB.

Normal business transactions between the related parties took place between January and September 2011. Since December 31, 2010, 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, 2010, no significant changes have occurred in the company's agreements with these persons.

This interim report has not been reviewed by the company's auditors.

Stockholm October 20, 2011

Anders Borgcrantz
President

Appendix

BORROWING PROGRAMMES

Programme	Limit, Nominal	Issued in	Issued in	Remaining,	Remaining,	Remaining	Remaining
		Jan-Sep 2011	Jan-Sep 2010	Sept 30, 2011	Sept 30, 2010	average term, Sep 30, 2011	average term, Sep 30, 2010
	Nominal, SEK billion	Year	Year				
Benchmark	Unlimited	10.8	21.8	53.3	50.9	2.8	3.1
Medium Term Covered Note	SEK 30 billion	4.5	7.4	12.0	13.8	1.3	1.2
Euro Medium Term Covered Note	EUR 4 billion	10.3	10.6	21.5	11.5	3.1	4.4
Total		25.6	39.8	86.8	76.2	2.5	2.7

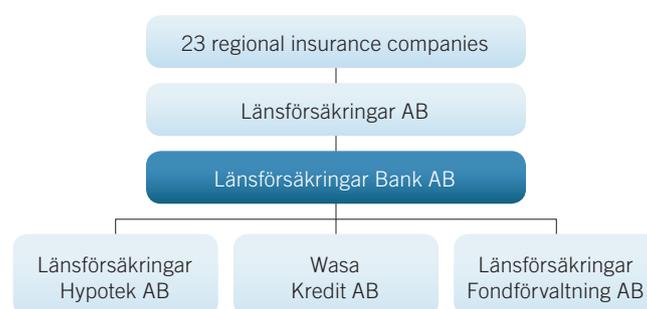
Borrowing by maturity

Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, SEK billion	1.9	12.0	15.2	27.3	12.0	18.0	–	0.3	–	0.1	86.8

Financial calendar

Year-end report 2011 **February 21, 2012**

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 24, 2011 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 3.4 million and the Länsförsäkringar Alliance has a joint total of approximately 5,800 employees.

Contact information:

Anders Borgcrantz, President, Länsförsäkringar Hypotek AB,
+46 (0)8-588 412 51, +46 (0)73-964 12 51

Göran Laurén, Vice Executive President, Länsförsäkringar Hypotek AB,
+46 (0)8-588 410 73, +46 (0)73-964 10 73

Anna-Lena Löfvenberg, Investor Relations Manager, Länsförsäkringar Bank AB, +46 (0)8-588 415 16, +46 (0)73-964 15 16

Christer Baldhagen, Senior Vice President Corporate Communications,
+46 (0)8-588 415 01, +46 (0)70-579 70 66

Länsförsäkringar Hypotek AB (publ), Corporate Registration Number
556244-1781, Street address: Tegelluddsvägen 11-13,
Postal address: 106 50 Stockholm, Telephone: +46 (0)8-588 400 00