

# Länsförsäkringar Hypotek

## January-September

DELÅRSRAPPORT

### Interim report

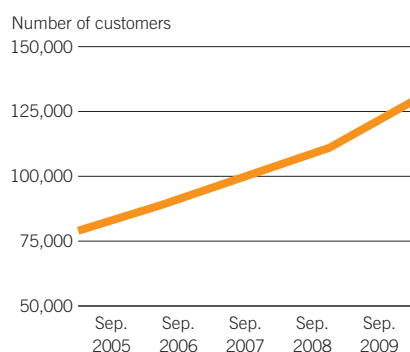
- Operating profit rose to SEK 111 M (82).
- Net interest income declined 2% to SEK 230 M (235).
- Loan losses amounted to positive SEK 5 M (0), net.
- Lending increased 23% to SEK 64 billion (52).
- Credit quality was highly favourable and the operations maintained a low risk profile.
- The Tier 1 ratio according to Basel II was 18.2% (23.8) and the capital adequacy ratio was 22.8% (29.0).
- The number of customers rose to 129,000 (111,000).

Figures in parentheses pertain to the same period in 2008.

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

*Länsförsäkringar performs well compared with its competitors and strengthens its position in the retail mortgage market. Volumes rose and we once again had Sweden's most satisfied bank customers in the retail market, which is extremely gratifying since retail mortgage loans are a key business for our customers. Credit quality is favourable and our loan portfolio mainly contains private homes with a good geographic distribution in Sweden. The company's financial position is strong.*

#### CUSTOMER TREND



## Key figures

	Q3 2009	Q3 2008	Jan.-Sep. 2009	Jan.-Sep. 2008	Full-year 2008
Return on shareholders' equity, %	3.0	4.9	4.4	3.5	4.1
Return on total capital, %	0.13	0.28	0.20	0.20	0.23
Investment margin, %	0.30	0.63	0.42	0.58	0.65
Cost/income ratio before loan losses	0.38	0.30	0.31	0.36	0.34
Cost/income ratio after loan losses	0.39	0.29	0.28	0.36	0.34
Tier 1 ratio according to Basel II, %	18.2	23.8	18.2	23.8	21.6
Tier 1 ratio according to transition rules, %	8.0	8.4	8.0	8.4	8.2
Capital adequacy ratio according to Basel II, %	22.8	29.0	22.8	29.0	27.6
Capital adequacy ratio according to transition rules, %	10.1	10.2	10.1	10.2	10.5
Percentage of bad debts, net, %	0	0	0	0	0
Provision ratio in relation to lending, %	0.05	0.08	0.05	0.08	0.07
Loan losses, %	0	0	0	0	0

## Quarterly development

SEK M	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Net interest income	58.9	81.9	89.1	126.1	87.1
Net commission	-33.6	-38.3	-61.5	-54.0	-43.0
Net profit/loss from financial transactions	16.4	19.3	21.8	-5.0	10.7
Other operating income	0	0	0	-	0.1
<b>Total operating income</b>	<b>41.7</b>	<b>62.9</b>	<b>49.4</b>	<b>67.1</b>	<b>54.9</b>
Staff costs	-2.1	-2.9	-2.5	-2.6	-2.9
Other administrative expenses	-13.7	-13.3	-13.0	-16.8	-13.5
<b>Total operating expenses</b>	<b>-15.8</b>	<b>-16.2</b>	<b>-15.5</b>	<b>-19.4</b>	<b>-16.4</b>
<b>Profit before loan losses</b>	<b>25.9</b>	<b>46.7</b>	<b>33.9</b>	<b>47.7</b>	<b>38.5</b>
Loan losses, net	-0.3	1.9	3.2	-0.5	0.3
<b>Operating profit</b>	<b>25.6</b>	<b>48.6</b>	<b>37.1</b>	<b>47.2</b>	<b>38.8</b>

## Market commentary

Low interest rates contributed to the recovery of housing prices throughout much of Sweden, particularly in major cities. According to Statistics Sweden, prices of single-family homes rose 3% during the third quarter. Some small and medium-sized municipalities were impacted by lay-off notices and experienced weaker recovery compared with the preceding quarter. Länsförsäkringar Hypotek retained its favourable position and its lending portfolio had a good geographic spread.

Signs of stabilisation and a relatively rapid upturn in the global economy had a positive impact on the capital market. The stimulating monetary policy being pursued by the central banks, combined with an expansive financial policy, bolstered the world's stock markets and narrowed credit spreads. Länsförsäkringar Hypotek took advantage of the favourable market situation and issued a new benchmark bond in August.

## Continued growth

Retail mortgage volumes continued to increase and amounted to SEK 64 billion (52) on September 30, 2009. The company's share of total market growth was strong. The number of retail mortgage customers rose 16% to 129,000 (111,000). Sales, advisory services and customer services are carried out through the 116 branches of the 24 regional insurance companies and via the Internet and telephone. Two new branches were opened during the quarter. Länschem Fastighetsförmedling's 93 branches throughout Sweden also serve as an increasingly significant sales channel. The number of Länschem Fastighetsförmedling branches increased by 12 during the third quarter.

## January-September 2009 compared with January-September 2008

### Earnings and profitability

Profit before loan losses rose to SEK 106 M (82) and operating profit to SEK 111 M (82). The increase was attributable to higher volumes and increased net profit from financial transactions. The average return on shareholders' equity improved to 4.4% (3.5).

## Income

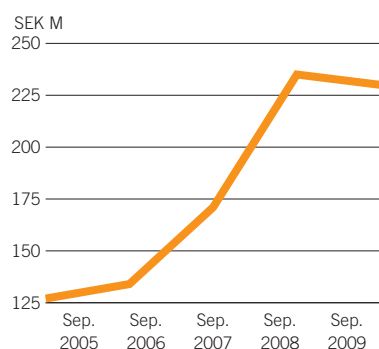
Operating income rose a total of SEK 26 M, or SEK 21%, to SEK 154 M (128).

Net interest income declined SEK 5 M, or 2%, to SEK 230 M (235). Lower market interest rates resulted in a drop in the yield on shareholders' equity. At the same time, increased lending volumes contributed to a rise in net interest income. A provision totalling SEK 8 M was posted for stability fund fees and net interest income was impacted somewhat by a major liquidity reserve. The investment margin fell to 0.42% (0.58).

Commission expense increased to SEK 135 M (122) due to higher volumes, which explains the lower net commission amounting to SEK -133 M (-121).

Net profit from financial transactions resulted in a SEK 44 M increase to SEK 57 M (13), primarily due to interest compensation in conjunction with loan conversions from fixed interest to loans with variable interest rates.

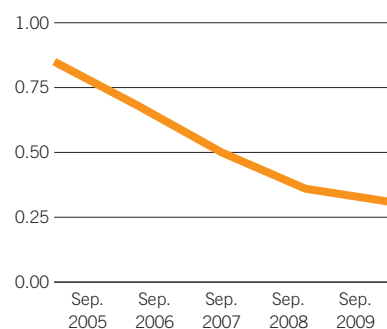
### NET INTEREST INCOME



## Expenses

Operating expenses remained largely unchanged at SEK 47 M (46). The cost/income ratio strengthened to 0.31 (0.36) before loan losses and to 0.28 (0.36) after loan losses.

### COST/INCOME RATIO



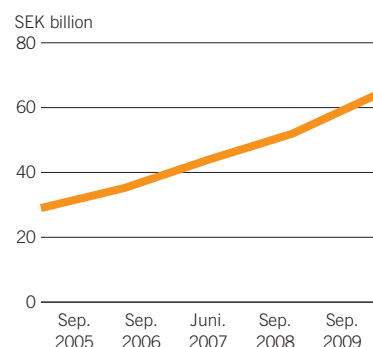
## Loan losses

Loan losses amounted to positive SEK 5 M (0), net, since recoveries exceeded loan losses. Bad debts totalled SEK 2 M (1), corresponding to an unchanged percentage of bad debts of 0% (0). For more information regarding bad debts, reserves and loan losses, refer to Notes 8 and 10.

## Lending

Lending to the public rose 23%, or SEK 12 billion, to SEK 64 billion (52). From year-end the change was 19%, or SEK 10 billion. On September 30, 2009, Länsförsäkringar's market share for retail mortgage lending to households totalled 3.7% (3.4) and the company's share of market growth was 7.2%.

### LENDING



## Cover pool

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies to be included in the company's covered-bond operations, known as the cover pool, in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223). The term "covered bonds" refers to bonds with preferential rights to the portions of the issuing institution's assets that are approved by law (cover pool).

The average loan-to-value rate (LTV) was 60% (57) and the average commitment per borrower was SEK 777,000 (729,000). The quality of the loan portfolio remains high and has not been affected by the deterioration in the real economy. The geographic distribution in Sweden is excellent and collateral comprises private

homes, including single-family homes, tenant-owned apartments and, to a smaller extent, leisure homes.

Cover pool	Sep. 30, 2009	Sep. 30, 2008
Volume, billion	62	51
Collateral:	Private homes	Private homes
Weighted average LTV <sup>2)</sup> , %	60	57
Seasoning, months	50	45
Number of properties	80,081	70,169
Average commitment, SEK 000s	777	729
Average loan, SEK 000s	359	339
Interest-rate type, up to 12 months, %	62	47
Interest-rate type, more than 12 months, %	38	53
OC <sup>1)</sup> , minimum level, %	9	5
OC <sup>1)</sup> , actual level, %	18.3	28.5
Special account <sup>3)</sup> , billion	11.8	2.9
Percentage of special account in cover pool, %	15.6	5.5
Substitute collateral, billion	2.0	0

<sup>1)</sup> OC indicates the relationship between the assets (lending) and liabilities (borrowing) in relation to the liabilities. High OC indicates that the operations have a large surplus of assets and a favourable margin in the event of, for example, a price drop in the value of the assets.

<sup>2)</sup> According to the "Maximum LTV (loan-to-value) per property" calculation method.

<sup>3)</sup> The special account comprises cash and cash equivalents pertaining to the covered-bond operations that are deposited with the Parent Company.

During a stress test of the cover pool based on a 20% price drop in the market value of the loan portfolio, the average LTV increased to 67% compared with an actual weighted LTV of 60% on September 30, 2009.

## Borrowing and liquidity

Securities issued rose SEK 12 billion, or 29%, to SEK 54 billion (42). From year-end, the change was SEK 12 billion, or 27%. Long-term borrowing takes place on the basis of covered bonds.

Issued securities during January-September 2009 amounted to a nominal SEK 28.8 billion (13.6). Repurchased securities totalled a nominal SEK 14.6 billion (2.8) and matured securities amounted to a nominal SEK 3.1 billion (6.4).

Liquidity, which is managed for the entire Group by the Parent Company, remained favourable. A total of SEK 11.8 billion (2.9) was deposited in a special account with the Parent Company. Substitute collateral, which comprised Swedish covered bonds, amounted to SEK 2.0 billion (0).

Programme	Limit, Nominal	Issued, Nominal Jan.-Sep. 2009 SEK billion	Issued, Nominal Jan.-Sep. 2008 SEK billion	Outstanding, Nominal Sep. 30, 2009 SEK billion	Outstanding, Nominal Sep. 30, 2008 SEK billion	Remaining term, Sep. 30, 2009, Years	Remaining term, Sep. 30, 2008, Years
Benchmark	Unlimited	21.5	7.1	35.5	29.5	3.0	2.0
Medium Term Covered Note	SEK 20 billion	7.3	5.1	12.0	7.0	1.0	1.3
Euro Medium Term Covered Note	EUR 2 billion	-	1.4	4.9	4.9	1.2	2.2
<b>Total</b>		<b>28.8</b>	<b>13.6</b>	<b>52.4</b>	<b>41.4</b>		

## Rating

Länsförsäkringar's covered bonds were assigned the highest credit rating, AAA, by Standard & Poor's and the highest credit rating, Aaa, by Moody's. Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

The Parent Company's, Länsförsäkringar Bank, credit rating remains unchanged with a stable outlook. Länsförsäkringar Bank has a credit rating of A (stable) from Standard & Poor's and A2 (stable) from Moody's. The short-term rating from Standard & Poor's is A-1. Moody's short-term rating is P-1 and Länsförsäkringar Bank's Financial Strength Rating is C.

## Capital adequacy

Länsförsäkringar applies the Internal Ratings-based Approach (IRB Approach). The aim is to achieve enhanced transparency and valuation of risks to determine appropriate capital. The advanced risk-classification method 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. Changes in the capital requirement will emerge gradually since the transition rules involve a three-year adaptation period. In accordance with the transition rules, the capital requirement will be reduced to 80% of the Basel I rules in 2009. According to current regulations, the transition rules will cease to apply at

yearend 2009. However, a proposal is being prepared in the EU to extend the transition period through 2011.

The Tier 1 ratio amounted to 18.2% (23.8) and capital adequacy ratio to 22.8% (29.0) on September 30, 2009 in accordance with the Basel II rules. The Tier 1 ratio amounted to 8.0% (8.4) and capital adequacy ratio to 10.1% (10.2) on September 30, 2009 in accordance with the applicable transition rules. In accordance with Pillar I of the new rules, the capital requirement, excluding transition rules, amounted to SEK 1,049 M on September 30, 2009, down 66% compared with SEK 3,065 M according to Basel I regulations. For more information on the calculation of capital adequacy, refer to Note 12.

## Interest-rate risk

On September 30, 2009, 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 6.7 M (14.3).

## 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 which has been valuable to the company during the financial crisis and down-turn in the economy. Loan losses remain low and the company was able to refinance its business activities throughout the turbulent period in the capital market.

A detailed description of risks is available in the 2008 Annual Report. No sig-

nificant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

## Third quarter of 2009 compared with third quarter of 2008

Profit before loan losses fell to SEK 26 M (38) and operating profit to SEK 29 M (39). The change was primarily due to lower net interest income. Return on shareholders' equity amounted to 3.0% (4.9).

Operating income declined a total of SEK 13 M to SEK 42 M (55), due to lower net interest income.

Net interest income declined 28% to SEK 59 M (87). The lower net interest income was attributable to a lower yield on shareholders' equity and provisions of SEK 8 M for fees to the stability fund. A 1-percentage-point change in market interest rates would impact the yield on shareholders' equity by SEK 24 M on an annual basis. A change of SEK 1 billion in lending volumes would impact net interest income by SEK 5 M on an annual basis. The investment margin fell to 0.30% (0.63).

Expenses remained unchanged at SEK 16 M (16) and the cost/income ratio amounted to 0.38 (0.30) before loan losses and 0.39 (0.29) after loan losses. Loan losses remained unchanged at SEK 0 M (0).

## Events after the close of the period

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

## Income statement

SEK M	Note	Q3 2009	Q3 2008	Change	Jan.-Sep. 2009	Jan.-Sep. 2008	Change	Full-year 2008
Interest income	3	857.6	1,320.0		2,859.4	3,722.7		5,146.8
Interest expense	4	-798.7	-1,232.9		-2,629.5	-3,487.7		-4,785.8
<b>Net interest income</b>		<b>58.9</b>	<b>87.1</b>	<b>-32.4%</b>	<b>229.9</b>	<b>235.0</b>	<b>-</b>	<b>361.0</b>
Commission income	5	0.5	0.5		1.5	1.4		1.9
Commission expense	6	-34.1	-43.5		-134.9	-122.2		-176.7
Net profit from financial transactions	7	16.4	10.7		57.5	13.4		8.5
Other operating income		0	0.1		0	0.1		0.1
<b>Total operating income</b>		<b>41.7</b>	<b>54.9</b>	<b>-24.0%</b>	<b>154.0</b>	<b>127.7</b>	<b>20.6%</b>	<b>194.8</b>
Staff costs		-2.1	-2.9	-27.6%	-7.4	-8.5	-12.9%	-11.1
Other administrative expenses		-13.7	-13.5	1.5%	-40.1	-37.7	6.4%	-54.5
<b>Total operating expenses</b>		<b>-15.8</b>	<b>-16.4</b>	<b>-3.7%</b>	<b>-47.5</b>	<b>-46.2</b>	<b>2.8%</b>	<b>-65.6</b>
<b>Profit before loan losses</b>		<b>25.9</b>	<b>38.5</b>	<b>-32.7%</b>	<b>106.5</b>	<b>81.5</b>	<b>30.7%</b>	<b>129.2</b>
Loan losses, net	8	-0.3	0.3		4.8	0.3		-0.2
<b>Operating profit</b>		<b>25.6</b>	<b>38.8</b>	<b>-34.0%</b>	<b>111.3</b>	<b>81.8</b>	<b>36.1%</b>	<b>129.0</b>
Tax		-6.7	-10.9		-29.3	-22.9		-36.2
<b>PROFIT FOR THE PERIOD</b>		<b>18.9</b>	<b>27.9</b>	<b>-32.3%</b>	<b>82.0</b>	<b>58.9</b>	<b>39.2%</b>	<b>92.8</b>

## Statement of comprehensive income

SEK M	Q 3 2009	Q3 2008	Jan.-Sep. 2009	Jan.-Sep. 2008	Full-year 2008
<b>Profit for the period</b>	<b>18.9</b>	<b>27.9</b>	<b>82.0</b>	<b>58.9</b>	<b>92.8</b>
<b>Other comprehensive income</b>					
Available-for-sale financial assets	22.1	-	22.1	-	-
Tax attributable to other comprehensive income components	-5.8	-	-5.8	-	-
<b>Total other comprehensive income for the period, net after tax</b>	<b>16.3</b>	<b>-</b>	<b>16.3</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>35.2</b>	<b>27.9</b>	<b>98.3</b>	<b>58.9</b>	<b>92.8</b>

## Balance sheet

SEK M	Note	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
<b>ASSETS</b>				
Lending to credit institutions	9	11,903.1	2,998.5	9,723.0
Lending to the public	10	63,891.7	51,925.4	53,592.4
Bonds and other securities		2,055.2	-	-
Derivatives	11	1,487.3	629.8	2,167.5
Fair value adjustment of interest-rate hedged items in portfolio hedge		764.8	-162.9	1,044.0
Deferred tax assets		0	0	0
Other assets		1.8	8.2	4.0
Prepaid expenses and accrued income		397.4	435.6	653.1
<b>TOTAL ASSETS</b>		<b>80,501.3</b>	<b>55,834.6</b>	<b>67,184.0</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>				
Liabilities to credit institutions	9	21,209.5	10,283.6	18,221.0
Debt securities in issue		53,535.2	41,588.9	42,284.8
Derivatives	11	935.2	382.3	1,188.8
Fair value adjustment of interest-rate hedged items in portfolio hedge		652.0	-255.6	991.8
Deferred tax liabilities		5.8	-	-
Other liabilities		34.8	34.7	142.8
Accrued expenses and prepaid income		1,016.6	1,002.6	1,340.9
Provisions		0.2	0.2	0.2
Subordinated liabilities		662.6	512.6	662.6
<b>TOTAL LIABILITIES AND PROVISIONS</b>		<b>78,051.9</b>	<b>53,549.3</b>	<b>64,832.9</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		16.3	-	-
Retained earnings		2,266.7	2,142.0	2,173.9
Profit for the period		82.0	58.9	92.8
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,449.4</b>	<b>2,285.3</b>	<b>2,351.1</b>
<b>TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>		<b>80,501.3</b>	<b>55,834.6</b>	<b>67,184.0</b>
<b>MEMORANDUM ITEMS</b>				
Assets pledged as security for own liabilities				
Loan receivables covered bonds*		61,801.6	50,676.0	51,983.6
Other pledged assets		NONE	NONE	NONE
Contingent liabilities		0.7	0.7	0.7
Commitments				
Repurchase transactions		10,557.3	-	7,953.8
Loans granted but not disbursed		348.6	152.7	162.7
<b>Total commitments</b>		<b>10,905.9</b>	<b>152.7</b>	<b>8,116.5</b>
<b>Other notes</b>				
Accounting policies	1			
Segment reporting	2			
Capital-adequacy analysis	12			
Disclosures on related parties	13			

\* Cover pool loans have been granted against collateral for private homes, tenant-owned apartments and leisure homes with loan-to-value within 75% of the market value and substitute collateral in the form of cash and cash equivalents in frozen accounts. A separate register is kept of the asset pool and the covered bonds as well as derivatives attributable to these. In the event of the company's insolvency, holders of Länsförsäkringar Hypotek's covered bonds have preferential rights pursuant to the Rights of Priority Act to the assets that are registered as cover pool.

## Cash-flow statement, indirect method

SEK M	Jan.-Sep. 2009	Jan.-Sep. 2008
<b>Cash and cash equivalents, January 1</b>	<b>0.3</b>	<b>-</b>
Cash flow from operating activities	3,149.9	0.3
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
<b>NET CASH FLOW FOR THE PERIOD</b>	<b>3,149.9</b>	<b>0.3</b>
Exchange rate differences in cash and cash equivalents	-	-
<b>Cash and cash equivalents, September 30</b>	<b>3,150.2</b>	<b>0.3</b>

Cash and cash equivalents at the end of the period is defined as cash and balances at central banks and lending and liabilities to credit institutions payable on demand.

Changes to the cash flow from operating activities are largely attributable to lending to the public.

## Statement of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the period	Total
<b>Opening balance, January 1, 2008</b>	<b>70.3</b>	<b>14.1</b>		<b>2,100.3</b>	<b>41.7</b>	<b>2,226.4</b>
Resolution by Annual General Meeting				41.7	-41.7	-
Comprehensive income for the period					58.9	58.9
<b>Closing balance, September 30, 2008</b>	<b>70.3</b>	<b>14.1</b>		<b>2,142.0</b>	<b>58.9</b>	<b>2,285.3</b>
<b>Opening balance, October 1, 2008</b>	<b>70.3</b>	<b>14.1</b>		<b>2,142.0</b>	<b>58.9</b>	<b>2,285.3</b>
Conditional shareholders' contribution received				125.0		125.0
Group contribution paid				-129.3		-129.3
Tax on Group contribution paid				36.2		36.2
Comprehensive income for the period					33.9	33.9
<b>Closing balance, December 31, 2008</b>	<b>70.3</b>	<b>14.1</b>		<b>2,173.9</b>	<b>92.8</b>	<b>2,351.1</b>
<b>Opening balance, January 1, 2009</b>	<b>70.3</b>	<b>14.1</b>		<b>2,173.9</b>	<b>92.8</b>	<b>2,351.1</b>
Resolution by Annual General Meeting				92.8	-92.8	-
Comprehensive income for the period			16.3		82.0	98.3
<b>Closing balance, September 30, 2009</b>	<b>70.3</b>	<b>14.1</b>	<b>16.3</b>	<b>2,266.7</b>	<b>82.0</b>	<b>2,449.4</b>

## Notes

### NOTE 1 ACCOUNTING POLICIES

The interim report for Länsförsäkringar Hypotek was prepared in accordance with IAS 34 Interim Financial Reporting. Länsförsäkringar Hypotek prepared 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), and the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities.

During the quarter, the company invested in interest-bearing securities, which are classified as available-for-sale financial assets. Assets in this category are continuously valued at fair value, with unrealised changes in value recognised against shareholders' equity. Interest on instruments is recognised in profit and loss as interest, in accordance with the effective interest method. Any transaction costs are included in the cost when first recognised and thereafter included in the continuous valuations. The interest-rate risk inherent in the instrument is hedged by interest rate swaps. Fair value hedge accounting means that the hedged item is valued at fair value with respect to the hedged risk and that the change in fair value is recognised in profit and loss for both the hedging instrument and the hedged item. The change in the value of the derivative is recognised in profit and loss together with the change in the value of the hedged item under the item "Net profit from financial transactions."

Compared with the 2008 Annual Report, a new reserve model for loan losses has been applied. The new model is based on the Internal Ratings-based Approach (IRB Approach) and has not resulted in any significant difference compared with previous models applied.

The accounting policies applied in the interim report comply with the accounting policies that were applied in the preparation of the 2008 Annual Report and the interim report dated June 30, 2009. The calculation methods applied in this interim report comply with those applied in the preceding interim report.

### NOTE 2 SEGMENT REPORTING

The business of the company is viewed as a homogeneous segment.

### NOTE 3 INTEREST INCOME

SEK M	Q3 2009	Q3 2008	Change	Jan.-Sep. 2009	Jan.-Sep. 2008	Change	Full-year 2008
Interest income on lending to credit institutions	11.2	26.5	-57.7%	64.5	105.8	-39.0%	163.0
Interest income on lending to the public	472.8	649.9	-27.3%	1,538.0	1,827.7	-15.9%	2,522.3
Interest income on interest-bearing securities	15.7	-		15.7	-		-
<i>Interest income on derivatives</i>							
Hedge accounting	348.4	611.5	-43.0%	1,203.9	1,689.5	-28.7%	2,329.2
Non-hedge accounting	9.5	32.1	-70.4%	37.3	99.7	-62.6%	127.6
Other interest income	-	-		-	-		4.7
<b>Total interest income</b>	<b>857.6</b>	<b>1,320.0</b>	<b>-35.0%</b>	<b>2,859.4</b>	<b>3,722.7</b>	<b>-23.2%</b>	<b>5,146.8</b>
of which interest income on bad debts	0	0.3		0.7	1.1		1.9
of which interest income from financial items not measured at fair value	484.0	676.1		1,602.5	1,933.5		2,690.1
Average interest rate on lending to the public during the period, %	3.0	5.1		3.5	4.9		5.0

### NOTE 4 INTEREST EXPENSE

SEK M	Q3 2009	Q3 2008	Change	Jan.-Sep. 2009	Jan.-Sep. 2008	Change	Full-year 2008
Interest expense on liabilities to credit institutions	24.3	123.0	-80.2%	160.1	364.2	-56.0%	529.5
Interest expense, subordinated liabilities	5.1	8.0	-36.3%	16.9	23.2	-27.2%	33.3
Interest expense, interest-bearing securities	398.5	448.6	-11.2%	1,225.0	1,305.6	-6.2%	1,770.2
<i>Interest expense on derivatives</i>							
Hedge accounting	354.3	622.1	-43.0%	1,182.9	1,696.6	-30.3%	2,327.5
Non-hedge accounting	8.6	31.2	-72.4%	36.7	98.1	-62.6%	125.2
Other interest expense including stability fund	7.9	-		7.9	0		0.1
<b>Total interest expense</b>	<b>798.7</b>	<b>1,232.9</b>	<b>-35.2%</b>	<b>2,629.5</b>	<b>3,487.7</b>	<b>-24.6%</b>	<b>4,785.8</b>
of which interest income from financial items not measured at fair value	435.8	579.7		1,409.9	1,693.1		2,333.2

### NOTE 5 COMMISSION INCOME

SEK M	Q3 2009	Q3 2008	Change	Jan.-Sep. 2009	Jan.-Sep. 2008	Change	Full-year 2008
Lending commission	0.5	0.5	0%	1.5	1.4	7.1%	1.9
<b>Total commission income</b>	<b>0.5</b>	<b>0.5</b>	<b>0%</b>	<b>1.5</b>	<b>1.4</b>	<b>7.1%</b>	<b>1.9</b>



**NOTE 6 COMMISSION EXPENSE**

SEK M	Q3 2009	Q3 2008	Change	Jan.-Sep. 2009	Jan.-Sep. 2008	Change	Full-year 2008
Remuneration to regional insurance companies	33.8	43.6	-22.5%	133.6	120.4	11.0%	174.6
Other commission	0.3	-0.1	-400.0%	1.3	1.8	-27.8%	2.1
<b>Total commission expense</b>	<b>34.1</b>	<b>43.5</b>	<b>-21.6%</b>	<b>134.9</b>	<b>122.2</b>	<b>10.4%</b>	<b>176.7</b>

**NOTE 7 NET PROFIT FROM FINANCIAL TRANSACTIONS**

SEK M	Q3 2009	Q3 2008	Change	Jan.-Sep. 2009	Jan.-Sep. 2008	Change	Full-year 2008
<b>Change in fair value</b>							
Interest-related instruments	10.0	-24.6		-50.4	-115.8		-158.9
Currency-related instruments	1.3	11.1		-1.3	-14.0		69.6
Change in fair value of hedged item	-14.3	15.9		54.0	124.5		84.0
<b>Capital gain/loss</b>							
Interest-related instruments	-0.2	7.8		-4.8	17.2		4.6
Profit from other financial assets	-	-		-	-		1.2
Interest compensation	19.6	0.5		60.0	1.5		8.0
<b>Total net profit from financial transactions</b>	<b>16.4</b>	<b>10.7</b>	<b>53.3%</b>	<b>57.5</b>	<b>13.4</b>	<b>329.1%</b>	<b>8.5</b>

**NOTE 8 LOAN LOSSES, NET**

SEK M	Q3 2009	Q3 2008	Change	Jan.-Sep. 2009	Jan.-Sep. 2008	Change	Full-year 2008
<b>Specific provisions for individually assessed loan receivables</b>							
Write-off of confirmed loan losses during the period	2.0	0.7		2.0	0.8		0.9
Reversed earlier impairment of loan losses recognised in the interim accounts as confirmed losses	-	-		-	-		-
Impairment of loan losses during the period	0.9	0.1		1.2	0.2		0.5
Payment received for prior confirmed loan losses	-1.2	-1.7		-3.9	-4.7		-6.3
Reversed impairment of loan losses no longer required	-1.0	-0.6		-1.0	-0.8		-0.8
<b>Net income/expense for the period for individually assessed loan receivables</b>	<b>0.7</b>	<b>-1.5</b>	<b>-146.7%</b>	<b>-1.7</b>	<b>-4.5</b>	<b>-62.2%</b>	<b>-5.7</b>
<b>Collective reserve for individually assessed receivables</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>
<b>Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk</b>							
Provision/reversal of impairment of loan losses	-0.4	1.2		-3.1	4.2		5.9
<b>Net income/expense for the period for collectively assessed homogenous loan receivables</b>	<b>-0.4</b>	<b>1.2</b>	<b>-132.2%</b>	<b>-3.1</b>	<b>4.2</b>	<b>-173.1%</b>	<b>5.9</b>
<b>Net income/expense of loan losses for the period</b>	<b>0.3</b>	<b>-0.3</b>	<b>-216.7%</b>	<b>-4.8</b>	<b>-0.3</b>	<b>1,767.7%</b>	<b>0.2</b>

All information pertains to receivables from the public.

**NOTE 9 LENDING/LIABILITIES TO CREDIT INSTITUTIONS**

Lending to credit institutions includes investments of SEK 11,879.2 M (2,998.3) in the Parent Company.  
Lending to credit institutions includes borrowing of SEK 20,167.6 M (10,283.4) from the Parent Company.

Balances in the Parent Company's bank accounts pertaining to the covered bond operations are recognised as "Lending to credit institutions" from June 30, 2009. Comparative figures have been restated.

# NOTE 10 LENDING TO THE PUBLIC

SEK M	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
<b>Loan receivables, gross</b>			
Corporate sector	687.4	311.7	345.5
Retail sector	63,245.8	51,658.8	53,289.6
<b>Total loan receivables, gross</b>	<b>63,933.2</b>	<b>51,970.5</b>	<b>53,635.1</b>
<b>Impairment of individually reserved loan receivables</b>			
Retail sector	-0.4	-1.6	-0.2
<b>Total individual provisions</b>	<b>-0.4</b>	<b>-1.6</b>	<b>-0.2</b>
<b>Impairment of collectively reserved loan receivables</b>			
Corporate sector	-0.5	0	0
Retail sector	-40.6	-43.5	-42.5
<b>Total collective provisions</b>	<b>-41.1</b>	<b>-43.5</b>	<b>-42.5</b>
<b>Total provisions</b>	<b>-41.5</b>	<b>-45.1</b>	<b>-42.7</b>
<b>Loan receivables, net</b>			
Corporate sector	686.9	311.7	345.5
Retail sector	63,204.8	51,613.7	53,246.9
<b>Total loan receivables, net</b>	<b>63,891.7</b>	<b>51,925.4</b>	<b>53,592.4</b>
<b>Net bad debts, loan receivables</b>			
Retail sector	2.0	1.4	0.4
<b>Total net bad debts, loan receivables</b>	<b>2.0</b>	<b>1.4</b>	<b>0.4</b>

## Definitions:

A loan receivable is considered bad if a payment is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. A loan receivable whose unsettled interest, fees and capital are covered by collateral is not considered a bad debt.

# NOTE 11 DERIVATIVES

SEK M	Sep. 30, 2009		Sep. 30, 2008		Dec. 31, 2008	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-rate derivatives	38,094.5	739.0	20,500.0	239.2	30,647.5	1,000.5
Foreign-exchange derivatives	1,394.4	291.0	1,394.4	85.1	1,394.4	427.4
<i>Other derivatives</i>						
Interest-rate derivatives	1,175.0	16.0	975.0	23.3	875.0	17.7
Foreign-exchange derivatives	3,626.5	462.8	3,626.5	282.2	3,626.5	721.9
Collateral received, CSA	-	-21.5	-	-	-	-
<b>Total derivatives with positive values</b>	<b>44,290.4</b>	<b>1,487.3</b>	<b>26,495.9</b>	<b>629.8</b>	<b>36,543.4</b>	<b>2,167.5</b>
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-rate derivatives	24,195.0	908.9	33,142.5	352.9	27,165.0	1,154.0
<i>Other derivatives</i>						
Interest-rate derivatives	675.0	15.8	975.0	23.3	875.0	17.7
Foreign-exchange derivatives	91.7	10.5	91.7	6.1	91.7	17.1
<b>Total derivatives with positive values</b>	<b>24,961.7</b>	<b>935.2</b>	<b>34,209.2</b>	<b>382.3</b>	<b>28,131.7</b>	<b>1,188.8</b>

# NOTE 12 CAPITAL ADEQUACY ANALYSIS

SEK M	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
Tier 1 capital, gross	2,414.2	2,257.4	2,351.0
Less IRB deficit	-35.2	-23.1	-25.8
<b>Tier 1 capital, net</b>	<b>2,379.0</b>	<b>2,234.3</b>	<b>2,325.2</b>
Tier 2 capital	649.3	512.6	662.6
Deductions for Tier 2 capital	-35.3	-23.1	-25.9
<b>Total capital base</b>	<b>2,993.0</b>	<b>2,723.8</b>	<b>2,961.9</b>
<b>Risk-weighted assets according to Basel II</b>	<b>13,109.6</b>	<b>9,408.2</b>	<b>10,737.3</b>
<b>Risk-weighted assets according to transition rules</b>	<b>29,772.2</b>	<b>26,659.2</b>	<b>28,292.3</b>
<b>Capital requirement for credit risk</b>			
Capital requirement for credit risk according to Standardised Approach	125.5	66.4	93.6
Capital requirement for credit risk according to IRB Approach	907.4	676.0	755.1
Capital requirement for operational risk	15.9	10.3	10.3
<b>Capital requirement</b>	<b>1,048.8</b>	<b>752.7</b>	<b>859.0</b>
Adjustment according to transition rules	1,333.0	1,380.0	1,404.4
<b>Total capital requirement</b>	<b>2,381.8</b>	<b>2,132.7</b>	<b>2,263.4</b>
Tier 1 ratio according to Basel II, %	18.15	23.75	21.65
Capital adequacy ratio according to Basel II, %	22.83	28.95	27.58
Capital ratio according to Basel II *	2.85	3.62	3.45
Tier 1 ratio according to transition rules, %	7.99	8.38	8.22
Capital adequacy ratio according to transition rules, %	10.05	10.22	10.47
Capital ratio according to transition rules *	1.26	1.28	1.31
<b>Special disclosures</b>			
<b>IRB provisions surplus (+)/deficit (-)</b>	<b>-70.5</b>	<b>-46.2</b>	<b>-50.5</b>
IRB total provisions (+)	39.5	41.1	42.4
IRB expected loss amount (-)	-110.0	-87.3	-92.9
<b>Capital requirement</b>			
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	23.6	11.0	33.4
Exposures to corporates	10.3	1.9	2.8
Retail exposures	-	0.6	-
Exposures secured on residential property	72.3	48.7	53.8
Past due items	0.7	0.4	0.5
Covered bonds	16.7	-	-
Other items	1.9	3.8	3.1
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>125.5</b>	<b>66.4</b>	<b>93.6</b>
<b>Credit risk according to IRB Approach</b>			
<b>Retail exposures</b>			
Exposures secured by real estate collateral	905.7	672.8	751.8
Other retail exposures	1.7	3.2	3.3
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>907.4</b>	<b>676.0</b>	<b>755.1</b>
<b>Operational risk</b>			
Standardised Approach	15.9	10.3	10.3
<b>Total capital requirement for operational risk</b>	<b>15.9</b>	<b>10.3</b>	<b>10.3</b>

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

#### NOTE 12 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Sep. 30, 2009	Sep. 30, 2008	Dec. 31, 2008
<b>Capital-adequacy analysis according to Basel I</b>			
Tier 1 capital	2,414.2	2,257.4	2,351.1
Tier 2 capital	649.3	512.6	662.6
<b>Total capital base</b>	<b>3,063.5</b>	<b>2,770.0</b>	<b>3,013.7</b>
Risk-weighted assets	38,316.5	30,262.3	32,136.6
Capital requirement for credit risk	3,065.3	2,421.0	2,570.9
Tier 1 ratio, %	6.30	7.46	7.32
Capital adequacy ratio, %	8.00	9.15	9.38
Capital ratio	1.00	1.14	1.17

In addition to the Parent Company Länsförsäkringar Bank AB publ (556401-9878), the financial corporate group includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB publ (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB publ (556364-2783).

#### NOTE 13 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länshem Fastighetsförmedling AB and the 24 regional insurance companies with subsidiaries.

Normal business transactions between the related parties took place between January and September 2009. Since December 31, 2008, 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, 2008, no significant changes have occurred in the company's agreements with these persons.

This interim report is unaudited.

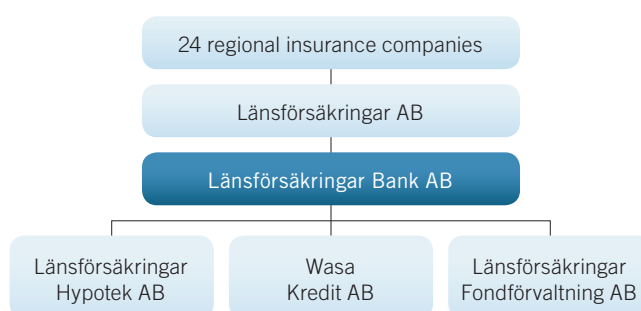
Stockholm, October 20, 2009

Anders Borgcrantz  
President

## Financial calendar

Year-end report 2009 ..... **February 16, 2010**

Interim report, January – March ..... **April 27, 2010**



The Länsförsäkringar Alliance comprises 24 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, farmers and corporate customers. The number of customers amounts to 3.3 million and the Länsförsäkringar Alliance has a joint total of 5,800 employees.

### For further information, please contact:

**Anders Borgcrantz**, President Länsförsäkringar Hypotek AB,  
+46 (0)8-588 412 51, +46 (0)73-964 12 51,  
anders.borgcrantz@lansforsakringar.se

**Christer Baldhagen**, Senior Vice President Corporate Communications,  
Länsförsäkringar AB, +46 (0)8-588 415 01, +46 (0)70-579 70 66,  
christer.baldhagen@lansforsakringar.se

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