

Länsförsäkringar Hypotek

January–September 2010

INTERIM REPORT

The period in brief

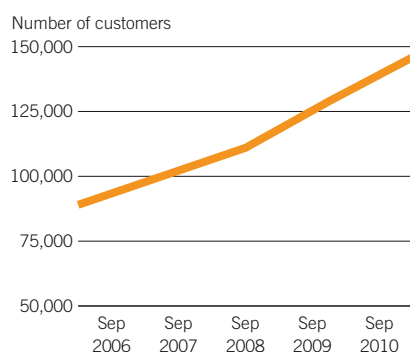
- Loans rose 21% to SEK 77 billion (64).
- Operating profit increased 5% to SEK 116 M (111).
- Net interest income rose 25% to SEK 288 M (230).
- The third quarter's net interest income was up 115% to SEK 126 M (59).
- Recoveries exceeded loan losses and amounted to SEK 3 M (5).
- The Tier 1 ratio according to Basel II was 18.3% (18.2) and the capital adequacy ratio was 20.8% (22.8).
- Covered bonds in the nominal amount of SEK 40 billion (29) were issued during the period.
- The number of customers rose 13 percent to 146,000 (129,000).

Figures in parentheses pertain to the same period in 2009.

Anders Borgcrantz, President of Länsförsäkringar Hypotek:

The trend in net interest income was positive during the period as a result of volume increases, a higher market interest-rate level and pricing that was adapted to the cost situation in the borrowing market. Länsförsäkringar's market position as the fifth largest mortgage institution was strengthened and the number of customers rose. Nearly eight of ten retail mortgage customers, also have Länsförsäkringar as their principal bank. It is thus highly gratifying that Länsförsäkringar has Sweden's most satisfied banking customers in the retail market, according to the Swedish Quality Index 2010. Credit quality remains favourable and refinancing activities have been effective, which means that the liquidity situation also remained strong.

CUSTOMER TREND



Key figures

	Q 3 2010	Q 3 2009	Jan-Sep 2010	Jan-Sep 2009	Full-year 2009
Return on equity, %	4,82	3,03	3,66	4,45	4,1
Return on total capital, %	0,21	0,13	0,16	0,20	0,19
Investment margin, %	0,48	0,30	0,39	0,42	0,38
Cost/income ratio before loan losses	0,22	0,38	0,30	0,31	0,33
Cost/income ratio after loan losses	0,22	0,39	0,30	0,28	0,30
Tier 1 ratio according to Basel II, %	18,3	18,2	18,3	18,2	20,3
Capital adequacy ratio according to Basel II, %	20,8	22,8	20,8	22,8	24,2
Percentage of impaired loans, net, %	0,01	0	0,01	0	0
Provision ratio in relation to loans, %	0,05	0,05	0,05	0,05	0,05
Loan losses, %	0	0	0	-0,01	-0,01

Income statement, quarterly

SEK M	Q 3 2010	Q 2 2010	Q 1 2010	Q 4 2009	Q 3 2009
Net interest income	126,4	93,1	68,3	55,5	58,9
Net commission	-64,4	-42,1	-27,1	-27,4	-33,6
Net gains/losses from financial items	9,9	-4,9	3,2	19,3	16,4
Other operating income	0	0	0	0,1	0
Total operating income	71,9	46,1	44,4	47,5	41,7
Staff costs	-2,5	-2,8	-3,2	-3,2	-2,1
Other administration expenses	-13,5	-14,0	-12,7	-15,4	-13,7
Total operating expenses	-16,0	-16,8	-15,9	-18,6	-15,8
Profit before net loan losses	55,9	29,3	28,5	28,9	25,9
Loan losses, net	-0,1	1,0	1,8	0,6	-0,3
Operating profit	55,8	30,3	30,3	29,5	25,6

Market commentary

During the third quarter, the outlook for the global economy deteriorated somewhat on increased concerns of a slowdown in the US and Asian economies combined with the uncertain budgetary situation in large parts of Europe. Sweden continues to demonstrate strong resilience with robust growth and a healthy balance in public financing. Activity in the banking and mortgage-bond market remained strong during the quarter.

Prices for single-family homes rose 1% compared with the preceding quarter and the metropolitan regions of Stockholm and Malmö continued to experience a good trend, according to Statistics Sweden. Retail mortgage loans continued to rise in the Swedish market and Länsförsäkringar strengthened the position among mortgage companies.

January-September 2010 compared with January-September 2009

Growth and customer trend

Loans to the public rose 21 percent, or SEK 13 billion, to SEK 77 billion (64) and the number of customers increased 13 percent, or 17,000, to 146,000 (129,000) on September 30, 2010. 78% (76) of the mortgage customers have Länsförsäkringar as their principal bank. According to the Swedish Quality Index 2010, Länsförsäkringar has Sweden's most satisfied banking customers in the retail market.

Earnings and profitability

Profit before net loan losses rose 7% to SEK 114 M (106) and operating profit increased 5% to SEK 116 M (111), which was attributable to strong net interest income. The return on equity was 3.7% (4.4).

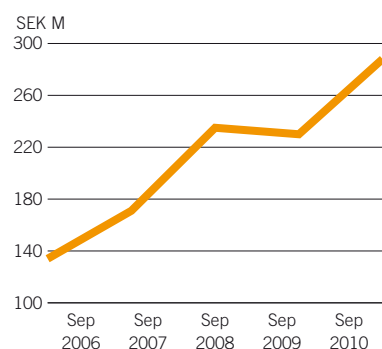
Income

Operating income increased a total of 5%, or SEK 8 M, to SEK 162 M (154). Net interest income rose 25%, or SEK 58 M, to SEK 288 M (230). Higher business volumes, an improved market interest-rate scenario and pricing that is adapted to the cost scenario in the borrowing market strengthened net interest income during the period. The investment margin was 0.39% (0.42).

Commission expense remained unchanged at SEK 133 M (133).

Net gains from financial items declined to SEK 8 M (57). Due to the status of the market interest-rates, customers prematurely redeemed loans with longer terms of fixed interest to a lesser extent than in the year-earlier period.

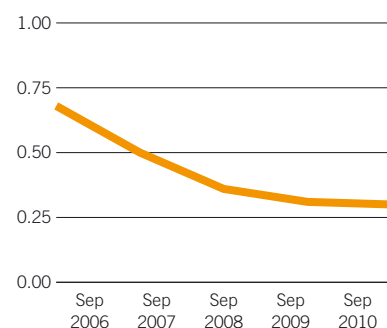
NET INTEREST INCOME



Expenses

Operating expenses remained unchanged and amounted to SEK 49 M (48). The cost/income ratio was strengthened to 0.30 (0.31) before loan losses and to 0.30 (0.28) after loan losses.

COST/INCOME RATIO



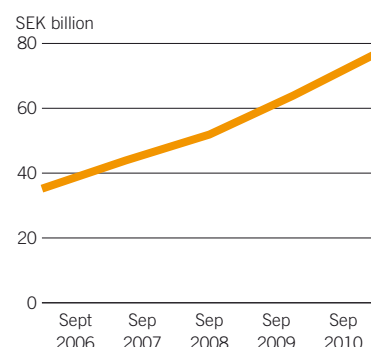
Net loan losses

Recoveries exceeded loan losses, amounting to SEK 3 M (5), corresponding to a net loan loss level of 0% (neg: 0.01). The reserve amounted to SEK 41 M (41), or 0.05% (0.05) of loans. Impaired loans totalled SEK 5 M (2), corresponding to a share of impaired loans of 0.01% (0). For more information regarding net loan losses, reserves and impaired loans, refer to Notes 8 and 10.

Loans

Loans to the public rose by 21%, or SEK 13 billion, to SEK 77 billion (64) and compared with year-end the increase was 14%, or SEK 9 billion. Loans remain characterized by highly favourable credit quality. The market share for retail mortgage lending to households rose to 4.0% (3.7) on September 30, 2010.

LOANS



Cover pool

Essentially all of Länsförsäkringar Hypotek's loans qualify 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 ¹⁾ was 61% (60) and the average commitment per borrower SEK 827,000 (777,000). The actual OC ²⁾ was 21.7% (18.8). The quality of the loan portfolio remains high. The geographic distribution in Sweden is favourable and collateral comprises private homes, including single-family homes, tenant-owned apartments and, to a small extent, leisure homes.

Cover pool	Sep 30, 2010	Sep 30, 2009
Volume, SEK billion	74	62
Collateral	Private homes	Private homes
Weighted average LTV ¹⁾ , %	61	60
Seasoning, months	50	50
Number of loans	195,708	172,162
Number of properties	90,211	80,081
Average commitment, SEK 000s	827	777
Average loan, SEK 000s	378	359
Interest-rate type, up to 12 months, %	69	62
Interest-rate type, more than 12 months, %	31	38
OC ²⁾ , current level, %	21.7	18.8
Separate deposit account ³⁾ , SEK billion	11.1	11.8
Percentage of separate deposit account in cover pool, %	11.0	15.6
Substitute collateral, SEK billion	16	2
Impaired loans	None	None

¹⁾ Calculated according to the "Maximum LTV (loan-to-value) per property" method.

²⁾ OC indicates the relationship between the assets and liabilities 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 drop in the value of assets.

³⁾ The separate deposit 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% drop in the market value of the loan portfolio, the weighted average LTV increased to 68% compared with an actual weighted average LTV of 61% on September 30, 2010.

Borrowing

Debt securities in issue rose 44%, or SEK 23 billion, to SEK 77 billion (54) and compared with year-end the increase was 41%, or SEK 22 billion. In January-September, covered bonds were issued in the nominal amount of SEK 39.8 billion (28.8). Repurchased securities totalled a nominal SEK 6.6 billion (14.6) and matured securities amounted to a nominal SEK 10.8 billion (3.1) during the period.

Liquidity

Liquidity remains favourable. On September 30, 2010, a total of SEK 11.1 billion (11.8) was deposited in the separate deposit account. Substitute collateral, which amounted to SEK 16 billion (2), comprises 84% Swedish covered bonds with the highest rating and 16% Swedish treasury bonds. The level of substitute collateral matches the refinancing need for the remainder of the year and for 2011.

Programme	Limit, Nominal	Issued in Jan-Sep 2010, Nominal, SEK billion	Issued in Jan-Sep 2009, Nominal, SEK billion	Outstanding, Sep 30, 2010, Nominal, SEK billion	Outstanding, Sep 30, 2009, Nominal, SEK billion	Remaining average term, Sep 30, 2010 Years	Remaining average term, Sep 30, 2009, Years
Benchmark	Unlimited	21.8	21.5	50.9	35.5	3.1	3.3
Medium Term Covered Note	SEK 30 billion	7.4	7.3	13.8	12.0	1.2	1.2
Euro Medium Term Covered Note	EUR 4 billion	10.6	-	11.5	4.9	4.4	1.2
Total		39.8	28.8	76.2	52.4		

Borrowing by maturity

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, billion	-	17.0	14.7	6.8	14.4	11.1	12.0	-	0.3	-	0.1	76.2

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. On October 6, 2010, Standard & Poor's confirmed Länsförsäkringar Hypotek's covered bonds credit rating of AAA with a stable outlook. 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 bank's 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 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. The transition rules from Basel I to Basel II have been extended through 2011 and entail a capital requirement of 80%.

The Basel Committee has submitted a proposal, Basel III, for a number of new regulations concerning such aspects as capital and liquidity requirements. These regulations will be successively implemen-

ted beginning 2010/2011. A transitional period between 2015 and 2018 applies to several of the regulations. During the transitional period, several of the regulations will be modified more precisely. Based on currently available information and Länsförsäkringar Hypotek's current prerequisites, the assessment is that the requirements resulting from the new regulations will be fulfilled by a comfortable margin.

Tier 1 capital, net, amounted to SEK 3,340 M (2,379) and Tier 1 ratio according to Basel II totalled 18.3% (18.2) on September 30, 2010. The capital base amounted to SEK 3,789 M (2,993) and the capital adequacy ratio was 20.8% (22.8) in accordance with the Basel II rules. For more information on the calculation of capital adequacy, refer to Note 13.

Interest-rate risk

On September 30, 2010, 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 84 M (45).

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 satisfactory during the period January-September 2010.

A detailed description of risks is available in the 2009 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 2010 compared with third quarter of 2009

Profit before net loan losses increased to SEK 56 M (26) and operating profit to SEK 56 M (26), which was the result of higher net interest income. Net interest income increased 115%, or SEK 67 M, to SEK 126 M (59), which was attributable to higher business volumes, an improved market interest-rate scenario and pricing that is adapted to the cost situation in the borrowing market. Return on equity strengthened to 4.8% (3.0). Operating income rose a total of 72%, or SEK 30 M, to SEK 72 M (42). The investment margin was 0.48% (0.30). Net gains from financial items declined to SEK 10 M (16). Expenses remained unchanged at SEK 16 M (16) and the cost/income ratio strengthened to 0.22 (0.38) before loan losses and 0.22 (0.39) after loan losses. Loan losses, net, amounted to SEK 0 M (0) during the quarter.

Events after the end of the period

The Swedish Financial Supervisory Authority's regulations stipulating that new mortgage loans for which the residence is used as collateral should not exceed 85% of the market value of the residence took effect on October 1, 2010.

On October 6, 2010, Standard & Poor's confirmed Länsförsäkringar Hypotek's covered bonds credit rating of AAA with a stable outlook.

Income statement

SEK M	Note	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Interest income	3	1,051.0	857.6		2,788.2	2,859.4		3,641.8
Interest expenses	4	-924.6	-798.7		-2,500.5	-2,629.5		-3,356.4
Net interest income		126.4	58.9	114.4%	287.7	229.9	25.1%	285.4
Commission income	5	0.5	0.5		1.5	1.5		2.0
Commission expense	6	-64.9	-34.1		-135.0	-134.9		-162.8
Net gains from financial items	7	9.9	16.4		8.2	57.5		76.8
Other operating income		0	0		0	0		0.1
Total operating income		71.9	41.7	72.5%	162.4	154.0	5.5%	201.5
Staff costs		-2.5	-2.1	16.7%	-8.5	-7.4	13.8%	-10.7
Other administration expenses		-13.5	-13.7	-1.5%	-40.2	-40.1	0.3%	-55.4
Total operating expenses		-16.0	-15.8	0.9%	-48.7	-47.5	2.4%	-66.1
Profit before loan losses		55.9	25.9	116.3%	113.7	106.5	6.8%	135.4
Loan losses, net	8	-0.1	-0.3	-41.4%	2.7	4.8	-43.9%	5.4
Operating profit		55.8	25.6	117.9%	116.4	111.3	4.6%	140.8
Tax		-14.7	-6.7		-30.6	-29.3		-40.9
Profit for the period		41.1	18.9	118.0%	85.8	82.0	4.6%	99.9

Statement of comprehensive income

SEK M	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Profit for the period	41.1	18.9	118.0%	85.8	82.0	4.6%	99.9
Other comprehensive income							
<i>Available-for-sale financial assets</i>							
Fair value change	10.8	22.1		48.3	22.1		14.3
Tax	-2.8	-5.8		-12.7	-5.8		-3.8
Total other comprehensive income for the period, net after tax	8.0	16.3	-50.9%	35.6	16.3	118.3%	10.5
Total comprehensive income for the period	49.1	35.2	39.7%	121.4	98.3	23.5%	110.4

Balance sheet

SEK M	Note	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Assets				
Treasury bills and other eligible bills		2,906.5	-	-
Loans to credit institutions	9	11,437.7	11,903.1	9,389.0
Loans to the public	10	77,043.4	63,891.7	67,535.9
Bonds and other interest-bearing securities		13,805.0	2,055.2	2,056.7
Derivatives	11	846.9	1,487.3	1,416.8
Fair value changes of interest-rate-risk-hedged items in the portfolio hedge		468.7	764.8	706.6
Deferred tax assets		-	0	-
Other assets		1.3	1.8	0.1
Prepaid expenses and accrued income		880.2	397.4	644.9
Total assets		107,389.7	80,501.3	81,750.0
Liabilities and equity				
Liabilities to credit institutions	9	22,764.2	21,209.5	20,476.2
Debt securities in issue		76,918.2	53,535.2	54,679.5
Derivatives	11	1,355.9	935.2	842.8
Fair value changes of interest-rate-risk-hedged items in the portfolio hedge		746.1	652.0	754.0
Deferred tax liabilities		16.4	5.8	3.7
Other liabilities		36.3	34.8	127.6
Accrued expenses and deferred income		1,571.6	1,016.6	1,406.6
Provisions		0.2	0.2	0.2
Subordinated liabilities		501.0	662.6	575.0
Total liabilities		103,909.9	78,051.9	78,865.6
Equity				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		46.1	16.3	10.5
Retained earnings		3,263.5	2,266.7	2,689.6
Profit for the period		85.8	82.0	99.9
Total equity		3,479.8	2,449.4	2,884.4
Total liabilities and equity		107,389.7	80,501.3	81,750.0
Memorandum items				
	12			
For own liabilities, pledged assets/collateral		81,072.9	72,358.9	75,188.5
Other pledged assets/collateral		NONE	NONE	NONE
Contingent assets and liabilities		0.7	0.7	0.7
Other commitments		202.2	348.6	221.9
Other notes				
Accounting policies	1			
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Cash-flow statement, indirect method

SEK M	Jan-Sep 2010	Jan-Sep 2009
Cash and cash equivalents, January 1	160.5	0.3
Cash flow from operating activities	-348.2	3,149.9
Cash flow from investing activities	-	-
Cash flow from financing activities	400.0	-
Cash flow for the period	51.8	3,149.9
Exchange-rate differences in cash and cash equivalents	-	-
Cash and cash equivalents, September 30	212.3	3,150.2

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

Changes to the cash flow from operating activities are largely attributable to debt securities in issue, bonds and interest-bearing securities and loans to the public.

Changes in the cash flow from financing activities are attributable to shareholders' contribution received.

Statement of changes in equity

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the period	Total
Opening balance, January 1, 2009	70.3	14.1	-	2,173.9	92.8	2,351.1
Total comprehensive income for the period			16.3		82.0	98.3
Resolution by Annual General Meeting				92.8	-92.8	-
Closing balance, September 30, 2009	70.3	14.1	16.3	2,266.7	82.0	2,449.4
Opening balance, October 1, 2009	70.3	14.1	16.3	2,266.7	82.0	2,449.4
Total comprehensive income for the period			-5.8		17.9	12.1
Group contribution paid				-155.6		-155.6
Tax on Group contribution paid				40.9		40.9
Conditional shareholders' contribution received				537.6		537.6
Closing balance, December 31, 2009	70.3	14.1	10.5	2,689.6	99.9	2,884.4
Opening balance, January 1, 2010	70.3	14.1	10.5	2,689.6	99.9	2,884.4
Total comprehensive income for the period			35.6		85.8	121.4
Resolution by Annual General Meeting				99.9	-99.9	-
Conditional shareholders' contribution received				474.0		474.0
Closing balance, September 30, 2010	70.3	14.1	46.1	3,263.5	85.8	3,479.8

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), 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 2.3 Accounting for Legal Entities and statements issued by the Swedish Financial Reporting Board pertaining to listed companies. The regulations in RFR 2.3 stipulate that the company, in the annual accounts for the legal entity, shall apply all EU-approved IFRS 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 amendments 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 that were applied in the preparation of the 2009 Annual Report.

NOTE 2 SEGMENT REPORTING

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

NOTE 3 INTEREST INCOME

SEK M	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Loans to credit institutions	36.2	11.2		74.4	64.5		74.1
Loans to the public	484.9	472.8		1,351.0	1,538.0		1,974.8
Interest-bearing securities	121.5	15.7		280.9	15.7		33.7
<i>Derivatives</i>							
Hedge accounting	408.4	348.4		1,081.8	1,203.9		1,520.2
Non-hedge accounting	-	9.5		0.1	37.3		39.0
Total interest income	1,051.0	857.6	22.5%	2,788.2	2,859.4	-2.5%	3,641.8
of which interest income on impaired loans	0.1	0		0.6	0.7		3.9
of which interest income from financial items not measured at fair value	521.1	484.0		1,425.4	1,602.5		2,048.9
Average interest rate on loans to the public during the period, %	2.6	3.0		2.5	3.5		3.3

NOTE 4 INTEREST EXPENSE

SEK M	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Liabilities to credit institutions	-38.8	-24.3		-80.0	-160.1		-180.9
Interest-bearing securities	-545.3	-398.5		-1,544.1	-1,225.0		-1,625.1
Subordinated liabilities	-3.9	-5.1		-11.7	-16.9		-21.5
<i>Derivatives</i>							
Hedge accounting	-327.9	-354.3		-848.6	-1,182.9		-1,480.6
Non-hedge accounting	-	-8.6		-0.2	-36.7		-38.1
Other interest expense	-8.7	-7.9		-15.8	-7.9		-10.2
Total interest expense	-924.6	-798.7	-15.7%	-2,500.5	-2,629.5	4.9%	-3,356.4
of which interest expense from financial items not measured at fair value	-596.7	-435.8		-1,651.6	-1,409.9		-1,837.7

NOTE 5 COMMISSION INCOME

SEK M	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Lending	0.5	0.5		1.5	1.5		2.0
Total commission income	0.5	0.5	-1.2%	1.5	1.5	-2.7%	2.0
of which commission income from financial items not measured at fair value	0.5	0.5		1.5	1.5		2.0

NOTE 6 COMMISSION EXPENSE

SEK M	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Remuneration to regional insurance companies	-64.4	-33.8		-133.4	-133.6		-161.3
Other commission	-0.5	-0.3		-1.6	-1.3		-1.5
Total commission expense	-64.9	-34.1	-90.2%	-135.0	-134.9	0%	-162.8
of which commission expense from financial items not measured at fair value	-64.4	-33.8		-133.4	-133.6		-161.3

NOTE 7 NET GAIN/LOSS FROM FINANCIAL ITEMS

SEK M	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Change in fair value							
Interest-related instruments	-102.8	10.0		12.9	-50.4		103.1
Currency-related instruments	-552.9	1.3		-247.1	-1.3		-5.3
Change in fair value of hedged item	646.0	-14.3		207.0	54.0		-94.8
Capital gain/loss							
Interest-related instruments	8.1	-0.2		0.1	-4.8		-4.1
Interest compensation	11.4	19.6		35.2	60.0		77.9
Total net gain/loss from financial items	9.9	16.4	-39.4%	8.2	57.5	-85.8%	76.8

NOTE 8 LOAN LOSSES, NET

SEK M	Q 3 2010	Q 3 2009	Change	Jan-Sep 2010	Jan-Sep 2009	Change	Full-year 2009
Specific reserve for individually assessed loan receivables							
Write-off of confirmed loan losses during the period	-0.7	-2.0		-1.4	-2.0		-2.6
Reversed earlier impairment of loan losses recognised as confirmed losses	-	-		0.2	-		0.2
Impairment of loan losses during the period	-1.4	-0.9		-3.1	-1.2		-2.5
Payment received for prior confirmed loan losses	1.4	1.2		3.5	3.9		5.1
Reversed impairment of loan losses no longer required	0.5	1.0		1.1	1.0		1.6
Net income/expense for the period for individually assessed loan receivables	-0.2	-0.7		0.2	1.7		1.8
Collective reserves for individually assessed receivables							
	-	-		-	-		-
Collective assessment of homogenous groups of loan receivables with limited value and similar credit risk							
Provision/reversal of impairment of loan losses	0	0.4		2.5	3.1		3.6
Net income/expense for the period for collectively assessed homogenous loan receivables	0	0.4		2.5	3.1		3.6
Net income/expense of loan losses for the period	-0.1	-0.3	41.4%	2.7	4.8	-43.9%	5.4

All information pertains to receivables from the public.

NOTE 9 LOANS/LIABILITIES TO CREDIT INSTITUTIONS

Loans to credit institutions include investments of SEK 11,144.9 M (11,879.2) in the Parent Company.
Loans to credit institutions include borrowing of SEK 15,678.4 M (20,167.6) from the Parent Company.

Balances in the Parent Company's bank account 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, 2010	Sep 30, 2009	Dec 31, 2009
Loan receivables, gross			
Corporate sector	1,336.6	687.4	936.7
Retail sector	75,747.7	63,245.8	66,640.8
Total loan receivables, gross	77,084.3	63,933.2	67,577.5
Impairment of individually reserved loan receivables			
Retail sector	-2.8	-0.4	-1.0
Total individual reserves	-2.8	-0.4	-1.0
Impairment of collectively reserved loan receivables			
Corporate sector	-1.2	-0.5	-0.7
Retail sector	-36.9	-40.6	-39.9
Total collective reserves	-38.1	-41.1	-40.6
Total reserves	-40.9	-41.5	-41.6
Loan receivables, net			
Corporate sector	1,335.4	686.9	936.0
Retail sector	75,708.0	63,204.8	66,599.9
Total loan receivables, net	77,043.4	63,891.7	67,535.9
Impaired loans			
Retail sector	5.1	2.0	3.4
Total impaired loans	5.1	2.0	3.4

Definitions:

A loan receivable is considered impaired if a payment is more than 60 days past due or if there is reason to expect that the counterparty due to other circumstances cannot meet its undertaking.

NOTE 11 DERIVATIVES

SEK M	Sep 30, 2010		Sep 30, 2009		Dec 31, 2009	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest	54,744.0	749.3	38,094.5	739.0	37,814.5	814.6
Currency	930.5	307.3	1,394.4	291.0	1,394.4	332.4
<i>Other derivatives</i>						
Interest	-	-	1,175.0	16.0	-	-
Currency	-	-	3,626.5	462.8	3,267.6	427.6
Collateral received, CSA	-	-209.7	-	-21.5	-	-157.8
Total derivatives with positive values	55,674.5	846.9	44,290.4	1,487.3	42,476.5	1,416.8
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest	35,889.0	819.6	24,195.0	908.9	22,500.0	831.9
Currency	10,577.1	536.3	-	-	-	-
<i>Other derivatives</i>						
Interest	-	-	675.0	15.8	-	-
Currency	-	-	91.7	10.5	91.7	10.9
Total derivatives with negative values	46,466.1	1,355.9	24,961.7	935.2	22,591.7	842.8

NOTE 12 MEMORANDUM ITEMS

SEK M	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
For own liabilities, pledged assets/collateral			
Collateral paid due to repurchase agreements	7,019.6	10,557.3	10,076.9
Loan receivables, covered bonds	74,053.3	61,801.6	65,111.6
Total for own liabilities, pledged assets/collateral	81,072.9	72,358.9	75,188.5
Other pledged assets/collateral	NONE	NONE	NONE
Contingent assets and liabilities			
Early retirement at age 62 in accordance with pension agreement, 80%	0.7	0.7	0.7
Commitments			
Loans approved but not disbursed	202.2	348.6	221.9

NOTE 13 CAPITAL-ADEQUACY ANALYSIS

SEK M	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Capital base			
Tier 1 capital, gross	3,392.5	2,414.2	2,873.9
Less IRB deficit	-52.1	-35.2	-37.4
Tier 1 capital, net	3,340.4	2,379.0	2,836.5
Tier 2 capital	501.0	649.3	575.0
Deductions for Tier 2 capital	-52.1	-35.3	-37.4
Total capital base	3,789.3	2,993.0	3,374.1
Risk-weighted assets according to Basel II	18,233.5	13,109.6	13,963.0
Risk-weighted assets according to transition rules	37,170.7	29,772.2	31,599.2
Capital requirement			
Capital requirement for credit risk according to Standardised Approach	244.9	125.5	145.4
Capital requirement for credit risk according to IRB Approach	1,193.6	907.4	955.8
Capital requirement for operational risk	20.2	15.9	15.8
Capital requirement according to Basel II	1,458.7	1,048.8	1,117.0
Adjustment according to transition rules	1,515.0	1,333.0	1,410.9
Total capital requirement	2,973.7	2,381.8	2,527.9
Capital adequacy			
Tier 1 ratio according to Basel II, %	18.32	18.15	20.31
Capital-adequacy ratio according to Basel II, %	20.78	22.83	24.16
Capital ratio in relation to capital requirement according to Basel II*	2.60	2.85	3.02
Tier 1 ratio according to transition rules, %	8.99	7.99	8.98
Capital-adequacy ratio according to transition rules, %	10.19	10.05	10.68
Capital ratio in relation to capital requirement according to transition rules*	1.27	1.26	1.33
Special disclosures			
IRB provisions surplus (+)/deficit (-)	-104.2	-70.5	-74.8
IRB Total provisions (+)	39.0	39.5	39.1
IRB Anticipated loss (-)	-143.2	-110.0	-113.9
Capital requirement			
Credit risk according to Standardised Approach			
Exposures to institutions	45.2	23.6	28.5
Exposures to corporates	16.5	10.3	12.5
Exposures secured on residential property	69.2	72.3	85.3
Past due items	-	0.7	0.6
Covered bonds	112.2	16.7	16.9
Other items	1.8	1.9	1.6
Total capital requirement for credit risk according to Standardised Approach	244.9	125.5	145.4

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Credit risk according to IRB Approach			
Retail exposures			
Exposures secured by real estate collateral	1,119.0	905.7	953.4
Other retail exposures	2.3	1.7	2.4
Total retail exposures	1,121.3	907.4	955.8
Exposures to corporates	72.2	-	-
Total capital requirement for credit risk according to IRB Approach	1,193.5	907.4	955.8
Operational risk			
Standardised Approach	20.2	15.9	15.8
Total capital requirement for operational risk	20.2	15.9	15.8

Capital-adequacy analysis according to Basel I

Tier 1 capital	3,392.5	2,414.2	2,873.9
Tier 2 capital	501.0	649.3	575.0
Total capital base	3,893.5	3,063.5	3,448.9
Risk-weighted assets	47,939.7	38,316.5	40,667.2
Capital requirement for credit risk	3,835.2	3,065.3	3,253.4
Tier 1 ratio	7.08	6.30	7.07
Capital-adequacy ratio	13.06	8.00	8.48
Capital ratio in relation to capital requirement*	1.02	1.00	1.06

*Capital ratio in relation to capital requirement = total capital base/total capital requirement

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 14 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, Länsförsäkringar Fastighetsförmedling AB, the 24 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 2010. Since December 31, 2009, 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, 2009, 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 26, 2010

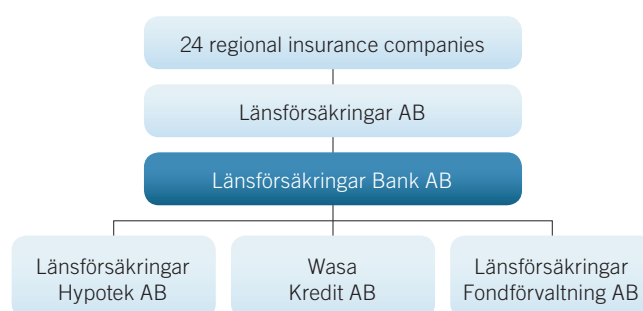
Anders Borgcrantz
President

Financial calendar

Year-end report 2010 **February 21, 2011**

Interim report, January – March 2011 **April 29, 2011**

Länsförsäkringar Hypotek AB (publ) discloses the information provided herein pursuant to the Swedish Securities Markets Act. The information was submitted for publication at 11:00 CET on October 26, 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, corporate customers and agricultural 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

Göran Laurén, Acting President and CFO, Länsförsäkringar Hypotek AB,
+46 (0)8-588 410 73, +46 (0)73-964 10 73,
goran.lauren@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