

Länsförsäkringar Hypotek

January–June 2012

The period in brief

- Operating profit rose to SEK 186 M (92) and the return on equity strengthened to 6.3% (3.6).
- Net interest income increased 58% to SEK 376 M (238).
- Loan losses amounted to SEK -0.3 M (-6.4), net, corresponding to loan losses of 0.00% (-0.01).
- Loans rose 12% to SEK 95 billion (85).
- The Core Tier 1 ratio and Tier 1 ratio amounted to 21.4% (20.6) and the capital adequacy ratio to 23.5% (22.9).
- The number of customers rose 9% to 169,000 (155,000).

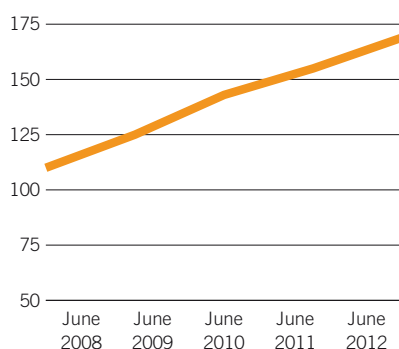
Figures in parentheses pertain to the same period in 2011.

Anders Borgcrantz,
President of Länsförsäkringar Hypotek:

“Länsförsäkringar is growing in the mortgage market with sustained credit quality and increasing earnings. Net interest income was strengthened primarily by improved and more normalised margins in a turbulent business environment. The number of retail mortgage customers choosing Länsförsäkringar as their primary bank is rising, showing that our offering is attractive. Credit quality remained excellent with low loan losses and a low percentage of impaired loans.”

CUSTOMER TREND

Number of customers, 000s



Key figures

	Q 2 2012	Q 2 2011	Q 1 2012	Jan-Jun 2012	Jan-Jun 2011	Full-year 2011
Return on equity, %	6.9	3.6	5.6	6.3	3.6	3.6
Return on total capital, %	0.35	0.17	0.27	0.31	0.17	0.17
Investment margin, %	0.68	0.42	0.58	0.63	0.44	0.45
Cost/income ratio before loan losses	0.21	0.29	0.18	0.20	0.28	0.30
Cost/income ratio after loan losses	0.19	0.22	0.20	0.20	0.23	0.28
Core Tier 1 ratio according to Basel II, %	21.4	20.6	21.6	21.4	20.6	20.6
Tier 1 ratio according to Basel II, %	21.4	20.6	21.6	21.4	20.6	20.6
Tier 1 ratio according to transition rules, %	9.4	9.1	9.5	9.4	9.1	9.4
Capital adequacy ratio according to Basel II, %	23.5	22.9	23.8	23.5	22.9	22.8
Capital adequacy ratio according to transition rules, %	10.3	10.2	10.5	10.3	10.2	10.5
Percentage of impaired loans, %	0.00	0.01	0.00	0.00	0.01	0.00
Reserve ratio in relation to loans, %	0.04	0.04	0.04	0.04	0.04	0.04
Loan losses, %	-0.01	-0.02	0.01	0.00	-0.01	0.00

Income statement, quarterly

SEK M	Q 2 2012	Q 1 2012	Q 4 2011	Q 3 2011	Q 2 2011
Net interest income	204.0	171.7	147.0	121.2	113.7
Net commission	-96.0	-79.1	-66.7	-59.0	-59.6
Net gains/losses from financial items	21.0	9.4	-2.5	3.5	5.5
Other operating income	0	0.1	0	0	0.3
Total operating income	129.0	102.1	77.8	65.7	59.9
Staff costs	-3.3	-2.7	-3.1	-3.8	-3.9
Other administration expenses	-23.5	-15.9	-21.6	-15.8	-13.9
Total operating expenses	-26.8	-18.6	-24.7	-19.6	-17.8
Profit before loan losses	102.2	83.5	53.1	46.1	42.1
Loan losses, net	2.7	-2.4	-1.3	-1.1	4.9
Operating profit	104.9	81.1	51.8	45.0	47.0

Market commentary

The global economy gradually slowed down during the second quarter and the eurozone crisis further deepened when Spain was forced to apply for emergency loans for its banking sector and there was widespread uncertainty surrounding the outcome of the Greek parliamentary elections. During the second quarter, such uncertainty and the weaker economic outlook led to stock-market declines, weaker credit indexes and falling interest rates in such countries as Germany, the US and Sweden and increasing rates in, for example, Spain and Italy. The climate improved slightly at the end of June when Greece elected a government focused on implementing continued austerity measures. Key interest rates in Sweden, the eurozone and the US remained unchanged.

Swedish issuers' credit spreads on senior debt remained stable while credit spreads on Swedish covered bonds fell slightly. Issuing activity for both covered and senior debt declined compared with the first quarter.

The Swedish housing market remained stable. Prices of tenant-owned apartments rose 1% and prices of single-family homes increased 2% in the second quarter compared with the prior quarter, according to Real Estate Agency Statistics. The rate of increase in household and retail mortgages was just under 1% in the second quarter, according to data from Statistics Sweden.

January-June 2012 compared with January-June 2011

Growth and customer trend

Loans to the public rose 12%, or SEK 10 billion, to SEK 95 billion (85). The number of customers rose 9%, or 14,000, to 169,000 (155,000), and 82% (81) of mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Profit before loan losses rose 117% to SEK 186 M (86) and operating profit increased 102% to SEK 186 M (92), primarily due to higher net interest income. Return on equity strengthened to 6.3% (3.6).

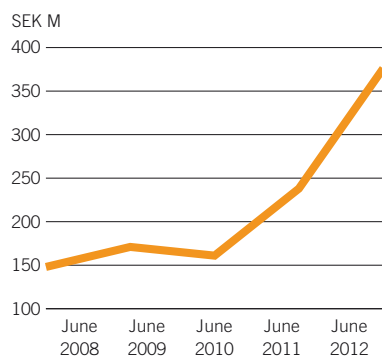
Income

Net interest income rose 58%, or SEK 138 M, to SEK 376 M (238). The increase was largely attributable to improved margins and also higher mortgage volumes. The investment margin strengthened to 0.63% (0.44). Net interest income was charged with a provision totalling SEK 17.2 M (16.2) for stability fund fees.

Net gains from financial items rose to SEK 30 M (4) due to realised gains in the liquidity portfolio and interest compensation. Operating income rose a total of 94%, or SEK 112 M, to SEK 231 M (119).

Net commission fell to an expense of SEK 175 M (123), attributable to higher compensation to the regional insurance companies.

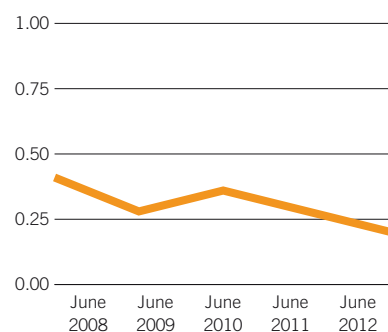
NET INTEREST INCOME



Expenses

Operating expenses rose 35% to SEK 45 M (34) as a result of the greater use of the Parent Company's services due to higher volumes. The cost/income ratio before loan losses strengthened to 0.20 (0.28) and the cost/income ratio after loan losses strengthened to 0.20 (0.23).

COST/INCOME RATIO



Loan losses

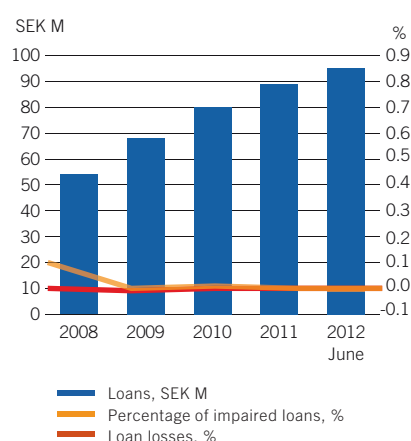
Loan losses amounted to SEK -0.3 M (-6.4), net, corresponding to loan losses of 0.00% (-0.01). Reserves amounted to SEK 36 M (37), providing a reserve ratio in relation to loans of 0.04% (0.04). Impaired loans fell to SEK 2 M (8), corresponding to a percentage of impaired loans of 0.00% (0.01).

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 95 billion (85) and from year-end the increase is 7% or SEK 6 billion. The loan portfolio, comprising the following: 77% single-family homes, 20% tenant-owned apartments and 3% multi-family homes, continues to have favourable credit quality.

LOANS TO THE PUBLIC



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 is conducted solely in SEK and in Sweden. Collateral comprises only private homes, including single-family homes, tenant-owned apartments and, to a marginal extent, leisure homes, and the geographic distribution in Sweden is favourable.

The weighted average loan-to-value ratio, LTV, was 62% (60) and the average commitment per borrower was SEK

868,000 (851,000) on June 30, 2012. The current OC totalled a nominal amount of 20.9% (20.5). Credit quality is high, which is also confirmed by Moody's key figure collateral score on July 19, 2012, which indicates that Länsförsäkringar Hypotek's collateral in the cover pool has the highest credit quality of all Swedish covered bond issuers and is among the top issuers in Europe.

Cover pool	June 30, 2012	June 30, 2011
Cover pool, SEK billion	109	108
OC ¹⁾ , nominal, current level, %	20.9	20.5
Weighted average Max-LTV, %	62	60
Collateral	Private homes	Private homes
Seasoning, months	58	55
Number of loans	225,612	208,336
Number of borrowers	103,294	94,916
Number of properties	103,751	95,387
Average commitment, SEK 000s	868	851
Average loan, SEK 000s	397	388
Interest-rate type, variable, %	54	62
Interest-rate type, fixed, %	46	38
Impaired loans	None	None

¹⁾ OC is calculated using nominal values and excludes accrued interest rates. Debt securities in issue in other currencies than SEK are translated into SEK with the swap rate. Debt securities in issue include repurchase agreements. From June 1, 2012, OC is reported excluding the separate deposit account.

During a stress test of the cover pool based on a 20% price drop in the market value of the mortgages' collateral, the weighted average Max-LTV was 68% (67) compared with a current weighted average Max-LTV of 62% (60) on June 30, 2012. No impaired loans are included in the cover pool.

Borrowing

Debt securities in issue remained unchanged at SEK 88 billion. Borrowing was successful during January- June and the maturity structure for borrowing was highly diversified. Covered bonds in the nominal amount of SEK 16.6 billion (24.3) were issued. Repurchases totalled a nominal amount of SEK 7.7 billion (10.4) and matured securities a nominal amount of SEK 5.9 billion (5.5). For more information about the borrowing programmes, see the Appendix on page 13.

Liquidity

The liquidity reserve totalled a nominal amount of SEK 20.8 billion (22.5), of which 74% is Swedish covered bonds with

an AAA/Aaa credit rating, 16% is Swedish government bonds and 10% is deposits in the separate deposit account. The level of liquidity reserve matches the refinancing requirement for all debt securities in issue falling due until the first quarter of 2014.

Rating

Länsförsäkringar Hypotek is one of four issuers in the Swedish market for covered bonds with the highest rating from both Standard & Poor's and Moody's. The Parent Company Länsförsäkringar Bank's credit rating is A/stable from Standard & Poor's, which was confirmed in July, and A2/negative from Moody's.

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

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 exposure.

In May, the Swedish Financial Supervisory Authority approved the advanced IRB Approach for counterparty exposures to corporates and the agricultural sector up to SEK 5 M, and the fundamental IRB Approach for counterparty exposures to corporates and the agricultural sector in excess of SEK 5 M. The Standardised Approach continues to be applied to exposures to central governments, local governments, county councils, institutions and off-balance sheet items.

Tier 1 and Core Tier 1 capital amounted to SEK 4,419 M (3,856) and the Tier 1 and Core Tier 1 ratio was 21.4% (20.6) on June 30, 2012. The capital base amounted

to SEK 4,856 M (4,303) and the capital adequacy ratio was 23.5% (22.9).

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

Interest-rate risk

On June 30, 2012, 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 31 M (53).

Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily credit risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks which are restricted through narrow limits. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly satisfactory during January-June.

A detailed description of risks is available in the 2011 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

Second quarter of 2012 compared with second quarter of 2011

Operating profit rose 123% to SEK 105 M (47), attributable to a higher net interest income. Net interest income increased 80%, or SEK 90 M, to SEK 204 M (114) and the return on equity strengthened to 6.9% (3.6). The investment margin strengthened to 0.68% (0.42). Net gains from financial items rose to SEK 21 M (6). Operating income increased a total of 115%, or SEK 69 M, to SEK 129 M (60). Net commission fell to an expense of SEK 96 M (60) attributable to higher compensation to the regional insurance companies. Expenses increased to SEK 27 M (18) and the cost/income ratio strengthened to 0.21 (0.29). Loan losses, net, totalled SEK -3 M (-5).

Second quarter of 2012 compared with first quarter of 2012

Operating profit rose 29% to SEK 105 M (81), attributable to a higher net interest income. Net interest income rose 19%, or SEK 32 M, to SEK 204 M (172), primarily as a result of improved margins. The return on equity strengthened to 6.9% (5.6). The investment margin strengthened to 0.68% (0.58). Net gains from financial items rose to SEK 21 M (9). Operating income increased a total of 26%, or SEK 27 M, to SEK 129 M (102). Net commission fell to an expense of SEK 96 M (79) attributable to higher compensation to the regional insurance companies. Expenses increased to SEK 27 M (19) and the cost/income ratio was 0.21 (0.18). Loan losses totalled SEK -3 M (2), net.

Events after the end of the period

In July, the Parent Company's credit rating A/stable from Standard & Poor's was confirmed.

Income statement

SEK M	Note	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Interest income	3	1,808.7	1,698.8	6%	1,899.4	-5%	3,708.1	3,158.2	17%	6,891.7
Interest expense	4	-1,604.7	-1,585.1	1%	-1,727.7	-7%	-3,332.4	-2,920.0	14%	-6,385.3
Net interest income		204.0	113.7	80%	171.7	19%	375.7	238.2	58%	506.4
Commission income	5	0.6	0.6	15%	0.6	8%	1.2	1.1	15%	2.2
Commission expense	6	-96.6	-60.2	60%	-79.7	21%	-176.3	-123.9	42%	-250.8
Net gains from financial items	7	21.0	5.5	283%	9.4	122%	30.4	3.5	779%	4.5
Other operating income		0.0	0.3	-92%	0.1	-48%	0.1	0.3	-77%	0.4
Total operating income		129.0	59.9	115%	102.1	26%	231.1	119.2	94%	262.7
Staff costs		-3.3	-3.9	-15%	-2.7	21%	-6.0	-6.7	-10%	-13.6
Other administration expenses		-23.5	-13.9	69%	-15.9	48%	-39.4	-26.9	46%	-64.4
Depreciation and impairment of tangible assets		0.0	-		0.0		0.0	-		0.0
Total operating expenses		-26.8	-17.8	51%	-18.6	44%	-45.4	-33.6	35%	-78.0
Profit before loan losses		102.2	42.1	143%	83.5	22%	185.7	85.6	117%	184.7
Loan losses, net	8	2.7	4.9	-44%	-2.4	-212%	0.3	6.4	-95%	4.0
Operating profit		104.9	47.0	123%	81.1	29%	186.0	92.0	102%	188.7
Tax		-27.6	-12.4	123%	-21.3	29%	-48.9	-24.2	102%	-39.2
Profit for the period		77.3	34.6	123%	59.8	29%	137.1	67.8	102%	149.5

Statement of comprehensive income

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Profit for the period	77.3	34.6	123%	59.8	29%	137.1	67.8	102%	149.5
Other comprehensive income									
<i>Available-for-sale-financial assets</i>									
Fair value change	-48.0	29.5	-263%	52.2	-192%	4.2	97.6	-96%	161.0
Reclassification realised securities	-	-2.2	-100%	-7.3	-100%	-7.3	-2.2	232%	-3.6
Tax	12.6	-7.2	-275%	-11.8	-207%	0.8	-25.1	-103%	-41.4
Total other comprehensive income for the period, net after tax	-35.4	20.1	-276%	33.1	-207%	-2.3	70.3	-103%	116.0
Total comprehensive income for the period	41.9	54.7	-24%	92.9	-55%	134.8	138.1	-2%	265.5

Balance sheet

SEK M	Note	June 30, 2012	Dec 31, 2011	June 30, 2011
Assets				
Treasury bills and other eligible bills		3,697.5	8,341.5	5,837.1
Loans to credit institutions	9	5,160.0	1,912.1	5,841.6
Loans to the public	10	94,833.4	88,625.0	84,540.2
Bonds and other interest-bearing securities		16,347.9	14,504.5	16,646.3
Derivatives	11	1,142.1	1,470.3	1,110.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		491.4	640.5	50.3
Tangible assets		0.3	0.3	–
Deferred tax assets		0.3	0.3	–
Other assets		0.3	1.2	0.7
Prepaid expenses and accrued income		944.4	1,916.1	929.6
Total assets		122,617.6	117,411.8	114,956.0
Liabilities, provisions and equity				
Due to credit institutions	9	23,963.4	19,985.7	19,141.8
Debt securities in issue		88,291.6	85,396.2	88,268.7
Derivatives	11	2,020.7	2,237.8	1,901.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,480.9	1,755.8	–604.8
Deferred tax liabilities		–	–	35.6
Other liabilities		63.1	355.4	31.3
Accrued expenses and deferred income		1,670.5	2,838.3	1,669.9
Provisions		–	–	0.2
Subordinated liabilities		501.0	501.0	501.0
Total liabilities and provisions		117,991.2	113,070.2	110,945.6
Equity				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		143.3	145.6	100.0
Retained earnings		4,261.6	3,962.1	3,758.2
Profit for the year		137.1	149.5	67.8
Total equity		4,626.4	4,341.6	4,010.4
Total liabilities, provisions and equity		122,617.6	117,411.8	114,956.0
Memorandum items				
	12			
For own liabilities, pledged assets		91,495.2	86,366.1	82,842.6
Other pledged assets		None	None	None
Contingent liabilities		2,342.6	2,192.6	1,733.3
Other commitments		6,021.3	3,893.7	4,623.4
Other notes				
Accounting policies	1			
Segment reporting	2			
Capital-adequacy analysis	13			
Disclosures on related parties	14			

Cash-flow statement in summary, indirect method

SEK M	Jan-Jun 2012	Jan-Jun 2011
Cash and cash equivalents, January 1	5.8	22.9
Cash flow from operating activities	198.3	-91.0
Cash flow from financing activities	-197.5	72.3
Cash flow for the period	0.8	-18.7
Cash and cash equivalents, June 30	6.6	4.2

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

Changes in the cash flow from operating activities are largely attributable to Loans to the public SEK -6,209.6 M (-4,869.5), Treasury bills and other eligible bills SEK -4,350.6 M (-2,977.3) and to Due to credit institutions SEK 4,030.5 M (1,335.0).

Changes in the cash flow from financing activities are attributable to Shareholders' contribution received SEK 150.0 M (250.0) and to Group contribution paid SEK -347.5 M (-177.7).

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, 2011	70.3	14.1	29.6	3,403.5	104.8	3,622.3
Profit for the period					67.8	67.8
Other comprehensive income for the period			70.3			70.3
<i>Comprehensive income for the period</i>			<i>70.3</i>		<i>67.8</i>	<i>138.1</i>
According to the Board's proposal				104.8	-104.8	-
Conditional shareholders' contribution received				250.0		250.0
Closing balance, June 30, 2011	70.3	14.1	99.9	3,758.3	67.8	4,010.4
Opening balance, July 1, 2011	70.3	14.1	99.9	3,758.3	67.8	4,010.4
Profit for the period					81.7	81.7
Other comprehensive income for the period			45.7			45.7
<i>Comprehensive income for the period</i>			<i>45.7</i>		<i>81.7</i>	<i>127.4</i>
According to the Board's proposal				-347.6		-347.6
Tax on Group contribution paid				91.4		91.4
Conditional shareholders' contribution received				460.0		460.0
Closing balance, December 31, 2011	70.3	14.1	145.6	3,962.1	149.5	4,341.6
Opening balance, January 1, 2012	70.3	14.1	145.6	3,962.1	149.5	4,341.6
Profit for the period					137.1	137.1
Other comprehensive income for the period			-2.3			-2.3
<i>Comprehensive income for the period</i>			<i>-2.3</i>		<i>137.1</i>	<i>134.8</i>
Resolution by Annual General Meeting				149.5	-149.5	0.0
Conditional shareholders' contribution received				150.0		150.0
Closing balance, June 30, 2012	70.3	14.1	143.3	4,261.6	137.1	4,626.4

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, including amendment regulations). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued by the Swedish Financial Reporting Board pertaining to listed companies. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, shall apply all IFRS

and statements adopted by the EU to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the link between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies applied in the interim report comply with the accounting policies and basis of calculation that will be applied in the preparation of the 2011 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 year's income statement and balance sheet.

NOTE 3 INTEREST INCOME

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Loans to credit institutions	8.3	30.7	-73%	16.5	-49%	24.8	66.7	-63%	86.5
Loans to the public	923.3	770.9	20%	924.2	0%	1,847.5	1,440.9	28%	3,149.7
Interest-bearing securities	141.5	121.8	16%	155.5	-9%	297.0	234.3	27%	568.5
<i>Derivatives</i>									
Hedge accounting	735.6	707.3	4%	803.2	-8%	1,538.8	1,284.8	20%	2,955.5
Non-hedge accounting	-	68.1	-100%	-	-	-	131.5	-100%	131.5
Total interest income	1,808.7	1,698.8	6%	1,899.4	-5%	3,708.1	3,158.2	17%	6,891.7
of which interest income on impaired loans	0.0	-0.7	-102%	-0.1	-123%	0.0	-0.4	-87%	-2.7
of which interest income from financial items not measured at fair value	931.6	801.5	16%	940.7	-1%	1,872.4	1,507.6	24%	3,236.1
Average interest rate on loans to the public during the period, %	4.0	3.7		4.1		4.1	3.5		3.7

NOTE 4 INTEREST EXPENSE

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Due to credit institutions	-138.6	-90.1	54%	-131.1	6%	-269.7	-157.9	71%	-400.5
Interest-bearing securities	-695.5	-688.4	1%	-720.8	-4%	-1,416.2	-1,313.5	8%	-2,729.9
Subordinated liabilities	-5.9	-6.0	-2%	-6.3	-7%	-12.2	-11.5	6%	-23.7
<i>Derivatives</i>									
Hedge accounting	-756.3	-727.0	4%	-860.8	-12%	-1,617.1	-1,295.8	25%	-3,072.1
Non-hedge accounting	-	-65.1	-100%	-	-	-	-125.1	-100%	-125.1
Other interest expense	-8.4	-8.5	-1%	-8.7	-4%	-17.2	-16.2	6%	-34.0
Total interest expense	-1,604.7	-1,585.1	1%	-1,727.7	-7%	-3,332.4	-2,920.0	14%	-6,385.3
of which interest expense from financial items not measured at fair value	-848.4	-792.9	7%	-866.9	-2%	-1,715.3	-1,499.1	14%	-3,188.1

NOTE 5 COMMISSION INCOME

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Lending	0.6	0.6	15%	0.6	8%	1.2	1.1	15%	2.2
Total commission income	0.6	0.6	15%	0.6	8%	1.2	1.1	15%	2.2
of which commission income from financial items not measured at fair value	0.6	0.6	15%	0.6	8%	1.2	1.1	15%	2.2

NOTE 6 COMMISSION EXPENSE

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Remuneration to regional insurance companies	-96.3	-59.8	61%	-79.3	21%	-175.6	-123.1	43%	-249.2
Other commission	-0.3	-0.4	-17%	-0.4	-11%	-0.7	-0.8	-12%	-1.6
Total commission expense	-96.6	-60.2	60%	-79.7	21%	-176.3	-123.9	42%	-250.8
of which commission expense from financial items not measured at fair value	-96.3	-59.8	61%	-79.3	21%	-175.6	-123.1	43%	-249.1

NOTE 7 NET GAINS FROM FINANCIAL ITEMS

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Change in fair value									
Interest-related instruments	101.4	204.9	-51%	-38.6	-363%	62.8	31.4	100%	469.2
Currency-related instruments	-271.6	565.7	-148%	-51.9	423%	-323.4	160.2	-302%	15.6
Change in fair value of hedged items	166.2	-773.5	-121%	66.5	150%	232.6	-197.5	-218%	-506.5
Capital gain / loss									
Interest-related instruments	10.8	4.4	148%	24.7	-56%	35.5	2.3		1.4
Interest compensation	14.2	4.0	255%	8.7	62%	22.9	7.1	224%	24.8
Total net gains from financial items	21.0	5.5	283%	9.4	122%	30.4	3.5	779%	4.5

NOTE 8 LOAN LOSSES, NET

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Specific reserve for individually assessed loan receivables									
Write-off of confirmed loan losses during the period	-3.0	0.0		-0.8	275%	-3.8	-0.1	-	-17.5
Reversed earlier impairment of loan losses recognised as confirmed losses	0.3	0.1	133%	0.0	709%	0.3	0.3	12%	4.8
Impairment of loan losses during the period	-0.2	-2.3	-92%	-1.9	-90%	-2.0	-5.2	-61%	-8.4
Payment received for prior confirmed loan losses	3.8	0.5	630%	2.0	93%	5.8	1.3	347%	13.1
Reversed impairment of loan losses no longer required	0.2	1.8	-92%	0.5	-52%	0.7	2.4	-72%	6.7
Net income / expense for the period for individually assessed loan receivables	1.1	-0.1	854%	-0.2	-699%	0.9	-1.3	-171%	-1.3
Collective reserves for individually assessed receivables	-	-		-		-	-		-
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision / reversal of impairment of loan losses	1.6	4.8	-68%	-2.2	-171%	-0.6	7.7	-108%	5.3
Net income / expense for the period for collectively assessed homogenous loan receivables	1.6	4.8	-68%	-2.2	-171%	-0.6	7.7	-108%	5.3
Net income / expense of loan losses for the period	2.7	4.9	-46%	-2.4	212%	0.3	6.4	-95%	4.0

All information pertains to receivables from the public.

NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS

Loans to credit institutions include deposits with the parent company of SEK 2,360.6 M (4,687.1).
Due to credit institutions includes borrowings of SEK 20,319.9 M (17,091.7).

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	June 30, 2012	Dec 31, 2011	June 30, 2011
Loan receivables, gross			
Corporate sector	2,670.4	1,733.8	1,652.2
Retail sector	92,198.5	86,925.0	82,925.0
Total loan receivables, gross	94,868.9	88,658.8	84,577.2
Impairment of individually assessed loan receivables			
Corporate sector	-	-	-
Retail sector	-1.4	-0.3	-5.9
Total individual reserves	-1.4	-0.3	-5.9
Impairment of collectively assessed loan receivables			
Corporate sector	-3.3	-2.5	-1.1
Retail sector	-30.8	-31.0	-30.0
Total collective reserves	-34.1	-33.5	-31.1
Total reserves	-35.5	-33.8	-37.0
Loan receivables, net			
Corporate sector	2,667.0	1,731.3	1,651.1
Retail sector	92,166.4	86,893.7	82,889.1
Total loans to the public	94,833.4	88,625.0	84,540.2
Impaired loans			
Retail sector	2.0	0.8	7.9
Total impaired loans	2.0	0.8	7.9

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	June 30, 2012		Dec 31, 2011		June 30, 2011	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest	61,358.0	971.4	59,395.0	1,292.2	59,050.0	619.6
Currency	4,079.5	393.1	10,576.6	454.2	10,809.7	490.6
Collateral received, CSA	-	-222.4	-	-276.1	-	-
<i>Other derivatives</i>						
Interest	-	-	0.0	0.0	-	-
Total derivatives with positive values	65,437.5	1,142.1	69,971.6	1,470.3	69,859.7	1,110.2
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest	57,421.0	873.4	61,169.0	1,350.6	66,963.0	1,113.2
Currency	26,065.6	1,147.3	11,852.1	887.2	10,577.1	788.7
<i>Other derivatives</i>						
Currency	-	-	-	-	-	-
Total derivatives with negative values	83,486.6	2,020.7	73,021.1	2,237.8	77,540.1	1,901.9

NOTE 12 MEMORANDUM ITEMS

SEK M	June 30, 2012	Dec 31, 2011	June 30, 2011
For own liabilities, pledged assets			
Collateral pledged due to repurchase agreements	1,846.5	1,938.0	2,050.1
Loan receivables, covered bonds	89,648.7	84,428.1	80,792.5
Total for own liabilities, pledged assets	91,495.2	86,366.1	82,842.6
Other pledged assets	None	None	None
Contingent liabilities			
Conditional shareholders' contribution	2,342.6	2,192.6	1,732.6
Early retirement at age 62 in accordance with pension agreement, 80%	–	–	0.7
Total contingent liabilities	2,342.6	2,192.6	1,733.3
Commitments			
Loans approved but not disbursed	6,021.3	3,893.7	4,623.4

NOTE 13 CAPITAL-ADEQUACY ANALYSIS

SEK M	June 30, 2012	Dec 31, 2011	June 30, 2011
Capital base			
Tier 1 capital and Core Tier 1 capital before deductions	4,483.0	4,196.0	3,910.4
Deduction deferred tax assets	–0.3	–0.3	–
Less IRB deficit	–64.0	–56.2	–54.3
Tier 1 capital and Core Tier 1 capital	4,418.7	4,139.5	3,856.1
Tier 2 capital	501.0	501.0	501.0
Deductions for Tier 2 capital	–64.0	–56.2	–54.3
Total capital base	4,855.6	4,584.3	4,302.8
Risk-weighted assets according to Basel II	20,665.7	20,130.8	18,759.8
Risk-weighted assets according to transition rules	47,280.4	43,844.0	42,216.9
Capital requirement			
Capital requirement for credit risk according to Standardised Approach	265.4	355.0	366.6
Capital requirement for credit risk according to IRB Approach	1,360.6	1,230.9	1,109.6
Capital requirement for operational risk	27.3	24.6	24.6
Capital requirement according to Basel II	1,653.3	1,610.5	1,500.8
Adjustment according to transition rules	2,129.2	1,897.0	1,876.6
Total capital requirement	3,782.4	3,507.5	3,377.4
Capital adequacy			
Tier 1 ratio and Core Tier 1 ratio according to Basel II, %	21.4	20.6	20.6
Capital-adequacy ratio according to Basel II, %	23.5	22.8	22.9
Capital ratio according to Basel II*	2.94	2.85	2.87
Tier 1 ratio and core Tier 1 ratio according to transition rules, %	9.4	9.4	9.1
Capital-adequacy ratio according to transition rules, %	10.3	10.5	10.2
Capital ratio according to transition rules*	1.28	1.31	1.27
Special disclosures			
IRB Provisions surplus (+) / deficit (-)	-128.1	-112.4	-108.6
– Total provisions (+)	35.5	31.2	34.6
– Anticipated loss (-)	-163.6	-143.6	-143.2
Capital requirement			
Credit risk according to Standardised Approach			
Exposures to institutions	57.2	69.5	70.5
Exposures to corporates	10.8	1.1	0.6
Retail exposures	64.2	46.1	55.0
Exposures secured on residential property	–	117.7	104.9
Past due items	–	0.2	0.2
Covered bonds	132.1	119.2	134.1
Other items	1.1	1.2	1.3
Total capital requirement for credit risk according to Standardised Approach	265.4	355.0	366.6

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	June 30, 2012	Dec 31, 2011	June 30, 2011
Credit risk according to IRB Approach			
Retail exposures			
Exposures secured by real estate collateral	1,178.9	1,150.3	1,032.0
Other retail exposures	1.6	0.6	2.5
<i>Total retail exposures</i>	<i>1,180.5</i>	<i>1,150.9</i>	<i>1,034.5</i>
Exposures to corporates	180.0	80.0	75.1
Total capital requirement for credit risk according to IRB Approach	1,360.6	1,230.9	1,109.6
Operational risk			
Standardised Approach	27.3	24.6	24.6
Total capital requirement for operational risk	27.3	24.6	24.6

*Capital ratio = total capital base / total capital requirement

NOTE 14 DISCLOSED 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 during January-June 2012.

Since December 31, 2011, 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, 2011, no significant changes have occurred in the company's agreements with these persons.

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

Stockholm, August 23, 2012

Rikard Josefson
Chairman of the board

Christian Bille
Board member

Bengt Clemedtson
Board member

Bengt Clemedtson
Board member

Christer Malm
Board member

Anders Borgcrantz
President

Appendix

BORROWING PROGRAMMES

Programmes	Limit, Nominal	Issued	Issued	Outstanding	Outstanding	Remaining	Remaining
		Jan-June 2012	Jan-June 2011	June 30, 2012	June 30, 2011	average term, June 30, 2012	average term, June 30, 2011
	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Nominal, SEK billion	Year	Year
Benchmark	Unlimited	11.0	10.8	55.5	54.5	2.9	3.0
Medium Term Covered Note	SEK 30 billion	3.1	4.5	9.0	12.4	1.8	1.5
Euro Medium Term Covered Note	EUR 4 billion	2.5	9.0	23.8	20.5	2.8	3.4
Total		16.6	24.3	88.3	87.4	2.7	2.9

Borrowing by maturity June 30, 2012

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, SEK billion	0.7	14.3	28.7	13.5	19.3	10.1	0.3	1.3	0.1	88.3

Report on Review of Interim Financial Information

To the Board of Länsförsäkringar Hypotek AB (publ)
Org nr 556244-1781

Introduction

We have reviewed the accompanying balance sheet of Länsförsäkringar Hypotek AB (publ) as of June 30, 2012 and the related statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act of Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act of Credit Institutions and Securities Companies.

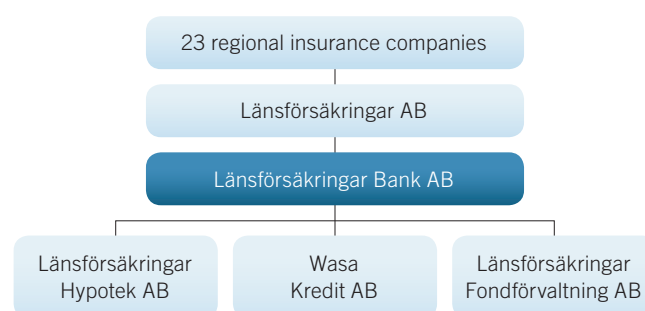
Stockholm August 28 2012

Stefan Holmström
Authorised Public Accountant

Financial calendar

Interim Report January-September 2012..... **October 25, 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 August 28, 2012 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.

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