

Länsförsäkringar Bank

January–June 2012

The period in brief, Group

- Operating profit increased 49% to SEK 270 M (181).
- Return on equity strengthened to 6.3% (4.7).
- Net interest income rose 23% to SEK 1,003 M (814).
- Loan losses remain low and amounted to SEK 43 M (24), net, corresponding to loan losses of 0.06% (0.04).
- Business volumes increased 8% to SEK 266 billion (247).
- Deposits rose 28% to SEK 57 billion (45).
- The Core Tier 1 ratio amounted to 12.3% (11.5). The Tier 1 ratio amounted to 12.9% (12.1) and the capital adequacy ratio to 14.9% (14.1).
- The number of customers increased 7% to 921,000 (857,000) and the number of bank cards rose 12% to 321,000 (287,000).

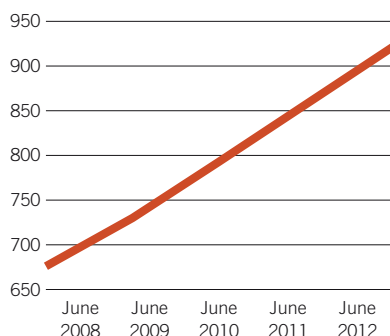
Figures in parentheses pertain to the same period in 2011.

Rikard Josefson, President of Länsförsäkringar Bank:

The banking operations are continuing to grow, earnings are increasing and the return on equity is strengthening. The bank launched its first credit card for private individuals in June. Net interest income is increasing, primarily due to improved margins. The number of customers is rising and more customers are choosing Länsförsäkringar as their primary bank. The strong growth in deposits is particularly gratifying. We also strengthened our market position in lending and the credit quality of the loan portfolio is very high. The new regulations for banking operations have been further clarified and the bank is well-positioned in relation to the new rules.

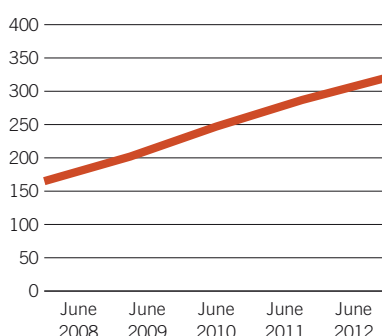
CUSTOMER TREND

Number of customers, 000s

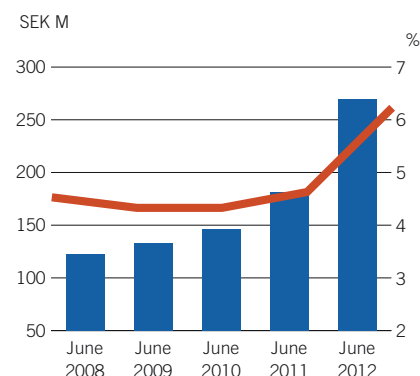


BANK CARD TREND

Number of bank cards, 000s



OPERATING PROFIT AND RETURN ON EQUITY



Key figures

Group	Q 2 2012	Q 2 2011	Q 1 2012	Jan-Jun 2012	Jan-Jun 2011	Full-year 2011
Return on equity. %	6.4	4.4	6.2	6.3	4.7	4.8
Return on total capital. %	0.31	0.22	0.29	0.30	0.24	0.24
Investment margin. %	1.15	1.08	1.09	1.12	1.06	1.07
Cost/income ratio before loan losses	0.68	0.74	0.64	0.66	0.72	0.71
Cost/income ratio after loan losses	0.72	0.77	0.70	0.71	0.75	0.75
Core Tier 1 ratio according to Basel II. %	12.3	11.5	11.5	12.3	11.5	11.5
Tier 1 ratio according to Basel II. %	12.9	12.1	12.1	12.9	12.1	12.1
Capital adequacy ratio according to Basel II. %	14.9	14.1	14.0	14.9	14.1	14.0
Percentage of impaired loans. %	0.17	0.20	0.17	0.17	0.20	0.17
Reserve ratio in relation to loans. %	0.20	0.25	0.22	0.20	0.25	0.21
Loan losses. %	0.05	0.04	0.08	0.06	0.04	0.04

Income statement, quarterly

Group, SEK M	Q 2 2012	Q 1 2012	Q 4 2011	Q 3 2011	Q 2 2011
Net interest income	521.2	482.1	483.9	430.6	422.7
Net commission	-93.0	-94.8	-103.7	-111.8	-101.5
Net gains from financial items	23.0	6.3	-0.8	6.9	3.8
Other operating income	40.2	46.3	43.4	45.8	61.4
Total operating income	491.4	439.9	422.8	371.6	386.4
Staff costs	-101.8	-95.8	-76.9	-88.6	-96.4
Other expenses	-233.0	-187.4	-215.5	-184.7	-188.3
Total operating expenses	-334.8	-283.2	-292.4	-273.3	-284.7
Profit before loan losses	156.6	156.7	130.4	98.3	101.7
Loan losses, net	-17.3	-26.0	-9.7	-14.8	-14.4
Operating profit	139.3	130.7	120.7	83.5	87.3

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. 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 interest rates in, for example, Spain and Italy. However, 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 during the quarter.

Among 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.

Deposits from households increased 4% during the second quarter, according to data from Statistics Sweden. Net household savings in funds essentially remained unchanged compared with the first quarter, but savings in unit-linked insurance rose while direct savings declined.

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
Business volumes rose 8%, or SEK 19 billion, to SEK 266 billion (247), and the increase excluding fund volumes was 17%. The number of customers rose 7%, or 64,000, to 921,000 (857,000). The number of customers with Länsförsäkringar as their primary bank increased 15%, or 35,000, to 275,000 (240,000) and the num-

ber of products per customer rose to 4.8 (4.7). Some 93% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of cards increased 12%, or with 34,000 to 321,000 (287,000).

Earnings and profitability

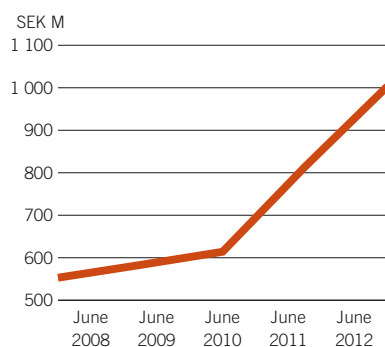
Profit before loan losses rose 53% to SEK 313 M (205) and operating profit increased 49% to SEK 270 M (181), primarily due to higher net interest income. Return on equity strengthened to 6.3% (4.7).

Income

Operating income increased a total of 28% to SEK 931 M (725), as a result of higher net interest income. Net interest income increased 23%, or SEK 189 M, to SEK 1,003 M (814), attributable to improved lending margins and also to higher lending and deposit volumes. The investment margin strengthened to 1.12% (1.06). Net interest income was charged with SEK 30 M (26) for fees to the stability fund. Net gains from financial items rose to SEK 29 M (4) due to realised gains in the liquidity portfolio and interest compensation.

Commission income rose 1% to SEK 482 M (479). Commission expense fell 1% to SEK 670 M (679), primarily due to lower securities costs as a result of lower fund volumes.

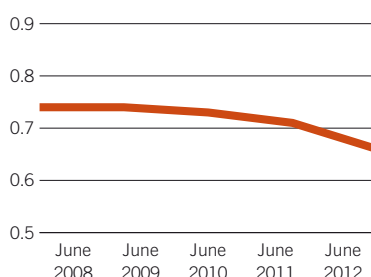
NET INTEREST INCOME



Expenses

Operating expenses rose 19% to SEK 618 M (520), attributable to higher IT administrative expenses due to implemented product development. The cost/income ratio before loan losses strengthened to 0.66 (0.72) and the cost/income ratio after loan losses strengthened to 0.71 (0.75).

COST/INCOME RATIO



Loan losses

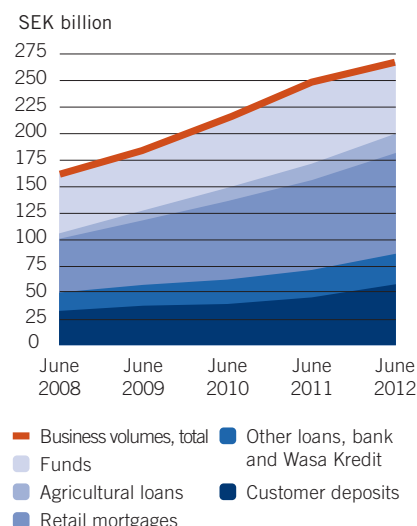
Loan losses remain low and amounted to SEK 43 M (24), net, corresponding to loan losses of 0.06% (0.04). Reserves amounted to SEK 303 M (321), corresponding to a provision ratio of 0.20% (0.25). Impaired loans amounted to SEK 255 M (262) and the percentage of impaired loans was 0.17% (0.20). For more information regarding loan losses, reserves and impaired loans, see notes 8 and 9.

Business volumes

Business volumes rose 8%, or SEK 19 billion, to SEK 266 billion (247), and the increase excluding fund volumes was 17%. Loans to the public rose 13%, or SEK 16 billion, to SEK 142 billion (126). Retail mortgages in Länsförsäkringar Hypotek increased 12%, or SEK 10 billion, to SEK 95 billion (85). Deposits from the public increased 28%, or SEK 12 billion, to SEK 57 billion (45). The volume of managed funds declined 12% or SEK 10 billion to SEK 67 billion (77).

Bank services for small businesses is an offering that has experienced healthy growth and deposits totalled SEK 6.5 billion on June 30, 2012. Loans amounted to SEK 4.3 billion.

BUSINESS VOLUMES



Savings

Deposits from the public increased 28%, or SEK 12 billion, to SEK 57 billion (45) and from year-end the increase was 16% or SEK 7 billion. The market share strengthened to 4.1% (3.6) on June 30, 2012 and the share of market growth in January-June was slightly more than 10%, according to data from Statistics Sweden. Fund volumes fell 12%, or SEK 10 billion, to SEK 67 billion (77), mainly attributable to higher net outflows in the preceding year and also to lower growth in value caused by a turbulent market in the year-earlier period. Monthly savings in funds performed well, as did fund transfers, the IPS offering (Individual Pension Savings) and the number of securities depositories.

MONTHLY SAVINGS IN FUNDS



Loans

Loans to the public rose 13%, or SEK 16 billion, to SEK 142 billion (126) and the increase was 6% or SEK 8 billion from year-end. Retail mortgages in Länsförsäkringar Hypotek increased 12%, or SEK 10 billion, to SEK 95 billion (85). All loans are granted in Sweden and in SEK. The market share of household and retail mortgages strengthened to 4.8% (4.5) on June 30, 2012 and the share of market growth in January-June was slightly more than 10%, according to data from Statistics Sweden.

The loan portfolio, totalling SEK 142 billion (126), has a favourable geographic distribution and maintains a high level of quality. A total of 91% (92) of the portfolio comprises household credits according to the Statistics Sweden definition. Most of the total portfolio, 72% (73), pertains to retail mortgages, of which 80% (81) comprised collateral in single-family homes and 20% (19) tenant-owned apartments. First-lien mortgages for agricultural properties rose 23% to SEK 15.1 billion (12.3) and agricultural lending increased 17% to a total of SEK 18.2 billion (15.5). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 83% (80) of agricultural loans.

Loan portfolio

Lending segment, %	Jun 30, 2012	Jun 30, 2011
Retail mortgages	72	73
Agricultural loans	13	12
Unsecured loans	4	4
Leasing	4	4
Hire purchase	4	4
Multi-family homes	2	2
Other	1	1
Total	100	100

Borrowing

Debt securities in issue rose 6%, or SEK 6 billion, to SEK 110 billion (104), of which covered bonds remained unchanged at SEK 88 billion.

The Bank Group has a low refinancing risk and long-term financing in the capital market primarily takes place through Länsförsäkringar Hypotek's covered bonds. Issued covered bonds during the January-June period totalled a nominal amount of SEK 16.6 billion (24.3) and re-

purchased covered bonds a nominal amount of SEK 7.7 billion (10.4). Covered bonds that matured during the period amounted to a nominal amount of SEK 5.9 billion (5.5).

Financing is also conducted through Länsförsäkringar Bank's borrowing programmes. During January-June, a nominal amount of SEK 7.7 billion (4.9) was issued under the MTN programme. The maturity structure of the Bank Group's borrowing is highly diversified. For more information about the borrowing programmes, see the Appendix on page 22.

Liquidity

The liquidity reserve totalled a nominal amount of SEK 35.7 billion (33.4) on June 30, 2012. All liquidity is invested in Swedish securities with high credit quality. A total of 76% of the liquidity reserve comprises Swedish covered bonds with the credit rating of AAA/Aaa, 21% comprises Swedish government bonds and 3% other Swedish bonds with the credit rating of AAA/Aaa. The liquidity of the investments is high and all securities included in the liquidity reserve are eligible for transactions with the Riksbank. By utilising the liquidity reserve, contracted undertakings for 19 months can be met without needing to secure new borrowing in the capital market. The Bank Group's Liquidity Coverage Ratio (LCR) amounted to an average of 270% for the second quarter of 2012.

Rating

The credit rating is A/stable from Standard & Poor's, which was confirmed in July, and A2/negative from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest rating, Aaa/stable, from Moody's and the highest credit rating, AAA/stable, from Standard & Poor's.

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

¹⁾ Avser bolagets säkerställda obligationer

Capital adequacy

The Bank Group 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 above 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. On June 30, 2012, 89% of the loan portfolio comprised retail credits in accordance with the advanced IRB Approach.

The bank is monitoring the development of the Capital Requirements Directive CRD IV and assesses that the Bank Group has a solid basis on which to meet currently known coming requirements.

Core Tier 1 capital amounted to SEK 5,799 M (5,281) and the core Tier 1 ratio was 12.3% (11.5). The capital base strengthened to SEK 7,033 M (6,512) and the capital adequacy ratio was 14.9% (14.1). Tier 1 capital strengthened to SEK 6,089 M (5,571) and the Tier 1 ratio totalled 12.9% (12.1). Under Basel II, the target level for the Tier 1 ratio is 12%. The capital target is permitted to vary +/- 0.5 percentage points. For more information on the calculation of capital adequacy, see note 12.

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 43 M (65).

Risks and uncertainties

The Group and the Parent Company are exposed to a number of risks, primarily comprising 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.

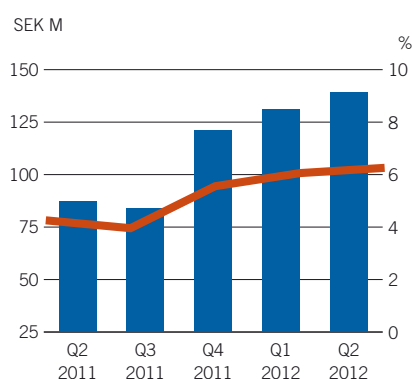
Second quarter of 2012 compared with second quarter of 2011

Operating profit rose 60% to SEK 139 M (87), primarily as a result of higher net interest income. Return on equity strengthened to 6.4% (4.4). Operating income increased a total of 27% to SEK 491 M (386), as a result of higher net interest income. Net interest income rose 23% to SEK 521 M (423). The investment margin strengthened to 1.15% (1.08). Commission income amounted to SEK 246 M (248). Commission expense fell 3%, or SEK 10 M, to SEK 339 M (349), primarily due to lower securities costs as a result of lower fund volumes. Operating expenses rose 18% to SEK 335 M (285) due to higher IT administrative expenses. The cost/income ratio strengthened to 0.68 (0.74).

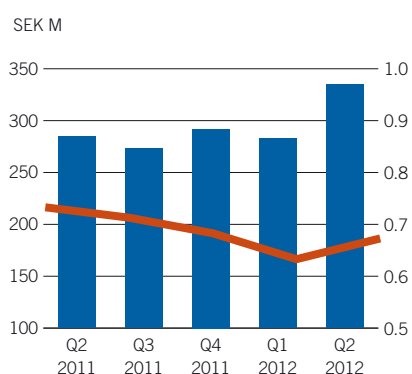
Second quarter of 2012 compared with first quarter of 2012

Operating profit rose 7% to SEK 139 M (131) as a result of higher net interest income. Return on equity strengthened to 6.4% (6.2). Operating income increased a total of 12% to SEK 491 M (440) as a result of higher net interest income. Net interest income rose 8% to SEK 521 M (482). The investment margin strengthened to 1.15% (1.09). Commission income rose 4% to SEK 246 M (236). Commission expense increased 2% to SEK 339 M (331). Operating expenses increased 18% to SEK 335 M (283) due to higher IT administrative expenses and the cost/income ratio amounted to 0.68 (0.64).

OPERATING PROFIT AND RETURN ON EQUITY



OPERATING EXPENSES AND COST/INCOME RATIO



Events after the end of the period

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

Parent Company

January-June 2012 compared with January-June 2011

Deposits and some lending are conducted by the Parent Company. Most of the lending and borrowing operations are conducted through the subsidiary Länsförsäkringar Hypotek. Loans to the public rose 13%, or SEK 4 billion, to SEK 34 billion (30). Deposits from the public increased 28%, or SEK 12 billion, to SEK 57 billion (45). Debt securities in issue rose 36%, or SEK 6 billion, to SEK 22 billion (16) due to increased borrowing. Operating loss amounted to SEK 39 M (32). Operating income increased a total of 38% to SEK 314 M (228) due to higher net interest income. Higher lending and deposit volumes boosted net interest income by 11% to SEK 377 M (340). Net interest income was charged with SEK 12.4 M (10.0) for fees to the stability fund.

Commission income rose 15% to SEK 112 M (98). Commission expense fell 14% to SEK 279 M (326).

Operating expenses rose 31% to SEK 338 M (257), because of higher IT and administrative expenses due to product development. Loan losses, net, remained low and amounted to SEK 15 M (2).

Subsidiaries

Länsförsäkringar Hypotek

January-June 2012 compared with January-June 2011

Retail mortgages in the bank's mortgage institution increased 12%, or SEK 10 billion, to SEK 95 billion (85). Retail mortgages up to 75% of the market value of the collateral are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Higher net interest income led to higher operating profit of SEK 186 M (92). Recoveries exceeded loan losses, amounting to SEK 0.3 M (6.4) net, corresponding to loan losses of 0.00% (-0.01). The number of retail mortgage customers rose to 169,000 (155,000).

SEK M	Jun 30, 2012	Jun 30, 2011
Total assets	122,618	114,956
Lending volume	94,833	84,540
Net interest income	376	238
Operating profit	186	92

Wasa Kredit

January-June 2012 compared with January-June 2011

Lending volumes rose 14% to SEK 13.2 billion (11.5) as a result of the acquisition of stock totalling SEK 0.8 billion and healthy sales. Operating profit rose 15% to SEK 80 M (70). Net interest income increased 6% to SEK 249 M (234). Expenses rose 6% to SEK 197 M (185) and loan losses remained unchanged at SEK 28 M.

SEK M	Jun 30, 2012	Jun 30, 2011
Total assets	13,600	11,933
Lending volume	13,160	11,504
Net interest income	249	234
Operating profit	80	70

Länsförsäkringar Fondförvaltning

January-June 2012 compared with January-June 2011

Länsförsäkringar is Sweden's fifth largest fund company with a market share of 3.9% (4.2). Fund volumes fell 12%, or SEK 10 billion, to SEK 67 billion (77), mainly due to higher net outflows in the preceding year and also to lower growth in value caused by a turbulent market in the preceding year. The company manages 31 (33) mutual funds with various investment orientations. The funds are available as direct fund savings, IPS, the Investment Savings Account and unit-linked insurance and through the PPM system. Operating profit amounted to SEK 43 M (51).

SEK M	Jun 30, 2012	Jun 30, 2011
Total assets	186	231
Assets under management	67,447	76,681
Net flow	-2,158	5,315
Net commission expense	133	133
Operating profit	43	51

Income statement – Group

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	2,545.0	2,356.4	8%	2,686.8	–5%	5,231.8	4,360.7	20%	9,529.8
Interest expense	4	–2,023.8	–1,933.7	5%	–2,204.7	–8%	–4,228.5	–3,547.0	19%	–7,801.5
Net interest income		521.2	422.7	23%	482.1	8%	1,003.3	813.7	23%	1,728.3
Dividends received		0.0	–		–		0.0	–		0.0
Commission income	5	245.8	247.8	–1%	236.4	4%	482.2	478.5	1%	947.7
Commission expense	6	–338.8	–349.3	–3%	–331.2	2%	–670.0	–679.2	–1%	–1,363.9
Net gains from financial items	7	23.0	3.8	503%	6.3	266%	29.3	3.8	671%	9.9
Other operating income		40.2	61.4	–35%	46.3	–13%	86.5	108.4	–20%	197.6
Total operating income		491.4	386.4	27%	439.9	12%	931.3	725.2	28%	1,519.6
Staff costs		–101.8	–96.4	6%	–95.8	6%	–197.6	–185.6	6%	–351.0
Other administration expenses		–209.2	–168.5	24%	–165.4	26%	–374.6	–295.1	27%	–652.1
Total administration expenses		–311.0	–264.9	17%	–261.2	19%	–572.2	–480.7	19%	–1,003.1
Depreciation / amortisation and impairment of property and equipment / intangible assets		–23.8	–19.8	20%	–22.0	8%	–45.8	–39.6	16%	–82.9
Total operating expenses		–334.8	–284.7	18%	–283.2	18%	–618.0	–520.3	19%	–1,086.0
Profit before loan losses		156.6	101.7	54%	156.7	0%	313.3	204.9	53%	433.6
Loan losses, net	8	–17.3	–14.4	20%	–26.0	–33%	–43.3	–23.7	59%	–48.2
Operating profit		139.3	87.3	60%	130.7	7%	270.0	181.2	49%	385.4
Tax		–36.6	–22.9	60%	–34.4	7%	–71.0	–47.6	49%	–87.6
Profit for the period		102.7	64.4	59%	96.3	7%	199.0	133.6	49%	297.8

Statement of comprehensive income – Group

Mkr	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	102.7	64.4	59%	96.3	7%	199.0	133.6	49%	297.8
Other comprehensive income									
<i>Available-for-sale financial assets</i>									
Change in fair value	–48.3	32.6	–248%	99.0	–149%	50.7	116.3	–56%	193.6
Reclassification realised securities	–	–2.2		–7.3		–7.3	–2.2	232%	–26.5
Tax	12.7	–8.0	–259%	–24.1	–153%	–11.4	–30.0	–62%	–43.9
Other comprehensive income for the period, net after tax	–35.6	22.4	–259%	67.6	–153%	32.0	84.1	–62%	123.2
Total comprehensive income for the period	67.1	86.8	–23%	163.9	–59%	231.0	217.7	6%	421.0

Balance sheet – Group

SEK M	Note	June 30, 2012	Dec 31, 2011	June 30, 2011
Assets				
Cash and balances with central banks		84.2	66.9	85.7
Treasury bills and other eligible bills		5,446.5	8,341.5	6,835.1
Loans to credit institutions		7,285.4	1,706.1	2,804.5
Loans to the public	9	141,646.7	134,011.3	125,766.6
Bonds and other interest-bearing securities		28,651.0	20,628.2	25,350.9
Shares and participations		10.9	10.4	10.4
Derivatives	10	1,202.6	1,566.7	1,195.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		547.0	709.9	59.1
Intangible assets		446.5	438.6	399.7
Property and equipment		10.4	9.7	10.7
Deferred tax assets		6.0	6.0	3.1
Other assets		552.1	251.2	425.0
Prepaid expenses and accrued income		1,410.4	2,309.9	1,244.5
Total assets		187,299.7	170,056.4	164,190.6
Liabilities and equity				
Liabilities to credit institutions		4,087.4	2,192.0	2,637.6
Deposits and borrowing from the public		57,330.1	49,610.2	44,903.3
Debt securities in issue		110,084.3	101,279.5	104,315.2
Derivatives	10	2,194.8	2,458.2	2,074.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,546.0	1,836.6	-616.6
Deferred tax liabilities		58.7	58.7	102.9
Other liabilities		806.0	991.2	517.0
Accrued expenses and deferred income		2,978.6	3,791.6	2,676.5
Provisions		16.3	16.3	17.8
Subordinated liabilities		1,490.0	1,489.7	1,490.0
Total liabilities		180,592.3	163,724.0	158,118.0
Equity				
Share capital, 9,548,708 shares		954.9	954.9	954.9
Other capital contributed		5,169.5	5,025.5	4,553.5
Reserves		200.5	168.5	129.4
Retained earnings		183.5	-114.3	301.2
Profit for the period		199.0	297.8	133.6
Total equity		6,707.4	6,332.4	6,072.6
Total liabilities and equity		187,299.7	170,056.4	164,190.6
Pledged assets, contingent liabilities and commitments				
Other notes				
Accounting policies	1			
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Cash-flow statement in summary, indirect method – Group

SEK M	Jan-Jun 2012	Jan-Jun 2011
Cash and cash equivalents, January 1	1,369.7	1,182.7
Cash flow from operating activities	2,532.2	-72.4
Cash flow from investing activities	-54.9	-64.3
Cash flow from financing activities	-419.8	183.6
Cash flow for the period	2,060.5	46.9
Cash and cash equivalents, June 30	3,430.2	1,229.6

Cash and cash equivalents are defined as cash and balances at central banks, lending and due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are largely attributable to Debt securities in issue SEK 9,204.1 M (14,709.0), to Bonds and other interest-bearing securities SEK -7,964.4 M (-4,116.1) and to Deposits and borrowing from the public SEK 7,876.4 M (3,313.2).

Changes to the cash flow from financing activities are attributable to shareholders' contribution received SEK 144.0 M (326.0) and to Group contribution paid SEK -563.8 M (-382.4).

Statement of changes in shareholders' equity – Group

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings	Profit for the period	Total
Opening balance, January 1, 2011	954.9	4,227.5	45.3	55.9	245.3	5,528.9
Profit for the period					133.6	133.6
Other comprehensive income for the period			84.1			84.1
<i>Comprehensive income for the period</i>			<i>84.1</i>		<i>133.6</i>	<i>217.7</i>
According to the Board's proposal				245.3	-245.3	-
Conditional shareholders' contribution received		326.0				326.0
Closing balance, June 30, 2011	954.9	4,553.5	129.4	301.2	133.6	6,072.6
Opening balance, July 1, 2011	954.9	4,553.5	129.4	301.2	133.6	6,072.6
Profit for the period					164.2	164.2
Other comprehensive income for the period			39.1			39.1
<i>Comprehensive income for the period</i>			<i>39.1</i>		<i>164.2</i>	<i>203.3</i>
Conditional shareholders's contribution received		472.0				472.0
Group contribution paid				-563.8		-563.8
Tax on Group contribution paid				148.3		148.3
Closing balance, December 31, 2011	954.9	5,025.5	168.5	-114.3	297.8	6,332.4
Opening balance, January 1, 2012	954.9	5,025.5	168.5	-114.3	297.8	6,332.4
Profit for the period					199.0	199.0
Other comprehensive income for the period			32.0			32.0
<i>Comprehensive income for the period</i>			<i>32.0</i>		<i>199.0</i>	<i>231.0</i>
According to the Board's proposal				297.8	-297.8	-
Conditional shareholders' contribution received		144.0				144.0
Closing balance, June 30, 2012	954.9	5,169.5	200.5	183.5	199.0	6,707.4

Notes – Group

NOTE 1 ACCOUNTING POLICIES

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. Furthermore, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559), the Swedish Securities Market Act (2007:528), as well as the regulations and general guidelines of the Swedish

Financial Supervisory Authority (FFFS 2008:25) were applied. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and statements (UFR). This interim report complies with the requirements of IAS 34, Interim Financial Reporting. The interim report for the Group was prepared according to the same accounting policies and calculation methods as those applied in the 2011 Annual Report.

NOTE 2 SEGMENT REPORTING

SEK M Income statement, Jan - Jun 2012	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	377.4	375.7	249.0	1.2	–	1,003.3
Net commission	–167.6	–175.1	20.1	132.5	2.2	–187.8
Net gain from financial items	–1.2	30.4	0.2	–	–	29.3
Intra-Group income	53.9	–	1.9	0.3	–56.1	0.0
Other income	51.5	0.1	34.6	0.3	–	86.5
Total operating income	314.0	231.1	305.8	134.3	–53.9	931.3
Intra-Group expenses	–1.7	–33.6	–6.6	–12.0	53.9	0.0
Other administration expenses	–301.4	–11.8	–179.8	–79.2	–	–572.2
Depreciation / amortisation and impairment	–34.9	0.0	–10.8	0.0	–	–45.8
Total operating expenses	–338.0	–45.4	–197.2	–91.2	53.9	–618.0
Profit / loss before loan losses	–24.0	185.7	108.6	43.1	–	313.3
Loan losses, net	–15.3	0.3	–28.2	–	–	–43.3
Operating profit / loss	–39.3	186.0	80.3	43.1	–	270.0

Balance sheet, June 30, 2012

Total assets	91,872.6	122,617.6	13,599.8	185.8	–40,976.0	187,299.8
Liabilities	85,371.3	117,991.2	12,668.2	81.2	–35,519.6	180,592.3
Equity	6,501.3	4,626.4	931.6	104.6	–5,456.4	6,707.4
Total liabilities and equity	91,872.6	122,617.6	13,599.8	185.8	–40,976.0	187,299.8

Income statement, Jan - Jun 2011

Net interest income	339.7	238.2	234.5	1.3	–	813.7
Net commission	–228.1	–122.9	19.1	129.5	1.7	–200.7
Net gain from financial items	0.7	3.5	–0.4	–	–	3.8
Intra-Group income	39.7	–	2.1	0.1	–41.9	0.0
Other income	75.6	0.3	28.5	4.0	–	108.4
Total operating income	227.6	119.1	283.8	134.9	–40.2	725.2
Intra-Group expenses	–1.5	–22.2	–5.7	–10.8	40.2	0.0
Other administration expenses	–226.8	–11.4	–169.2	–73.3	–	–480.7
Depreciation / amortisation and impairment	–29.1	–	–10.5	–	–	–39.6
Total operating expenses	–257.4	–33.6	–185.4	–84.1	40.2	–520.3
Profit / loss before loan losses	–29.8	85.5	98.4	50.8	–	204.9
Loan losses, net	–1.8	6.4	–28.3	–	–	–23.7
Operating profit / loss	–31.6	91.9	70.1	50.8	–	181.2

Balance sheet, June 30, 2011

Total assets	74,830.0	114,956.0	11,933.4	230.7	–37,759.5	164,190.6
Liabilities	68,960.2	110,945.6	11,004.3	119.8	–32,911.9	158,118.0
Equity	5,869.8	4,010.4	929.1	110.9	–4,847.6	6,072.6
Total liabilities and equity	74,830.0	114,956.0	11,933.4	230.7	–37,759.5	164,190.6

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	4.0	8.3	-52%	9.5	- 58%	13.5	13.1	3%	30.0
Loans to the public	1 509.1	1,278.9	18%	1,502.4	0%	3,011.5	2,384.1	26%	5,222.5
Interest-bearing securities	219.6	194.4	13%	224.9	-2%	444.5	380.1	17%	826.5
<i>Derivatives</i>									
Hedge accounting	812.4	807.0	1%	949.9	-15%	1,762.3	1,451.9	21%	3,319.3
Non-hedge accounting	-	68.1	-100%	-		0.0	131.5	-100%	131.5
Other interest income	0.0	-0.3	-83%	0.0	-196%	0.0	0.0	100%	0.0
Total interest income	2,545.1	2,356.4	8%	2,686.7	-5%	5,231.8	4,360.7	20%	9,529.8
of which interest income on impaired loans	0.0	1.4	-98%	-0.4	-110%	-0.3	2.2	-114%	-11.6
of which interest income from financial items not measured at fair value	1,513.1	1,286.9	18%	1,512.0	0%	3,025.0	2,397.2	26%	5,252.4
Average interest rate on loans to the public during the period, including net leasing, %	4.4	4.1		4.5		4.4	3.9		4.1

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
Liabilities to credit institutions	-0.3	-14.3	-97%	-0.8	-53%	-1.1	-21.0	-95%	-37.1
Deposits and borrowing from the public	-290.3	-203.0	43%	-277.5	5%	-567.8	-350.7	62%	-845.2
Interest-bearing securities	-850.7	-785.8	8%	-872.9	-3%	-1,723.6	-1,473.8	17%	-3,145.4
Subordinated liabilities	-19.3	-0.1		-19.9	-3%	-39.2	-22.7	73%	-68.2
<i>Derivatives</i>									
Hedge accounting	-832.2	-840.2	-1%	-1,006.6	-17%	-1,838.8	-1,503.0	22%	-3,484.8
Non-hedge accounting	-6.9	-69.1	-90%	-4.2	65%	-11.1	-134.8	-92%	-137.5
Other interest expense, including government deposit insurance	-24.1	-21.2	14%	-22.8	5%	-46.9	-41.1	14%	-83.3
Total interest expense	-2,023.8	-1,933.7	5%	-2,204.7	-8%	-4,228.5	-3,547.0	19%	-7,801.5
of which interest expense from financial items not measured at fair value	-1,184.8	-1,024.5	16%	-1,193.8	-1%	-2,378.6	-1,909.2	25%	-4,179.2
Average interest rate on deposits from the public during the period, %	2.1	1.9		2.2		2.1	1.6		1.9

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
Payment mediation	14.3	18.1	-21%	9.7	47%	24.0	26.8	-10%	63.6
Loans	21.9	19.7	12%	20.8	5%	42.7	39.0	10%	78.3
Deposits	2.1	1.7	24%	2.4	-14%	4.5	3.6	23%	7.1
Financial guarantees	0.1	0.0		0.1	14%	0.2	0.1	34%	0.3
Securities	171.9	181.0	-5%	175.3	-2%	347.2	358.5	-3%	688.1
Bank cards	34.4	26.4	30%	27.2	27%	61.6	48.9	26%	106.7
Other commission	1.1	0.9	21%	0.9	33%	2.0	1.6	21%	3.6
Total commission income	245.8	247.8	-1%	236.4	4%	482.2	478.5	1%	947.7
of which commission income from financial items not measured at fair value	58.5	47.8	22%	50.5	16%	108.9	91.7	19%	194.6

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
Payment mediation	-23.7	-24.4	-3%	-24.7	-4%	-48.8	-45.5	6%	-95.7
Securities	-95.7	-102.7	-7%	-91.2	5%	-186.9	-200.2	-7%	-375.8
Bank cards	-19.4	-19.6	-1%	-24.1	-19%	-43.4	-38.3	14%	-82.2
Remuneration to regional insurance companies	-196.7	-198.3	-1%	-187.8	5%	-384.5	-387.6	-1%	-793.7
Other commission	-3.3	-4.3	-24%	-3.4	-5%	-6.7	-7.6	-12%	-16.5
Total commission expense	-338.8	-349.3	-3%	-331.2	2%	-670.0	-679.2	-1%	-1,363.9
of which commission expense from financial items not measured at fair value	-196.7	-198.3	-1%	-187.8	5%	-384.5	-387.6	-1%	-793.7

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	66.2	135.5	-51%	42.7	55%	108.9	77.5	41%	455.6
Currency-related instruments	-272.1	564.3	-148%	-52.9	414%	-325.0	160.1	-303%	18.0
Change in fair value of hedged items	201.6	-705.1	-129%	-15.0		186.6	-244.5	-176%	-498.7
Capital gain / loss									
Interest-related instruments	10.7	3.9	175%	20.6	-47%	31.3	1.9		6.4
Interest compensation	16.6	5.2	227%	10.9	53%	27.5	8.8	214%	28.6
Total net gains from financial items	23.0	3.8	505%	6.3	270%	29.3	3.8	672%	9.9

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	-30.6	-4.7	551%	-20.5	50%	-51.1	-8.6	494%	-92.7
Reversed earlier impairment of loan losses recognised as confirmed losses	20.7	1.7		17.5	18%	38.2	3.3		92.5
Impairment of loan losses during the period	-32.0	-41.5	-23%	-31.5	2%	-63.5	-100.7	-37%	-200.7
Payment received for prior confirmed loan losses	16.7	10.3	62%	9.9	68%	26.6	19.5	36%	41.5
Reversed impairment of loan losses no longer required	4.8	8.2	-41%	7.0	-31%	11.8	14.1	-16%	62.2
Net expense for the period for individually assessed loan receivables	-20.4	-26.0	-22%	-17.6	15%	-38.0	-72.4	-48%	-97.2
Collective reserves for individually assessed receivables									
	-	-		-		-	-		-
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision / reversal of impairment for loan losses	3.0	11.5	-73%	-8.5	-136%	-5.5	48.6	-111%	48.7
Net expense for the period for collectively assessed homogenous loan receivables	3.0	11.5	-73%	-8.5	-136%	-5.5	48.6	- 111%	48.7
Net expense for the period for fulfilment of guarantees	0.1	0.1	-46%	0.1	-36%	0.2	0.1	67%	0.3
Net expense of loan losses for the period	-17.3	-14.4	20%	-26.0	-33%	-43.3	-23.7	83%	-48.2

NOTE 9 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			
Public sector	711.8	2,246.1	275.4
Corporate sector	11,580.2	9,658.6	9,363.9
Retail sector	129,636.3	122,390.4	116,448.6
Other	21.2	0.0	–
Total loan receivables, gross	141,949.5	134,295.1	126,087.9
Impairment of individually assessed loan receivables			
Corporate sector	–63.9	–61.3	–59.0
Retail sector	–131.5	–120.6	–160.2
Total individual reserves	–195.4	–181.9	–219.2
Impairment of collectively reserved loan receivables			
Corporate sector	–27.8	–24.0	–20.8
Retail sector	–79.6	–77.9	–81.3
Other	–	0.0	–
Total collective reserves	–107.4	–101.9	–102.1
Total reserves	–302.8	–283.8	–321.3
Loan receivables, net			
Public sector	711.8	2,246.1	275.4
Corporate sector	11,488.5	9,573.3	9,284.1
Retail sector	129,425.2	122,191.9	116,207.1
Other	21.2	0.0	–
Total loans to the public, net	141,646.7	134,011.3	125,766.6
Impaired loans			
Corporate sector	97.5	87.8	70.8
Retail sector	157.5	145.5	190.7
Total impaired loans	255.0	233.3	261.5

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 it is not covered by collateral in an adequate amount.

NOTE 10 DERIVATIVES

SEK M	June 30, 2011		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	74,560.0	1,053.5	63,925.0	1,378.0	63,005.0	665.3
Currency	4,147.3	394.4	10,576.6	454.2	10,809.7	490.6
Collateral received, CSA	–	–245.3	–	–265.7	–	–
<i>Other derivatives</i>						
Interest	160.0	–	210.0	0.2	235.0	0.9
Currency	–	–	–	–	1,291.9	38.5
Total derivatives with positive values	78,867.3	1,202.6	74,711.6	1,566.7	75,341.6	1,195.3
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest	72,311.0	1,030.7	75,199.0	1,571.0	77,234.0	1,285.6
Currency	26,065.6	1,164.1	11,852.1	887.2	10,577.1	788.7
<i>Other derivatives</i>						
Interest	–	–	–	–	–	–
Currency	67.8	0.0	–	–	–	–
Total derivatives with negative values	98,444.4	2,194.8	87,051.1	2,458.2	87,811.1	2,074.3

NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	June 30, 2012	Dec 31, 2011	June 30, 2011
For own liabilities, pledged assets			
Pledged securities in the Riksbank	1,900.0	1,900.0	1,900.0
Pledged securities in Euroclear	850.0	850.0	1,150.0
Collateral provided for derivatives	10.0	–	–
Loan receivables, covered bonds	89,648.7	84,428.1	80,792.5
Commitments resulting from repurchase transactions	1,846.5	1,938.0	2,050.1
Other collateral for securities	5.0	15.0	15.0
Total for own liabilities, pledged assets	94,260.2	89,131.1	85,907.6
Other pledged assets	None	None	None
Contingent liabilities			
Guarantees	38.9	35.2	28.9
Conditional shareholders' contribution	3,017.0	2,873.0	2,401.0
Early retirement at age 62 in accordance with pension agreement, 80%	54.0	54.0	24.9
Total contingent liabilities	3,109.9	2,962.2	2,454.8
Other commitments			
Loans approved but not disbursed	7,895.4	5,115.4	6,354.1
Unutilised portion of overdraft facilities	2,025.4	2,097.4	2,151.6
Unutilised portion of credit card facilities	975.1	933.0	737.1
Total other commitments	10,895.9	8,145.8	9,242.8

NOTE 12 CAPITAL-ADEQUACY ANALYSIS

SEK M	June 30, 2012	Dec 31, 2011	June 30 2011
Capital base			
Tier 1 capital before deductions	6,797.0	6,454.0	6,233.2
Less intangible assets	-446.5	-438.6	-399.7
Less deferred tax assets	-6.0	-6.0	-3.1
Less / plus IRB deficit / surplus	-255.9	-261.9	-259.1
Tier 1 capital	6,088.6	5,747.4	5,571.3
Subordinated debt, perpetual	-290.0	-290.0	-290.0
<i>Total Core Tier 1 capital</i>	<i>5,798.6</i>	<i>5,457.4</i>	<i>5,281.3</i>
Tier 2 capital	1,200.0	1,200.0	1,200.0
Deductions for Tier 2 capital	-255.9	-261.9	-259.1
Total capital base	7,032.8	6,685.5	6,512.2
Risk-weighted assets according to Basel II	47,203.3	47,617.4	46,066.0
Risk-weighted assets according to transition rules	78,911.9	71,572.8	69,004.8
Capital requirement			
Capital requirement for credit risk according to Standardised Approach	636.6	679.3	724.8
Capital requirement for credit risk according to IRB Approach	2,983.5	2,984.2	2,814.6
Capital requirement for operational risk	156.2	145.9	145.9
Capital requirement according to Basel II	3,776.3	3,809.4	3,685.3
Adjustment according to transition rules	2,536.7	1,916.4	1,835.1
Total capital requirement	6,312.9	5,725.8	5,520.4
Capital ratio			
Tier 1 ratio according to Basel II, %	12.9	12.1	12.1
Core Tier 1 ratio according to Basel II, %	12.3	11.5	11.5
Capital-adequacy ratio according to Basel II, %	14.9	14.0	14.1
Capital ratio according to Basel II *	1.86	1.75	1.77
Tier 1 ratio according to transition rules, %	7.7	8.0	8.1
Core Tier 1 ratio according to transition rules, %	7.4	7.6	7.7
Capital-adequacy ratio according to transition rules, %	8.9	9.3	9.4
Capital ratio according to transition rules*	1.11	1.17	1.18
Special disclosures			
IRB Provisions surplus (+) / deficit (-)	-511.7	-523.9	-518.2
- Total provisions (+)	270.9	237.8	276.7
- Anticipated loss (-)	-782.7	-761.7	-794.9
Capital requirement			
Credit risk according to Standardised Approach			
Exposures to institutions	81.9	77.8	101.5
Exposures to corporates	169.6	195.2	172.6
Retail exposures	114.9	93.1	102.3
Exposures secured on residential property	-	126.3	111.8
Past due items	-	0.4	1.0
Covered bonds	230.4	169.2	204.2
Other items	39.8	17.2	31.4
Total capital requirement for credit risk according to Standardised Approach	636.6	679.3	724.8

NOTE 12 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	June 30, 2012	Dec 31, 2011	June 30 2011
Credit risk according to IRB Approach			
<i>Retail exposures</i>			
Exposures secured by real estate collateral	1,547.4	1,420.3	1,276.7
Other retail exposures	783.4	670.5	685.4
<i>Total retail exposures</i>	<i>2,330.8</i>	<i>2,090.7</i>	<i>1,962.1</i>
Exposures to corporates	652.0	892.7	851.6
Non credit-obligation assets	0.8	0.8	0.9
Total capital requirement for credit risk according to IRB Approach	2,983.5	2,984.2	2,814.6
Operational risk			
Standardised Approach	156.2	145.9	145.9
Total capital requirement for operational risk	156.2	145.9	145.9

* Capital ratio = total capital base / total capital requirement

In addition to the Parent Company Länsförsäkringar Bank AB (publ) (516401-9878), 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

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 and the local insurance companies that hold shares in Länsförsäkringar AB.

Normal business transactions between the related parties took place during January - June 2012. No other significant changes have occurred in the company's agreements with these related legal entities since December 31, 2011.

The Bank Group'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.

Income statement – Parent Company

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Interest income	854.9	661.2	29%	822.9	4%	1,677.8	1,202.4	40%	2,642.2
Interest expense	-668.5	-476.9	40%	-631.9	6%	-1,300.4	-862.7	51%	-1,916.2
Net interest income	186.4	184.3	1%	191.0	-2%	377.4	339.7	11%	726.0
Dividends received	0.0	–	–	0.0	–	0.0	–	–	0.0
Group contributions received	–	–	–	–	–	–	–	–	52.8
Commission income	60.7	53.9	13%	51.0	19%	111.7	97.5	15%	210.5
Commission expense	-133.4	-172.4	-23%	-145.8	-9%	-279.3	-325.6	-14%	-681.1
Net gains from financial items	2.0	-1.3	-254%	-3.2	-163%	-1.2	0.8	-250%	6.2
Other operating income	53.1	64.3	-17%	52.2	2%	105.4	115.2	-9%	226.5
Total operating income	168.8	128.8	31%	145.2	16%	314.0	227.6	38%	540.9
Staff costs	-35.7	-30.6	17%	-31.5	13%	-67.2	-60.9	10%	-108.6
Other administration expenses	-135.9	-102.0	33%	-100.0	36%	-235.9	-167.5	41%	-388.3
Total administration expenses	-171.6	-132.6	29%	-131.5	30%	-303.1	-228.4	33%	-496.9
Depreciation / amortisation and impairment of property and equipment / intangible assets	-18.3	-14.5	26%	-16.6	10%	-34.9	-29.1	20%	-61.0
Total operating expenses	-189.9	-147.1	29%	-148.1	28%	-338.0	-257.4	31%	-557.9
Profit/loss before loan losses	-21.1	-18.3	15%	-2.9	628%	-24.0	-29.8	-19%	-17.0
Loan losses, net	-4.5	-2.2	105%	-10.8	-58%	-15.3	-1.8	750%	1.1
Operating profit/loss	-25.6	-20.5	25%	-13.7	87%	-39.3	-31.6	24%	-15.9
Tax	6.7	5.4	25%	3.6	86%	10.3	8.3	24%	9.4
Profit/loss for the period	-18.9	-15.1	25%	-10.1	87%	-29.0	-23.3	24%	-6.5

Statement of comprehensive income – Parent Company

SEK M	Q 2 2012	Q 2 2011	Change	Q 1 2012	Change	Jan-Jun 2012	Jan-Jun 2011	Change	Full-year 2011
Profit/loss for the period	-18.9	-15.1	25%	-10.1	87%	-29.0	-23.3	24%	-6.5
Other comprehensive income									
<i>Available-for-sale financial assets</i>									
Change in fair value	-0.3	3.0	-110%	46.8	-101%	46.5	18.6	150%	32.6
Reclassification realised securities	–	–	–	–	–	–	–	–	-22.8
Tax	0.1	-0.8	-113%	-12.3	-101%	-12.2	-4.9	149%	-2.6
Other comprehensive income for the period, net after tax	-0.2	2.2	-109%	34.5	101%	34.3	13.7	150%	7.2
Total comprehensive income for the period	-19.1	-12.9	48%	24.4	-178%	5.3	-9.6	-155%	0.7

Balance sheet – Parent Company

SEK M	June 30, 2012	Dec 31, 2011	June 30, 2011
Assets			
Cash and balances with central banks	84.2	66.9	85.8
Treasury bills and other eligible bills	1,749.0	0.0	997.9
Loans to credit institutions	37,303.6	31,029.1	29,618.9
Loans to the public	33,653.2	33,399.9	29,722.6
Bonds and other interest-bearing securities	12,303.2	6,123.7	8,704.5
Shares and participations	10.9	10.4	10.4
Shares and participations in Group companies	5,454.0	5,304.0	4,844.0
Derivatives	171.6	96.2	84.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	55.6	69.5	8.8
Intangible assets	361.5	353.5	317.7
Property and equipment	4.0	5.2	7.0
Deferred tax assets	2.7	2.7	–
Other assets	329.6	55.1	200.9
Prepaid expenses and accrued income	389.5	316.1	227.3
Total assets	91,872.6	76,832.3	74,830.0
Liabilities, provisions and equity			
Liabilities to credit institutions	2,821.1	2,171.7	5,293.0
Deposits and borrowing from the public	57,426.6	49,766.0	45,013.9
Debt securities in issue	21,792.6	15,883.3	16,046.5
Derivatives	285.3	220.5	172.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	65.1	80.9	–11.8
Deferred tax liabilities	–	0.0	9.0
Other liabilities	524.9	241.0	250.2
Accrued expenses and deferred income	960.5	622.0	691.4
Provisions	5.2	5.2	5.6
Subordinated liabilities	1,490.0	1,489.7	1,490.0
Total liabilities and provisions	85,371.3	70,480.3	68,960.2
Equity			
Share capital, 9,548,708 shares	954.9	954.9	954.9
Statutory reserve	18.4	18.4	18.4
Fair value reserve	57.1	22.8	29.4
Retained earnings	5,499.9	5,362.4	4,890.4
Loss for the period	–29.0	–6.5	–23.3
Total equity	6,501.3	6,352.0	5,869.8
Total liabilities, provisions and equity	91,872.6	76,832.3	74,830.0
Memorandum items			
For own liabilities, pledged assets	2765.0	2,765.0	3,065.0
Other pledged assets	None	None	None
Contingent liabilities	3,068.4	2,920.7	2,440.9
Other commitments	10,343.0	7,855.0	8,529.9
Other notes			
Accounting policies	1		
Capital-adequacy analysis	2		
Disclosures on related parties	3		

Cash-flow statement in summary, indirect method – Parent Company

SEK M	Jan-Jun 2012	Jan-Jun 2011
Cash and cash equivalents, January 1	1,363.9	1,159.8
Cash flow from operating activities	2,055.1	-226.9
Cash flow from investing activities	-192.3	-311.2
Cash flow from financing activities	196.8	603.7
Cash flow for the period	2,059.6	65.6
Cash and cash equivalents, June 30	3,423.5	1,225.4

Cash and cash equivalents are defined as cash and balances at central banks, lending and due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are mainly attributable to Deposits and borrowings from the public SEK 7,817.0 M (3,313.1), to Bonds and other interest bearing securities SEK -6,161.1 M (-4,116.1) and to debt securities in issue SEK 5,935.6 M (14,709.0).

Changes to the cash flow from financing activities are mainly attributable to Group contributions received SEK 52.8 M (37.7) and to Shares in subsidiaries SEK 250.0 M (150.0).

Statement of changes in shareholders' equity – Parent Company

SEK M	Share capital	Other capital contributed	Reserves	Retained earnings	Profit for the period	Total
Opening balance, January 1, 2011	954.9	18.4	15.7	4,590.2	-25.8	5,553.4
Profit for the period					-23.3	-23.3
Other comprehensive income for the period			13.7			13.7
<i>Comprehensive income for the period</i>			13.7		-23.3	-9.6
According to the Board's proposal				-25.8	25.8	0.0
Conditional shareholders' contribution received				326.0		326.0
Closing balance, June 30, 2011	954.9	18.4	29.4	4,890.4	-23.3	5,869.8
Opening balance, July 1, 2011	954.9	18.4	29.4	4,890.4	-23.3	5,869.8
Profit for the period					16.8	16.8
Other comprehensive income for the period			-6.5			-6.5
<i>Comprehensive income for the period</i>			-6.5		16.8	10.3
Conditional shareholders's contribution received				472.0		472.0
Group contribution paid						
Tax on Group contribution paid						
Closing balance, December 31, 2011	954.9	18.4	22.8	5,362.4	-6.5	6,352.0
Opening balance, January 1, 2012	954.9	18.4	22.8	5,362.4	-6.5	6,352.0
Profit for the period					-29.0	-29.0
Other comprehensive income for the period			34.3			34.3
<i>Comprehensive income for the period</i>			34.3		-29.0	5.3
According to the Board's proposal				-6.5	6.5	0.0
Conditional shareholders' contribution received				144.0		144.0
Closing balance, June 30, 2012	954.9	18.4	57.1	5,499.9	-29.0	6,501.3

Notes – Parent Company

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Bank AB prepares the accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559), the Swedish Securities Market Act (2007:528) and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements regarding listed companies by the Swedish Financial Reporting Board.

The regulations in RFR 2 stipulate that the company, in the annual accounts

for the legal entity, shall apply all IFRS adopted by EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the link between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS.

The interim report for the company was prepared according to the same accounting policies and calculation methods as those applied in the 2011 Annual Report.

NOTE 2 CAPITAL ADEQUACY ANALYSIS

SEK M	June 30, 2012	Dec 31, 2011	June 30, 2011
Capital base			
Tier 1 capital before deductions	6,734.2	6,618.9	6,130.4
Less intangible assets	-361.5	-353.2	-317.7
Avgår uppskjutna skattefordringar	-2.7	-2.7	-
Less / plus IRB deficit / surplus	-91.0	-111.0	-93.3
Tier 1 capital	6,279.0	6,151.9	5,719.4
Subordinated debt perpetual	-290.0	-290.0	-290.0
<i>Total Core Tier capital</i>	<i>5,989.0</i>	<i>5,861.9</i>	<i>5,429.4</i>
Tier 2 capital	1,200.0	1,200.0	1,200.0
Deductions for Tier 2 capital	-91.0	-111.0	-93.3
Total capital base	7,388.0	7,240.9	6,826.1
Risk-weighted assets according to Basel II	16,779.5	18,693.0	18,468.0
Risk-weighted assets according to transition rules	23,428.5	20,369.0	20,177.5
Capital requirement			
Capital requirement for credit risk according to Standardised Approach	171.2	151.0	201.3
Capital requirement for credit risk according to IRB Approach	1,099.1	1,276.2	1,207.8
Capital requirement for operational risk	72.1	68.3	68.3
Capital requirement according to Basel II	1,342.4	1,495.4	1,477.4
Adjustment according to transition rules	531.9	134.1	136.8
Total capital requirement	1,874.3	1,629.5	1,614.2
Capital ratio			
Tier 1 ratio according to Basel II, %	37.4	32.9	31.0
Core Tier ratio according to Basel II, %	35.7	31.4	29.4
Capital-adequacy ratio according to Basel II, %	44.0	38.7	37.0
Capital ratio according to Basel II *	5.50	4.84	4.62
Tier 1 ratio according to transition rules, %	26.8	30.2	28.3
Core Tier ratio according to transition rules, %	25.6	28.8	26.9
Capital-adequacy ratio according to transition rules, %	31.5	35.5	33.8
Capital ratio according to transition rules*	3.94	4.44	4.23
Special disclosures			
IRB Provisions surplus (+) / deficit (-)	-182.0	-222.0	-186.6
- Total reserves (+)	108.9	83.3	113.9
- Anticipated loss (-)	-290.8	-305.3	-300.5
Capital requirement			
Credit risk according to Standardised Approach			
Exposures to institutions	22.4	6.2	28.3
Exposures to corporates	8.4	69.4	63.4
Retail exposures	11.2	8.0	10.9
Exposures secured on residential property	-	8.7	6.9
Past due items	-	0.3	0.7
Covered bonds	98.2	50.0	70.1
Other items	31.0	8.6	21.0
Total capital requirement according to the Standardised Approach	171.2	151.0	201.3

NOTE 2 CAPITAL ADEQUACY ANALYSIS

SEK M	June 30, 2012	Dec 31, 2011	June 30, 2011
Credit risk according to IRB Approach			
<i>Retail exposures</i>			
Exposures secured by real estate collateral	368.4	269.9	244.7
Other retail exposures	258.5	193.1	186.0
<i>Total retail exposures</i>	<i>626.9</i>	<i>463.0</i>	<i>430.7</i>
Exposures to corporates	471.9	812.7	776.6
Non credit-obligation assets	0.3	0.4	0.5
Total capital requirement for credit risk according to IRB Approach	1,099.1	1,276.2	1,207.8
Operational risk			
Standardised Approach	72.0	68.3	68.3
Total capital requirement for operational risk	72.0	68.3	68.3

* Capital ratio = total capital base / total capital requirement

NOTE 3 DISCLOSURES ON RELATED PARTIES

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, the 23 regional insurance companies with subsidiaries and 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.

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 28, 2012

Sten Dunér <i>Chairman of the board</i>	Ingemar Larsson <i>Board member</i>	Per-Åke Holgersson <i>Board member</i>	Bengt-Erik Lindgren <i>Board member</i>	Örian Söderberg <i>Board member</i>
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Christian Bille <i>Board member</i>	Christer Villard <i>Board member</i>	Ingrid Ericson <i>Board member</i>	Max Rooth <i>Board member</i>	Rikard Josefson <i>President</i>
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Appendix

BORROWING PROGRAMMES

Programmes	Limit, Nominal	Issued, Jan-June, 2012 Nominal, SEK billion	Issued, Jan-June, 2011 Nominal, SEK billion	Outstanding, June 30, 2012 Nominal, SEK billion	Outstanding, June 30, 2011 Nominal, SEK billion	Remaining average term, June 30, 2012 Years	Remaining average term, June 30, 2011 Years
Länsförsäkringar Bank							
Medium Term Note	SEK 20 billion	7.7	4.9	14.9	10.0	1.7	1.9
Domestiskt certifikatprogram	SEK 15 billion	6.8	7.9	5.9	4.6	0.3	0.2
Euro Commercial Paper	EUR 1.5 billion	1.0	2.7	1.0	1.3	0.1	0.1
Euro Medium Term Note	EUR 2 billion	–	–	–	–	–	–
Total		15.5	15.5	21.8	15.9	1.2	1.3
Länsförsäkringar Hypotek							
Benchmark	Unlimited	11.0	10.8	55.4	54.5	2.9	3.0
Medium Term Covered Note	SEK 30 billion	3.1	4.5	9.1	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
Total Group		32.1	39.8	110.1	103.4	2.4	2.6

Borrowing by maturity, June 30, 2012

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nominal, billion	7.5	21.1	33.9	16.1	19.6	10.3	0.3	1.3	0.1	110.1

Report on Review of Interim Financial Information

To the Board of Länsförsäkringar Bank AB (publ)

Org nr 556401-9878

Introduction

We have reviewed the accompanying balance sheet of Länsförsäkringar Bank 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 for the group and in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies for the parent company.

Stockholm August 28, 2012

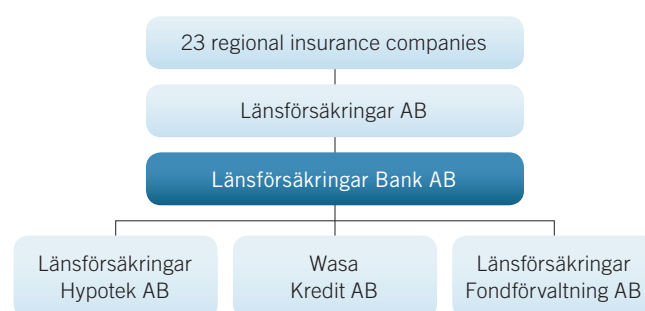
Stefan Holmström

Authorised Public Accountant

Financial calendar

Interim report January-September 2012..... **October 25, 2012**

This report contains such information that Länsförsäkringar Bank 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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