

A close-up photograph of leafy green vegetables, likely chard, with prominent red stems and large green leaves. The image is used as a background for the report cover.

LANDSHYPOTEK AB

INTERIM REPORT
JANUARY–JUNE

2008#2

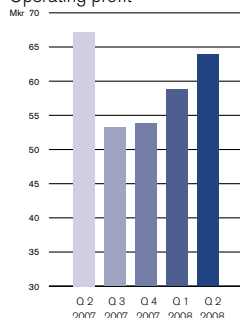


LANDSHYPOTEK

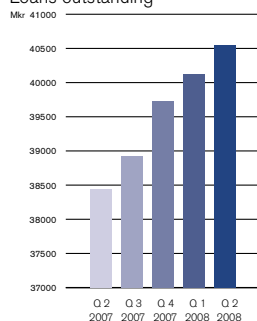
Landshypotek AB

Landshypotek AB (organisation number 556500-2762) hereby submits its interim report for the period 1 January – 30 June 2008.

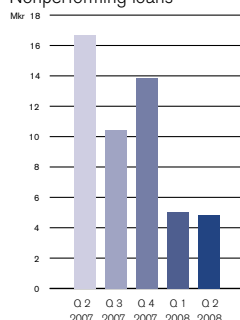
Operating profit



Loans outstanding



Nonperforming loans



This report covers the Group, including Landshypotek AB, subsidiaries Lantbrukskredit AB, Landshypotek Jordbrukskredit AB and Sveriges Allmänna Hypoteksbank. In addition, Landshypotek AB is reported separately.

Amounts in parentheses refer to the corresponding point in time one year ago.

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

In all other respects the accounting policies for this interim report are unchanged compared to the most recent Annual Report.

Landshypotek offers Sweden's farm and forest owners financing in the form of first mortgage loans at the market's most attractive rates. With an outstanding loan volume of approximately SEK 40 Billion, Landshypotek is the market leader with more than 40 percent of the market. Landshypotek's lending is characterised by adequate real property security, which has meant very low credit losses.

Landshypotek AB customers are members of Landshypotek, ekonomisk förening (incorporated association). Landshypotek's goal is to keep interest rates as low as possible on a sustained basis to the customers/members and to provide refunds of paid regular loan interest. Landshypotek has close to 100 employees at some twenty locations in Sweden.

Profit

Consolidated operating profit for the first six months of year 2008 amounted to MSEK 121.6, an increase by MSEK 17.0 compared to the first six months of 2007 (MSEK 104.6).

Net interest income for the first six months of 2008 amounted to MSEK 160.4, a decrease by MSEK 3.4 compared to the first quarter of 2007 (MSEK 163.8). The decrease is due to a decline in the margins between funding and lending rates compared to the preceding year. For new loans the margins were at the same level as during the late part of last year. However, the margin on total loans outstanding was lower as loans were refinanced. Net interest income was affected in a positive direction by higher volumes of loans outstanding. The volume of loans outstanding increased by 5.5 percent compared to the situation as of 30 June 2007. Market valuations of financial instruments not classified as hedges under IAS 39 contributed to improving the net interest income by MSEK 35.1 compared to the corresponding year-ago period.

Operating income not including net interest income amounted to MSEK 51.7, a decline by MSEK 22.3 compared to the first six-month period of 2007. The drop compared to the preceding year is explained by the fact that Landshypotek AB reported a gain on the sale of an operating property in the amount of MSEK 33.4. The realised result of repurchases of financial instruments was MSEK 34.1.

Costs amounted to MSEK 104.2, equivalent to a decline by MSEK 26.4, or 20 percent compared to the first six-month period of 2007. The decrease in costs is due primarily to lower administrative costs.

Compared to the first quarter of 2008, operating profit improved by MSEK 7.9 for the second quarter.

Loan losses and doubtful credits

Loan losses for the period amounted to MSEK +11.8 (–4.6). Recoveries of previously realised losses, or previously doubtful credits, amounted to MSEK 12.4. Doubtful credits amounted to MSEK 4.8, which is equivalent to 0.01 percent of total loans outstanding. As of 30 June 2007 nonperforming loans amounted to MSEK 16.7, equivalent to 0.04 percent of loans outstanding.

Financing

Landshypotek's primary source of financing is covered bonds. During the quarter covered bonds were issued under Landshypotek's MTN programme and international EMTN programme. The current unrest in the capital markets have only had a limited effect on Landshypotek's opportunities of raising money at attractive rates. Thanks to its good rating on covered bonds and strong liquid position Landshypotek has been able to issue bonds at highly competitive rates.

Bonds with longer maturity than the lending have been issued, which together with the holding of cash and cash equivalents and contracted back-up facilities provides continued adequate liquidity.

Rating

Landshypotek AB was upgraded by S&P to an A– rating during the quarter, from the previous BBB+. The fact that Landshypotek has had its rating improved during the current unrest in capital markets is an evidence of the Company's long-term financial strength. Already before Landshypotek has received an S&P credit rating of AAA on its covered bonds.

Capital adequacy

On 1 February 2007 the new Basel II capital adequacy rules were introduced in Sweden. According to the new rules, the capital requirement will be linked to the risk profile of the institution in question to a higher degree than before. The prior capital adequacy rules in force, Basel I, prescribed that the capital requirement should be computed based on credit and market risks. Credit risks were calculated with the aid of standards, which were the same for all banks. According to Basel II, the minimum capital requirement is calculated based on credit, market and operational risks. In addition to the minimum requirement, the institution must also perform an internal capital evaluation. The internal capital evaluation must take into consideration all risks and their capital requirement, among them capital requirements for expansion and the assessment of the rating agencies of the capital requirement. The supervisory authorities expect institutions to maintain a higher capital base than required by the formal minimum capital requirement. The capital requirement changes will take effect gradually as transitional rules will apply over a period of three years.

Credit risks

For a majority (86 percent) of its assets Landshypotek has received permission to use the advanced IRK method (internal risk measurement system) from the Swedish Financial Supervisory Authority for calculating its capital requirement. For the remaining credit exposures the capital requirement is measured in accordance with the standard method.

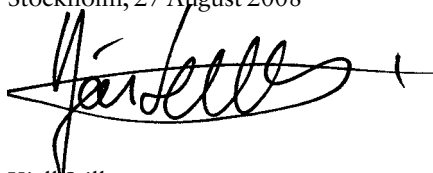
Operating risks

Landshypotek applies the base method in Basel II according to which the capital requirement is calculated based on the earnings of the business.

Market risks

The market risks are calculated in accordance with the standardised provision of the Swedish Financial Supervisory Authority.

Stockholm, 27 August 2008



Kjell Stillman
Managing Director

Rating

	Lång	Kort
Fitch	A+	F1
Moody's	A2	P1
S&P	A–	A2, K1
S&P "Covered bonds"	AAA	

Capital adequacy

	Basel II ¹	Transitional rules	Basel I
Capital requirement	666,782	3,000,245	3,424,296
Capital adequacy, %	43.89	9.75	8.74
Core capital relationship, %	38.98	8.66	7.69
Capital base relative to capital adequacy, %	5.50	1.22	1.09

¹ Basel II is based on what the minimum capital requirement will look like in 2010 when the transitional rules no longer are in force.

Capital base and capital adequacy are stated not including earnings generated during the quarter.

Review report

Introduction

We have performed a review of this interim report for Landshypotek AB (publ) for the period 1 January–30 June 2008. Responsibility for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies rests with the Board of Directors and the Managing Director. Our responsibility is to render our opinion on this interim report based on our review.

Focus and scope of the limited review

We have performed our review in accordance with the Standard for review (SÖG) 2410 Review of financial interim information performed by the company's elected auditor issued by FAR (The Swedish Institute of Authorised Public Accountants). A review consists of making inquiries, in the first instance with persons who are responsible for financial issues and accounting issues, to perform analytical examination and to perform other review actions. A review has a different orientation and is significantly limited in scope compared to the orientation and scope of an audit in accordance with generally accepted auditing standards in Sweden (Swedish GAAP) and generally accepted auditing standards in general. The examination measures taken in a review do not make it possible for us to get such assurance that we would be made aware of all important circumstances that would have been identified if an audit had been performed. The opinion rendered based on a review therefore does not entail the assurance of an opinion based on an audit.

Conclusion

Based on our review, no circumstances have come to our attention, as far as the group is concerned, would give us reason to consider that this interim report has not, in all material respects, been prepared in accordance with IAS 34 and as far as the parent company is concerned in accordance with the Swedish Annual Accounts Act.

Stockholm, 27 August 2008

Anna Hesselman	Bengt Fröander
Authorised Public Accountant	Authorised Public Accountant

Income Statement

LANDSHYPOTEK AB GROUP

SEK thousand	2008 Q 2	2008 Q 1	2008 Jan-June	2007 Jan-June	2007 Full year
Interest income	568,090	535,309	1,103,399	887,888	1,895,553
Interest expense	-493,849	-449,108	-942,957	-724,061	-1,535,200
Net interest income	74,241	86,201	160,442	163,827	360,353
Dividend income	0	0	0	0	70,674
Commission income	2,448	2,400	4,847	8,969	12,919
Commission expense	-491	-655	-1,146	-197	-636
Result of valuation at fair value	25,160	8,978	34,138	18,659	19,223
Other operating income	6,628	7,271	13,899	46,651	59,686
Total operating income	107,986	104,195	212,180	237,909	522,219
General administrative expense	-43,947	-42,783	-86,730	-106,030	-191,802
Depreciation, amortisation and impairment of intangible non-current assets	1,425	-4,621	-3,196	-7,647	-38,556
Other operating expenses	-7,749	-4,708	-12,457	-15 091	-29,068
Total expenses before loan losses	-50,271	-52,112	-102,383	-128,768	-259,426
Profit before loan losses	57,715	52,083	109,797	109,141	262,793
Loan losses, net	7,048	4,731	11,780	-4,591	18,764
Impairment of financial assets	0	0	0	0	-70,037
Operating profit	64,763	56,814	121,577	104,550	211,520
Year-end appropriations	0	0	0	0	0
Taxes on the period's profit	-17,760	-15,703	-33,463	-28,208	-49,790
Net profit for the period	47,003	41,111	88,114	76,342	161,730

LANDSHYPOTEK AB PARENT COMPANY

SEK thousand	2008 Q 2	2008 Q 1	2008 Jan-June	2007 Jan-June	2007 Full year
Interest income	566,842	534,003	1,100,845	884,973	1,889,369
Interest expense	-497,956	-452,996	-950,952	-729,317	-1,547,044
Net interest income	68,886	81,007	149,893	155,656	342,325
Dividend income	0	0	0	0	0
Commission income	2,441	2,395	4,836	8,956	12,896
Commission expense	-491	-650	-1,141	-172	-586
Result of valuation at fair value	25,160	8,978	34,138	18,659	19,223
Other operating income	5,711	7,271	12,982	45,076	58,111
Total operating income	101,707	99,001	200,708	228,175	431,969
General administrative expense	-43,441	-42,507	-85,948	-106,579	-198,405
Depreciation, amortisation and impairment of intangible non-current assets	1 425	-4,621	-3,196	-7,647	-38,190
Other operating expenses	-7,372	-4,654	-12,026	-15,057	-29,019
Total expenses before loan losses	-49,388	-51,782	-101,170	-129,283	-265,614
Profit before loan losses	52,319	47,219	99,538	98,892	166,355
Loan losses, net	-113	771	658	-4,911	-975
Impairment of financial assets	0	0	0	0	0
Operating profit	52,206	47,990	100,196	93,981	165,380
Year-end appropriations	0	0	0	0	0
Taxes on the period's profit	-14,618	-13,437	-28,055	-26,315	-37,313
Net profit for the period	37,588	34,553	72,141	67,666	128,067

Balance Sheet

	GROUP					PARENT COMPANY		
SEK thousand	2008 30 June	2008 31 Mar	2007 31 Dec	2007 30 June	2008 30 June	2008 31 Mar	2007 31 Dec	2007 30 June
Assets								
Cash and balances with central banks	8,670	1,866	295	652	8,670	1,866	295	652
Eligible treasury bills		0	0	0			0	0
Due from financial institutions	82,391	97,874	66,165	82,923	348,762	314,137	309,790	353,531
Loans to customers Note 2	40,548,849	40,121,622	39,724,633	38,445,180	40,287,891	39,877,331	39,456,518	38,153,942
Bonds and other interest-bearing securities	7,423,683	5,208,075	4,296,199	4,235,586	7,423,683	5,208,075	4,296,199	4,235,586
Derivative financial instruments	95,477	38,600	79,030	89,033	95,477	38,600	79,030	89,033
Shares	1	1	1	70,038	0	0	0	0
Shares in Group companies		0	0	0	515,027	515,027	514,927	514,827
Intangible non-current assets	119	178	237	21,889	119	178	237	21,889
Tangible assets								
Equipment	6,280	6,569	6,431	8,321	6,280	6,569	6,431	8,308
Buildings and land	345,934	343,965	346,375	344,972	341,497	339,528	345,749	344,960
Other assets	55,533	56,751	72,347	112,092	84,606	84,237	95,848	105,467
Prepaid expenses and accrued income	546,523	523,692	478,123	417,719	547,402	524,509	479,123	418,206
TOTAL ASSETS	49,113,460	46,399,193	45,069,836	43,828,405	49,659,414	46,910,057	45,584,147	44,246,401
Liabilities, provisions and equity								
Due to financial institutions	1,662,270	924,722	760,407	1,088 017	2,069,554	1,342,049	1,177,735	1,463,586
Borrowing from the public	102,838	48,279	60,000	110,128	102,838	48,279	60,000	110,128
Debt securities in issue, etc.	42,214,395	40,752,041	39,420,471	37,746,704	42,214,395	40 702,041	39,370,471	37,696,704
Derivative financial instruments	234,161	137,071	186,172	90,588	234,161	137,071	186,172	90,588
Other liabilities	382,642	168,605	180,081	160,862	583,839	365,768	374,775	278,845
Accrued expenses and prepaid income	755,718	572,154	708,638	666,215	758,664	575,127	711,689	668,119
Provisions	53,402	87,855	76,919	85,115	24,179	58,091	46,434	52,946
Subordinated liabilities	449,979	449,996	449,983	649,360	449,979	449,996	449,983	649,360
Total liabilities	45,855,405	43,140,723	41,842,671	40,596,989	46,437,609	43,678,422	42,377,259	41,010,276
Untaxed reserves	0	0	0	0	0	0	0	0
Equity Note 3	3,258,055	3,258,470	3,227,165	3,231,416	3,221,805	3,231,635	3,206,888	3,236,125
Total liabilities, provisions and equity	49,113,460	46,399,193	45,069,836	43,828,405	49,659,414	46,910,057	45,584,147	44,246,401

Cash Flow Statement

	GROUP			PARENT COMPANY		
SEK thousand	2008 Jan–June	2007 Jan–June	2007 Full year	2008 Jan–June	2007 Jan–June	2007 Full year
Liquid funds at beginning of period	295	750	750	295	650	650
Cash flow from operating activities	10,865	8,907	321,680	7,154	14,211	326,117
Cash flow from investing activities	–2 486	–8,365	–7,135	1,225	–13,569	–11,472
Cash flow from financing activities	–4	–640	–315,000	–4	–640	–315,000
Cash flow for the period	8,375	–98	–455	8,375	2	–355
Liquid funds at end of period	8,670	652	295	8,670	652	295

Notes

NOTE 1 LOAN LOSSES, NET

GROUP

SEK thousand	2008 Q 2	2008 Q 1	2008 Jan–June	2007 Jan–June	2007 Full year
Year's impairment charge for realised losses	0	–705	–705	–13,563	–14,533
Reversal of prior provisions for probable loan losses, reported as realised losses in this year's accounts	0	619	619	13,530	14,425
Impairment charge for probable loan losses	–194	–366	–559	–5,663	–6,929
Recovery of previous realised losses	7,203	4,025	11,228	304	6,423
Reversal of provisions no longer required for probable loan losses	39	1,158	1,197	801	19,378
Total loans losses	7,048	4,731	11,780	–4,591	18,764

All loan losses are attributable to loans to customers.

PARENT COMPANY

SEK thousand	2008 Q 2	2008 Q 1	2008 Jan–June	2007 Jan–June	2007 Full year
Year's impairment charge for realised losses	0	–705	–705	–185	–430
Reversal of prior provisions for probable loan losses, reported as realised losses in this year's accounts	0	619	619	152	397
Impairment charge for probable loan losses	–194	–366	–559	–5,663	–6,929
Recovery of previous realised losses	41	64	106	298	411
Reversal of provisions no longer required for probable loan losses	40	1,159	1,198	487	5,576
Total loans losses	–113	771	659	–4,911	–975

All loan losses are attributable to loans to customers.

NOTE 2 NON-PERFORMING LOANS, ETC.

GROUP

SEK thousand	2008 30 June	2008 31 mars	2007 31 Dec	2007 30 June
Disclosures regarding nonperforming loans and doubtful credits				
Nonperforming loans where interest is recognised as income	234,820	193,009	279,675	313,123
Nonperforming loans that are doubtful credits	5,876	5,924	15,447	34,546
Total nonperforming loans	240,696	198,933	295,122	347,669
Doubtful credits that are not nonperforming	0	170	173	1,500
Less provisions set aside	–1,067	–1,079	–1,729	–19,349
Doubtful credits that are not performing	5,876	5,924	15,447	34,546
Total nonperforming loans	4,809	5,015	13,891	16,697
Shares taken over to protect claims	1	1	1	1

PARENT COMPANY

SEK thousand	2008 30 June	2008 31 Mar	2007 31 Dec	2007 30 June
Disclosures regarding nonperforming loans and doubtful credits				
Nonperforming loans where interest is recognised as income	234,580	191,830	279,405	312,176
Nonperforming loans that are doubtful credits	5,876	5,924	15,447	20,309
Total nonperforming loans	240 456	197,754	294,852	332 485
Doubtful credits that are not nonperforming	0	170	173	1,500
Less provisions set aside	–1,067	–1,079	–1,729	–5,211
Doubtful credits that are not performing	5 876	5,924	15,447	20,309
Total nonperforming loans	4,809	5,015	13,891	16,598

NOTE 3 CHANGE IN EQUITY

GROUP	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Retained earnings	Total
Equity 31 December 2006	1,927,000	1,026,244	4,764	–45,432	224,935	3,137,511
Change in available-for-sale financial instruments, before taxes				19,094		19,094
Change in instruments for cash flow hedges, before taxes			–1,531			–1,531
Translation differences						0
Total change in equity not reported in the income statement	0	0	–1,531	19,094	0	17,563
Net profit for the period					76,342	76,342
Total change before transactions with the owners	0	0	–1,531	19,094	76,342	93,905
Dividend/group contribution rendered						
Taxes on group contribution rendered						
Equity 30 juni 2007	1,927,000	1,026,244	3,233	–26,338	301,277	3,231,416
Equity 31 December 2007	1,927,000	1,026,244	14,701	–44,676	303,896	3 227,165
Change in available-for-sale financial instruments, after taxes				–60,332		–60,332
Change in instruments for cash flow hedges, after taxes			3,108			3,108
Translation differences						0
Total change in equity not reported in the income statement	0	0	3,108	–60,332	0	–57,224
Net profit for the period					88,114	88,114
Total change before transactions with the owners	0	0	3,108	–60,332	88,114	30,890
Dividend/group contribution rendered						
Taxes on group contribution rendered						
Equity 30 June 2008	1,927,000	1,026,244	17,809	–105,008	392,010	3,258,055

PARENT COMPANY	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Retained earnings	Total
Equity 31 December 2006	1,927,000	1,010,000	4,764	–45,432	254,564	3,150,896
Change in available-for-sale financial instruments, before taxes				19,094		19,094
Change in instruments for cash flow hedges, before taxes			–1,531			–1,531
Translation differences						0
Total change in equity not reported in the income statement	0	0	–1,531	19,094	0	17,563
Net profit for the period					67,666	67,666
Total change before transactions with the owners	0	0	–1,531	19,094	67,666	85,229
Dividend/group contribution rendered						
Taxes on group contribution rendered						
Equity 30 juni 2007	1,927,000	1,010,000	3,233	–26,338	322,230	3,236,125
Equity 31 December 2007	1,927,000	1,010,000	14,701	–44,676	299,863	3,206,888
Change in available-for-sale financial instruments, after taxes				–60,332		–60,332
Change in instruments for cash flow hedges, after taxes			3,108			3,108
Translation differences						0
Total change in equity not reported in the income statement	0	0	3,108	–60,332	0	–57,224
Net profit for the period					72,141	72,141
Total change before transactions with the owners	0	0	3,108	–60,332	72,141	14,917
Dividend/group contribution rendered						
Taxes on group contribution rendered						
Equity 30 June 2008	1,927,000	1,010,000	17,809	–105,008	372,004	3,221,805

