AUGUST 24, 2011

Länsförsäkringar Hypotek January–June 2011

INTERIM REPORT

The period in brief

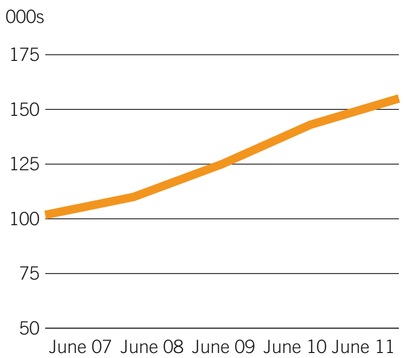
- Loans rose 15% to SEK 85 billion (74).
- Operating profit increased 52% to SEK 92 M (61).
- Net interest income rose 48% to SEK 238 M (161).
- Recoveries exceeded loan losses and amounted to SEK 6 M (3), net.
- The Tier 1 ratio according to Basel II was 20.6% (18.0) and the capital adequacy ratio was 22.9% (20.5).
- The number of customers rose 9% to 155,000 (142,000).
- In June, EUR 1 billion was issued in the European market.

Figures in parentheses pertain to the same period in 2010.

Anders Borgcrantz, President of Länsförsäkringar Hypotek:

"Länsförsäkringar continued to strengthen its position on the retail mortgage market. The number of customers is increasing and 81% of retail mortgage customers are choosing Länsförsäkringar as their primary bank, which confirms that we have an attractive offering. The loan portfolio continues to have a high level of credit quality. The liquidity situation is favourable and refinancing was very successful. Borrowing duration have been extended."

CUSTOMER TREND



Key figures

	Q 2 2011	Q 2 2010	Q 1 2011	Jan-Jun 2011	Jan-Jun 2010	Full-year 2010
Return on equity, %	3.6	2.9	3.7	3.6	3.0	3.5
Return on total capital, %	0.17	0.12	0.17	0.17	0.13	0.15
Investment margin, %	0.42	0.37	0.47	0.44	0.34	0.40
Cost/income ratio before loan losses	0.29	0.36	0.27	0.28	0.36	0.31
Cost/income ratio after loan losses	0.22	0.34	0.24	0.23	0.33	0.30
Tier 1 ratio according to Basel II, %	20.6	18.0	19.5	20.6	18.0	19.7
Capital adequacy ratio according to Basel II, %	22.9	20.5	21.9	22.9	20.5	22.3
Percentage of impaired loans, %	0.01	0.01	0.01	0.01	0	0.01
Reserve ratio in relation to loans, %	0.04	0.05	0.05	0.04	0.05	0.05
Loan losses, %	–0.02	–0.01	–0.01	–0.01	–0.01	0

Income statement, quarterly

SEK M	Q 2 2011	Q 1 2011	Q 4 2010	Q 3 2010	Q 2 2010
Net interest income	113.7	124.5	118.1	126.4	93.1
Net commission expense	–59.2	–63.2	–62.6	–64.4	–42.1
Net gains / losses from financial items	5.5	–2.0	–0.2	9.9	–4.9
Other operating income	0.3	–	0	0	0
Total operating income	**60.3**	**59.3**	**55.3**	**71.9**	**46.1**
Staff costs	–3.9	–2.8	–2.0	–2.5	–2.8
Other administration expenses	–13.9	–13.0	–16.8	–13.5	–14.0
Total operating expenses	–17.8	**–15.8**	**–18.8**	**–16.0**	**–16.8**
Profit before loan losses	**42.5**	**43.5**	**36.5**	**55.9**	**29.3**
Loan losses, net	4.5	1.5	–1.4	–0.1	1.0
Operating profit	**47.0**	**45.0**	**35.1**	**55.8**	**30.3**

Market commentary

The Swedish economy entered into a calmer phase during the quarter but is continuing to grow strongly. The global recovery is continuing as a whole, although uncertainty rose markedly during the period. The growth prospects in the US weakened and fears about government finances in Europe gained momentum. Activity in the Swedish bank and mortgage bond market was stable with healthy demand despite rising global uncertainty.

Prices for single-family homes rose nearly 1% in Sweden between the first and second quarter, according to data from Statistics Sweden. Prices in the major metropolitan area of Stockholm rose, remained unchanged in Gothenburg and weakened slightly in Malmö.

Household and retail mortgages continued to increase albeit at a lower rate according to Statistics Sweden's data, primarily driven by market interest rates and the mortgage cap.

January-June 2011 compared with January-June 2010

Growth and customer trend

Loans to the public increased 15%, or SEK 11 billion, to SEK 85 billion (74) and Länsförsäkringar strengthened its position among mortgage lenders. The number of customers rose 9%, or 13,000, to 155,000 (142,000). 81% (78) of mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Profit before loan losses increased 49% to SEK 86 M (58) and operating profit rose 52% to SEK 92 M (61), due to higher net interest income.

The return on equity rose to 3.6% (3.0).

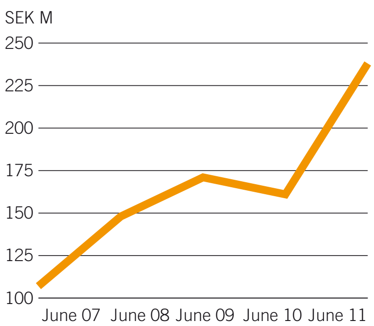
Income

Net interest income rose 48%, or SEK 77 M, to SEK 238 M (161). The increase was attributable to stronger lending volumes, improved margins and higher return on shareholders' equity due to higher market interest rates. The investment margin strengthened to 0.44% (0.34). Net interest income was charged with a provision totalling SEK 16.2 M (7.1) for stability fund fees.

Operating income rose a total of 32%, or SEK 30 M, to SEK 120 M (90).

Net commission fell to an expense of SEK 122 M (69) attributable to higher compensation to the regional insurance companies due to higher net interest income. Compensation to the regional insurance companies is included in commission expense and calculated based on net interest income.

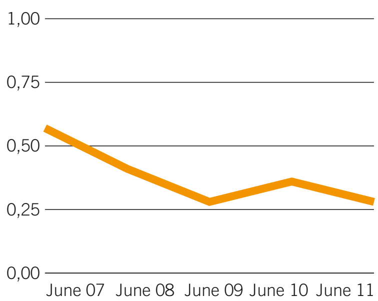
NET INTEREST INCOME



Expenses

Operating expenses increased 3% to SEK 34 M (33). The cost/income ratio strengthened to 0.28 (0.36) before loan losses and to 0.23 (0.33) after loan losses.

COST/INCOME RATIO



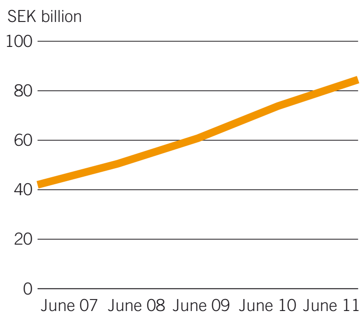
Loan losses

Recoveries exceeded loan losses, amounting to SEK 6 M (3), net, corresponding to loan losses of –0.01% (–0.01). Reserves amounted to SEK 37 M (40) and the reserve ratio in relation to loans amounted to 0.04% (0.05). Impaired loans amounted to SEK 8 M (3), corresponding to a percentage of impaired loans totalling 0.01% (0). For more information regarding loan losses, reserves and impaired loans, refer to Notes 8 and 10.

Loans

Loans to the public rose 15%, or SEK 11 billion, to SEK 85 billion (74) and the increase from year-end is 6% or SEK 5 billion. The loan portfolio continues to be characterised by favourable credit quality. The market share for retail mortgages to households rose to 4.2% (4.0) on June 30, 2011 and the percentage of market growth was almost 8% for the period.

LOANS



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 only takes place in Sweden. The weighted average loan-to-value ratio, LTV, was 60% (60) and the average commitment per borrower was SEK 851,000 (813,000) on June 30, 2011. The current OC 1) amounted to 20.5% (15.3).

The geographic distribution in Sweden is favourable and collateral comprises only private homes, including single-family homes, tenant-owned apartments and, to a marginally extent, leisure homes. Credit quality is high. No impaired loans are included in the cover pool.

Cover pool	June 30, 2011	June 30, 2010
Cover pool, SEK billion	108	95
of which, Swedish mortgages, SEK billion	81	71
of which, substitute collateral, SEK billion	22	16
of which, separate deposit account, SEK billion	5	8
OC [1], nominal, current level, %	20.5	15.3
Percentage of separate deposit account in cover pool, %	4.3	8.2
Weighted average maximum LTV, %	60	60
Collateral	Private homes	Private homes
Seasoning, months	55	51
Number of loans	208,336	190,043
Number of borrowers	94,916	87,334
Number of properties	95,387	87,895
Average commitment, SEK 000s	851	813
Average loan, SEK 000s	388	373
Interest-rate type, variable, %	62	70
Interest-rate type, fixed, %	38	30
Impaired loans	None	None

[1] OC indicates the difference between the assets and liabilities in relation to the liabilities. High OC indicates that the operations have a large surplus of assets and a favourable margin in the event of, for example, a price drop in the value of the assets.

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 LTV increased to 67% compared with a current weighted average LTV of 60% on June 30, 2011.

Borrowing

Debt securities in issue increased 23%, or SEK 16 billion, to SEK 88 billion (72). Covered bonds of a nominal SEK 24.3 billion (29.7) were issued during the period, of which a corresponding nominal SEK 9.0 billion (10.6) was issued in the international market. EUR 1 billion was successfully issued in June. Repurchased securities totalled a nominal SEK 10.4 billion (5.4) and matured securities amounted to a nominal SEK 5.5 billion (6.9) during the period.

For more information about the borrowing programmes, refer to the Appendix.

Liquidity

Liquidity remained favourable. The liquidity reserve, which comprises substitute collateral, amounted to a nominal SEK 22.5 billion (15.5), of which 76% (100) was deposited in Swedish covered bonds with an AAA /Aaa credit rating and 24% (0) in investments with the Swedish government as the counterparty. On June 30, 2011, a total of SEK 5 billion (8) was deposited in the separate deposit account. The level of substitute collateral matches the refinancing requirement for all debt securities in issue maturing until the second quarter of 2013.

Rating

Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies. The Parent Company Länsförsäkringar Bank's credit rating remained unchanged with a stable outlook.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Hypotek [1]	Standard & Poor's	AAA	A–1+
Länsförsäkringar Hypotek [1]	Moody's	Aaa	–
Länsförsäkringar Bank	Standard & Poor's	A/stable	A–1(K–1)
Länsförsäkringar Bank	Moody's	A2/stable	P1

[1] Pertains to the company's covered bonds.

Capital adequacy

Länsförsäkringar 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 exposures. The Standardised Approach is currently applied to other exposures to calculate the capital requirement for credit risk. The transition rules from Basel I to Basel II have been extended through 2015 and entail a capital requirement of 80%. Tier 1 capital amounted to SEK 3,856 M (3,243) and Tier 1 ratio according to Basel II totalled 20.6% (18.0) on June 30, 2010. The capital adequacy ratio amounted to SEK 4,303 M (3,695) and the capital adequacy ratio was 22.9% (20.5) in accordance with the Basel II rules. For more information on the calculation of capital adequacy, refer to Note 13.

Interest-rate risk

On June 30, 2011, 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 53 M (32).

Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily credit risks and financial risks. The operations are characterised by a low risk profile. Loan losses remain low and the refinancing of business activities was highly successful during the period, and the borrowing durations have been extended.

A detailed description of risks is available in the 2010 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 2011 compared with second quarter of 2010

Profit before loan losses rose to SEK 43 M (29), due to increased net interest income. Higher market interest rates and increased volumes boosted net interest income by 22%, or SEK 21 M, to SEK 114 M (93). Return on equity was 3.6% (2.9) and the investment margin improved to 0.42% (0.37). Operating income rose a total of 31%, or SEK 14 M, to SEK 60 M (46). Net commission fell to an expense of SEK 59 M (42) attributable to higher compensation to the regional insurance companies due to higher net interest income. Expenses totalled SEK 18 M (17) and recoveries exceeded loan losses and amounted to SEK 4 M (1), net.

Second quarter of 2011 compared with first quarter of 2011

Profit before loan losses declined to SEK 43 M (44), due to lower net interest income. Net interest income fell 9%, or SEK 10 M, to SEK 114 M (124), attributable to higher expenses for extending borrowing durations. Due to the cost changes to the Parent Company's short-term borrowing attributable to deposits, the price of short-term borrowing from the Parent Company has changed, which also had a negative impact on net interest income. Return on equity was 3.6% (3.7) and the investment margin amounted to 0.42% (0.47). Operating income rose a total of 2%, or SEK 1 M, to SEK 60 M (59). Net commission improved to an expense of SEK 59 M (63) attributable to lower compensation to the regional insurance companies due to lower net interest income. Expenses totalled SEK 18 M (16) and recoveries exceeded loan losses and amounted to SEK 4 M (1), net.

Events after the end of the period

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

Income statement

SEK M	Note	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Interest income	3	1,698.8	917.0		1,459.4		3,158.2	1,737.2		4,018.9
Interest expense	4	–1,585.1	–823.9		–1,334.9		–2,920.0	–1,575.8		–3,613.1
Net interest income		**113.7**	**93.1**	**22%**	**124.5**	**–9%**	**238.2**	**161.4**	**48%**	**405.8**
Commission income	5	0.6	0.4	39%	0.5	9%	1.1	0.9	14%	1.9
Commission expense	6	–59.8	–42.5	41%	–63.7	–6%	–123.5	–70.1	76%	–198.1
Net gains from financial items	7	5.5	–4.9		–2.0		3.5	–1.7		8.0
Other operating income		0.3	0		–		0.3	0		0
Total operating income		**60.3**	**46.1**	**31%**	**59.3**	**2%**	**119.6**	**90.5**	**32%**	**217.6**
Staff costs		–3.9	–2.8	38%	–2.8	37%	–6.7	–6.0	11%	–10.4
Other administration expenses		–13.9	–14.0	–1%	–13.0	7%	–26.9	–26.7	1%	–57.0
Total operating expenses		**–17.8**	**–16.8**	**6%**	**–15.8**	**12%**	**–33.6**	**–32.7**	**3%**	**–67.4**
Profit before loan losses		**42.5**	**29.3**	**45%**	**43.5**	**–2%**	**86.0**	**57.8**	**49%**	**150.2**
Loan losses, net	8	4.5	1.0	336%	1.5	207%	6.0	2.8	112%	1.3
Operating profit		**47.0**	**30.3**	**55%**	**45.0**	**5%**	**92.0**	**60.6**	**52%**	**151.5**
Tax		–12.4	–7.9		–11.8		–24.2	–15.9		–46.7
Profit for the period		**34.6**	**22.4**	**55%**	**33.1**	**5%**	**67.8**	**44.7**	**52%**	**104.8**

Statement of comprehensive income

SEK M	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Profit for the period	**34.6**	**22.4**	**55%**	**33.1**	**5%**	**67.8**	**44.7**	**52%**	**104.8**
Other comprehensive income									
Available-for-sale-financial assets									
Fair value change	29.5	44.5	–34%	68.1	–57%	97.6	37.4	161%	25.9
Reclassification realised securities	–2.2	–		–		–2.2	–		–
Tax	–7.2	–11.7	–39%	–17.9	–60%	–25.1	–9.8	155%	–6.8
Total other comprehensive income for the period, net after tax	**20.1**	**32.8**	**–39%**	**50.2**	**–60%**	**70.3**	**27.6**	**155%**	**19.1**
Total comprehensive income for the period	**54.7**	**55.2**	–1%	**83.3**	**–34%**	**138.1**	**72.3**	**91%**	**123.9**

Balance sheet

SEK M	Note	June 30, 2011	Dec 31, 2010	June 30, 2010
Assets				
Treasury bills and other eligible bills		5,837.1	2,820.7	0
Loans to credit institutions	9	5,841.6	8,155.8	8,628.4
Loans to the public	10	84,540.2	79,666.7	73,816.7
Bonds and other interest-bearing securities		16,646.3	12,483.3	16,728.3
Derivatives	11	1,110.2	995.9	1,140.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		50.3	126.4	595.7
Other assets		0.7	1.0	181.2
Prepaid expenses and accrued income		929.6	1,419.7	579.6
Total assets		**114,956.0**	**105,669.5**	**101,670.4**
Liabilities and equity				
Due to credit institutions	9	19,141.8	17,844.4	22,585.2
Debt securities in issue		88,268.7	79,695.4	71,961.7
Derivatives	11	1,901.9	1,864.8	1,123.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		–604.8	–378.9	1,041.7
Deferred tax liabilities		35.6	10.5	13.6
Other liabilities		31.3	146.3	23.7
Accrued expenses and deferred income		1,669.9	2,363.5	1,088.9
Provisions		0.2	0.2	0.2
Subordinated liabilities		501.0	501.0	501.0
Total liabilities		**110,945.6**	**102,047.2**	**98,339.7**
Equity				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		100.0	29.6	38.1
Retained earnings		3,758.2	3,403.5	3,163.5
Profit for the period		67.8	104.8	44.7
Total equity		**4,010.4**	**3,622.3**	**3,330.7**
Total liabilities and equity		**114,956.0**	**105,669.5**	**101,670.4**
Memorandum items	12			
For own liabilities, pledged assets		82,842.6	79,628.9	81,873.6
Other pledged assets		None	None	None
Contingent liabilities		1,733.3	1,483.3	1,112.3
Other commitments		4,623.4	3,226.3	386.3
Other notes				
Accounting policies	1			
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Cash-flow statement in summary, indirect method

SEK M	Jan-Jun 2011	Jan-Jun 2010
Cash and cash equivalents, January 1	**22.9**	**160.5**
Cash flow from operating activities	–91.0	–203.3
Cash flow from financing activities	72.3	300.0
Cash flow for the period	–18.7	**96.7**
Cash and cash equivalents, June 30	**4.2**	**257.2**

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

Changes to the cash flow from operating activities are largely attributable to debt securities in issue SEK 8,247.8 M (17,796.0) and loans to the public SEK –4,869.5 M (–6,279.3) and interest-bearing securities –4,111.7 (–14,498.5).

Changes in the cash flow from financing activities are mainly attributable to shareholders' contribution received SEK 250.0 M (374.0) and Group contribution paid SEK –177.7 M (–).

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, 2010	**70.3**	**14.1**	**10.5**	**2,689.6**	**99.9**	**2,884.4**
Profit for the period					44.7	44.7
Other comprehensive income for the period			27.6			27.6
Comprehensive income for the period			*27.6*		*44.7*	*72.3*
Resolution by Annual General Meeting				99.9	–99.9	––
Conditional shareholders' contribution received				374.0		374.0
Closing balance, June 30, 2010	**70.3**	**14.1**	**38.1**	**3,163.5**	**44.7**	**3,330.7**
Opening balance, July 1, 2010	**70.3**	**14.1**	**38.1**	**3,163.5**	**44.7**	**3,330.7**
Profit for the period					60.1	60.1
Other comprehensive income for the period			–8.5			–8.5
Comprehensive income for the period			*–8.5*		*60.1*	*51.6*
Group contribution paid				–177.8		–177.8
Tax on Group contribution paid				46.8		46.8
Conditional shareholders' contribution received				371.0		371.0
Closing balance, December 31, 2010	**70.3**	**14.1**	**29.6**	**3,403.5**	**104.8**	**3,622.3**
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
Comprehensive income for the period			*70.3*		*67.8*	*138.1*
Resolution by Annual General Meeting				104.8	–104.8	–
Conditional shareholders' contribution received				250.0		250.0
Closing balance, June 30, 2011	**70.3**	**14.1**	**100.0**	**3,758.2**	**67.8**	**4,010.4**

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) as well as 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 issued by the Swedish Financial Reporting Board pertaining to listed companies. The regulations in RFR 2 stipulates that the company, in the annual accounts for the legal entity, shall apply all IFRS and statements adopted by 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 relationship 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 applied in the preparation of the 2010 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 interim report.

NOTE 3 INTEREST INCOME

SEK M	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Loans to credit institutions	30.7	19.5	58%	36.0	–14%	66.7	38.2	75%	108.2
Loans to the public	770.9	439.0	76%	670.1	15%	1,440.9	866.1	66%	1,910.4
Interest-bearing securities	121.8	110.9	10%	112.5	8%	234.3	159.4	47%	389.5
Derivatives									
Hedge accounting	707.3	347.6	103%	577.4	23%	1,284.8	673.4	91%	1,610.7
Non-hedge accounting	68.1	–		63.4		131.5	0.1		0.1
Total interest income	**1,698.8**	**917.0**	**85%**	**1,459.4**	**16%**	**3,158.2**	**1,737.2**	**82%**	**4,018.9**
of which interest income on impaired loans	–0.7	–		0.4		–0.4	0.4		0.7
of which interest income from financial items not measured at fair value	801.5	458.5	75%	706.1	14%	1,507.6	904.3	67%	2,018.6
Average interest rate on loans to the public during the period, %	3.7	2.4		3.3		3.5	2.5		2.6

NOTE 4 INTEREST EXPENSE

SEK M	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Due to credit institutions	–90.1	–22.1	308%	–67.8	33%	–157.9	–41.2	283%	–133.7
Interest-bearing securities	–688.4	–561.9	22%	–625.1	10%	–1,313.5	–998.8	32%	–2,137.2
Subordinated liabilities	–6.0	–3.9	54%	–5.5	10%	–11.5	–7.8	47%	–16.2
Derivatives									
Hedge accounting	–727.0	–231.9	214%	–568.8	28%	–1,295.8	–520.7	149%	–1,310.4
Non-hedge accounting	–65.1	–		–60.0	8%	–125.1	–0.2		–0.2
Other interest expense	–8.5	–4.1	106%	–7.7	10%	–16.2	–7.1	126%	–15.4
Total interest expense	**–1,585.1**	**–823.9**	**92%**	**–1,334.9**	**19%**	**–2,920.0**	**–1,575.8**	**85%**	**–3,613.1**
of which interest expense from financial items not measured at fair value	–792.9	–592.0	34%	–706.1	12%	–1,499.1	–1,054.9	42%	–2,302.6

NOTE 5 COMMISSION INCOME

SEK M	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Lending	0.6	0.4	39%	0.5	9%	1.1	0.9	14%	1.9
Total commission income	**0.6**	**0.4**	**39%**	**0.5**	**9%**	**1.1**	**0.9**	**14%**	**1.9**
of which commission income from financial items not measured at fair value	0.6	0.4	39%	0.5	9%	1.1	0.9	14%	1.9

NOTE 6 COMMISSION EXPENSE

SEK M	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Remuneration to regional insurance companies	–59.4	–42.0	41%	–63.3	–6%	–122.7	–69.0	78%	–196.2
Other commission	–0.4	–0.5	–10%	–0.4	–0%	–0.8	–1.1	–22%	–1.9
Total commission expense	**–59.8**	**–42.5**	**41%**	**–63.7**	**–6%**	**–123.5**	**–70.1**	**76%**	**–198.1**
of which commission expense from financial items not measured at fair value	–59.4	–42.0	41%	–63.3	–6%	–122.7	–69.0	78%	–196.2

NOTE 7 NET GAINS FROM FINANCIAL ITEMS

SEK M	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Change in fair value									
Interest-related instruments	204.9	11.3		–173.5		31.4	115.7	–73%	–340.6
Currency-related instruments	565.7	332.2	70%	–405.5		160.2	305.8	–48%	–447.1
Change in fair value of hedged items	–773.5	–355.4	118%	576.0		–197.5	–439.0	–55%	752.7
Capital gain / loss									
Interest-related instruments	4.4	–5.7		–2.1		2.3	–8.0		0.1
Interest compensation	4.0	12.7	–68%	3.1	30%	7.1	23.8	–70%	42.9
Total net gains from financial items	**5.5**	**–4.9**		**–2.0**		**3.5**	**–1.7**		**8.0**

NOTE 8 LOAN LOSSES, NET

SEK M	Q 2 2011	Q 2 2010	Change	Q 1 2011	Change	Jan-Jun 2011	Jan-Jun 2010	Change	Full-year 2010
Specific reserve for individually assessed loan receivables									
Write-off of confirmed loan losses during the period	–0.4	–0.4	10%	–0.1	351%	–0.5	–0.7	–26%	–2.4
Reversed earlier impairment of loan losses recognised as confirmed losses	0.1	0.1	11%	0.1	–25%	0.3	0.1	363%	0.9
Impairment of loan losses during the period	–2.3	–1.0	129%	–2.9	–21%	–5.2	–1.7	206%	–4.6
Payment received for prior confirmed loan losses	0.5	1.0	–58%	0.9	–52%	1.3	2.1	–37%	4.4
Reversed impairment of loan losses no longer required	1.8	0.6	202%	0.6	190%	2.4	0.6	304%	1.2
Net income / expense for the period for individually assessed loan receivables	–0.3	**0.3**		**–1.4**	**–80%**	**–1.7**	**0.4**		**–0.5**
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	4.8	0.7	590%	2.9	66%	7.7	2.4	219%	1.8
Net income / expense for the period for collectively assessed homogenous loan receivables	**4.8**	**0.7**	**590%**	**2.9**	**66%**	**7.7**	**2.4**	**219%**	**1.8**
Net income / expense of loan losses for the period	**4.5**	**1.0**	**336%**	**1.5**	**207%**	**6.0**	**2.8**	**112%**	**1.3**

All information pertains to receivables from the public.

NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS

Loans to credit institutions include deposits of SEK 4,687.1 M (7,849.8) with the Parent Company.
Due to credit institutions include borrowing of SEK 17,091.7 M (22,378.8) from the Parent Company.

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, 2011	Dec 31, 2010	June 30, 2010
Loan receivables, gross			
Corporate sector	1,652.2	1,490.0	1,225.8
Retail sector	82,925.0	78,218.9	72,630.9
Total loan receivables, gross	**84,577.2**	**79,708.9**	**73,856.7**
Impairment of individually assessed loan receivables			
Retail sector	–5.9	–3.4	–1.9
Total individual reserves	**–5.9**	**–3.4**	**–1.9**
Impairment of collectively reserved loan receivables			
Corporate sector	–1.1	–1.0	–0.8
Retail sector	–30.0	–37.8	–37.3
Total collective reserves	**–31.1**	**–38.8**	**–38.1**
Total impairment	**–37.0**	**–42.2**	**–40.0**
Loan receivables, net			
Corporate sector	1,651.1	1,,489.0	1,225.0
Retail sector	82,889.1	78,177.7	72,591.7
Total loans to the public, net	**84,540.2**	**79,666.7**	**73,816.7**
Impaired loans			
Retail sector	7.9	9.3	3.3
Total impaired loans	**7.9**	**9.3**	**3.3**

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.

NOT 11 DERIVATIVES

	June 30, 2011		Dec 31, 2010		June 30, 2010	
SEK M	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
Derivatives in hedge accounting						
Interest	59,050.0	619.6	44,117.0	609.7	43,492.5	924.3
Currency	10,809.7	490.6	1,777.7	401.3	1,394.4	470.7
Collateral received, CSA	–	–	–	–17.0	–	–254.5
Other derivatives						
Interest	–	–	13,500.0	1.9	–	–
Total derivatives with positive values	**69,859.7**	**1,110.2**	**59,394.7**	**995.9**	**44,886.9**	**1,140.5**
Derivatives with negative values						
Derivatives in hedge accounting						
Interest	66,963.0	1,113.2	53,706.0	1,037.1	37,651.0	974.2
Currency	10,577.1	788.7	10,577.1	827.7	10,577.1	149.5
Other derivatives						
Currency	–	–	–	–	–	–
Total derivatives with negative values	**77,540.1**	**1,901.9**	**64,283.1**	**1,864.8**	**48,228.1**	**1,123.7**

NOTE 12 MEMORANDUM ITEMS

SEK M	June 30, 2011	Dec 31, 2010	June 30, 2010
For own liabilities, pledged assets			
Collateral pledged due to repurchase agreements	2,050.1	2,975.2	10,915.0
Loan receivables, covered bonds	80,792.5	76,653.7	70,958.6
Total for own liabilities, pledged assets	**82,842.6**	**79,628.9**	**81,873.6**
Other pledged assets	None	None	None
Contingent liabilities			
Conditional shareholders' contribution	1,732.6	1,482.6	1,111.6
Early retirement at age 62 in accordance with pension agreement, 80%	0.7	0.7	0.7
Total contingent liabilities	**1,733.3**	**1,483.3**	**1,112.3**
Commitments			
Loans approved but not disbursed	4,623.4	3,226.3	386.3

NOTE 13 CAPITAL-ADEQUACY ANALYSIS

SEK M	June 30, 2011	Dec 31, 2010	June 30, 2010
Capital base			
Tier 1 capital, gross	3,910.4	3,592.6	3,292.5
Less IRB deficit	–54.3	–45.2	–49.1
Tier 1 capital, net	**3,856.1**	**3,547.4**	**3,243.4**
Tier 2 capital	501.0	501.0	501.0
Deductions for Tier 2 capital	–54.3	–45.2	–49.1
Total capital base	**4,302.8**	**4,003.2**	**3,695.3**
Risk-weighted assets according to Basel II	**18,759.8**	**17,973.4**	**18,003.8**
Risk-weighted assets according to transition rules	**42,216.9**	**38,431.9**	**36,059.5**
Capital requirement			
Capital requirement for credit risk according to Standardised Approach	366.6	370.9	271.6
Capital requirement for credit risk according to IRB Approach	1,109.6	1,046.8	1,148.5
Capital requirement for operational risk	24.6	20.2	20.2
Capital requirement according to Basel II	**1,500.8**	**1,437.9**	**1,440.3**
Adjustment according to transition rules	1,876.6	1,636.7	1,444.5
Total capital requirement	**3,377.4**	**3,074.6**	**2,884.8**
Capital adequacy			
Tier 1 ratio according to Basel II, %	20.56	19.74	18.02
Capital-adequacy ratio according to Basel II, %	22.94	22.27	20.53
Capital ratio according to Basel II*	2.87	2.78	2.57
Tier 1 ratio according to transition rules, %	9.13	9.23	8.99
Capital-adequacy ratio according to transition rules, %	10.19	10.42	10.25
Capital ratio according to transition rules*	1.27	1.30	1.28
Special disclosures			
IRB Provisions surplus (+) / deficit (–)	**–108.6**	**–90.4**	**–98.2**
– Total provisions (+)	34.6	40.1	38.2
– Anticipated loss (–)	–143.2	–130.5	–136.4
Capital requirement			
Credit risk according to Standardised Approach			
Exposures to institutions	70.5	50.2	53.9
Exposures to corporates	0.6	1.6	16.2
Retail exposures	55.0	123.5	–
Exposures secured on residential property	104.9	91.5	64.9
Past due items	0.2	0.3	–
Covered bonds	134.1	102.4	134.8
Other items	1.3	1.4	1.8
Total capital requirement for credit risk according to Standardised Approach	**366.6**	**370.9**	**271.6**

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	June 30, 2011	Dec 31, 2010	June 30, 2010
Credit risk according to IRB Approach			
Retail exposures			
Exposures secured by real estate collateral	1,032.0	971.0	1,079.8
Other retail exposures	2.5	1.7	2.0
Total retail exposures	*1,034.5*	*972.7*	*1,081.8*
Exposures to corporates	75.1	74.2	66.7
Total capital requirement for credit risk according to IRB Approach	**1,109.6**	**1,046.9**	**1,148.5**
Operational risk			
Standardised Approach	24.6	20.2	20.2
Total capital requirement for operational risk	**24.6**	**20.2**	**20.2**
Capital-adequacy analysis according to Basel I			
Tier 1 capital	3,910.4	3,592.6	3,292.5
Tier 2 capital	501.0	501.0	501.0
Total capital base	**4,411.4**	**4,093.6**	**3,793.5**
Risk-weighted assets	54,468.0	49,452.1	46,447.2
Capital requirement for credit risk	4,357.4	3,956.2	3,715.8
Tier 1 ratio, %	7.18	7.26	7.09
Capital-adequacy ratio, %	8.10	8.28	8.17
Capital ratio*	1.01	1.03	1.02

*Capital ratio = total capital base / total capital requirement

NOTE 14 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, as well as the local insurance companies that hold shares in Länsförsäkringar AB.

Normal business transactions between the related parties took place between January and June 2011. Since December 31, 2010, 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, 2010, 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 22, 2011

Rikard Josefson *Chairman of the board*	Christian Bille *Board member*	Bengt Jerning *Board member*
Bengt Clemedtson *Board member*	Christer Malm *Board member*	Anders Borgcrantz *President*

Appendix

BORROWING PROGRAMMES

Programme	Limit, Nominal	Issued in Jan-June 2011, Nominal, SEK billion	Issued in Jan-June 2010, Nominal, SEK billion	Remaining, June 30, 2011, Nominal, SEK billion	Remaining, June 30, 2010, Nominal, SEK billion	Remaining average term, June 30, 2011, years	Remaining average term, June 30, 2010, years
Benchmark	Unlimited	10.8	13.8	54.5	44.0	3.0	2.9
Medium Term Covered Note	SEK 30 billion	4.5	5.3	12.4	15.0	1.5	1.1
Euro Medium Term Covered Note	EUR 4 billion	9.0	10.6	20.5	12.0	3.4	4.5
Total		**24.3**	**29.7**	**87.4**	**71.0**	**2.9**	**2.8**

Borrowing by maturity

Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Totalt
Nominal, SEK billion	2.6	13.2	15.2	26.1	12.0	18.0	–	0.3	–	0.1	87.4

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of Länsförsäkringar Hypotek AB (publ) as of June 30, 2011 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.

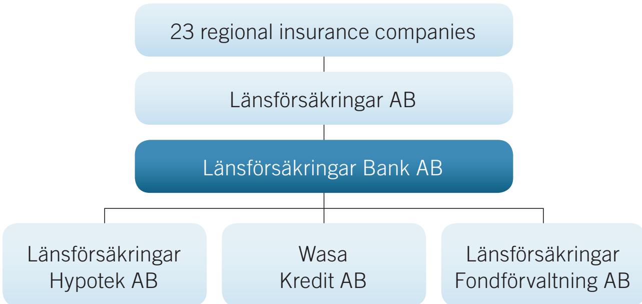
Stockholm August 24, 2011

Johan Bæckström
Authorised public accountant

Financial calendar

Interim report, January–September 2011 .....**October 24, 2011**

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 24, 2011 at 2:30 p.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 3.4 million and the Länsförsäkringar Alliance has a joint total of 5,900 employees.

Contact information:

Anders Borgcrantz, President, Länsförsäkringar Hypotek AB, +46 (0)8-588 412 51, +46 (0)73-964 12 51

Göran Laurén, Vice Executive President, Länsförsäkringar Hypotek AB, +46 (0)8-588 410 73, +46 (0)73-964 10 73

Anna-Lena Löfvenberg, Investor Relations Manager, Länsförsäkringar Bank AB, +46 (0)8-588 415 16, +46 (0)73-964 15 16

Christer Baldhagen, Senior Vice President Corporate Communications, +46 (0)8-588 415 01, +46 (0)70-579 70 66

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

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Länsförsäkringar