

# Länsförsäkringar Hypotek

## Interim Report January–June 2019

### The period in brief

- Operating profit increased 9% to SEK 587.8 M (541.7) and the return on equity amounted to 7.9% (7.9).
- Net interest income rose 6% to SEK 1,270 M (1,198).
- Credit losses amounted to SEK -0.5 M (-0.8), net, corresponding to a credit loss level of -0.00% (-0.00).
- Lending increased 11% to SEK 232.6 billion (210.4).
- The Common Equity Tier 1 capital ratio amounted to 17.8% (18.1\*) on 30 June 2019.
- According to Statistics Sweden (SCB), Länsförsäkringar Hypotek was by the end of May, the player on the mortgage market that had captured the largest share of market growth since the start of the year.

Figures in parentheses pertain to the same period in 2018.  
\* Refers to 31 March 2019.

### President's comment

Länsförsäkringar Hypotek continued to strengthen its position on the mortgage market. Mortgage volumes are increasing in line with the rising number of customers choosing Länsförsäkringar as their primary bank, at the same time as market shares are strengthening. Länsförsäkringar succeeded in advancing its positions despite a mortgage market that in the first half of the year was characterised by slightly lower market growth than in the preceding year. In April, Länsförsäkringar Hypotek became for the first time the player that captured the largest share of market growth in a single month and, accumulated up to May, was also the player that had captured most of the market growth since the start of the year. Housing prices for the period were relatively stable, supported by, for example, low interest rates. Indications that housing construction is now declining will probably mean a lower supply in the future, which could again increase focus on the imbalances and structural problems in the housing market. Structural political reforms are still needed to resolve these problems and create a healthier housing market that functions efficiently with greater turnover.

**Anders Borgcrantz**

President of Länsförsäkringar Hypotek

#### Loans to the public



● Loans, SEK billion ● Loan losses, %

#### Customer trend

Number of customers, 000s



## Key figures

	Q 2 2019	Q 1 2019	Q 2 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Return on equity, %	7.8	8.1	8.8	7.9	7.9	7.7
Return on total assets, %	0.34	0.36	0.40	0.35	0.37	0.36
Investment margin, %	0.96	1.00	1.04	0.98	1.05	1.04
Cost/income ratio before credit losses	0.09	0.09	0.08	0.09	0.09	0.09
Common Equity Tier 1 capital ratio, %	17.8	18.1	55.9*	17.8	55.9*	18.3
Total capital ratio, %	18.8	19.2	59.3*	18.8	59.3*	19.4
Share of credit-impaired loan receivables (stage 3), %	0.09	0.07	0.08	0.09	0.08	0.07
Reserve ratio for loan receivables stage 1, %	0.00	0.00	0.00	0.00	0.00	0.00
Reserve ratio for loan receivables stage 2, %	0.07	0.07	0.07	0.07	0.07	0.08
Reserve ratio for loan receivables stage 3, %	0.90	1.02	1.06	0.90	1.06	1.06
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	4.50	5.09	5.28	4.50	5.28	5.29
Credit loss level, %	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00

\* The capital ratios for periods prior to 31 December 2018 were calculated using the risk weight floor for Swedish mortgages that was previously applied.

## Income statement, quarterly

SEK M	Q 2 2019	Q 1 2019	Q 4 2018	Q 3 2018	Q 2 2018
Net interest income	638.0	631.5	611.9	624.0	612.2
Net commission	-309.3	-289.5	-327.7	-304.9	-285.4
Net gains/losses from financial items	-9.3	-15.7	8.7	-15.9	5.2
<b>Total operating income</b>	<b>319.4</b>	<b>326.3</b>	<b>292.9</b>	<b>303.3</b>	<b>332.1</b>
Staff costs	-3.9	-3.3	-3.2	-3.4	-3.8
Other administration expenses	-25.7	-25.5	-24.5	-23.0	-23.4
<b>Total operating expenses</b>	<b>-29.6</b>	<b>-28.8</b>	<b>-27.7</b>	<b>-26.3</b>	<b>-27.2</b>
<b>Profit before credit losses</b>	<b>289.8</b>	<b>297.5</b>	<b>265.2</b>	<b>276.9</b>	<b>304.8</b>
Credit losses, net	0.1	0.4	0.1	0.5	0.5
<b>Operating profit</b>	<b>289.9</b>	<b>297.9</b>	<b>265.3</b>	<b>277.4</b>	<b>305.3</b>

## Market commentary

The second quarter of the year was marked by growing concern about the effects that the further weakening of trade relations between the US and China might have on the global economy. Gloomier growth prospects caused the market to expect new stimulus packages from the central banks, which governed pricing in the financial markets. Incoming economic statistics were mixed but generally lower than expected. These weaker economic signals were mainly reflected in indicators from the manufacturing sector, while the trend in the services sector was better. Brexit was delayed until the end of October, which also presents a risk for the economic outlook.

Risks related to the weakening trade relations between the US and China, weaker economic statistics and continued low inflation led to the central banks changing their rhetoric towards the end of the quarter. The US central bank, the Fed, went from previously saying that it would be patient with interest-rate hikes to indicating that a cut was

on the cards to stimulate the economy. It emerged from the Fed's June meeting that several members believe that a cut in interest rates may be warranted as early as in 2019. The ECB also cited the rising uncertainty in economic activity and made it clear towards the end of the quarter that further stimulus measures remain part of its tools. At its June meeting, the ECB lowered expectations of future rate hikes by announcing that these rises could not be expected until the second half of 2020 at the earliest. Mario Draghi, the outgoing ECB President, went even further during a speech in June stating that additional stimulus will be required should the economic outlook not improve.

Expectations of a new round of stimulus measures from the central banks had a major impact on the financial markets. The equities market ignored economic signals and stock markets reported a very strong end to the quarter. The Stockholm Stock Exchange was up approximately 21% in the first half of 2019,

including dividends. Government bond rates fell again on a broad front, with the German ten-year government bond rate, for example, reaching an all-time low of -0.33% at the end of the second quarter. The Swedish ten-year government bond rate was 0.01% at the end of the quarter. Other longer market interest rates also displayed a similar falling trend, including rates on Swedish covered bonds.

The Swedish economy performed relatively well despite elevated risks in the business environment. Inflation and the labour market trended in line with the Riksbank's forecasts, while GDP growth for the first quarter was stronger than expected. Growth was driven by exports, but private consumption was lower. Household confidence in the economy was slightly lower according to incoming statistics. The housing market and housing prices were stable despite relatively pessimistic households. According to Valueguard's statistics, housing prices had by the end of May, increased 2.6% since the beginning of the year.

# January-June 2019 compared with January-June 2018

## Growth and customer trend

Loans to the public rose 11%, or SEK 22.2 billion, to SEK 232.6 billion (210.4), with continued very high credit quality. The number of customers rose 4%, or 10,000, to 276,000 (266,000), and 85% (89) of retail mortgage customers have Länsförsäkringar as their primary bank.

## Earnings and profitability

Operating profit increased 9% to SEK 587.8 M (541.7), primarily due to higher net interest income. The investment margin amounted to 0.98% (1.05). Profit before credit losses rose 9% to SEK 587.2 M (541.0). Return on equity amounted to 7.9% (7.9).

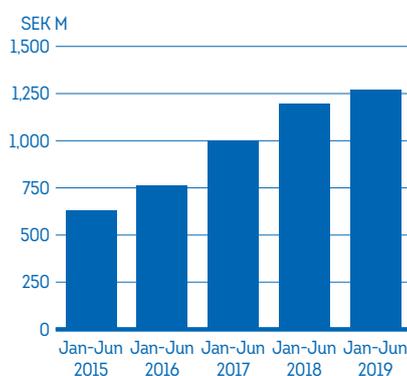
### Operating profit and return on equity



## Income

Operating income increased 8% to SEK 645.7 M (595.9), due to higher net interest income. Net interest income rose 6% to SEK 1,270 M (1,198) attributable to higher volumes. Net losses from financial items amounted to SEK -25.0 M (5.2) mainly due to the effects of the repurchase of own bonds. Net commission amounted to SEK -598.9 M (-607.0).

## Net interest income



## Expenses

Operating expenses amounted to SEK 58.5 M (54.9). The cost/income ratio before credit losses was 0.09 (0.09) and after credit losses 0.09 (0.09).

## Credit losses

Credit losses amounted to SEK -0.5 M (-0.8), net, corresponding to a credit loss level of -0.00% (-0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 207.1 M, corresponding to a share of credit-impaired loan receivables of 0.09%. The loss allowance for credit-impaired loan receivables was SEK 1.9 M. The reserve ratio for credit-impaired loan receivables amounted to 0.90%. In addition, SEK 7.5 M of the remuneration to the regional insurance companies' credit-risk commitments for generated business, regarding credit-impaired loan receivables, is withheld in accordance with the settlement model. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 9.4 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to regional insurance companies, amounted to 4.5%. The total recognised loss allowance for loan receivables (stages 1-3), including withheld remuneration to the regional insurance companies, amounted to SEK 28.0 M, of which SEK 22.4 M pertained to withheld remuneration to the regional insurance companies in accordance with the settlement model.

### Loss allowance, stage 3

SEK M	30 Jun 2019	30 Jun 2018
Loans to the public	232,634	210,352
Credit-impaired loan receivables (stage 3)	207.1	175.5
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	9.4	9.3
of which loss allowance for credit-impaired loan receivables (stage 3)	1.9	1.9
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	7.5	7.4

For further information on credit losses and credit-impaired loan receivables, refer to notes 1, 6 and 8.

## Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 11%, or SEK 22.2 billion, to SEK 232.6 billion (210.4). The credit quality of the loan portfolio, comprising 71% (71) single-family homes, 25% (25) tenant-owned apartments, 3.5% (3.5) multi-family housing and 0.5% (0.5) industrial properties, remained favourable. On 31 May 2019, the market share of retail mortgages strengthened to 6.9% (6.6) according to Statistics Sweden (SCB).

## Cover pool

The cover pool, which forms the basis of issuance of covered bonds, contains SEK 223.2 billion, corresponding to 96% of the loan portfolio. The collateral comprises only private homes, of which 72% (72) are single-family homes, 26% (26) tenant-owned apartments and 2% (2) vacation homes. The geographic spread throughout Sweden is favourable and the average loan commitment is low at SEK 1.28 M (1.23). The weighted average loan-to-value ratio, LTV, was 59% (58) and the nominal, current OC (overcollateralisation) amounted to 36% (33).

Länsförsäkringar Hypotek's cover pool has a healthy buffer to manage any downturns in housing prices. In 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 amounted to 66% (65) on 30 June 2019. No impaired loans are included in the cover pool.

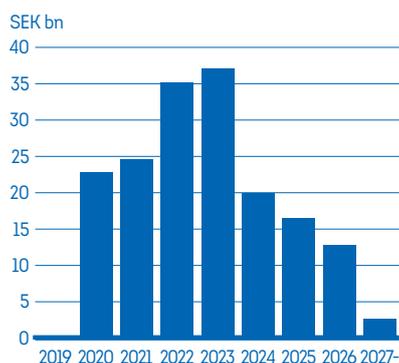
Cover pool	30 Jun 2019	30 Jun 2018
Cover pool, SEK billion	234	211
OC <sup>1</sup> , nominal, current level, %	36	33
Weighted average LTV, %	59	58
Collateral	Private homes	Private homes
Seasoning, months	59	60
Number of loans	395,924	372,319
Number of borrowers	174,691	164,243
Number of properties	174,757	164,083
Average commitment, SEK 000s	1,277	1,227
Average loan, SEK 000s	564	541
Interest rate type, variable, %	61	73
Interest rate type, fixed, %	39	27
Loans past due 60 days	None	None

<sup>1</sup> OC is calculated using nominal values and excludes accrued interest rates. Debt securities in issue in other currencies than SEK are translated into SEK using the swap rate. Debt securities in issue include repurchase agreements.

## Funding

Länsförsäkringar Hypotek continuously issues bonds to refinance future new loans and current funding falling due. The funding structure is favourable and the maturity profile is well diversified. Debt securities in issue increased 8% to SEK 180.8 billion (166.9). Issued covered bonds during the period totalled a nominal SEK 20.8 billion (25.2) and repurchases of a nominal SEK 5.7 billion (7.2) were executed. Matured covered bonds amounted to a nominal SEK 7.5 billion (6.3).

## Maturity profile



● Covered bonds

## Liquidity

On 30 June 2019, liquidity assets totalled SEK 11.1 billion (10.1). The liquidity situation remains healthy and contractual undertakings can be met for more than two years without needing to secure new funding in the capital market. Liquidity assets comprised 100% (100) Swedish covered bonds with the credit rating of AAA/Aaa.

## Rating

Länsförsäkringar Hypotek is one of three issuers in the Swedish market with the highest credit rating for covered bonds from both Standard & Poor's and Moody's. The Parent Company Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A1/Stable from Moody's.

Rating			
Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	-

<sup>1)</sup>Pertains to the company's covered bonds.

## Capital ratio<sup>1</sup>

Länsförsäkringar Hypotek AB (SEK M)	30 Jun 2019	31 Mar 2019
IRB Approach	17,896	17,504
retail exposures	14,074	14,073
exposures to corporates	3,822	3,431
Standardised Approach	1,779	1,631
Operational risks	1,430	1,430
Additional requirements according to Article 458 CRR	44,303	42,268
Total REA	65,973	63,387
Common Equity Tier 1 capital	11,713	11,494
Tier 1 capital	11,713	11,494
Total capital	12,374	12,155
Common Equity Tier 1 capital ratio	17.8%	18.1%
Tier 1 ratio	17.8%	18.1%
Total capital ratio	18.8%	19.2%
<b>Total capital requirement</b>		
Pillar I	5,278	5,071
Pillar II	1,089	1,237
Combined buffer	2,969	2,852
<b>Capital requirement as a percentage of REA</b>		
Pillar I	8.0%	8.0%
Pillar II	1.7%	2.0%
Combined buffer	4.5%	4.5%

The Common Equity Tier 1 capital ratio amounted to 17.8% (18.1). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation.

On 30 June 2019, the total Risk Exposure Amount (REA) amounted to SEK 65,973 M (63,387).

For more information on capital adequacy, see note 12.

## Internally assessed capital and buffer requirements

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 30 June 2019 amounted to SEK 6,367 M, comprising the minimum capital requirement under Pillar I and the capital requirement for risks managed under Pillar II. The internally assessed capital requirement is calculated based on the methods and models used to calculate the capital requirement under the framework of Pillar I. Internal models are used for Pillar II risks.

In addition to this, there are capital requirements for the countercyclical capital buffer and the capital conservation buffer. The countercyclical capital buffer at 2% of REA totalled SEK 1,319 M. This capital conservation buffer that is to correspond to 2.5% of REA amounted to SEK 1,649 M on 30 June 2019.

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 12,374 M.

<sup>1</sup> The comparative period is 31 March 2019. Periodic information according to the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers. (FFFS 2014:12) and regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7) is provided in this section, the section on funding and liquidity and in note 12.

## Interest-rate risk

On 30 June 2019, 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 47.6 M (108.5).

## Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily credit risks, liquidity 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. Credit losses remain low and the refinancing of business activities was highly satisfactory during the period. A more detailed description of risks is available in the 2018 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 2019 compared with first quarter of 2019

Operating profit amounted to SEK 289.9 M (297.9). Return on equity was 7.8% (8.1). Operating income amounted to SEK 319.4 M (326.3). Net interest income increased 1% to SEK 638.0 M (631.5). Net losses from financial items amounted to SEK -9.3 M (-15.7). Net commission amounted to SEK -309.3 M (-289.5). Operating expenses amounted to SEK 29.6 M (28.8) and the cost/income ratio before credit losses to 0.09% (0.09). Credit losses amounted to SEK -0.1 M (-0.4).

## Events after the end of the period

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

## Income statement

SEK M	Not	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
Interest income		1,015.7	965.7	5%	836.1	21%	1,981.4	1,608.4	23%	3,311.5
Interest expense		-377.6	-334.1	13%	-223.9	69%	-711.8	-410.7	73%	-877.9
<b>Net interest income</b>	3	<b>638.0</b>	<b>631.5</b>	<b>1%</b>	<b>612.2</b>	<b>4%</b>	<b>1,269.6</b>	<b>1,197.7</b>	<b>6%</b>	<b>2,433.6</b>
Commission income		7.0	0.6		0.6		7.6	1.3		2.5
Commission expense		-316.4	-290.2	9%	-286.0	11%	-606.5	-608.3		-1,242.1
<b>Net commission</b>	4	<b>-309.3</b>	<b>-289.5</b>	<b>7%</b>	<b>-285.4</b>	<b>8%</b>	<b>-598.9</b>	<b>-607.0</b>	<b>-1%</b>	<b>-1,239.6</b>
Net gains/losses from financial items	5	-9.3	-15.7	-41%	5.2		-25.0	5.2		-1.9
<b>Total operating income</b>		<b>319.4</b>	<b>326.3</b>	<b>-2%</b>	<b>332.1</b>	<b>-4%</b>	<b>645.7</b>	<b>595.9</b>	<b>8%</b>	<b>1,192.1</b>
Staff costs		-3.9	-3.3	18%	-3.8	3%	-7.1	-8.3	-14%	-14.9
Other administration expenses		-25.7	-25.5	1%	-23.4	10%	-51.3	-46.6	10%	-94.0
<b>Administration expenses</b>		<b>-29.6</b>	<b>-28.8</b>	<b>3%</b>	<b>-27.2</b>	<b>9%</b>	<b>-58.4</b>	<b>-54.8</b>	<b>7%</b>	<b>-108.9</b>
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.1	-0.1		-0.2
<b>Total operating expenses</b>		<b>-29.6</b>	<b>-28.8</b>	<b>3%</b>	<b>-27.2</b>	<b>9%</b>	<b>-58.5</b>	<b>-54.9</b>	<b>7%</b>	<b>-109.0</b>
<b>Profit before credit losses</b>		<b>289.8</b>	<b>297.5</b>	<b>-3%</b>	<b>304.8</b>	<b>-5%</b>	<b>587.2</b>	<b>541.0</b>	<b>9%</b>	<b>1,083.0</b>
Credit losses, net	6	0.1	0.4	-75%	0.5	-80%	0.5	0.8	-38%	1.3
<b>Operating profit</b>		<b>289.9</b>	<b>297.9</b>	<b>-3%</b>	<b>305.3</b>	<b>-5%</b>	<b>587.8</b>	<b>541.7</b>	<b>9%</b>	<b>1,084.4</b>
Appropriations		-	-		-		-	-		-249.5
Tax		-62.2	-69.5	-10%	-68.4	-8%	-132.1	-120.5	10%	-176.4
<b>Profit for the period</b>		<b>227.3</b>	<b>228.4</b>		<b>236.8</b>	<b>-4%</b>	<b>455.7</b>	<b>421.3</b>	<b>8%</b>	<b>658.5</b>

## Statement of comprehensive income

SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Profit for the period</b>	<b>227.3</b>	<b>228.4</b>		<b>236.8</b>	<b>-4%</b>	<b>455.7</b>	<b>421.3</b>	<b>8%</b>	<b>658.5</b>
<b>Other comprehensive income</b>									
<b>Items that have been reclassified or may subsequently be reclassified to the income statement</b>									
Cash-flow hedges	3.1	-20.4		-53.3		-17.3	-64.9	-73%	-43.5
Change in fair value of debt instruments measured at FVOCI	-1.1	6.2		-0.7	57%	5.0	7.2	-31%	-8.2
Tax attributable to items that have been transferred or can be transferred to profit for the period	-0.4	2.0		11.9		1.6	12.7	-87%	11.4
<b>Total other comprehensive income for the period, net after tax</b>	<b>1.6</b>	<b>-12.2</b>		<b>-42.1</b>		<b>-10.7</b>	<b>-45.0</b>	<b>-76%</b>	<b>-40.3</b>
<b>Total comprehensive income for the period</b>	<b>228.9</b>	<b>216.2</b>	<b>6%</b>	<b>194.7</b>	<b>18%</b>	<b>445.0</b>	<b>376.3</b>	<b>18%</b>	<b>618.2</b>

## Balance sheet

SEK M	Note	30 June 2019	31 December 2018	30 June 2018
<b>Assets</b>				
Loans to credit institutions	7	5,285.6	4,631.0	7,915.9
Loans to the public	8	232,633.9	221,107.9	210,352.5
Bonds and other interest-bearing securities		11,116.3	9,916.6	10,065.4
Derivatives	9	9,334.4	5,540.2	6,929.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		468.7	103.5	230.6
Tangible assets		0.5	0.6	0.8
Deferred tax assets		39.9	37.2	41.9
Other assets		4.7	3.1	2.0
Prepaid expenses and accrued income		89.7	27.8	102.7
<b>Total assets</b>		<b>258,973.6</b>	<b>241,368.0</b>	<b>235,640.8</b>
<b>Liabilities, provisions and equity</b>				
Due to credit institutions	7	58,795.2	54,426.9	52,212.6
Debt securities in issue		180,816.9	171,195.1	166,880.5
Derivatives	9	693.4	430.7	476.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,614.6	1,019.8	1,506.7
Other liabilities		469.6	137.9	145.2
Accrued expenses and deferred income		2,979.0	1,997.9	2,751.1
Provisions		1.5	1.5	1.4
Subordinated liabilities		661.0	661.0	661.0
<b>Total liabilities and provisions</b>		<b>247,031.2</b>	<b>229,870.7</b>	<b>224,634.9</b>
<b>Untaxed reserves</b>		<b>908.3</b>	<b>908.3</b>	<b>658.8</b>
<b>Equity</b>				
Share capital		3,129.9	3,129.9	3,129.9
Statutory reserve		14.1	14.1	14.1
Fair value reserve		-120.1	-109.5	-114.1
Retained earnings		7,554.5	6,896.1	6,896.0
Profit for the period		455.7	658.5	421.3
<b>Total equity</b>		<b>11,034.1</b>	<b>10,589.1</b>	<b>10,347.2</b>
<b>Total liabilities, provisions and equity</b>		<b>258,973.6</b>	<b>241,368.0</b>	<b>235,640.8</b>
<b>Other notes</b>				
Accounting policies	1			
Segment reporting	2			
Pledged assets, contingent liabilities and commitments	10			
Fair value valuation techniques	11			
Capital-adequacy analysis	12			
Disclosures on related parties	13			

## Cash-flow statement in summary, indirect method

SEK M	Jan-Jun 2019	Jan-Jun 2018
<b>Cash and cash equivalents, 1 January</b>	<b>4,614.4</b>	<b>2,858.7</b>
<b>Operating activities</b>		
Operating profit	587.8	541.7
Adjustment of non-cash items	811.4	1,197.3
<b>Change in assets of operating activities</b>		
Change in interest-bearing securities	-1,204.1	-278.5
Change in loans to the public	-11,526.0	-12,675.1
Change in other assets	-3,231.3	-3,533.4
<b>Change in liabilities of operating activities</b>		
Change in deposits and funding from the public	-	-
Change in debt securities in issue	7,418.9	11,394.5
Change in other liabilities	4,568.2	4,835.9
<b>Cash flow from operating activities</b>	<b>-2,575.2</b>	<b>1,482.3</b>
<b>Investing activities</b>		
Acquisition of property and equipment	-	-0.4
Change in intangible assets	-	-
Shareholders' contributions paid	-	-
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-0.4</b>
<b>Financing activities</b>		
Amortisation of subordinated debt	-	-
Change in subordinated debt	-	-
Shareholders' contributions received	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash flow for the period</b>	<b>-2,575.2</b>	<b>1,481.9</b>
<b>Cash and cash equivalents, 30 June</b>	<b>2,039.2</b>	<b>4,340.6</b>

Cash and cash equivalents are defined as loans to credit institutions and payable on demand as well as overnight loans and investments with the Swedish central bank that fall due on the following banking day.

## Statement of changes in Shareholders' equity

SEK M	Restricted equity		Non-restricted equity				Total
	Share capital	Statutory reserve	Fair value reserve		Retained earnings	Profit for the period	
			Fair value reserve	Hedge reserve			
<b>Opening balance, 1 January 2018</b>	<b>70.3</b>	<b>14.1</b>	<b>28.9</b>	<b>-98.0</b>	<b>9,461.1</b>	<b>477.1</b>	<b>9,953.4</b>
Effect due to change in accounting policy <sup>1)</sup>			0.1		17.4		17.5
<b>Opening balance, 1 January 2018 after adjustment for change in accounting policy</b>	<b>70.3</b>	<b>14.1</b>	<b>29.0</b>	<b>-98.0</b>	<b>9,478.5</b>	<b>477.1</b>	<b>9,970.9</b>
Profit for the period						421.3	421.3
Other comprehensive income for the period			5.6	-50.6			-45.0
<b>Comprehensive income for the period</b>			<b>5.6</b>	<b>-50.6</b>		<b>421.3</b>	<b>376.3</b>
According to Board's proposal for resolution by Annual General Meeting					477.1	-477.1	-
Bonus issue	3,059.6				-3,059.6		-
<b>Closing balance, 30 June 2018</b>	<b>3,129.9</b>	<b>14.1</b>	<b>34.6</b>	<b>-148.6</b>	<b>6,896.0</b>	<b>421.3</b>	<b>10,347.2</b>
<b>Opening balance, 1 July 2018</b>	<b>3,129.9</b>	<b>14.1</b>	<b>34.6</b>	<b>-148.6</b>	<b>6,896.0</b>	<b>421.3</b>	<b>10,347.2</b>
Profit for the period						237.2	237.2
Other comprehensive income for the period			-12.0	16.7			4.74
<b>Comprehensive income for the period</b>			<b>-12.0</b>	<b>16.7</b>		<b>237.2</b>	<b>241.9</b>
According to Board's proposal for resolution by Annual General Meeting							-
<b>Closing balance, 31 December 2018</b>	<b>3,129.9</b>	<b>14.1</b>	<b>22.6</b>	<b>-131.9</b>	<b>6,896.0</b>	<b>658.5</b>	<b>10,589.1</b>
<b>Opening balance, 1 January 2019</b>	<b>3,129.9</b>	<b>14.1</b>	<b>22.6</b>	<b>-131.9</b>	<b>6,896.0</b>	<b>658.5</b>	<b>10,589.1</b>
Profit for the period						455.7	455.7
Other comprehensive income for the period			3.9	-14.6			-10.7
<b>Comprehensive income for the period</b>			<b>3.9</b>	<b>-14.6</b>		<b>455.7</b>	<b>445.0</b>
According to Board's proposal for resolution by Annual General Meeting					658.5	-658.5	-
<b>Closing balance, 30 June 2019</b>	<b>3,129.9</b>	<b>14.1</b>	<b>26.5</b>	<b>-146.5</b>	<b>7,554.5</b>	<b>455.7</b>	<b>11,034.1</b>

<sup>1)</sup> Effect due to change in accounting policy from IAS 39 - Financial Instruments: Recognition and measurement to IFRS 9 - Financial Instruments. However, hedge accounting takes place in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

# Notes

Amounts in SEK million if not otherwise stated. Comparative figures in parentheses: income-statement items are compared with the immediately preceding quarter, balance-sheet items are compared with the immediately preceding year-end, unless otherwise stated.

## Note 1 Accounting policies

Länsförsäkringar Hypotek AB prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528) and Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, is to apply all IFRS adopted by the 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 relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and additions to IFRS. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

### AMENDED ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019

The company applies IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019.

#### IFRS 16 Leases

IFRS 16 replaced IAS 17 Leases on 1 January 2019. The standard primarily entailed that instead of being classified as operating leases as previously, leases where a company in the Group is the lessee are recognised in the balance sheet. IFRS 16 is applied only at Group level.

#### IFRIC 23 Uncertainty over Income Tax Treatments

The Company applies IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019. IFRIC 23 clarifies how IAS 12 is to be applied if there are uncertainties about how tax legislation is to be applied to a certain transaction or under certain circumstances.

The interpretation did not entail any impact on the consolidated financial statements.

In all other respects, the report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2018 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.

<b>Note 3 Net interest income</b>									
SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Interest income</b>									
Loans to credit institutions	21.4	23.1	-7%	15.3	40%	44.4 <sup>1)</sup>	20.1	-	29.5
Loans to the public	1,025.9	991.8	3%	889.9	15%	2,017.7	1,761.4	15%	3,593.9
Interest-bearing securities	15.8	15.2	4%	19.5	-19%	31.0 <sup>1)</sup>	38.0	-18%	76.6
Derivatives	-47.4	-64.4	-26%	-88.6	-47%	-111.9	-211.1	-47%	-388.5
Other interest income	-	-	-	-	-	-	-	-	-
<b>Total interest income</b>	<b>1,015.7</b>	<b>965.7</b>	<b>5%</b>	<b>836.1</b>	<b>21%</b>	<b>1,981.4</b>	<b>1,608.4</b>	<b>23%</b>	<b>3,311.5</b>
<b>Interest Expense</b>									
Due to credit institutions	-143.4	-140.0	2%	-121.3	18%	-283.4 <sup>1)</sup>	-241.6	17%	-494.7
Dept securities in issue	-483.9	-484.5	-	-487.6	-1%	-968.4	-969.3	-	-1,888.6
Subordinated liabilities	-2.9	-2.7	7%	-2.3	26%	-5.6	-4.4	27%	-9.2
Derivatives	271.7	337.1	-19%	426.0	-36%	608.8	888.2	-31%	1,675.0
Other interest expense	-19.1	-44.0	-57%	-38.6	-51%	-63.2	-83.6	-24%	-160.5
<b>Total interest expense</b>	<b>-377.6</b>	<b>-334.1</b>	<b>13%</b>	<b>-223.9</b>	<b>69%</b>	<b>-711.8</b>	<b>-410.7</b>	<b>73%</b>	<b>-877.9</b>
<b>Total net interest income</b>	<b>638.0</b>	<b>631.5</b>	<b>1%</b>	<b>612.2</b>	<b>4%</b>	<b>1,269.6</b>	<b>1,197.7</b>	<b>6%</b>	<b>2,433.6</b>
Average interest rate on loans to the public during the period, %	1.8	1.8		1.7		1.8	1.7		1.7

<sup>1)</sup> Of which negative interest of Loans to credit institutions SEK -3.4 M (-1.0), Interest-bearing securities SEK -1.0 M (-0.5) and Due to credit institutions SEK 3.6 M (1.1).

Interest income calculated according to the effective interest method amounts to SEK 1,015.7 M (965.7).

<b>Note 4 Net commission</b>									
SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Commission income</b>									
Loans	7.0	0.6		0.6		7.6	1.3		2.5
<b>Total commission income</b>	<b>7.0</b>	<b>0.6</b>		<b>0.6</b>		<b>7.6</b>	<b>1.3</b>		<b>2.5</b>
<b>Commission Expense</b>									
Remuneration to regional insurance companies	-316.4	-290.1	9%	-285.9	11%	-606.4	-608.1		-1,241.6
Other commission	-	-0.1		-0.1		-0.1	-0.2	-50%	-0.4
<b>Total commission expense</b>	<b>-316.4</b>	<b>-290.2</b>	<b>9%</b>	<b>-286.0</b>	<b>11%</b>	<b>-606.5</b>	<b>-608.3</b>		<b>-1,242.1</b>
<b>Total net commission</b>	<b>-309.3</b>	<b>-289.5</b>	<b>7%</b>	<b>-285.4</b>	<b>8%</b>	<b>-598.9</b>	<b>-607.0</b>	<b>-1%</b>	<b>-1,239.6</b>

<b>Note 5 Net gains / losses from financial items</b>									
SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
Interest-bearing assets and liabilities and related derivatives	-15.1	-21.0	-28%	-0.7		-36.1	-7.3		-26.6
Other financial assets and liabilities	0.0	0.0		0.0		0.0	0.0		0.1
Interest compensation (refer to items measured at amortised cost)	5.8	5.3	9%	5.9	-2%	11.1	12.5	-11%	24.6
<b>Total net gains / losses from financial items</b>	<b>-9.3</b>	<b>-15.7</b>	<b>-41%</b>	<b>5.2</b>		<b>-25.0</b>	<b>5.2</b>		<b>-1.9</b>

<b>Note 6 Credit losses</b>									
Net credit losses, SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Change in loss allowance for loan receivables</b>									
Stage 1 (not credit-impaired)	0.1	0.2	-50%	0.1		0.3	-0.1		-0.4
Stage 2 (not credit-impaired)	-0.1	0.0		0.2		-0.1	0.0		-0.2
Stage 3 (credit-impaired)	-0.2	-0.1		-0.2		-0.2	0.1		0.3
<b>Total change in loss allowance for loan receivables</b>	<b>-0.2</b>	<b>0.1</b>		<b>0.1</b>		<b>-0.1</b>	<b>-0.1</b>		<b>-0.3</b>
Expense for confirmed credit losses	-0.1	-0.1		-0.2	-50%	-0.2	-0.3	-33%	-0.6
Payment received for prior confirmed credit losses	0.5	0.3	67%	0.6	-17%	0.8	1.2	-33%	2.3
<b>Net expense for the period for credit losses for loan receivables</b>	<b>0.2</b>	<b>0.4</b>	<b>-50%</b>	<b>0.5</b>	<b>-60%</b>	<b>0.6</b>	<b>0.8</b>	<b>-25%</b>	<b>1.4</b>
Change in loss allowance for commitments	0.0	0.0		-0.1		0.0	-0.1		-
Net expense for other credit losses for the period	0.0	0.0		0.0		0.0	0.0		0.0
Net expense of the modification result for the period	0.0	0.0		0.0		0.0	0.0		0.0
<b>Net expense for credit losses for the period</b>	<b>0.1</b>	<b>0.4</b>	<b>-75%</b>	<b>0.5</b>	<b>-80%</b>	<b>0.5</b>	<b>0.8</b>	<b>-38%</b>	<b>1.3</b>

The settlement model regarding the commitment that the regional insurance companies have for credit losses entails that the regional insurance companies cover 80 percent of the loss allowance requirement on the date when an impairment is identified for Länsförsäkringar Hypotek AB. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80 percent of the loss allowance requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. During the second quarter of 2019, total credit losses amounted to SEK -0.6 M (2.1), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK 0.1 M (0.4) and the remainder of SEK -0.7 M (1.7) was settled against remuneration to the regional insurance companies.

<b>Note 7</b>	<b>Loans / due to credit institutions</b>
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On 30 June 2019, Loans to credit institutions amounted to SEK 5,285.6 M (4,631.0) and was included in Stage 1. Loss allowance for credit losses amounted to SEK 0 M (0) Loans to credit institutions include deposits with the Parent Company of SEK 2,079.2 M (4,602.9). Balances in the Parent Company's bank accounts pertaining to the covered bond operations are recognised as Loans to credit institutions.

Due to credit institutions amounted to SEK 58,795.2 M (54,426.9) on 30 June. Due to credit institutions includes borrowings from the Parent Company of SEK 55,605.1 M (54,251.7).

<b>Note 8 Loans to the public</b>			
<b>Loan receivables are geographically attributable in their entirety to Sweden</b>			
SEK M	30 June 2019	31 December 2018	30 June 2018
Corporate sector	6,678.5	6,603.0	6,631.9
Retail sector	225,961.0	214,510.5	203,725.9
<b>Loans to the public before loss allowance</b>	<b>232,639.5</b>	<b>221,113.5</b>	<b>210,357.8</b>
Loss allowance	-5.6	-5.6	-5.3
<b>Loans to the public</b>	<b>232,633.9</b>	<b>221,107.9</b>	<b>210,352.5</b>

<b>Loans to the public</b>				
<b>Reconciliation of loss allowance</b>				
<b>SEK M</b>	<b>Not credit-impaired</b>		<b>Credit-impaired</b>	<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Opening balance, 1 January 2019</b>	<b>-2.3</b>	<b>-1.6</b>	<b>-1.6</b>	<b>-5.6</b>
Increase due to new or acquired loans	-0.5	0.0	-0.1	-0.6
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.2	0.2	0.4	0.7
Change due to changed credit risk	0.7	-0.3	-0.5	-0.2
Other adjustments	0.0	0.0	0.0	0.0
Decrease due to write-off	0.0	0.0	0.1	0.1
<b>Closing balance, 30 June 2019</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-1.9</b>	<b>-5.6</b>
<b>Allocation of loss allowance requirement</b>				
	<b>Not credit-impaired</b>		<b>Credit-impaired</b>	<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Loans to the public before loss allowances</b>	<b>230,042.1</b>	<b>2,390.4</b>	<b>207.1</b>	<b>232,639.5</b>
Credit reserve requirement	-10.2	-8.5	-9.3	-28.0
Withheld remuneration to the regional insurance companies	8.1	6.8	7.5	22.4
<b>Recognised loss allowance</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-1.9</b>	<b>-5.6</b>
<b>Loans to the public</b>	<b>230,040.0</b>	<b>2,388.7</b>	<b>205.2</b>	<b>232,633.9</b>

<b>Loans to the public</b>				
<b>Reconciliation of loss allowance</b>				
<b>SEK M</b>	<b>Not credit-impaired</b>		<b>Credit-impaired</b>	<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Opening balance, 1 January 2018</b>	<b>-1.9</b>	<b>-1.4</b>	<b>-1.9</b>	<b>-5.3</b>
Increase due to new or acquired loans	-0.5	0.0	0.0	-0.6
Change in loss allowance model or method	-0.1	0.0	0.0	-0.1
Decrease due to repayment	0.1	0.1	0.1	0.4
Change due to changed credit risk	0.4	-0.1	-0.1	0.1
Other adjustments	0.0	0.0	-	0.0
Decrease due to write-off	-	0.0	0.2	0.2
<b>Closing balance, 30 June 2018</b>	<b>-2.0</b>	<b>-1.4</b>	<b>-1.9</b>	<b>-5.3</b>
<b>Allocation of loss allowance requirement</b>				
	<b>Not credit-impaired</b>		<b>Credit-impaired</b>	<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>Loans to the public before loss allowances</b>	<b>208,164.4</b>	<b>2,017.9</b>	<b>175.5</b>	<b>210,357.8</b>
Credit reserve requirement	-10.2	-7.1	-9.3	-26.6
Withheld remuneration to the regional insurance companies	8.2	5.7	7.4	21.3
<b>Recognised loss allowance</b>	<b>-2.0</b>	<b>-1.4</b>	<b>-1.9</b>	<b>-5.3</b>
<b>Loans to the public</b>	<b>208,162.4</b>	<b>2,016.5</b>	<b>173.7</b>	<b>210,352.5</b>

The settlement model regarding the commitment that the regional insurance companies have for credit losses entails that the regional insurance companies cover 80 percent of the loss allowance requirement on the date when an impairment is identified for Länsförsäkringar Hypotek AB. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80 percent of the loss allowance requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated.

<b>Note 9 Derivatives</b>						
SEK M	30 June 2019		31 December 2018		30 June 2018	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-related	139,387.0	3,179.7	144,777.0	1,369.7	119,767.0	1,997.0
Currency-related	39,271.4	6,154.7	34,118.9	4,170.6	34,761.5	4,932.0
<b>Total derivatives with positive values</b>	<b>178,658.4</b>	<b>9,334.4</b>	<b>178,895.9</b>	<b>5,540.2</b>	<b>154,528.5</b>	<b>6,929.0</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-related	80,470.0	617.1	41,595.0	249.8	54,175.0	407.9
Currency-related	1,394.2	76.3	2,717.8	180.9	1,394.2	68.5
<b>Total derivatives with negative values</b>	<b>81,864.2</b>	<b>693.4</b>	<b>44,312.8</b>	<b>430.7</b>	<b>55,569.2</b>	<b>476.4</b>

Financial hedging agreements were signed to hedge against interest-rate risks and currency risks stemming from the Company's operations. Hedge accounting is applied to funding, lending, deposits, bonds and other securities. Hedging instruments primarily comprise interest and currency interest-rate swaps.

<b>Note 10 Pledged assets, contingent liabilities and commitments</b>			
SEK M	30 June 2019	31 December 2018	30 June 2018
For own liabilities, pledged assets	237,130.8	221,070.8	214,125.7
Commitments <sup>1)</sup>	11,320.3	10,117.9	12,755.2

<sup>1)</sup> On 30 June 2019 there are no commitments to related parties.

Commitments comprise approved but not disbursed loans. For more information regarding loss allowance for commitments, see note 6.

SEK M	30 June 2019		31 December 2018		30 June 2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>						
Loans to credit institutions	5,285.6	5,285.6	4,631.0	4,631.0	7,915.9	7,915.9
Loans to the public	232,633.9	233,407.6	221,107.9	221,580.0	210,352.5	210,927.1
Bonds and other interest-bearing securities	11,116.3	11,116.3	9,916.6	9,916.6	10,065.4	10,065.4
Derivatives	9,334.4	9,334.4	5,540.2	5,540.2	6,929.0	6,929.0
Other assets	-	-	0.0	0.0	-	-
<b>Total</b>	<b>258,370.2</b>	<b>259,143.9</b>	<b>241,195.7</b>	<b>241,667.8</b>	<b>235,262.8</b>	<b>235,837.4</b>
<b>Financial Liabilities</b>						
Due to credit institutions	58,795.2	58,795.2	54,426.9	54,426.9	52,212.6	52,212.6
Debt securities in issue	180,816.9	187,244.9	171,195.1	174,878.3	166,880.5	171,827.3
Derivatives	693.4	693.4	430.7	430.7	476.4	476.4
Other liabilities	8.3	8.3	1.2	1.2	0.2	0.2
Subordinated liabilities	661.0	663.6	661.0	663.2	661.0	679.4
<b>Total</b>	<b>240,974.8</b>	<b>247,405.4</b>	<b>226,714.9</b>	<b>230,400.4</b>	<b>220,230.7</b>	<b>225,195.9</b>

The carrying amount of loans to credit institutions, other assets, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities.

Determination of fair value through published price quotations or valuation techniques where					
Level 1 includes Instruments with published price quotations					
Level 2 includes Valuation techniques based on observable market prices					
Level 3 includes Valuation techniques based on unobservable market price					
Financial instruments measured at fair value in the balance sheet					
30 June 2019, SEK M	Level 1	Level 2	Level 3	Total	
<b>Assets</b>					
Bonds and other interest-bearing securities	11,116.3				<b>11,116.3</b>
Derivatives		9,334.4			<b>9,334.4</b>
<b>Liabilities</b>					
Derivatives		693.4			<b>693.4</b>
<b>31 December 2018, SEK M</b>					
<b>Assets</b>					
Bonds and other interest-bearing securities	9,916.6				<b>9,916.6</b>
Derivatives		5,540.2			<b>5,540.2</b>
<b>Liabilities</b>					
Derivatives		430.7			<b>430.7</b>
<b>30 June 2018, SEK M</b>					
<b>Assets</b>					
Bonds and other interest-bearing securities	10,065.4				<b>10,065.4</b>
Derivatives		6,929.0			<b>6,929.0</b>
<b>Liabilities</b>					
Derivatives		476.4			<b>476.4</b>

**Note 12 Capital-adequacy**

Presentation of own funds in accordance with Article 5 of the European Commission Implementing Regulation (EU) No 1423/2013. Rows that are empty in the presentation in accordance with the Regulation have been excluded in the table below to provide a better overview. There are no items encompassed by the provisions applied before Regulation (EU) No 575/2013 or any prescribed residual amounts under the Regulation.

SEK M	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
Capital instruments and associated share premium reserves	3,129.9	3,129.9	3,129.9
<i>Of which: share capital</i>	3,129.9	3,129.9	3,129.9
Non-distributed earnings (Retained earnings)	7,554.5	6,896.0	6,896.0
Accumulated Other comprehensive income	603.6	614.3	413.8
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	455.7	658.5	421.3
<b>Common Equity Tier 1 capital before legislative adjustments</b>	<b>11,743.7</b>	<b>11,298.6</b>	<b>10,861.0</b>
<b>Common Equity Tier 1 capital: legislative adjustments</b>			
Additional value adjustments	-20.4	-15.3	-16.8
Fair value reserves related to gains or losses on cash-flow hedges	146.6	132.0	148.7
Negative amounts resulting from the calculation of expected loss amounts	-156.8	-124.3	-121.7
<b>Total legislative adjustments of Common Equity Tier 1 capital</b>	<b>-30.6</b>	<b>-7.5</b>	<b>10.2</b>
<b>Common Equity Tier 1 capital and additional Tier 1 instruments</b>	<b>11,713.1</b>	<b>11,291.1</b>	<b>10,871.2</b>
<b>Tier 2 capital: instruments and provisions</b>			
Capital instruments and associated share premium reserves	661.0	661.0	661.0
<b>Tier 2 capital</b>	<b>661.0</b>	<b>661.0</b>	<b>661.0</b>
<b>Total capital (total capital = Tier 1 capital + Tier 2 capital)</b>	<b>12,374.1</b>	<b>11,952.1</b>	<b>11,532.2</b>
<b>Total risk-weighted assets</b>	<b>65,972.9</b>	<b>61,556.4</b>	<b>19,449.5</b>
<b>Capital ratios and buffers</b>			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	17.8%	18.3%	55.9%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	17.8%	18.3%	55.9%
Total capital (as a percentage of the total risk-weighted exposure amount)	18.8%	19.4%	59.3%
Institution-specific buffer requirements	9.0%	9.0%	9.0%
<i>Of which: capital conservation buffer requirement</i>	2.5%	2.5%	2.5%
<i>Of which: countercyclical capital buffer requirement</i>	2.0%	2.0%	2.0%
<i>Of which: systemic risk buffer requirement</i>	-	-	-
<i>Of which: buffer for globally systemically important institution or for another systemically important institution</i>	-	-	-
Common Equity Tier 1 capital available for use as a buffer (as a percentage of the risk weighted exposure amount)	10.8%	11.4%	51.4%

<sup>1)</sup> Comparative figure has been adjusted.

<b>Note 12</b>		<b>Capital-adequacy analysis, continued</b>					
		<b>30 June 2019</b>		<b>31 December 2018</b>		<b>30 June 2018</b>	
<b>SEK M</b>		<b>Risk exposure amount</b>	<b>Capital requirement</b>	<b>Risk exposure amount</b>	<b>Capital requirement</b>	<b>Risk exposure amount</b>	<b>Capital requirement</b>
<b>Credit risk according to Standardised Approach</b>							
	Exposures to institutions	499.8	40.0	390.5	31.2	484.5	38.8
	Covered bonds	1,111.6	88.9	991.7	79.3	1,006.5	80.5
	Other items	167.2	13.4	98.0	7.8	186.2	14.9
	<b>Total capital requirement and risk exposure amount</b>	<b>1,778.6</b>	<b>142.3</b>	<b>1,480.2</b>	<b>118.4</b>	<b>1,677.2</b>	<b>134.2</b>
<b>Credit risk according to IRB Approach</b>							
<i>Retail exposures</i>							
	Exposures secured by real estate collateral	449.3	35.9	341.4	27.3	376.5	30.1
	Other retail exposures	13,601.4	1,088.1	13,387.0	1,071.0	12,075.4	966.0
	Other retail exposures, small and medium-sized businesses	2.4	0.2	1.3	0.1	2.1	0.2
	Other retail exposures	21.2	1.7	11.5	0.9	24.6	2.0
	<b>Total retail exposures</b>	<b>14,074.3</b>	<b>1,125.9</b>	<b>13,741.2</b>	<b>1,099.3</b>	<b>12,478.6</b>	<b>998.3</b>
	Exposures to corporates	3,821.8	305.7	3,428.8	274.3	3,457.0	276.6
	<b>Total capital requirement and risk exposure amount</b>	<b>17,896.1</b>	<b>1,431.7</b>	<b>17,170.0</b>	<b>1,373.6</b>	<b>15,935.6</b>	<b>1,274.8</b>
<b>Operational risk</b>							
	Standardised Approach	1,429.7	114.4	1,130.6	90.4	1,130.6	90.4
	<b>Total capital requirement for operational risk</b>	<b>1,429.7</b>	<b>114.4</b>	<b>1,130.6</b>	<b>90.4</b>	<b>1,130.6</b>	<b>90.4</b>
	<b>Total capital requirement for credit valuation adjustments</b>	<b>565.6</b>	<b>45.2</b>	<b>550.6</b>	<b>44.0</b>	<b>706.1</b>	<b>56.5</b>
	<b>Additional Risk Exposure Amounts according to Article 458 CRR</b>	<b>44,302.8</b>	<b>3,544.2</b>	<b>41,225.0</b>	<b>3,298.0</b>		
	<b>Total capital requirement and risk exposure amount</b>	<b>65,972.9</b>	<b>5,277.8</b>	<b>61,556.4</b>	<b>4,924.5</b>	<b>19,449.5</b>	<b>1,556.0</b>

<b>Note 13</b>	<b>Disclosures on related parties</b>
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Significant agreements for Länsförsäkringar Hypotek AB are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. Normal business transactions took place between Group companies as part of the outsourced operations.

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

The President affirm that this interim report provides a true and fair view of the company's operations, financial position and earnings and describes the significant risks and uncertainties to which the company is exposed.

Stockholm, 18 July 2019

Sven Eggefalk  
*Chairman*

Gert Andersson  
*Board Member*

Christian Bille  
*Board Member*

Bengt Clemedtson  
*Board Member*

Göran Zakrisson  
*Board Member*

Anders Borgcrantz  
*President*

# Review report

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To the Board of Directors of Länsförsäkringar Hypotek AB (publ)  
Corp. id. 556244-1781

## Introduction

We have reviewed the attached condensed interim report of Länsförsäkringar Hypotek AB (publ) as of 30 June 2019 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this attached interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this attached interim report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 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 other generally accepted auditing practices 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 attached interim report is not prepared, in all material respects, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 18 July 2019

Dan Beitner  
Authorized Public Accountant

# Definitions

## Glossary

### Return on total assets

Profit for the year, after tax, in relation to average total assets.

### Own funds

Own funds comprises the sum of Tier 1 capital and Tier 2 capital, less items indicated in the capital adequacy rules. Own funds in relation to capital requirements.

### Credit-impaired loan receivables

Loan receivables that have fallen due, have defaulted on issue or acquisition and thus are in stage 3 of the rules on expected credit losses under IFRS 9.

### Common Equity Tier 1 capital

Common Equity Tier 1 capital comprises equity less intangible assets, goodwill, prudent valuation, investments in financial companies and IRB deficit.

### Common Equity Tier 1 capital ratio

Common Equity Tier 1 capital in relation to the total risk exposure amount.

### Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 instruments.

### Tier 1 ratio

Tier 1 capital in relation to the total risk exposure amount.

### Risk Exposure Amount (REA)

The Risk Exposure Amount comprises assets in the balance sheet and off-balance sheet commitments valued in accordance with credit risk, market risk, operational risk and credit valuation adjustment risk in accordance with the capital adequacy rules.

### Loan receivables

Comprises loans to the public and loans to credit institutions.

### Fixed-interest period

The agreed period during which the interest rate on an asset or liability is fixed.

### Tier 2 capital

Primarily comprises fixed-term subordinated debt.

### Total capital ratio

Total own funds in relation to the total risk exposure amount.

## Alternative performance measures

The European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures came into effect on 3 July 2016. In accordance with these guidelines, disclosures on financial performance measures that are not defined by IFRS have been provided. Investment margin and return on equity show the organisation's earnings in relation to various investment measures. The share of credit-impaired loan receivables, credit losses and performance measures concerning loss allowance are presented to provide an understanding of lending, collateral and credit risk. The common factor for all of the alternative performance measures is that they describe the development of the operations and aim to improve comparability between different periods. The measures may differ from similar performance measures presented by other organisations.

### Share of credit-impaired loan receivables

Credit-impaired loan receivables (stage 3) after loss allowance in relation to loans to the public and credit institutions before loss allowance.

### Credit loss level

Credit losses, net, for loan receivables in relation to loans to the public and credit institutions after loss allowance.

### Investment margin

Net interest income in relation to average total assets.

### Reserve ratio for loan receivables

Recognised loss allowance for loan receivables in relation to loan receivables before loss allowance.

### Return on equity

Operating profit less standard tax in relation to average equity, adjusted for items in equity recognised in other comprehensive income and for Additional Tier 1 Capital loans.

## Financial calendar

Interim report January - September Länsförsäkringar Bank	24 October 2019
Interim report January - September Länsförsäkringar Hypotek	24 October 2019

This report contains such information that Länsförsäkringar Hypotek AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication on 18 July 2019 at 12:00 a.m. CET.

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