

Länsförsäkringar Hypotek

Interim Report January–June 2020

The period in brief

- Operating profit increased 13% to SEK 666.7 M (587.8) and the return on equity strengthened to 8.3% (7.9).
- Net interest income rose 1% to SEK 1,288 M (1,270).
- Credit losses amounted to SEK 0.4 M (0.5), net, corresponding to a credit loss level of 0.00% (0.00).
- Lending increased 7% to SEK 248.5 billion (232.6).
- The Common Equity Tier 1 capital ratio amounted to 18.2% (18.1*) on 30 June 2020.

Figures in parentheses pertain to the same period in 2019.

* Refers to 31 March 2019.

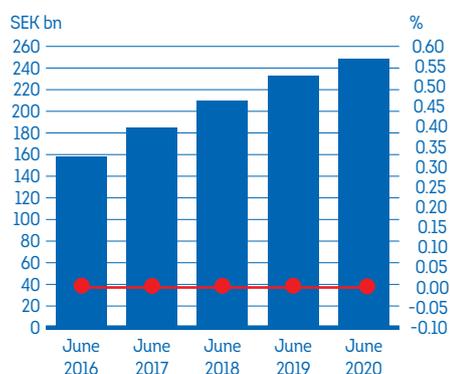
President's comment

The Swedish housing market displayed resilience to the deep economic decline resulting from the effects of COVID-19. Housing prices were essentially unchanged, supported by, for example, expectations of continued very low interest rates for a long time to come. Despite this, there are naturally households that have been affected by a loss of income or unemployment. Customers who apply for an exemption from the repayment requirements have the possibility to be granted a temporary repayment holiday in accordance with the Swedish Financial Supervisory Authority's guidelines. The financial security of our customers is important to Länsförsäkringar and we are working locally to support them. Despite the turbulent markets, growth in mortgage lending continued and it is pleasing that, through the effective local efforts of the regional insurance companies, we are still capturing a larger share of new loans compared to our market share. The credit quality of the loan book remains very high and in spite of the weaker macroeconomic outlook we see no increase in expected credit losses. Funding via covered bonds functioned very well, which creates a strong liquidity situation for the mortgage operations and the Bank Group as a whole.

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 2020	Q 1 2020	Q 1 2019	Jan-Jun 2020	Jan-Jun 2019	Full-year 2019
Return on equity, %	8.3	8.3	7.8	8.3	7.9	8.1
Return on total assets, %	0.38	0.37	0.34	0.38	0.35	0.37
Investment margin, %	0.92	0.96	0.96	0.94	0.98	0.96
Cost/income ratio before credit losses	0.09	0.09	0.09	0.09	0.09	0.09
Common Equity Tier 1 capital ratio, %	18.2	18.1	17.8	18.2	17.8	18.2
Total capital ratio, %	18.9	18.8	18.8	18.9	18.8	19.0
Share of credit-impaired loan receivables (stage 3), %	0.07	0.07	0.09	0.07	0.09	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, %	0.08	0.09	0.07	0.08	0.07	0.07
Reserve ratio for loan receivables stage 3, %	1.08	1.07	0.90	1.08	0.90	1.12
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	5.40	5.34	4.50	5.40	4.50	5.59
Credit loss level, %	0.00	0.00	-0.00	0.00	-0.00	-0.00

Income statement, quarterly

SEK M	Q 2 2020	Q 1 2020	Q 4 2019	Q 3 2019	Q 2 2019
Net interest income	633.5	654.7	632.4	619.5	638.0
Net commission	-248.4	-270.3	-287.4	-290.3	-309.3
Net gains/losses from financial items	-15.4	-19.9	26.4	2.1	-9.3
Total operating income	369.8	364.5	371.5	331.2	319.4
Staff costs	-5.8	-5.0	-4.0	-4.3	-3.9
Other administration expenses	-28.5	-27.7	-29.0	-25.0	-25.7
Total operating expenses	-34.3	-32.8	-33.0	-29.3	-29.6
Profit before credit losses	335.4	331.7	338.5	301.9	289.8
Credit losses, net	1.2	-1.6	0.1	0.3	0.1
Operating profit	336.6	330.1	338.6	302.1	289.9

Market commentary

The second quarter of 2020 was characterised by macroeconomic consequences caused by the spread of COVID-19. The situation is unique, making its development exceptionally uncertain and difficult to assess. Macroeconomic forecasts have varied substantially, and have been successively updated with significant changes in light of the development of the pandemic. At the beginning of the quarter, the macroeconomic consensus was extremely negative, but a less pessimistic consensus regarding the depth of the downturn and cautious optimism for economic recovery emerged towards the end of the quarter. Forecasts are likely to stabilise going forward as the actual outcome of the economic downturn during the second quarter becomes clear.

The economic downturn driven by the measures to limit the spread of COVID-19 is anticipated to be historically deep. Global GDP is expected to decrease markedly in 2020, and it will take several years for many countries to return to the levels of 2019. At the same time, incoming statistics for the second half of the second quarter are showing a relatively rapid economic recovery. More and more countries have begun to ease their restrictions and financial and monetary policy stimulus packages are extensive, indicating that the downturn of the global economy has reached its trough. Even though economic activity is increasing, this is from an extremely low level, and it will take time before global economies begin to approach their potential. As such, 2020 will be a weak year, but with a more rapid recovery than previously feared. The prevailing uncertainty of developments is substantial as a result of the spread of contagion, the restrictions put in place to prevent it, financial policies and how quickly households and companies will return to normal behaviour.

The US economy has stalled dramatically following two and a half months of drastic restrictions. GDP declined 1.2% for the first

quarter compared with the fourth quarter of 2019. The shutdown in the US was brought into force gradually, and it was not until the end of the second quarter that the economy was severely hit. The Fed, the US central bank, is continuing to provide substantial stimulus packages. The majority of the measures are designed to increase liquidity support and maintain loans to households and companies.

European governments have carried out extensive austerity measures to support the labour market and businesses. Germany paved the way as its government expanded its record-breaking stimulus packages of EUR 130 billion, equivalent to 4% of GDP. At the same time, the European Commission's new proposals regarding the long-term EU budget contain a recovery fund financed by EU debt. The proposal is equivalent to EUR 750 billion, of which EUR 500 billion is to be in loan guarantees and EUR 250 billion in loans to affected countries. The ECB has also announced that its pandemic emergency purchase programme is to be increased by EUR 600 billion.

The Swedish economy has fared better than its European neighbours. GDP remained largely unchanged for the first quarter of the year, but the greatest downturn is expected to have taken place in the second quarter when protective measures were most extensive. All operations that rely on social contact have been hard hit by the restrictions, primarily within the hotel and restaurant industry as well as travel and tourism, but corporate services and retail have also been affected. The Swedish export industry has been impacted by the deep economic crises that many of its import countries find themselves in. Growth in Sweden is expected to be overwhelmingly negative in 2020, but with solid prerequisites for a rapid recovery as a result of increased activity in the global economy together with extensive fiscal and monetary policy stimulus packages.

Swedish fiscal policy remains focused on avoiding bankruptcies in affected industries and preventing employment from declining too sharply. Short-time working measures have been deployed extensively and have applied to slightly more than 500,000 employees. The Riksbank has kept interest unchanged and is using the balance sheet as its primary monetary instrument. In June, the asset purchases programme expanded to SEK 500 billion, and is currently set to run until the end of June 2021. This means that the Riksbank is continuing to boost liquidity through purchases of government bonds, municipal bonds and covered bonds as well as corporate bonds. The Riksbank also loans money to banks for onward lending to companies. Together, the measures form substantial stimulus to the financial system, and the asset-purchase stimulus will continue for a long time to come.

After a turbulent period in March, financial markets stabilised in the second quarter, largely owing to the central banks' expansive monetary policies. Equities markets have recovered in the second quarter from most of the decline that took place in the first quarter, with Nasdaq Stockholm growing by almost 15%. At the same time, credit spreads have generally narrowed. Covered bonds have been affected by the pandemic to a lesser extent than other bonds and have, in the Swedish market, benefited from the Riksbank's extensive purchases in the secondary market. This means that the interest difference between covered and government bonds is now lower than during 2019. The housing market has shown resilience with essentially an unchanged Valueguard HOX Index during the second quarter.

Impact of COVID-19

Operational continuity and good availability for customers

The COVID-19-related measures that Länsförsäkringar Hypotek took at the end of the first quarter to safeguard normal operations remain in place. The purpose of these measures is to create the conditions for a high level of availability and service for Länsförsäkringar's retail mortgage customers, which is assigned the highest priority. Most of the regional insurance companies' branches remain available for customer meetings, but are following the recommendations of the authorities. We also saw an increase in activity in customer meetings via our digital channels and we also strengthened staffing for our telephone banking. To minimise the risk of contagion internally, critical operations have been split up into separate buildings, at the same time as a large number of Länsförsäkringar Hypotek's employees are working remotely.

Impact on business volumes

Mortgage lending for the second quarter reported a relatively normal pattern and increased SEK 5.1 billion. In the event of a prolonged scenario for the future, lending growth could be negatively affected due to reduced economic activity. Following an initial decline at the start of the second quarter, housing prices were stable, but may fall in the future due to the weak macroeconomic trend.

Temporary mortgage repayment relief

In line with the Swedish Financial Supervisory Authority's decision to allow banks to give new and existing mortgage customers a temporary repayment holiday due to COVID-19, a share of Länsförsäkringar Hypotek's customers applied for and were gran-

ted such mortgage payment deferrals. Overall, a lending volume of SEK 7.4 billion pertaining to mortgages in Länsförsäkringar Hypotek had been granted a temporary repayment holiday on 30 June 2020 due to COVID-19, corresponding to 3% of lending. The number of new applications received for mortgage payment deferrals gradually declined during the quarter and was at relatively low levels in June.

Increased loss allowances

The macroeconomic consequences of COVID-19 continued to dominate the second quarter. Despite a number of financial stimulus packages, the macroeconomic effects are expected to be significant, and will include major negative effects on both GDP growth and unemployment. It is unusually difficult to predict future events and uncertainty remains considerable, meaning that forecasts have consequently varied significantly during the period. At the start of the second quarter, the macroeconomic consensus was strongly negative, but since the end of the quarter has swung towards a slightly less pessimistic view as regards the outcome of the extent of the downturn and the strength of the economic recovery. The gloomier macroeconomic outlook has resulted in continued higher loss allowances based on how expected credit losses are calculated under IFRS 9.

Länsförsäkringar Hypotek made additional loss allowances in the second quarter based on an update to the expected macroeconomic trend. These additional loss allowances were calculated in the same manner as in the existing credit loss model. For the first half of 2020, the additional loss allowances totalled SEK 2.0 M (4.1*).

Impact on funding

Generally, in terms of funding, the outbreak has resulted in higher financing costs for both banks and companies, and they may be further impacted in the event of a prolonged scenario. Funding costs increased sharply for both banks and companies in March, while the financial markets were also turbulent. The markets stabilised in the second quarter and improved considerably, which was also reflected in funding costs declining again. Covered bonds have now returned to normal levels. Much of the improved funding conditions can be attributed to the actions of the central banks, for example, the Riksbank's purchases of covered bonds in the secondary market had a highly positive effect. Accordingly, the impact on Länsförsäkringar Hypotek's funding costs has been limited.

* The comparative figure refers to the portion of the additional loss allowances in the first quarter of 2020.

January-June 2020 compared with January-June 2019

Growth and customer trend

Loans to the public rose 7%, or SEK 15.9 billion, to SEK 248.5 billion (232.6), with continued very high credit quality. The number of customers was 283,000 and 86% of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit increased 13% to SEK 666.7 M (587.8) attributable to higher operating income. The investment margin amounted to 0.94% (0.98). Profit before credit losses rose 14% to SEK 667.1 M (587.2). Return on equity strengthened to 8.3% (7.9).

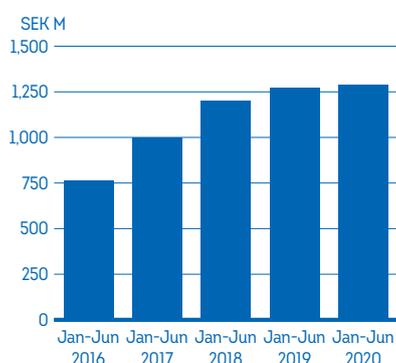
Operating profit and return on equity



Income

Operating income increased 14% to SEK 734.2 M (645.7) due to higher net interest income and lower commission expense. Net interest income rose 1% to SEK 1,288 M (1,270) attributable to higher volumes. Net losses from financial items amounted to SEK -35.3 M (-25.0). Net commission amounted to SEK -518.7 M (-598.9).

Net interest income



Expenses

Operating expenses amounted to SEK 67.1 M (58.5). 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 0.4 M (0.5), net, corresponding to a credit loss level of 0.00% (0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 189.2 M, corresponding to a share of credit-impaired loan receivables of 0.07%. The loss allowance for credit-impaired loan receivables was SEK 2.0 M. The reserve ratio for credit-impaired loan receivables amounted to 1.08%. In addition, SEK 8.2 M of the remuneration to the regional insurance companies regarding credit-impaired loan receivables* is withheld. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 10.2 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 5.40% and the total recognised loss allowance was SEK 35.1 M, of which SEK 28.1 M pertained to withheld remuneration to the regional insurance companies*.

Loss allowance, stage 3

SEK M	30 Jun 2020	30 Jun 2019
Loans to the public	248,493	232,634
Credit-impaired loan receivables (stage 3)	189.2	207.1
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	10.2	9.4
of which loss allowance for credit-impaired loan receivables (stage 3)	2.0	1.9
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	8.2	7.5

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

* In accordance with the settlement model for the regional insurance companies' credit-risk commitments for generated business.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 7%, or

SEK 15.9 billion, to SEK 248.5 billion (232.6). The credit quality of the loan portfolio, comprising 71.5% (71) single-family homes, 25% (25) tenant-owned apartments, 3% (3.5) multi-family housing and 0.5% (0.5) industrial properties, remained favourable. On 31 May 2020, the market share of retail mortgages strengthened to 7.0% (6.9) according to Statistics Sweden.

Cover pool

The cover pool, which forms the basis of issuance of covered bonds, contains SEK 238 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 1.32 M (1.28). The weighted average loan-to-value ratio, LTV, was 59% (59) and the nominal, current OC (overcollateralisation) amounted to 32% (36). 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% (66) on 30 June 2020. No impaired loans are included in the cover pool.

Cover pool	30 Jun 2020	30 Jun 2019
Cover pool, SEK billion	249	234
OC ¹ , %	32	36
Weighted average LTV, %	59	59
Collateral	Private homes	Private homes
Seasoning, months	62	59
Number of loans	409,462	395,924
Number of borrowers	180,918	174,691
Number of properties	180,529	174,757
Average commitment, SEK 000s	1,320	1,277
Average loan, SEK 000s	582	564
Interest rate type, variable, %	52	61
Interest rate type, fixed, %	38	39
Loans past due 60 days	None	None

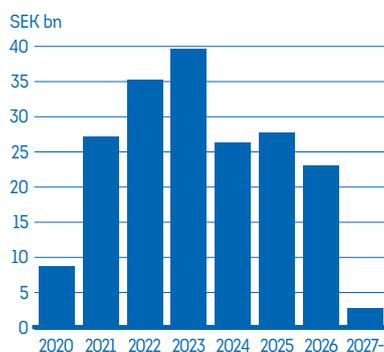
¹ OC is calculated using nominal values and excludes accrued interest rates. Debt securities in issue in other currencies than SEK are translated into SEK using the swap rate. Debt securities in issue include repurchase agreements.

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 196.0 billion (180.8). Issued covered bonds during the period totalled a nominal SEK 19.9 billion (20.8) and repurchases of a nominal SEK 6.6 billion (5.7) were executed. Matured covered bonds amounted to a nominal SEK 5.5 billion (7.5). For information on how the outbreak of COVID-19 impacts Länsförsäkringar Hypotek's funding, refer to page 4.

Maturity profile



● Covered bonds

Liquidity

On 30 June 2020, liquidity assets totalled SEK 10.8 billion (11.1). Liquidity remains healthy and contractual undertakings can be met for more than two years without needing to secure new funding in the capital market. The 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.

Capital ratio¹

The Common Equity Tier 1 capital ratio amounted to 18.2% (18.1). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation.

On 30 June 2020, the total Risk Exposure Amount (REA) amounted to SEK 69,793 M (68,708).

Länsförsäkringar Hypotek AB (SEK M)	30 Jun 2020	31 Mar 2020
IRB Approach	18,328	19,003
retail exposures	14,558	14,947
exposures to corporates	3,769	4,055
Standardised Approach	1,605	1,722
Operational risks	1,728	1,728
Additional requirements according to Article 458 CRR	47,854	45,895
Total REA	69,793	68,708
Common Equity Tier 1 capital	12,721	12,443
Tier 1 capital	12,721	12,443
Total capital	13,221	12,943
Common Equity Tier 1 capital ratio	18.2%	18.1%
Tier 1 ratio	18.2%	18.1%
Total capital ratio	18.9%	18.8%
Total capital requirement		
Pillar I	5,583	5,497
Pillar II	1,166	989
Combined buffer	1,745	1,718
Capital requirement as a percentage of REA		
Pillar I	8.0%	8.0%
Pillar II	1.7%	1.4%
Combined buffer	2.5%	2.5%

Internally assessed capital and buffer requirements

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 30 June 2020 amounted to SEK 6,749 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 March 2020, the Swedish Financial Supervisory Authority lowered the counter-cyclical capital buffer from 2.5% to 0.0%. However, the capital conservation buffer requirement remains in place, and amounted to SEK 1,745 M on 30 June 2020 (2.5% of REA).

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 13,221 M.

For more information on capital adequacy, see note 12.

¹ The comparative period pertains to 31 December 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 sections on funding and liquidity, and in note 12.

Interest-rate risk

On 30 June 2020, an increase in market interest rates of 1 percentage point would have changed the value of interest-bearing assets and liabilities, including derivatives, by SEK -152.2 M (47.6).

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 that 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. The ongoing outbreak of COVID-19 also impacts Länsförsäkringar Hypotek's different risk areas to varying extents. For more information on how this impacts Länsförsäkringar Hypotek's operations, refer to page 4. A more detailed description of risks is available in the 2019 Annual Report.

Second quarter of 2020 compared with first quarter of 2020

Operating profit amounted to SEK 336.6 M (330.1). Return on equity amounted to 8.3% (8.3). Operating income amounted to SEK 369.8 M (364.5). Net interest income declined 3% to SEK 633.5 M (654.7). Net losses from financial items amounted to SEK -15.4 M (-19.9). Net commission amounted to SEK -248.4 M (-270.3). Operating expenses amounted to SEK 34.3 M (32.8) and the cost/income ratio before credit losses to 0.09% (0.09). Credit losses amounted to SEK -1.2 M (1.6).

Events after the end of the period

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

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 ¹⁾	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek ¹⁾	Moody's	Aaa	-

¹⁾ Pertains to the company's covered bonds.

Income statement

SEK M	Note	Q2 2020	Q1 2020	Change	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Full-Year 2019
Interest income		1,173.5	1,096.0	7%	1,015.7	16%	2,269.5	1,981.4	15%	3,997.3
Interest expense		-540.0	-441.3	22%	-377.6	43%	-981.3	-711.8	38%	-1,475.7
Net interest income	3	633.5	654.7	-3%	638.0	-1%	1,288.2	1,269.6	1%	2,521.5
Commission income		8.4	6.5	29%	7.0	20%	14.9	7.6	96%	22.7
Commission expense		-256.7	-276.8	-7%	-316.4	-19%	-533.6	-606.5	-12%	-1,199.2
Net commission	4	-248.4	-270.3	-8%	-309.3	-20%	-518.7	-598.9	-13%	-1,176.6
Net gains/losses from financial items	5	-15.4	-19.9	-23%	-9.3	66%	-35.3	-25.0	41%	3.5
Total operating income		369.8	364.5	1%	319.4	16%	734.2	645.7	14%	1,348.4
Staff costs		-5.8	-5.0	16%	-3.9	49%	-10.8	-7.1	52%	-15.5
Other administration expenses		-28.5	-27.7	3%	-25.7	11%	-56.2	-51.3	10%	-105.2
Administration expenses		-34.3	-32.7	5%	-29.6	16%	-67.0	-58.4	15%	-120.7
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.1	-0.1		-0.2
Total operating expenses		-34.3	-32.8	5%	-29.6	16%	-67.1	-58.5	15%	-120.9
Profit before credit losses		335.4	331.7	1%	289.8	16%	667.1	587.2	14%	1,227.6
Credit losses, net	6	1.2	-1.6		0.1		-0.4	0.5		0.9
Operating profit		336.6	330.1	2%	289.9	16%	666.7	587.8	13%	1,228.5
Appropriations		-	-		-		-	-		-258.0
Tax		-75.5	-74.3	2%	-62.2	21%	-149.8	-132.1	13%	-214.5
Profit for the period		261.1	255.8	2%	227.3	15%	516.9	455.7	13%	756.0

Statement of comprehensive income

SEK M	Q2 2020	Q1 2020	Change	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Full-Year 2019
Profit for the period	261.1	255.8	2%	227.3	15%	516.9	455.7	13%	756.0
Other comprehensive income									
Items that have been reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	-63.5	37.6		3.1		-25.9	-17.3	50%	-19.3
Change in fair value of debt instruments measured at FVOCI	7.5	-10.1		-1.1		-2.6	5.0		-8.4
Tax attributable to items that have been transferred or can be transferred to profit for the period	12.0	-5.9		-0.4		6.1	1.6		4.9
Total other comprehensive income for the period, net after tax	-44.0	21.6		1.6		-22.4	-10.7		-22.8
Total comprehensive income for the period	217.1	277.4	-22%	228.9	-5%	494.5	445.0	11%	733.2

Balance sheet

SEK M	Note	30 June 2020	31 December 2019	30 June 2019
Assets				
Loans to credit institutions	7	6,397.7	4,186.8	5,285.6
Loans to the public	8	248,493.2	240,061.6	232,633.9
Bonds and other interest-bearing securities		10,755.6	10,304.0	11,116.3
Derivatives	9	7,547.7	7,568.2	9,334.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		361.9	-	468.7
Tangible assets		0.4	0.4	0.5
Deferred tax assets		45.9	40.3	39.9
Other assets		0.5	9.3	4.7
Prepaid expenses and accrued income		66.1	34.0	89.7
Total assets		273,669.0	262,204.7	258,973.6
Liabilities, provisions and equity				
Due to credit institutions	7	58,074.3	56,972.8	58,795.2
Debt securities in issue		196,024.2	188,500.7	180,816.9
Derivatives	9	685.0	374.4	693.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,270.4	1,241.2	2,614.6
Other liabilities		214.8	211.8	469.6
Accrued expenses and deferred income		2,915.5	1,913.8	2,979.0
Provisions		1.6	1.4	1.5
Subordinated liabilities		500.0	500.0	661.0
Total liabilities and provisions		260,686.0	249,716.1	247,031.2
Untaxed reserves		1,166.3	1,166.3	908.3
Equity				
Share capital		3,129.9	3,129.9	3,129.9
Statutory reserve		14.1	14.1	14.1
Fair value reserve		-154.6	-132.3	-120.1
Retained earnings		8,310.5	7,554.5	7,554.5
Profit for the period		516.9	756.0	455.7
Total equity		11,816.8	11,322.3	11,034.1
Total liabilities, provisions and equity		273,669.0	262,204.7	258,973.6
Other notes				
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 2020	Jan-Jun 2019
Cash and cash equivalents, 1 January	3,961.7	4,614.4
Operating activities		
Operating profit	666.7	587.8
Adjustment of non-cash items	574.2	811.4
Change in assets of operating activities		
Change in interest-bearing securities	-207.0	-1,204.1
Change in loans to the public	-8,432.8	-11,526.0
Change in other assets	-48.3	-3,231.3
Change in liabilities of operating activities		
Change in debt securities in issue	8,645.7	7,418.9
Change in other liabilities	955.3	4,568.2
Cash flow from operating activities	2,153.9	-2,575.2
Investing activities		
Acquisition of property and equipment	0.0	-
Cash flow from investing activities	0.0	-
Financing activities		
Amortisation of subordinated debt	-	-
Cash flow from financing activities	-	-
Net cash flow for the period	2,153.9	-2,575.2
Cash and cash equivalents, 30 June	6,115.6	2,039.2

Cash and cash equivalents is defined as cash and balances with central banks and loans to credit institutions payable on demand.

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			
Opening balance, 1 January 2019	3,129.9	14.1	22.6	-131.9	6,896.0	658.5	10,589.1
Profit for the period						455.7	455.7
Other comprehensive income for the period			3.9	-14.6			-10.7
Comprehensive income for the period			3.9	-14.6		455.7	445.0
According to resolution by Annual General Meeting					658.5	-658.5	-
Closing balance, 30 June 2019	3,129.9	14.1	26.5	-146.5	7,554.5	455.7	11,034.1
Opening balance, 1 July 2019	3,129.9	14.1	26.5	-146.5	7,554.5	455.7	11,034.1
Profit for the period						300.2	300.2
Other comprehensive income for the period			-10.5	-1.5			-12.0
Comprehensive income for the period			-10.5	-1.5			288.3
Closing balance, 31 December 2019	3,129.9	14.1	15.9	-148.2	7,554.5	756.0	11,322.3
Opening balance, 1 January 2020	3,129.9	14.1	15.9	-148.2	7,554.5	756.0	11,322.3
Profit for the period						516.9	516.9
Other comprehensive income for the period			-2.0	-20.4			-22.4
Comprehensive income for the period			-2.0	-20.4		516.9	494.5
According to resolution by Annual General Meeting					756.0	-756.0	-
Closing balance, 30 June 2020	3,129.9	14.1	14.0	-168.5	8,310.5	516.9	11,816.8

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.

Disclosures in accordance with IAS 34 appear in the financial statements and their associated notes as well as other parts of the interim report.

SIGNIFICANT EVENTS DURING THE QUARTER

COVID-19 has impacted operations during the second quarter. The effects are described under the heading "Impact of COVID-19" on page 4 of this report. The effects were mainly seen in the calculation of expected credit losses.

CHANGES THAT IMPACTED THE FINANCIAL STATEMENTS IN 2020

No accounting standards, which have been published but not yet applied, came into effect during the period that have a material effect on the company's financial statements or capital adequacy and large exposures.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2019 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 Net interest income									
SEK M	Q2 2020	Q1 2020	Change	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Full-Year 2019
Interest income									
Loans to credit institutions	21.9 ¹⁾	18.1 ¹⁾	21%	21.4	2%	40.0	44.4	-10%	58.5
Loans to the public	1,098.5	1,085.9	1%	1,025.9	7%	2,184.4	2,017.7	8%	4,092.8
Interest-bearing securities	8.9 ¹⁾	7.6 ¹⁾	17%	15.8	-44%	16.5	31.0	-47%	50.6
Derivatives	44.3	-15.6		-47.4		28.6	-111.9		-204.5
Other interest income	-	-		-		-	-		-
Total interest income	1,173.5	1,096.0	7%	1,015.7	16%	2,269.5	1,981.4	15%	3,997.3
Interest expense									
Due to credit institutions	-183.8 ¹⁾	-165.8 ¹⁾	11%	-143.4	28%	-349.6	-283.4	23%	-575.7
Dept securities in issue	-438.2	-470.7	-7%	-483.9	-9%	-908.8	-968.4	-6%	-1,869.1
Subordinated liabilities	-2.4	-2.1	14%	-2.9	-17%	-4.5	-5.6	-20%	-10.5
Derivatives	105.7	218.4	-52%	271.7	-61%	324.2	608.8	-47%	1,105.2
Other interest expense	-21.4	-21.3		-19.1	12%	-42.6	-63.2	-33%	-125.7
Total interest expense	-540.0	-441.3	22%	-377.6	43%	-981.3	-711.8	38%	-1,475.7
Total net interest income	633.5	654.7	-3%	638.0	1%	1,288.2	1,269.6	1%	2,521.5
Average interest rate on loans to the public during the period, %	1.8	1.8		1.8		1.8	1.8		1.8

¹⁾ Of which negative interest of Loans to credit institutions SEK 0.0 M (-0.1), Interest-bearing securities SEK -0.5 M (-0.6) and Due to credit institutions SEK 0.0 M (0.1).

Interest income calculated according to the effective interest method amounts to SEK 1,173.5 M (1,096.0).

Note 4 Net commission									
SEK M	Q2 2020	Q1 2020	Change	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Full-Year 2019
Commission income									
Loans	8.4	6.5	29%	7.0	20%	14.9	7.6	96%	22.7
Total commission income	8.4	6.5	29%	7.0	20%	14.9	7.6	96%	22.7
Commission expense									
Remuneration to regional insurance companies	-256.7	-276.8	-7%	-316.4	-19%	-533.5	-606.4	-12%	-1,199.1
Other commission	0.0	0.0		-		0.0	-0.1		-0.1
Total commission expense	-256.7	-276.8	-7%	-316.4	-19%	-533.6	-606.5	-12%	-1,199.2
Total net commission	-248.4	-270.3	-8%	-309.3	-20%	-518.7	-598.9	-13%	-1,176.6

Note 5 Net gains / losses from financial items									
SEK M	Q2 2020	Q1 2020	Change	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Full-Year 2019
Interest-bearing assets and liabilities and related derivatives	-23.6	-25.5	-7%	-15.1	56%	-49.1	-36.1	36%	-24.5
Other financial assets and liabilities	0.0	0.0		0.0		0.0	0.0		0.0
Interest compensation (refer to items measured at amortised cost)	8.2	5.6	46%	5.8	41%	13.8	11.1	24%	28.0
Total net gains / losses from financial items	-15.4	-19.9	-23%	-9.3	66%	-35.3	-25.0	41%	3.5

Note 6 Credit losses									
Net credit losses, SEK M	Q2 2020	Q1 2020	Change	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Full-Year 2019
Change in loss allowance for loan receivables									
Stage 1 (not credit-impaired)	-0.2	-0.5	-60%	0.1		-0.7	0.3		0.0
Stage 2 (not credit-impaired)	0.3	-0.6		-0.1		-0.3	-0.1		-0.1
Stage 3 (credit-impaired)	-0.1	-0.1		-0.2	-50%	-0.2	-0.2		-0.2
Total change in loss allowance for loan receivables	-0.1	-1.1	-91%	-0.2	-50%	-1.2	-0.1		-0.3
Expense for confirmed credit losses	0.3	-0.6		-0.1		-0.4	-0.2		-0.2
Payment received for prior confirmed credit losses	1.1	0.3		0.5		1.4	0.8	75%	1.5
Net expense for the period for credit losses for loan receivables	1.3	-1.4		0.2		-0.1	0.6		1.0
Change in loss allowance for commitments	0.0	-0.1		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	-0.1	0.0		0.0		-0.2	0.0		-0.2
Net expense for credit losses for the period	1.2	-1.6		0.1		-0.4	0.5		0.9

A condition for full payment of the regional insurance companies' distribution remuneration by Länsförsäkringar Hypotek AB is that the loans generated by each regional insurance company for Länsförsäkringar Hypotek AB are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. During the second quarter of 2020, total credit losses amounted to SEK 0.2 M (-6.4), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK 1.2 M (-1.6) and the remainder of SEK -1.0 M (-4.8) was settled against remuneration to the regional insurance companies.

Note 7	Loans / due to credit institutions
---------------	---

On 30 June 2020, Loans to credit institutions amounted to SEK 6,397.7 M (4,186.8) 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 6,168.1 M (4,157.6). 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 58,074.3 M (56,972.8) on 30 June. Due to credit institutions includes borrowings from the Parent Company of SEK 57,651.4 M (56,739.3).

Note 8 Loans to the public Loan receivables are geographically attributable in their entirety to Sweden			
SEK M	30 June 2020	31 December 2019	30 June 2019
Corporate sector	6,886.5	6,632.4	6,678.5
Retail sector	241,613.8	233,435.0	225,961.0
Loans to the public before loss allowance	248,500.2	240,067.4	232,639.5
Loss allowance	-7.0	-5.8	-5.6
Loans to the public	248,493.2	240,061.6	232,633.9

Note 8 Loans to the public, cont.

Loans to the public Reconciliation of loss allowance SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Opening balance, 1 January 2020	-2.4	-1.7	
Increase due to new or acquired loans	-0.6	0.0	0.0	-0.6
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.2	0.1	0.4	0.7
Change due to changed credit risk ¹⁾	-0.3	-0.4	-0.7	-1.4
Other adjustments	0.0	0.0	0.0	0.0
Decrease due to write-off	0.0	0.0	0.1	0.1
Closing balance, 30 June 2020	-3.1	-1.9	-2.0	-7.0
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	245,914.2	2,396.8	189.2	248,500.2
Credit reserve requirement	-15.3	-9.5	-10.2	-35.0
Withheld remuneration to the regional insurance companies	12.2	7.5	8.2	27.9
Recognised loss allowance	-3.1	-1.9	-2.0	-7.0
Loans to the public	245,911.2	2,394.9	187.2	248,493.2

Loans to the public Reconciliation of loss allowance SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Opening balance, 1 January 2019	-2.3	-1.6	
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
Closing balance, 30 June 2019	-2.0	-1.7	-1.9	-5.6
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	230,042.1	2,390.4	207.1	232,639.5
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
Recognised loss allowance	-2.0	-1.7	-1.9	-5.6
Loans to the public	230,040.0	2,388.7	205.2	232,633.9

¹⁾ Remeasurement due to changed credit risk includes adjustments due to the effects of the ongoing outbreak of COVID-19 of SEK -0.2 M in stage 1 and SEK -0.1 M in stage 2.

A condition for full payment of the regional insurance companies' distribution remuneration by Länsförsäkringar Hypotek AB is that the loans generated by each regional insurance company for Länsförsäkringar Hypotek AB are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. This model for settlement of credit losses is kept separate and is taken into consideration when the provisions are established.

Note 9 Derivatives						
SEK M	30 June 2020		31 December 2019		30 June 2019	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	157,110.0	2,850.4	188,462.0	1,703.7	139,387.0	3,179.7
Currency-related	34,347.2	4,697.3	38,871.4	5,864.5	39,271.4	6,154.7
Total derivatives with positive values	191,457.2	7,547.7	227,333.4	7,568.2	178,658.4	9,334.4
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	115,095.0	532.7	49,845.0	281.0	80,470.0	617.1
Currency-related	1,394.2	152.3	1,794.2	93.4	1,394.2	76.3
Total derivatives with negative values	116,489.2	685.0	51,639.2	374.4	81,864.2	693.4

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.

Note 10 Pledged assets, contingent liabilities and commitments			
SEK M	30 June 2020	31 December 2019	30 June 2019
For own liabilities, pledged assets	249,188.7	240,428.0	237,130.8
Commitments ¹⁾	14,736.9	10,604.0	11,320.3

¹⁾ On 30 June 2020 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 2020		31 December 2019		30 June 2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Loans to credit institutions	6,397.7	6,397.7	4,186.8	4,186.8	5,285.6	5,285.6
Loans to the public	248,493.2	249,007.0	240,061.6	240,959.4	232,633.9	233,407.6
Bonds and other interest-bearing securities	10,755.6	10,755.6	10,304.0	10,304.0	11,116.3	11,116.3
Derivatives	7,547.7	7,547.7	7,568.2	7,568.2	9,334.4	9,334.4
Other assets	-	-	-	-	-	-
Prepaid expenses and accrued income	21.0	21.0	21.3	21.3	24.6	24.6
Total	273,215.2	273,729.0	262,141.9	263,039.7	258,424.8	259,168.5
Financial liabilities						
Due to credit institutions	58,074.3	58,074.3	56,972.8	56,972.8	58,795.2	58,795.2
Debt securities in issue	196,024.2	203,984.0	188,500.7	194,473.5	180,816.9	187,244.9
Derivatives	685.0	685.0	374.4	374.4	693.4	693.4
Other liabilities	0.4	0.4	1.2	1.2	8.3	8.3
Subordinated liabilities	500.0	516.1	500.0	501.7	661.0	663.6
Accrued expenses and deferred income	2,028.1	2,028.1	954.0	954.0	1,983.4	1,983.4
Total	257,312.0	265,287.9	247,303.1	253,277.6	242,958.2	249,388.8

The carrying amount of loans to credit institutions, other assets, prepaid expenses and accrued income, due to credit institutions, other liabilities and accrued expenses and deferred income 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 2020, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	10,755.6			10,755.6
Derivatives		7,547.7		7,547.7
Liabilities				
Derivatives		685.0		685.0
31 December 2019, SEK M				
Assets				
Bonds and other interest-bearing securities	10,304.0			10,304.0
Derivatives		7,568.2		7,568.2
Liabilities				
Derivatives		374.4		374.4
30 June 2019, SEK M				
Assets				
Bonds and other interest-bearing securities	11,116.3			11,116.3
Derivatives		9,334.4		9,334.4
Liabilities				
Derivatives		693.4		693.4

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 2020	31 Dec 2019	30 Jun 2019
Common Equity Tier 1 capital: instruments and reserves			
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)	8,310.5	7,554.5	7,554.5
Accumulated Other comprehensive income	772.3	794.7	603.6
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	516.9	756.0	455.7
Common Equity Tier 1 capital before legislative adjustments	12,729.6	12,235.0	11,743.7
Common Equity Tier 1 capital: legislative adjustments			
Additional value adjustments	-18.2	-17.7	-20.4
Fair value reserves related to gains or losses on cash-flow hedges	168.6	148.2	146.6
Negative amounts resulting from the calculation of expected loss amounts	-158.7	-159.5	-156.8
Total legislative adjustments of Common Equity Tier 1 capital	-8.4	-29.0	-30.6
Common Equity Tier 1 capital and additional Tier 1 instruments	12,721.2	12,206.0	11,713.1
Tier 2 capital: instruments and provisions			
Capital instruments and associated share premium reserves	500.0	500.0	661.0
Tier 2 capital	500.0	500.0	661.0
Total capital (total capital = Tier 1 capital + Tier 2 capital)	13,221.2	12,706.0	12,374.1
Total risk-weighted assets	69,793.4	66,991.0	65,972.9
Capital ratios and buffers			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.2%	18.2%	17.8%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.2%	18.2%	17.8%
Total capital (as a percentage of the total risk-weighted exposure amount)	18.9%	19.0%	18.8%
Institution-specific buffer requirements	7.0%	9.5%	9.0%
<i>Of which: capital conservation buffer requirement</i>	2.5%	2.5%	2.5%
<i>Of which: countercyclical capital buffer requirement</i>	0.0%	2.5%	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)	10.9%	11.0%	10.8%

Note 12		Capital-adequacy analysis, continued					
SEK M	30 June 2020		31 December 2019		30 June 2019		
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	
Credit risk according to Standardised Approach							
Exposures to institutions	369.1	29.5	463.6	37.1	499.8	40.0	
Covered bonds	1,075.6	86.0	1,030.4	82.4	1,111.6	88.9	
Other items	160.2	12.8	143.0	11.4	167.2	13.4	
Total capital requirement and risk exposure amount	1,604.9	128.4	1,637.0	131.0	1,778.6	142.3	
Credit risk according to IRB Approach							
<i>Retail exposures</i>							
Exposures secured by real estate collateral	472.5	37.8	440.7	35.3	449.3	35.9	
Other retail exposures	14,076.6	1,126.1	14,165.5	1,133.2	13,601.4	1,088.1	
Other retail exposures, small and medium-sized businesses	0.9	0.1	0.1	0.0	2.4	0.2	
Other retail exposures	8.4	0.7	4.8	0.4	21.2	1.7	
Total retail exposures	14,558.4	1,164.7	14,611.1	1,168.9	14,074.3	1,125.9	
Exposures to corporates	3,769.3	301.5	3,852.1	308.2	3,821.8	305.7	
Total capital requirement and risk exposure amount	18,327.6	1,466.2	18,463.1	1,477.1	17,896.1	1,431.7	
Operational risk							
Standardised Approach	1,728.4	138.3	1,429.7	114.4	1,429.7	114.4	
Total capital requirement for operational risk	1,728.4	138.3	1,429.7	114.4	1,429.7	114.4	
Total capital requirement for credit valuation adjustments	278.3	22.3	455.5	36.4	565.6	45.2	
Additional Risk Exposure Amounts according to Article 458 CRR	47,854.1	3,828.3	45,005.6	3,600.5	44,302.8	3,544.2	
Total capital requirement and risk exposure amount	69,793.4	5,583.5	66,991.0	5,359.3	65,972.9	5,277.8	

Note 13	Disclosures on related parties
----------------	---------------------------------------

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, 22 July 2020

Sven Eggefalk
Chairman

Christian Bille
Board Member

Niklas Larsson
Board Member

Anders Långström
Board Member

Göran Zakrisson
Board Member

Anders Borgcrantz
President

Review report

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 2020 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, 22 July 2020

KPMG AB

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	23 October 2020
Interim report January-September Länsförsäkringar Hypotek	23 October 2020

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 22 July 2020 at 12:00 a.m. CET.

For further information, please contact:

Anders Borgcrantz, President, Länsförsäkringar Hypotek AB
anders.borgcrantz@lansforsakringar.se, +46 (0)8-588 412 51, +46 (0)73-964 12 51

Martin Rydin, CFO, Länsförsäkringar Hypotek AB
martin.rydin@lansforsakringar.se, +46 (0)8-588 412 79, +46 (0)73-964 28 23

Stefan Karkamanis, Investor Relations, Länsförsäkringar Bank AB
stefan.karkamanis@lansforsakringar.se, +46 (0)8-588 402 90, +46 (0)72-310 00 80

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