6 February 2020

Länsförsäkringar Hypotek

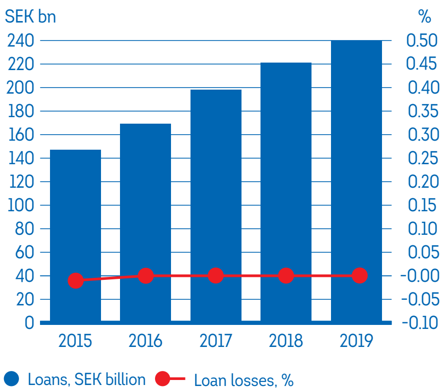
Year-end report 2019

The year in brief

- Operating profit increased 13% to SEK 1,229 M (1,084) and the return on equity rose to 8.1% (7.7).
- Net interest income rose 4% to SEK 2,522 M (2,434).
- Credit losses amounted to SEK –0.9 M (–1.3), net, corresponding to a credit loss level of –0.00% (–0.00).
- Lending increased 9% to SEK 240.1 billion (221.1).
- The Common Equity Tier 1 capital ratio amounted to 18.2% (18.0*) on 31 December 2019.
- Länsförsäkringar remains one of the players on the market with the most satisfied retail mortgage customers according to the 2019 Swedish Quality Index customer satisfaction survey.

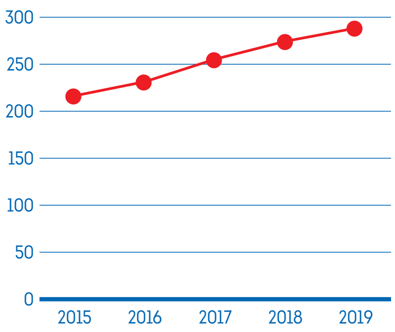
Figures in parentheses pertain to the same period in 2018.
* Pertains to 30 September 2019.

Loans to the public



Customer trend

Number of customers, 000s



President's comment

Länsförsäkringar Hypotek continued to perform well in 2019 and we delivered strong operating profit for the year. Our position in the mortgage market was further strengthened and with a market share of 7% we are one of the larger mortgage institutions in Sweden. Growth in lending was high despite the prevailing competition in the mortgage market, at the same time as the credit quality of the loan portfolio remained very high. The housing market trend was stable and housing prices rose during the year. However, we can state that clear initiatives are once again lacking from politicians to improve the function of the housing market. To gain a well-functioning housing market with more efficient turnover, housing policy need to be completely reformed, in particular to make it easier for those groups struggling to gain a foothold on the market.

Anders Borgcrantz
President of Länsförsäkringar Hypotek

Key figures

	Q 4 2019	Q 3 2019	Q 4 2018	Jan-Dec 2019	Jan-Dec 2018
Return on equity, %	8.7	7.9	7.3	8.1	7.7
Return on total assets, %	0.40	0.36	0.35	0.37	0.36
Investment margin, %	0.96	0.94	1.01	0.96	1.04
Cost/income ratio before credit losses	0.09	0.09	0.09	0.09	0.09
Common Equity Tier 1 capital ratio, %	18.2	18.0	18.3	18.2	18.3
Total capital ratio, %	19.0	18.7	19.4	19.0	19.4
Share of credit-impaired loan receivables (stage 3), %	0.07	0.08	0.07	0.07	0.07
Reserve ratio for loan receivables stage 1, %	0.00	0.00	0.00	0.00	0.00
Reserve ratio for loan receivables stage 2, %	0.07	0.07	0.08	0.07	0.08
Reserve ratio for loan receivables stage 3, %	1.12	0.95	1.06	1.12	1.06
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	5.59	4.73	5.29	5.59	5.29
Credit loss level, %	-0.00	-0.00	-0.00	-0.00	-0.00

Income statement, quarterly

SEK M	Q 4 2019	Q 3 2019	Q 2 2019	Q 1 2019	Q 4 2018
Net interest income	632.4	619.5	638.0	631.5	611.9
Net commission	-287.4	-290.3	-309.3	-289.5	-327.7
Net gains/losses from financial items	26.4	2.1	-9.3	-15.7	8.7
Total operating income	**371.5**	**331.2**	**319.4**	**326.3**	**292.9**
Staff costs	-4.0	-4.3	-3.9	-3.3	-3.2
Other administration expenses	-29.0	-25.0	-25.7	-25.5	-24.5
Total operating expenses	**-33.0**	**-29.3**	**-29.6**	**-28.8**	**-27.7**
Profit before credit losses	**338.5**	**301.9**	**289.8**	**297.5**	**265.2**
Credit losses, net	0.1	0.3	0.1	0.4	0.1
Operating profit	**338.6**	**302.1**	**289.9**	**297.9**	**265.3**

Market commentary

After several years of strong economic growth, the global economy grew at a weaker rate in 2019. The US reported stable GDP growth, while Europe and several developing countries noted a clear slowdown. Softening growth was mainly due to the downturn in the manufacturing industry and uncertainty caused by the US-China trade conflict.

The US central bank, the Fed, altered the direction of its monetary policy and cut interest rates three times consecutively during the year despite unemployment continuing to fall. This was a powerful move and a swift reaction to the slowdown within the industry and the uncertainty surrounding the trade conflict. This expansive monetary policy, combined with an improved risk profile and a strong labour market, will provide a stable platform for growth in 2020.

Europe was the region hit hardest by the industrial slowdown and growth is expected to remain low in 2020. The positive performance of the services sector and the strong labour market indicate that the region will avoid a recession. The European Central Bank, ECB, reacted by making another cut to the deposit facility rate and launching a new asset purchase programme, among other measures. In communicating these new measures, the ECB was clear in saying that the programme would continue until shortly before key interest rates are raised, when inflation and the inflation outlook have stabilised at target levels. This suggests an extended period of low interest rates and monetary stimulus packages.

GDP growth in China slowed, although the economy otherwise generally performed well. The increasingly important private consumption is growing faster than the total economy, supported by a stable labour market and an expansive monetary policy. However, growth is becoming ever more dependent on fiscal and monetary policy stimuli.

In Sweden, the economic slowdown was more marked than anticipated. GDP growth fell in 2019 and this trend is expected to continue in 2020. The Riksbank went against the tide by raising its repo rate in December in spite of rising unemployment and falling inflation expectations. Despite this raise, the repo rate remains at a historically low level of 0.0%. As it lifted the rate, the Riksbank signalled that it may not touch the rate for a long time. Low interest rates and a relatively healthy trend in household disposable income contributed to a stable upswing in housing prices. According to Valueguard, housing prices increased 4.5% in 2019.

The performance of the financial markets was generally favourable in 2019, although some uncertainty did appear. It was a strong year for risk-exposed assets, global stock markets rose sharply and the Stockholm Stock Exchange ended the year up slightly more than 31%, including dividends. The fixed-income market generated uncertainty with an inverted US yield curve since such an inversion has often appeared as a precursor to past recessions. However, market optimism increased following the Fed and the ECB's monetary policy U-turns and a gradually more positive tone to the trade conflict. This led to falling expectations regarding future higher key interest rates, which was reflected in lower government bond rates. The expansive monetary policy also resulted in a positive trend in credit spreads, including Swedish covered bonds.

2019 compared with 2018

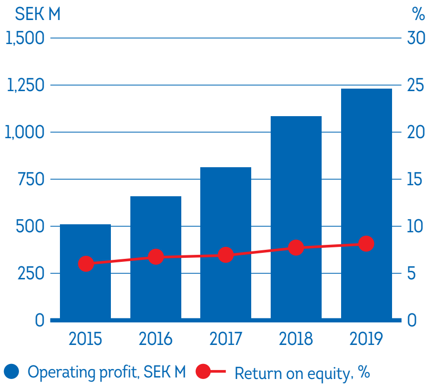
Growth and customer trend

Loans to the public rose 9%, or SEK 19.0 billion, to SEK 240.1 billion (221.1), with continued very high credit quality. The number of customers was 278,000 and 86% of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit increased 13% to SEK 1,229 M (1,084), primarily due to higher net interest income. The investment margin amounted to 0.96% (1.04). Profit before credit losses rose 13% to SEK 1,228 M (1,083). Return on equity strengthened to 8.1% (7.7).

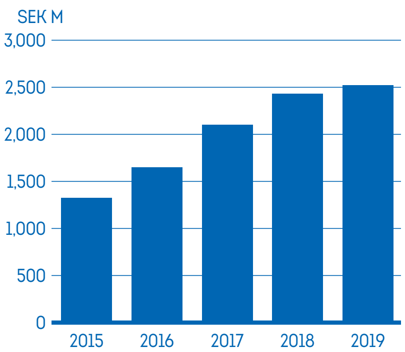
Operating profit and return on equity



Income

Operating income increased 13% to SEK 1,348 M (1,192), due to higher net interest income related to larger volumes. Net interest income rose 4% to SEK 2,522 M (2,434). Net gains from financial items amounted to SEK 3.5 M (–1.9). Net commission was SEK –1,177 M (–1,240).

Net interest income



Expenses

Operating expenses amounted to SEK 120.9 M (109.0). 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 –0.9 M (–1.3), net, corresponding to a credit loss level of –0.00% (–0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 162.0 M, corresponding to a share of credit-impaired loan receivables of 0.07%. The loss allowance for credit-impaired loan receivables was SEK 1.8 M. The reserve ratio for credit-impaired loan receivables amounted to 1.12%. In addition, SEK 7.2 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 9.1 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 5.59% and the total recognised loss allowance was SEK 29.1 M, of which SEK 23.3 M pertained to withheld remuneration to regional insurance companies in accordance with the settlement model.

Loss allowance, stage 3

SEK M	31 Dec 2019	31 Dec 2018
Loans to the public	240 062	221 108
Credit-impaired loan receivables (stage 3)	162.0	153.6
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	9.1	8.1
of which loss allowance for credit-impaired loan receivables (stage 3)	1.8	1.6
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	7.2	6.5

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 9%, or SEK 19.0 billion, to SEK 240.1 billion (221.1). 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 December 2019, the market share of retail mortgages had strengthened to 7,0% (6.7) according to Statistics Sweden.

Cover pool

The cover pool, which forms the basis of issuance of covered bonds, contains SEK 230.4 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 1.30 M (1.25). The weighted average loan-to-value ratio, LTV, was 59% (59) and the nominal, current OC (overcollateralisation) amounted to 34% (35). 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 31 December 2019. No impaired loans are included in the cover pool.

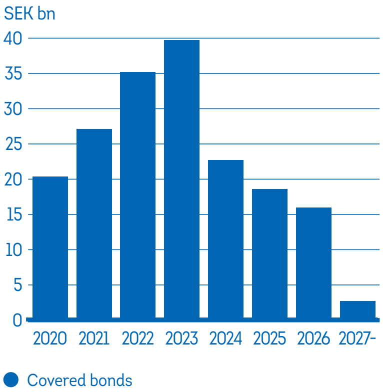
Cover pool	31 Dec 2019	31 Dec 2018
Cover pool, SEK billion	240	221
OC[1], %	34	35
Weighted average LTV, %	59	59
Collateral	Private homes	Private homes
Seasoning, months	61	59
Number of loans	402 194	383 242
Number of borrowers	177 628	169 223
Number of properties	177 539	169 051
Average commitment, SEK 000s	1 298	1 251
Average loan, SEK 000s	573	552
Interest rate type, variable, %	56	72
Interest rate type, fixed, %	44	28
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 10% to SEK 188.5 billion (171.2). Issued covered bonds during the year totalled a nominal SEK 33.9 billion (40.1) and repurchases of a nominal SEK 8.1 billion (13.9) were executed. Matured covered bonds amounted to a nominal SEK 7.5 billion (8.8). In January 2019, Länsförsäkringar Hypotek issued a seven-year Euro covered bond for a nominal EUR 500 M. In addition, Länsförsäkringar Hypotek issued a new Swedish bond (LFH519) during the year, which matures in September 2026.

Maturity profile



Liquidity

On 31 December 2019, liquidity assets totalled SEK 10.3 billion (9.9). Liquidity 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.

Capital ratio[1]

The Common Equity Tier 1 capital ratio amounted to 18.2% (18.0). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation. On 31 December 2019, the total Risk Exposure Amount (REA) in Länsförsäkringar Hypotek was SEK 66,991 M (66,457).

Länsförsäkringar Hypotek AB (SEK M)	**31 Dec 2019**	**30 Sep 2019**
IRB Approach	18 463	18 506
retail exposures	14 611	14 635
exposures to corporates	3 852	3 871
Standardised Approach	1 637	1 620
Operational risks	1 430	1 430
Additional requirements according to Article 458 CRR	45 006	44 399
Total REA	66 991	66 457
Common Equity Tier 1 capital	12 206	11 933
Tier 1 capital	12 206	11 933
Total capital	12 706	12 433
Common Equity Tier 1 capital ratio	18.2%	18.0%
Tier 1 ratio	18.2%	18.0%
Total capital ratio	19.0%	18.7%
Total capital requirement		
Pillar I	5 359	5 317
Pillar II	930	1 050
Combined buffer	3 350	3 323
Capital requirement as a percentage of REA		
Pillar I	8.0%	8.0%
Pillar II	1.4%	1.6%
Combined buffer	5.0%	5.0%

For more information on capital adequacy, see note 12.

[1] The comparative period pertains to 30 September 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.

Internally assessed capital and buffer requirements

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 31 December 2019 amounted to SEK 6,290 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 and capital conservation buffer totalled SEK 3,350 M (SEK 1,675 M each, 2.5% of REA) on 31 December. The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 12,706 M.

Interest-rate risk

On 31 December 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 71.8 M (94.8).

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. 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.

Fourth quarter of 2019 compared with third quarter of 2019

Operating profit increased 12% to SEK 338.6 M (302.1). Return on equity strengthened to 8.7% (7.9). Operating income increased 12% to SEK 371.5 M (331.2). Net interest income was SEK 632.4 M (619.5). Net losses from financial items amounted to SEK -26.4 M (-2.1). Net commission amounted to SEK -287.4 M (-290.3). Operating expenses amounted to SEK 33.0 M (29.4) and the cost/income ratio before credit losses to 0.09% (0.09). Credit losses amounted to SEK -0.1 M (-0.3).

Events after the end of the period

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

Annual Report

The Annual Report will be available on Länsförsäkringar Hypotek's website on 12 March 2020.

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	Q 4 2019	Q 3 2019	Change	Q 4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Interest income		1,008.1	1,007.8		851.3	18%	3,997.3	3,311.5	21%
Interest expense		-375.7	-388.3	-3%	-239.4	57%	-1,475.7	-877.9	68%
Net interest income	3	**632.4**	**619.5**	**2%**	**611.9**	**3%**	**2,521.5**	**2,433.6**	**4%**
Commission income		7.7	7.4	4%	0.6		22.7	2.5	
Commission expense		-295.0	-297.7	-1%	-328.3	-10%	-1,199.2	-1,242.1	-3%
Net commission	4	**-287.4**	**-290.3**	**-1%**	**-327.7**	**-12%**	**-1,176.6**	**-1,239.6**	**-5%**
Net gains/losses from financial items	5	26.4	2.1		8.7		3.5	-1.9	
Total operating income		**371.5**	**331.2**	**12%**	**292.9**	**27%**	**1,348.4**	**1,192.1**	**13%**
Staff costs		-4.0	-4.3	-7%	-3.2	25%	-15.5	-14.9	4%
Other administration expenses		-29.0	-25.0	16%	-24.5	18%	-105.2	-94.0	12%
Administration expenses		**-33.0**	**-29.3**	**13%**	**-27.7**	**19%**	**-120.7**	**-108.9**	**11%**
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.2	-0.2	
Total operating expenses		**-33.0**	**-29.4**	**12%**	**-27.7**	**19%**	**-120.9**	**-109.0**	**11%**
Profit before credit losses		**338.5**	**301.9**	**12%**	**265.2**	**28%**	**1,227.6**	**1,083.0**	**13%**
Credit losses, net	6	0.1	0.3	-67%	0.1		0.9	1.3	-31%
Operating profit		**338.6**	**302.1**	**12%**	**265.3**	**28%**	**1,228.5**	**1,084.4**	**13%**
Appropriations		-258.0	-		-249.6	3%	-258.0	-249.5	3%
Tax		-17.2	-65.3	-74%	5.1		-214.5	-176.4	22%
Profit for the period		**63.4**	**236.8**	**-73%**	**20.7**		**756.0**	**658.5**	**15%**

Statement of comprehensive income

SEK M	Q 4 2019	Q 3 2019	Change	Q 4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Profit for the period	**63.4**	**236.8**	**-73%**	**20.7**		**756.0**	**658.5**	**15%**
Other comprehensive income								
Items that have been reclassified or may subsequently be reclassified to the income statement								
Cash-flow hedges	4.8	-4.1		3.6	33%	-19.3	-43.5	-56%
Change in fair value of debt instruments measured at FVOCI	-1.0	-12.4	-92%	-7.1	-86%	-8.4	-8.2	2%
Tax attributable to items that have been transferred or can be transferred to profit for the period	-0.5	2.7		0.8		4.9	11.4	-57%
Total other comprehensive income for the period, net after tax	**3.3**	**-13.8**		**-2.7**		**-22.8**	**-40.3**	**-43%**
Total comprehensive income for the period	**66.7**	**223.0**	**-70%**	**18.0**		**733.2**	**618.2**	**19%**

Balance sheet

SEK M	Note	31 December 2019	31 December 2018
Assets			
Loans to credit institutions	7	4,186.8	4,631.1
Loans to the public	8	240,061.6	221,107.9
Bonds and other interest-bearing securities		10,304.0	9,916.6
Derivatives	9	7,568.2	5,540.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		-	103.5
Tangible assets		0.4	0.6
Deferred tax assets		40.3	37.2
Other assets		9.3	3.1
Prepaid expenses and accrued income		34.0	27.8
Total assets		**262,204.7**	**241,368.0**
Liabilities, provisions and equity			
Due to credit institutions	7	56,972.8	54,426.9
Debt securities in issue		188,500.7	171,195.1
Derivatives	9	374.4	430.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,241.2	1,019.8
Other liabilities		211.8	137.9
Accrued expenses and deferred income		1,913.8	1,997.9
Provisions		1.4	1.5
Subordinated liabilities		500.0	661.0
Total liabilities and provisions		**249,716.1**	**229,870.7**
Untaxed reserves		**1,166.3**	**908.3**
Equity			
Share capital		3,129.9	3,129.9
Statutory reserve		14.1	14.1
Fair value reserve		-132.3	-109.5
Retained earnings		7,554.5	6,896.1
Profit for the period		756.0	658.5
Total equity		**11,322.3**	**10,589.1**
Total liabilities, provisions and equity		**262,204.7**	**241,368.0**
Other notes			
Accounting policies	1		
Segment reporting	2		
Pledged assets, contingent liabilities and commitments	10		
Fair value valuation techniques	11		
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Cash-flow statement in summary, indirect method

SEK M	Jan–Dec 2019	Jan–Dec 2018
Cash and cash equivalents, 1 January	**4,614.4**	**2,858.7**
Operating activities		
Operating profit	1,228.5	1,084.4
Adjustment of non-cash items	-454.6	95.2
Change in assets of operating activities		
Change in interest-bearing securities	-435.0	-114.8
Change in loans to the public	-18,953.9	-23,430.8
Change in other assets	-214.6	24.2
Change in liabilities of operating activities		
Change in debt securities in issue	15,929.6	17,107.5
Change in other liabilities	2,408.4	6,990.3
Cash flow from operating activities	**-491.6**	**1,755.9**
Investing activities		
Acquisition of property and equipment	0.0	-0.3
Cash flow from investing activities	**0.0**	**-0.3**
Financing activities		
Amortisation of subordinated debt	-161.0	-
Cash flow from financing activities	**-161.0**	-
Net cash flow for the period	**-652.6**	**1,755.7**
Cash and cash equivalents, 31 December	**3,961.7**	**4,614.4**

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: Share capital	Restricted equity: Statutory reserve	Non-restricted equity, Fair value reserve: Fair value reserve	Non-restricted equity, Fair value reserve: Hedge reserve	Non-restricted equity: Retained earnings	Non-restricted equity: Profit for the period	Total
Opening balance, 1 January 2018	**70.3**	**14.1**	**28.9**	**-98.0**	**9,461.1**	**477.1**	**9,953.4**
Effect due to change in accounting policy [1]			**0.1**		**17.4**		**17.5**
Opening balance, 1 January 2018 after adjustment for change in accounting policy	**70.3**	**14.1**	**29.0**	**-98.0**	**9,478.5**	**477.1**	**9,970.9**
Profit for the period						658.5	**658.5**
Other comprehensive income for the period			-6.4	-33.9			-40.3
Comprehensive income for the period			**-6.4**	**-33.9**		**658.5**	**618.2**
According to resolution by Annual General Meeting					477.1	-477.1	-
Bonus issue	3,059.6				-3,059.6		-
Closing balance, 31 December 2018	**3,129.9**	**14.1**	**22.5**	**-132.0**	**6,896.1**	**658.5**	**10,589.1**
Opening balance, 1 January 2019	**3,129.9**	**14.1**	**22.5**	**-132.0**	**6,896.1**	**658.5**	**10,589.1**
Profit for the period						756.0	756.0
Other comprehensive income for the period			-6.6	-16.2			-22.8
Comprehensive income for the period			**-6.6**	**-16.2**		**756.0**	**733.2**
According to resolution by Annual General Meeting					658.5	-658.5	-
Closing balance, 31 December 2019	**3,129.9**	**14.1**	**15.9**	**-148.2**	**7,554.6**	**756.0**	**11,322.3**

[1] 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.

APPLICATION OF ACCOUNTING POLICIES CAUSED BY NEW TRANSACTIONS

In December 2019, Länsförsäkringar Hypotek AB issued a new type of financial instrument: senior non-preferred debt. The purpose of the instrument is to ensure compliance with MREL-requirements. The term of the instrument is two years and it is classified and measured in accordance with the Company's accounting policies for financial liabilities. Counterparty for the loan is Länsförsäkringar Bank AB and it is recognised under the line item, due to credit institutions.

AMENDED ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019

IFRS 16 Leases

IFRS 16 replaced IAS 17 Leases on 1 January 2019. The company does not apply IFRS 16 with reference to the exception in RFR 2.

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.

Interest Rate Benchmark Reform (Amendments to IAS 39 and IFRS 7)

The Company has decided to apply in advance the Interest Rate Benchmark Reform (Amendments to IAS 39 and IFRS 7) (IBOR reform), issued in September 2019. In accordance with the transition rules, the amendments were applied retrospectively to hedging relationships that existed at the beginning of the reporting period or identified thereafter and for amounts accumulated in the cash flow hedge reserve.
The amendments provide temporary relief from applying specific hedge accounting requirements for hedging relationships directly affected by the IBOR reform. The relief also means that the IBOR reform will not generally mean that hedge accounting needs to be discontinued. The amendment did not have any quantitative impact on the consolidated financial statements.

In brief, the transition relief entails the following:

- when the Company takes into account the "highly probable" requirement for cash flow hedges, it assumes that IBORs in hedging instruments and hedge items will not change as a result of the IBOR reform.
- the Company will not recycle amounts in the cash flow hedge reserve to profit or loss as a result of the uncertainty that may exist in the cash flows after the IBOR reform is expected to have a direct effect.
- in a prospective assessment of whether the hedge is expected to be highly effective, the Company has assumed that the applicable IBOR will not change as a result of the IBOR reform.
- the Company will not discontinue the hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- the Company's hedged risk component in fair value hedges does not need to be separately identifiable on an ongoing basis, and instead the risk component only needs to be identifiable at the inception of the hedging relationship.

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.

Note 3	Net interest income

SEK M	Q 4 2019	Q 3 2019	Change	Q 4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Interest income								
Loans to credit institutions	6.9	7.2	-4%	0.5		58.5,[1]	29.5	98%
Loans to the public	1,039.3	1,035.8		923.8	13%	4,092.8	3,593.9	14%
Interest-bearing securities	7.3	12.2	-40%	18.3	-60%	50.6,[1]	76.6	-34%
Derivatives	-45.3	-47.4	-4%	-91.4	-50%	-204.5	-388.5	-47%
Other interest income	-	-		-		-	-	
Total interest income	**1,008.1**	**1,007.8**		**851.3**	**18%**	**3,997.3**	**3,311.5**	**21%**
Interest Expense								
Due to credit institutions	-147.0	-145.3	1%	-131.4	12%,	-575.7,[1]	-494.7	16%
Dept securities in issue	-437.0	-463.7	-6%	-447.7	-2%	-1,869.1	-1,888.6	-1%
Subordinated liabilities	-1.9	-2.9	-34%	-2.4	-21%	-10.5	-9.2	14%
Derivatives	241.5	254.9	-5%	380.5	-37%	1,105.2	1,675.0	-34%
Other interest expense	-31.2	-31.3		-38.4	-19%	-125.7	-160.5	-22%
Total interest expense	**-375.7**	**-388.3**	**-3%**	**-239.4**	**57%**	**-1,475.7**	**-877.9**	**68%**
Total net interest income	**632.4**	**619.5**	**2%**	**611.9**	**3%**	**2,521.5**	**2,433.6**	**4%**
Average interest rate on loans to the public during the period, %	1.7	1.8		1.7		1.8	1.7	

[1] Of which negative interest of Loans to credit institutions SEK -6.9 M (-5.2), Interest-bearing securities SEK -2.1 M (-1.5) and Due to credit institutions SEK 7.2 M (5.4).

Interest income calculated according to the effective interest method amounts to SEK 1,008.1 M (1,007.8).

Note 4	Net commission

SEK M	Q 4 2019	Q 3 2019	Change	Q 4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Commission income								
Loans	7.7	7.4	4%	0.6		22.7	2.5	
Total commission income	**7.7**	**7.4**	**4%**	**0.6**		**22.7**	**2.5**	
Commission Expense								
Remuneration to regional insurance companies	-295.6	-297.1	-1%	-328.2	-10%	-1,199.1	-1,241.6	-3%
Other commission	0.6	-0.6		0.0		-0.1	-0.4	-75%
Total commission expense	**-295.0**	**-297.7**	**-1%**	**-328.3**	**-10%**	**-1,199.2**	**-1,242.1**	**-3%**
Total net commission	**-287.4**	**-290.3**	**-1%**	**-327.7**	**-12%**	**-1,176.6**	**-1,239.6**	**-5%**

Note 5	Net gains / losses from financial items

SEK M	Q 4 2019	Q 3 2019	Change	Q 4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Interest-bearing assets and liabilities and related derivatives	17.0	-5.4		2.8		-24.5	-26.6	-8%
Other financial assets and liabilities	0.0	0.0		0.0		0.0	0.1	
Interest compensation (refer to items measured at amortised cost)	9.4	7.5	25%	5.9	59%	28.0	24.6	14%
Total net gains / losses from financial items	**26.4**	**2.1**		**8.7**		**3.5**	**-1.9**	

Note 6 Credit losses

Net credit losses, SEK M	Q 4 2019	Q 3 2019	Change	Q 4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Change in loss allowance for loan receivables								
Stage 1 (not credit-impaired)	-0.1	-0.3	-67%	-0.4	-75%	0.0	-0.4	
Stage 2 (not credit-impaired)	0.0	0.0		-0.1		-0.1	-0.2	-50%
Stage 3 (credit-impaired)	-0.1	0.1		0.3		-0.2	0.3	
Total change in loss allowance for loan receivables	**-0.1**	**-0.2**	**-50%**	**-0.2**	**-50%**	**-0.3**	**-0.3**	
Expense for confirmed credit losses	-0.1	0.0		-0.1		-0.2	-0.6	-67%
Payment received for prior confirmed credit losses	0.3	0.4	-25%	0.5	-40%	1.5	2.3	-35%
Net expense for the period for credit losses for loan receivables	**0.2**	**0.3**	**-33%**	**0.1**		**1.0**	**1.4**	**-29%**
Change in loss allowance for commitments	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	
Net expense of the modification result for the period	-0.2	0.0		0.0		-0.2	0.0	
Net expense for credit losses for the period	**0.1**	**0.3**	**-67%**	**0.1**		**0.9**	**1.3**	**-31%**

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 fourth quarter of 2019, total credit losses amounted to SEK 0.2 M (0.0), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK 0.1 M (0.3) and the remainder of SEK 0.1 M (-0.3) was settled against remuneration to the regional insurance companies.

Note 7 Loans / due to credit institutions

On 31 December 2019, Loans to credit institutions amounted to SEK 4,186.8 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 4,157.6 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 56,972.8 M (54,426.9) on 31 December. Due to credit institutions includes borrowings from the Parent Company of SEK 56,739.3 M (54,251.7).

Note 8 Loans to the public
Loan receivables are geographically attributable in their entirety to Sweden

SEK M	31 December 2019	31 December 2018
Corporate sector	6,632.4	6,603.0
Retail sector	233,435.0	214,510.5
Loans to the public before loss allowance	**240,067.4**	**221,113.5**
Loss allowance	-5.8	-5.6
Loans to the public	**240,061.6**	**221,107.9**

Note 8 Loans to the public, cont.

Loans to the public Reconciliation of loss allowance	Not credit-impaired		Credit-impaired	
SEK M	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance, 1 January 2019	**-2.3**	**-1.6**	**-1.6**	**-5.6**
Increase due to new or acquired loans	-1.1	0.0	-0.1	-1.2
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.4	0.3	0.5	1.3
Change due to changed credit risk	0.7	-0.4	-0.7	-0.4
Other adjustments	0.0	0.0	0.0	0.0
Decrease due to write-off	-	-	0.1	0.1
Closing balance, 31 December 2019	**-2.4**	**-1.7**	**-1.8**	**-5.8**
	Not credit-impaired		**Credit-impaired**	
Allocation of loss allowance requirement	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to the public before loss allowances	**237,570.1**	**2,335.4**	**162.0**	**240,067.4**
Credit reserve requirement	-11.7	-8.3	-9.1	-29.1
Withheld remuneration to the regional insurance companies	9.4	6.7	7.2	23.3
Recognised loss allowance	**-2.4**	**-1.7**	**-1.8**	**-5.8**
Loans to the public	**237,567.7**	**2,333.7**	**160.2**	**240,061.6**

Loans to the public Reconciliation of loss allowance	Not credit-impaired		Credit-impaired	
SEK M	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance, 1 January 2018	**-1.9**	**-1.4**	**-1.9**	**-5.3**
Increase due to new or acquired loans	-1.2	0.0	-0.2	-1.3
Change in loss allowance model or method	-0.1	0.0	0.0	-0.1
Decrease due to repayment	0.3	0.2	0.3	0.8
Change due to changed credit risk	0.5	-0.4	0.0	0.1
Other adjustments	0.0	0.0	-	0.0
Decrease due to write-off	-	-	0.2	0.2
Closing balance, 31 December 2018	**-2.3**	**-1.6**	**-1.6**	**-5.6**
	Not credit-impaired		**Credit-impaired**	
Allocation of loss allowance requirement	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to the public before loss allowances	**218,849.3**	**2,110.6**	**153.6**	**221,113.5**
Credit reserve requirement	-11.6	-8.0	-8.1	-27.8
Withheld remuneration to the regional insurance companies	9.3	6.4	6.5	22.2
Recognised loss allowance	**-2.3**	**-1.6**	**-1.6**	**-5.6**
Loans to the public	**218,847.0**	**2,109.0**	**152.0**	**221,107.9**

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.

Note 9 Derivatives

SEK M	31 December 2019 Nominal value	31 December 2019 Fair value	31 December 2018 Nominal value	31 December 2018 Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest-related	188,462.0	1,703.7	144,777.0	1,369.7
Currency-related	38,871.4	5,864.5	34,118.9	4,170.6
Total derivatives with positive values	**227,333.4**	**7,568.2**	**178,895.9**	**5,540.2**
Derivatives with negative values				
Derivatives in hedge accounting				
Interest-related	49,845.0	281.0	41,595.0	249.8
Currency-related	1,794.2	93.4	2,717.8	180.9
Total derivatives with negative values	**51,639.2**	**374.4**	**44,312.8**	**430.7**

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	31 December 2019	31 December 2018
For own liabilities, pledged assets	240,428.0	211,070.8
Commitments [1]	10,604.0	10,117.9

[1] On 31 December 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.

Note 11 Fair value valuation techniques

SEK M	31 December 2019 Book value	31 December 2019 Fair value	31 December 2018 Book value	31 December 2018 Fair value
Financial assets				
Loans to credit institutions	4,186.8	4,186.8	4,631.0	4,631.0
Loans to the public	240,061.6	240,959.4	221,107.9	221,580.0
Bonds and other interest-bearing securities	10,304.0	10,304.0	9,916.6	9,916.6
Derivatives	7,568.2	7,568.2	5,540.2	5,540.2
Other assets	-	-	0.0	0.0
Prepaid expenses and accrued income	21.3	21.3	23.5	23.5
Total	**262,141.9**	**263,039.7**	**241,219.2**	**241,691.3**
Financial Liabilities				
Due to credit institutions	56,972.8	56,972.8	54,426.9	54,426.9
Debt securities in issue	188,500.7	194,473.5	171,195.1	174,878.3
Derivatives	374.4	374.4	430.7	430.7
Other liabilities	1.2	1.2	1.2	1.2
Subordinated liabilities	500.0	501.7	661.0	663.2
Accrued expenses and deferred income	954.0	954.0	994.8	994.8
Total	**247,303.1**	**253,277.6**	**227,709.7**	**231,395.2**

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

31 December 2019, SEK M	Level 1	Level 2	Level 3	Total
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**
31 December 2018, SEK M				
Assets				
Bonds and other interest-bearing securities	9,916.6			**9,916.6**
Derivatives		5,540.2		**5,540.2**
Liabilities				
Derivatives		430.7		**430.7**

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	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and associated share premium reserves	3,129.9	3,129.9
Of which: share capital	*3,129.9*	*3,129.9*
Non-distributed earnings (Retained earnings)	7,554.5	6,896.0
Accumulated Other comprehensive income	794.7	614.3
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	756.0	658.5
Common Equity Tier 1 capital before legislative adjustments	**12,235.0**	**11,298.6**
Common Equity Tier 1 capital: legislative adjustments		
Additional value adjustments	-17.7	-15.3
Fair value reserves related to gains or losses on cash-flow hedges	148.2	132.0
Negative amounts resulting from the calculation of expected loss amounts	-159.5	-124.3
Total legislative adjustments of Common Equity Tier 1 capital	**-29.0**	**-7.5**
Common Equity Tier 1 capital and additional Tier 1 instruments	**12,206.0**	**11,291.1**
Tier 2 capital: instruments and provisions		
Capital instruments and associated share premium reserves	500.0	661.0
Tier 2 capital	**500.0**	**661.0**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**12,706.0**	**11,952.1**
Total risk-weighted assets	**66,991.0**	**61,556.4**
Capital ratios and buffers		
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.2%	18.3%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.2%	18.3%
Total capital (as a percentage of the total risk-weighted exposure amount)	19.0%	19.4%
Institution-specific buffer requirements	9.5%	9.0%
Of which: capital conservation buffer requirement	*2.5%*	*2.5%*
Of which: countercyclical capital buffer requirement	*2.5%*	*2.0%*
Of which: systemic risk buffer requirement	-	-
Of which: buffer for globally systemically important institution or for another systemically important institution	-	-
Common Equity Tier 1 capital available for use as a buffer (as a percentage of the risk weighted exposure amount)	11.0%	11.4%

Note 12	Capital-adequacy analysis, continued

SEK M	31 December 2019 Risk exposure amount	31 December 2019 Capital requirement	31 December 2018 Risk exposure amount	31 December 2018 Capital requirement
Credit risk according to Standardised Approach				
Exposures to institutions	463.6	37.1	390.5	31.2
Covered bonds	1,030.4	82.4	991.7	79.3
Other items	143.0	11.4	98.0	7.8
Total capital requirement and risk exposure amount	**1,637.0**	**131.0**	**1,480.2**	**118.4**
Credit risk according to IRB Approach				
Retail exposures				
Exposures secured by real estate collateral	440.7	35.3	341.4	27.3
Other retail exposures	14,165.5	1,133.2	13,387.0	1,071.0
Other retail exposures, small and medium-sized businesses	0.1	0.0	1.3	0.1
Other retail exposures	4.8	0.4	11.5	0.9
Total retail exposures	**14,611.1**	**1,168.9**	**13,741.2**	**1,099.3**
Exposures to corporates	3,852.1	308.2	3,428.8	274.3
Total capital requirement and risk exposure amount	**18,463.1**	**1,477.1**	**17,170.0**	**1,373.6**
Operational risk				
Standardised Approach	1,429.7	114.4	1,130.6	90.4
Total capital requirement for operational risk	**1,429.7**	**114.4**	**1,130.6**	**90.4**
Total capital requirement for credit valuation adjustments	**455.5**	**36.4**	**550.6**	**44.0**
Additional Risk Exposure Amounts according to Article 458 CRR	**45,005.6**	**3,600.5**	**41,225.0**	**3,298.0**
Total capital requirement and risk exposure amount	**66,991.0**	**5,359.3**	**61,556.4**	**4,924.5**

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, 6 February 2020

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 31 December 2019 and the twelve-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, 6 February 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.

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Financial calendar

Interim report January-March Länsförsäkringar Bank	28 April 2020
Interim report January-March Länsförsäkringar Hypotek	28 April 2020

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