

Länsförsäkringar Hypotek

Interim Report January–March 2020

The period in brief

- Operating profit increased 11% to SEK 330.1 M (297.9) and the return on equity strengthened to 8.3% (8.1).
- Net interest income rose 4% to SEK 654.7 M (631.5).
- Credit losses amounted to SEK 1.6 M (-0.4), net, corresponding to a credit loss level of 0.00% (-0.00).
- Lending increased 8% to SEK 243.4 billion (225.9).
- The Common Equity Tier 1 capital ratio amounted to 18.1% (18.2*) on 31 March 2020.
- 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 2019.
* Refers to 31 December 2019.

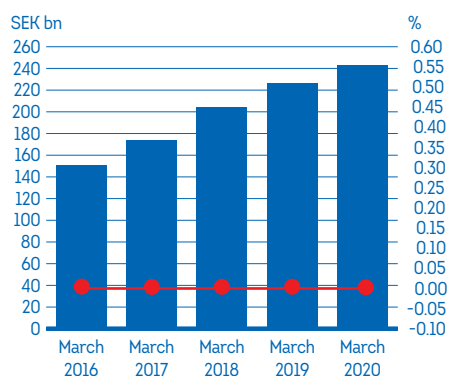
President's comment

We can see that the conditions in the housing market have been impacted by the outbreak of COVID-19 given the far-reaching effects that the pandemic has had on society and the economy thus far. The housing market has been stable for a longer period, but there is a significant risk that new lock-in effects will be created in the market due to the macroeconomic climate. We are closely monitoring the situation and working together with the regional insurance companies to take action to ease the situation for affected customers. The financial performance of Länsförsäkringar's mortgage lending operations was favourable during the quarter despite the circumstances. The credit quality of the mortgage portfolio remained very high and credit losses were unaffected and remained low. Despite the turbulence in the financial markets in the wake of the outbreak of COVID-19, the funding situation was favourable and the Swedish covered bond market has functioned well during the period.

Anders Borgcrantz

President of Länsförsäkringar Hypotek

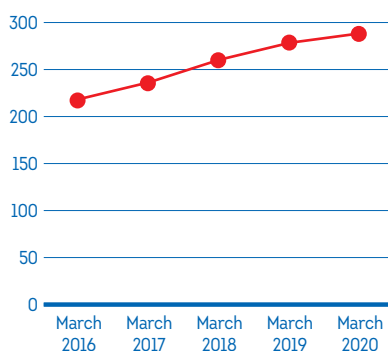
Loans to the public



● Loans, SEK billion ● Loan losses, %

Customer trend

Number of customers, 000s



Key figures

	Q1 2020	Q4 2019	Q1 2019	Full-year 2019
Return on equity, %	8.3	8.7	8.1	8.1
Return on total assets, %	0.37	0.40	0.36	0.37
Investment margin, %	0.96	0.96	1.00	0.96
Cost/income ratio before credit losses	0.09	0.09	0.09	0.09
Common Equity Tier 1 capital ratio, %	18.1	18.2	18.1	18.2
Total capital ratio, %	18.8	19.0	19.2	19.0
Share of credit-impaired loan receivables (stage 3), %	0.07	0.07	0.07	0.07
Reserve ratio for loan receivables stage 1, %	0.00	0.00	0.00	0.00
Reserve ratio for loan receivables stage 2, %	0.09	0.07	0.07	0.07
Reserve ratio for loan receivables stage 3, %	1.07	1.12	1.02	1.12
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	5.34	5.59	5.09	5.59
Credit loss level, %	0.00	-0.00	-0.00	-0.00

Income statement, quarterly

SEK M	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	654.7	632.4	619.5	638.0	631.5
Net commission	-270.3	-287.4	-290.3	-309.3	-289.5
Net gains/losses from financial items	-19.9	26.4	2.1	-9.3	-15.7
Total operating income	364.5	371.5	331.2	319.4	326.3
Staff costs	-5.0	-4.0	-4.3	-3.9	-3.3
Other administration expenses	-27.7	-29.0	-25.0	-25.7	-25.5
Total operating expenses	-32.8	-33.0	-29.3	-29.6	-28.8
Profit before credit losses	331.7	338.5	301.9	289.8	297.5
Credit losses, net	-1.6	0.1	0.3	0.1	0.4
Operating profit	330.1	338.6	302.1	289.9	297.9

Market commentary

The first quarter of the year was largely dominated by the economic uncertainty resulting from the outbreak of the novel coronavirus, COVID-19. In mid-March the World Health Organization (WHO) decided to define the outbreak of COVID-19 as a pandemic. The negative course of events accelerated in March, driven by the significant increase in the spread of the virus and the forceful measures taken globally to restrict it. At the time of writing, very far-reaching effects can already be seen for the global economy and in financial markets. What will happen in the future and the strength of a possible recovery are highly uncertain and dependent on how protracted the scenario will be. However, it can be said that the economic downturn is expected to be profound. In the US, the outbreak of COVID-19 has been extensive. Many states have implemented comprehensive protective measures and restricted freedom of movement. This has caused the sharpest ever slowdown in the US economy in history. The outlook for the US economy is challenging. Fiscal policy has been completely changed and Congress approved a USD 2 trillion stimulus package, corresponding to about 10% of GDP. This can be compared with the bailout bill of about USD 700 billion, or 5% of GDP at the time, during the financial crisis.

Just like during the financial crisis, the Fed was the central bank that acted the quickest and with the most robust measures. These included extensive interest-rate cuts, loans to both banks and other companies and an essentially unlimited bond-buying plan. Agreements have also been signed with other central banks, including Sweden's Riksbank, to provide them with large loans in USD in order to increase liquidity and improve access to dollars for banks.

Governments in Europe have implemented a series of different measures to ease the effects on and to stimulate the economy by making financing available to companies and supporting the labour market. More aggressive stimulus packages can be expected in the future. The ECB have not had the same capability as the Fed to cut its key interest rate, which is why the measures it took were directed towards avoiding a government-debt crisis. These measures contributed to the financial stability in the region and additional measures to stimulate the economy can be expected going forward. The ECB also carried out extensive quantitative easing, or securities purchases, which will cover various types of assets and continue for a long time to come.

The Swedish economy was also severely affected. Industries such as hotels and restaurants, travel and tourism, as well as corporate services and retail, were deeply impacted. In addition, Swedish export was affected due to the very low economic activity in the rest of the world. Combined, this means that the economic downturn is very deep and that unemployment will rise markedly in the future.

Swedish fiscal policy became significantly more expensive than in the past. Financial support has, to date, focused on avoiding bankruptcies in the industries that have suffered and preventing employment from declining too much. The probability of more stimulus packages is very high. Government finances are very healthy and Sweden will have no problem in financing significantly larger costs for a long period of time. Actions taken by the Swedish Financial Supervisory Authority include lowering the counter-cyclical capital buffer to 0.0% and deciding

to offer banks the opportunity to temporarily suspend mortgage repayment requirements.

To date, the Riksbank has not lowered the repo rate and instead made use of quantitative easing. The Riksbank has significantly expanded its purchases of securities, and besides government bonds the purchase scheme now includes covered bonds, municipal and corporate bonds. Furthermore, the Riksbank is offering a large loan facility for onward lending to companies. The restrictions on using covered bonds as collateral have also been removed, which considerably increases the banking system's available collateral and opportunities to thus obtain liquidity from the Riksbank.

The pandemic and significantly gloomier economic outlook have had a major impact on the financial markets. Funding costs for banks and companies in the bond market have risen sharply and the market functioned poorly at times in March. The Riksbank's bond buying has had a positive effect on both the function of the market and funding costs. Covered bonds fared relatively well during this turbulence with significantly lower market fluctuations, and continued to function throughout the crisis.

Similar to other stock markets around the world, the Stockholm Stock Exchange declined sharply during the period, falling 16% in the first quarter. Housing prices increased a total of 3.7% during the quarter according to Valueguard. However, Valueguard's index showed a decline in March and housing prices are expected to be negatively impacted in the future, given the economic climate.

Financial and operational impact of the ongoing COVID-19 pandemic

Since the breakout of COVID-19 and in light of the spread of the pandemic, Länsförsäkringar Hypotek has taken a number of measures to ensure the continuation of operations. The fundamental strategy of Länsförsäkringar Hypotek is to offer mortgages to the Länsförsäkringar Alliance's 3.9 million customers.

The purpose of the measures taken is for the external impact on customers to be as low as possible. The critical functions of the operations were divided up and placed into separate premises to minimise the risk of internal contagion that would affect the company's operational capacity. In addition, some of Länsförsäkringar Hypotek's employees are working remotely, at the same time as the company is continuing to fulfil its ability to provide a high level of service to customers.

Regarding the effects of the ongoing pandemic, a number of areas have been identified that may impact Länsförsäkringar Hypotek's operations. The consequences will vary based on the length of the outbreak and the scope of the protective measures decided by the authorities.

Availability

It is very important as a mortgage institution company in a bank group to remain available to Länsförsäkringar's customers in this prevailing uncertain external situation. Most of the regional insurance companies' branches remain available for customer meetings, but are following the recommendations of the authorities. The digital channels and digital communication with both existing and potential customers are naturally even more important given the current situation in order to ensure that customers can continue to manage their mortgages. Länsförsäkringar

is one of the leading players in the digital area and digital interaction with customers is a natural contact point that creates a solid platform for the operations to continue without any major disruptions. The possibility of holding digital customers meetings has also been expanded and staff levels for telephone banking have been reinforced.

Temporary mortgage repayment relief

The Swedish Financial Supervisory Authority has decided that banks may grant mortgage customers a temporary repayment holiday due to COVID-19. To support customers experiencing temporary payment difficulties related to the outbreak of the virus, temporary exemptions on mortgage repayments are being granted following customer assessments.

Higher funding costs

In terms of funding, the pandemic has already resulted in higher financing costs for both banks and companies, and they may be further impacted in the event of a prolonged scenario. The measures taken by the Riksbank, for example, buying covered bonds, had a positive effect on the Swedish covered bond market. Funding costs for covered bonds have risen but the increase is limited.

Higher loss allowance

The macroeconomic effects are expected to be significant, despite all of the financial stimulus packages introduced, and will include major negative effects on both GDP and unemployment. A significantly gloomier macroeconomic outlook results in higher loss allowances based on how expected credit losses are calculated under IFRS 9. Since considerable uncertainty is still prevailing regarding the scope and the effects of the

economic downturn, Länsförsäkringar Hypotek has decided to temporarily refrain from incorporating new macro variables in existing credit loss models. Instead, manual adjustments have been made to reflect the weaker macroeconomic situation. This additional loss allowance is based on a preliminary assessment of a number of macroeconomic variables. This additional loss allowance, which amounts to a total of SEK 4.0 M, is distributed at the loan level in the model for expected credit losses.

Negative effect on business volumes

Mortgage lending for the quarter reported a relatively normal pattern and increased SEK 3.3 billion. In the event of a prolonged scenario for the future, lending growth could be negatively affected due to reduced economic activity. Housing prices rose during the first quarter, but may fall in the future due to the weak macroeconomic trend.

The Länsförsäkringar Bank Group is monitoring events and adjusting its operations to the prevailing circumstances. The Bank Group is in continuous dialogue with the relevant authorities, such as the Financial Supervisory Authority and the Riksbank, to ensure credit supply to Swedish retail customers and companies.

First quarter of 2020 compared with first quarter of 2019

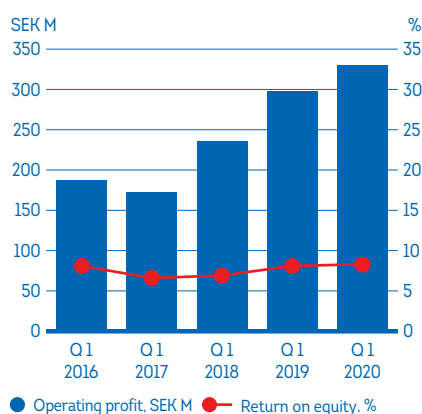
Growth and customer trend

Loans to the public rose 8%, or SEK 17.5 billion, to SEK 243.4 billion (225.9), with continued very high credit quality. The number of customers was 280,000 and 86% of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit increased 11% to SEK 330.1 M (297.9), primarily due to higher net interest income. The investment margin amounted to 0.96% (1.00). Profit before credit losses rose 11% to SEK 331.7 M (297.5). Return on equity strengthened to 8.3% (8.1).

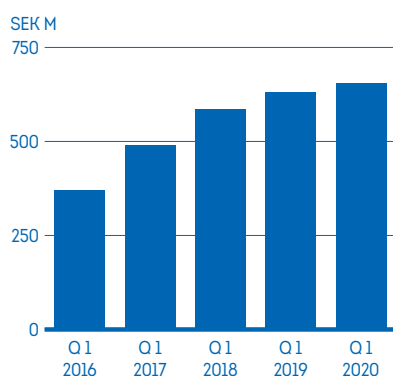
Operating profit and return on equity



Income

Operating income increased 12% to SEK 364.5 M (326.3) due to higher net interest income attributable to larger volumes. Net interest income increased 4% to SEK 654.7 M (631.5) due to higher volumes. Net losses from financial items amounted to SEK -19.9 M (-15.7). Net commission amounted to SEK -270.3 M (-289.5).

Net interest income



Expenses

Operating expenses amounted to SEK 32.8 M (28.8). The cost/income ratio before credit losses amounted to 0.09 (0.09).

Credit losses

Due to the uncertain macroeconomic situation arising from the outbreak of COVID-19 and its probable after-effects, a decision was made in the first quarter to establish an additional loss allowance of SEK 4.0 M. A total of SEK 0.8 M affects earnings for Länsförsäkringar Hypotek, while the remainder of SEK 3.2 is carried by the regional insurance companies*. Credit losses amounted to SEK 1.6 M (-0.4), net, corresponding to a credit loss level of 0.00% (-0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 178.4 M, corresponding to a share of credit-impaired loan receivables of 0.07%. The loss allowance for credit-impaired loan receivables was SEK 1.9 M. The reserve ratio for credit-impaired loan receivables amounted to 1.07%. In addition, SEK 7.6 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 9.5 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 5.34% and the total recognised loss allowance was SEK 34.8 M, of which SEK 27.8 M pertained to withheld remuneration to the regional insurance companies*.

Loss allowance, stage 3

SEK M	31 Mar 2020	31 Mar 2019
Loans to the public	243,441	225,934
Credit-impaired loan receivables (stage 3)	178.4	167.1
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	9.5	8.5
of which loss allowance for credit-impaired loan receivables (stage 3)	1.9	1.7
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	7.6	6.8

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 8%, or SEK 17.5 billion, to SEK 243.4 billion (225.9). The credit quality of the loan portfolio, whose collateral comprises 71.5% (71) single-family homes, 25% (25) tenant-owned apartments, 3% (3.5) first-lien mortgages for multi-family housing and 0.5% (0.5) industrial properties, remained favourable. On 29 February 2020, the market share of retail mortgages had strengthened to 7.0% (6.8) according to Statistics Sweden.

Cover pool

The cover pool, which forms the basis of issuance of covered bonds, contains mortgages of SEK 233.4 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 1.31 M (1.26). The weighted average loan-to-value ratio, LTV, was 59% (59) and the nominal, current OC (overcollateralisation) amounted to 30% (29). 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 March 2020. No impaired loans are included in the cover pool.

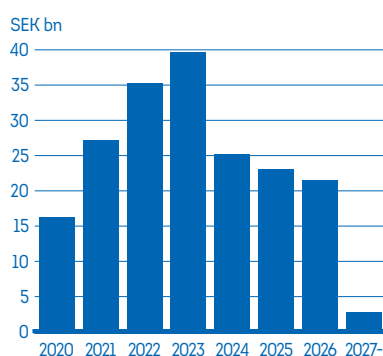
Cover pool	31 Mar 2020	31 Mar 2019
Cover pool, SEK billion	244	227
OC ¹ , %	30	29
Weighted average LTV, %	59	59
Collateral	Private homes	Private homes
Seasoning, months	62	59
Number of loans	404,752	388,225
Number of borrowers	178,879	171,382
Number of properties	178,626	171,250
Average commitment, SEK 000s	1,307	1,263
Average loan, SEK 000s	577	557
Interest rate type, variable, %	55	65
Interest rate type, fixed, %	45	35
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. Funding remains favourable and the maturity profile is well diversified. Debt securities in issue increased 7% to SEK 198.7 billion (185.1). Issued covered bonds during the quarter totalled a nominal SEK 12.5 billion (16.5) and repurchases of a nominal SEK 3.5 billion (4.1) were executed. Matured covered bonds amounted to a nominal SEK 0.6 billion (0.0). For more information on how the outbreak of COVID-19 impacts Länsförsäkringar Hypotek's funding, refer to page 4.

Maturity profile



● Covered bonds

Liquidity

On 31 March 2020, liquidity assets totalled SEK 11.2 billion (10.9). 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.

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.

Capital ratio¹

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

On 31 March 2020, the total Risk Exposure Amount (REA) was SEK 68,708 M (66,991).

Länsförsäkringar Hypotek AB (SEK M)	31 Mar 2020	31 Dec 2019
IRB Approach	19,003	18,463
retail exposures	14,947	14,611
exposures to corporates	4,055	3,852
Standardised Approach	1,722	1,637
Operational risks	1,728	1,430
Additional requirements according to Article 458 CRR	45,895	45,006
Total REA	68,708	66,991
Common Equity Tier 1 capital	12,443	12,206
Tier 1 capital	12,443	12,206
Total capital	12,943	12,706
Common Equity Tier 1 capital ratio	18.1%	18.2%
Tier 1 ratio	18.1%	18.2%
Total capital ratio	18.8%	19.0%
Total capital requirement		
Pillar I	5,497	5,359
Pillar II	989	930
Combined buffer	1,718	3,350
Capital requirement as a percentage of REA		
Pillar I	8.0%	8.0%
Pillar II	1.4%	1.4%
Combined buffer	2.5%	5.0%

Internally assessed capital and buffer requirements

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 31 March 2020 amounted to SEK 6,486 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. During the quarter, the

Swedish Financial Supervisory Authority decided to lower the countercyclical capital buffer from 2.5% to 0.0% due to the prevailing uncertainty regarding the future economic trend. However, the capital conservation buffer requirement remains in place, and amounted to SEK 1,718 M on 31 March 2020 (2.5% of REA).

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 12,943 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 31 March 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 -183.4 M (74.8).

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. 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.

First quarter of 2020 compared with fourth quarter of 2019

Operating profit amounted to SEK 330.1 M (338.6). Return on equity amounted to 8.3% (8.7). Operating income amounted to SEK 364.5 M (371.5). Net interest income rose 4% to SEK 654.7 M (632.4). Net losses from financial items amounted to SEK -19.9 M (26.4). Net commission amounted to SEK -270.3 M (-287.4). Operating expenses amounted to SEK 32.8 M (33.0) and the cost/income ratio before credit losses to 0.09% (0.09). Credit losses amounted to SEK 1.6 M (-0.1).

Events after the end of the period

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

Income statement

SEK M	Note	Q1 2020	Q4 2019	Change	Q1 2019	Change	Full-Year 2019
Interest income		1,096.0	1,008.1	9%	965.7	13%	3,997.3
Interest expense		-441.3	-375.7	17%	-334.1	32%	-1,475.7
Net interest income	3	654.7	632.4	4%	631.5	4%	2,521.5
Commission income		6.5	7.7	-16%	0.6		22.7
Commission expense		-276.8	-295.0	-6%	-290.2	-5%	-1,199.2
Net commission	4	-270.3	-287.4	-6%	-289.5	-7%	-1,176.6
Net gains/losses from financial items	5	-19.9	26.4		-15.7	27%	3.5
Total operating income		364.5	371.5	-2%	326.3	12%	1,348.4
Staff costs		-5.0	-4.0	25%	-3.3	52%	-15.5
Other administration expenses		-27.7	-29.0	-4%	-25.5	9%	-105.2
Administration expenses		-32.7	-33.0	-1%	-28.8	14%	-120.7
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.2
Total operating expenses		-32.8	-33.0	-1%	-28.8	14%	-120.9
Profit before credit losses		331.7	338.5	-2%	297.5	11%	1,227.6
Credit losses, net	6	-1.6	0.1		0.4		0.9
Operating profit		330.1	338.6	-3%	297.9	11%	1,228.5
Appropriations		-	-258.0		-		-258.0
Tax		-74.3	-17.2		-69.5	7%	-214.5
Profit for the period		255.8	63.4		228.4	12%	756.0

Statement of comprehensive income

SEK M	Q1 2020	Q4 2019	Change	Q1 2019	Change	Full-Year 2019
Profit for the period	255.8	63.4		228.4	12%	756.0
Other comprehensive income						
Items that have been reclassified or may subsequently be reclassified to the income statement						
Cash-flow hedges	37.6	4.8		-20.4		-19.3
Change in fair value of debt instruments measured at FVOCI	-10.1	-1.0		6.2		-8.4
Tax attributable to items that have been transferred or can be transferred to profit for the period	-5.9	-0.5		2.0		4.9
Total other comprehensive income for the period, net after tax	21.6	3.3		-12.2		-22.8
Total comprehensive income for the period	277.4	66.7		216.2	28%	733.2

Balance sheet

SEK M	Note	31 March 2020	31 December 2019	31 March 2019
Assets				
Loans to credit institutions	7	12,637.0	4,186.8	17,949.3
Loans to the public	8	243,440.1	240,061.6	225,933.5
Bonds and other interest-bearing securities		11,139.0	10,304.0	10,949.3
Derivatives	9	9,812.7	7,568.2	7,512.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		59.2	-	114.2
Tangible assets		0.4	0.4	0.6
Deferred tax assets		32.3	40.3	40.6
Other assets		1.6	9.3	3.6
Prepaid expenses and accrued income		23.0	34.0	22.2
Total assets		277,145.2	262,204.7	262,526.0
Liabilities, provisions and equity				
Due to credit institutions	7	60,267.6	56,972.8	60,607.3
Debt securities in issue		198,689.2	188,500.7	185,059.5
Derivatives	9	529.0	374.4	349.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,766.7	1,241.2	1,472.2
Other liabilities		207.6	211.8	115.5
Accrued expenses and deferred income		2,417.4	1,913.8	2,546.7
Provisions		1.6	1.4	1.4
Subordinated liabilities		500.0	500.0	661.0
Total liabilities and provisions		264,379.1	249,716.1	250,812.5
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		-110.5	-132.3	-121.7
Retained earnings		8,310.5	7,554.5	7,554.5
Profit for the period		255.8	756.0	228.4
Total equity		11,599.8	11,322.3	10,805.3
Total liabilities, provisions and equity		277,145.2	262,204.7	262,526.0
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-Mar 2020	Jan-Mar 2019
Cash and cash equivalents, 1 January	3,961.7	4,614.4
Operating activities		
Operating profit	330.1	297.9
Adjustment of non-cash items	457.9	1,231.7
Change in assets of operating activities		
Change in interest-bearing securities	-824.8	-1,020.9
Change in loans to the public	-3,379.6	-4,825.4
Change in other assets	-2,568.9	-4,899.2
Change in liabilities of operating activities		
Change in debt securities in issue	8,640.3	11,547.1
Change in other liabilities	3,218.5	6,088.4
Cash flow from operating activities	5,873.5	8,419.6
Investing activities		
Acquisition of property and equipment	-	-
Cash flow from investing activities		
Financing activities		
Amortisation of subordinated debt	-	-
Cash flow from financing activities		
Net cash flow for the period	5,873.5	8,419.6
Cash and cash equivalents, 31 March	9,835.3	13,034.0

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						228.4	228.4
Other comprehensive income for the period			4.9	-17.1			-12.2
Comprehensive income for the period			4.9	-17.1		228.4	216.2
According to Board's proposal for resolution by Annual General Meeting					658.5	-658.5	-
Closing balance, 31 March 2019	3,129.9	14.1	27.4	-149.0	7,554.5	228.4	10,805.3
Opening balance, 1 April 2019	3,129.9	14.1	27.4	-149.0	7,554.5	228.4	10,805.3
Profit for the period						527.6	527.6
Other comprehensive income for the period			-11.5	0.9			-10.6
Comprehensive income for the period			-11.5	0.9		527.6	517.1
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						255.8	255.8
Other comprehensive income for the period			-8.0	29.6			21.6
Comprehensive income for the period			-8.0	29.6		255.8	277.4
According to Board's proposal for resolution by Annual General Meeting					756.0	-756.0	-
Closing balance, 31 March 2020	3,129.9	14.1	8.0	-118.5	8,310.5	255.8	11,599.8

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.

SIGNIFICANT EVENTS DURING THE QUARTER

COVID-19 has impacted operations during the first quarter. The effects are described under the heading "Financial and operational impact of the ongoing COVID-19 pandemic" 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	Q1 2020	Q4 2019	Change	Q1 2019	Change	Full-Year 2019
Interest income						
Loans to credit institutions	18.1 ¹⁾	6.9 ¹⁾		23.1	-22%	58.5
Loans to the public	1,085.9	1,039.3	4%	991.8	9%	4,092.8
Interest-bearing securities	7.6 ¹⁾	7.3 ¹⁾	4%	15.2	-50%	50.6
Derivatives	-15.6	-45.3	-66%	-64.4	-76%	-204.5
Other interest income	-	-		-		-
Total interest income	1,096.0	1,008.1	9%	965.7	13%	3,997.3
Interest Expense						
Due to credit institutions	-165.8 ¹⁾	-147.0 ¹⁾	13%	-140.0	18%	-575.7
Dept securities in issue	-470.7	-437.0	8%	-484.5	-3%	-1,869.1
Subordinated liabilities	-2.1	-1.9	11%	-2.7	-22%	-10.5
Derivatives	218.4	241.5	-10%	337.1	-35%	1,105.2
Other interest expense	-21.3	-31.2	-32%	-44.0	-52%	-125.7
Total interest expense	-441.3	-375.7	17%	-334.1	32%	-1,475.7
Total net interest income	654.7	632.4	4%	631.5	4%	2,521.5
Average interest rate on loans to the public during the period, %	1.8	1.7		1.8		1.8

¹⁾ Of which negative interest of Loans to credit institutions SEK -0.1 M (-1.7), Interest-bearing securities SEK -0.6 M (-0.6) and Due to credit institutions SEK 0.1 M (1.7).

Interest income calculated according to the effective interest method amounts to SEK 1,096.0 M (1,008.1).

Note 4		Net commission				
SEK M	Q1 2020	Q4 2019	Change	Q1 2019	Change	Full-Year 2019
Commission income						
Loans	6.5	7.7	-16%	0.6		22.7
Total commission income	6.5	7.7	-16%	0.6		22.7
Commission Expense						
Remuneration to regional insurance companies	-276.8	-295.6	-6%	-290.1	-5%	-1,199.1
Other commission	0.0	0.6		-0.1		-0.1
Total commission expense	-276.8	-295.0	-6%	-290.2	-5%	-1,199.2
Total net commission	-270.3	-287.4	-6%	-289.5	-7%	-1,176.6

Note 5		Net gains / losses from financial items				
SEK M	Q1 2020	Q4 2019	Change	Q1 2019	Change	Full-Year 2019
Interest-bearing assets and liabilities and related derivatives	-25.5	17.0		-21.0	21%	-24.5
Other financial assets and liabilities	0.0	0.0		0.0		0.0
Interest compensation (refer to items measured at amortised cost)	5.6	9.4	40%	5.3	6%	28.0
Total net gains / losses from financial items	-19.9	26.4		-15.7	27%	3.5

Note 6		Credit losses				
		Q1	Q 4		Q1	Full-Year
Net credit losses, SEK M		2020	2019	Change	2019	2019
Change in loss allowance for loan receivables						
Stage 1 (not credit-impaired)		-0.5	-0.1		0.2	0.0
Stage 2 (not credit-impaired)		-0.6	0.0		0.0	-0.1
Stage 3 (credit-impaired)		-0.1	-0.1		-0.1	-0.2
Total change in loss allowance for loan receivables		-1.1	-0.1		0.1	-0.3
Expense for confirmed credit losses		-0.6	-0.1		-0.1	-0.2
Payment received for prior confirmed credit losses		0.3	0.3		0.3	1.5
Net expense for the period for credit losses for loan receivables		-1.4	0.2		0.4	1.0
Change in loss allowance for commitments		-0.1	0.1		0.0	0.1
Net expense for other credit losses for the period		0.0	0.0		0.0	0.0
Net expense of the modification result for the period		0.0	-0.2		0.0	-0.2
Net expense for credit losses for the period		-1.6	0.1		0.4	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 first quarter of 2020, total credit losses amounted to SEK -6.4 M (0.2), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK -1.6 M (0.1) and the remainder of SEK -4.8 M (0.1) was settled against remuneration to the regional insurance companies.

Note 7	Loans / due to credit institutions
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On 31 March 2020, Loans to credit institutions amounted to SEK 12,637.0 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 9,968.3 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 60,267.6 M (56,972.8) on 31 March. Due to credit institutions includes borrowings from the Parent Company of SEK 57,184.5 M (56,739.3).

Note 8		Loans to the public		
		Loan receivables are geographically attributable in their entirety to Sweden		
SEK M		31 March 2020	31 December 2019	31 March 2019
Corporate sector		6,724.8	6,632.4	6,600.1
Retail sector		236,722.2	233,435.0	219,338.8
Loans to the public before loss allowance		243,447.0	240,067.4	225,938.9
Loss allowance		-7.0	-5.8	-5.4
Loans to the public		243,440.1	240,061.6	225,933.5

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	-0.2	0.0	0.0	-0.3
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.1	0.1	0.3	0.5
Change due to changed credit risk ¹⁾	-0.3	-0.6	-0.5	-1.4
Other adjustments	0.0	0.0	-	0.0
Decrease due to write-off	-	-	0.1	0.1
Closing balance, 31 March 2020	-2.8	-2.2	-1.9	-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	240,734.3	2,534.4	178.4	243,447.0
Credit reserve requirement	-14.1	-11.0	-9.5	-34.6
Withheld remuneration to the regional insurance companies	11.2	8.8	7.6	27.7
Recognised loss allowance	-2.8	-2.2	-1.9	-7.0
Loans to the public	240,731.5	2,532.1	176.5	243,440.1

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	-0.2	0.0	-0.1	-0.4
Change in loss allowance model or method	0.0	0.0	-	0.0
Decrease due to repayment	0.1	0.1	0.1	0.3
Change due to changed credit risk	0.3	0.0	-0.1	0.2
Other adjustments	0.0	0.0	-	0.0
Decrease due to write-off	-	-	0.0	0.0
Closing balance, 31 March 2019	-2.2	-1.6	-1.7	-5.4
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	223,533.5	2,238.3	167.1	225,938.9
Credit reserve requirement	-10.8	-7.8	-8.5	-27.1
Withheld remuneration to the regional insurance companies	8.6	6.2	6.8	21.6
Recognised loss allowance	-2.2	-1.6	-1.7	-5.4
Loans to the public	223,531.4	2,236.8	165.4	225,933.5

¹⁾ Remeasurement due to changed credit risk includes adjustments due to the effects of the ongoing outbreak of COVID-19 of SEK -0.3 M in stage 1 and SEK -0.5 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	31 March 2020		31 December 2019		31 March 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	177,680.0	2,351.2	188,462.0	1,703.7	157,542.0	1,981.8
Currency-related	38,871.4	7,461.5	38,871.4	5,864.5	40,566.8	5,531.0
Total derivatives with positive values	216,551.4	9,812.7	227,333.4	7,568.2	198,108.8	7,512.8
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	82,105.0	314.1	49,845.0	281.0	51,645.0	269.5
Currency-related	1,151.7	214.9	1,794.2	93.4	1,394.2	79.5
Total derivatives with negative values	83,256.7	529.0	51,639.2	374.4	53,039.2	349.0

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 March 2020	31 December 2019	31 March 2019
For own liabilities, pledged assets	246,180.3	240,428.0	230,444.2
Commitments ¹⁾	13,226.9	10,604.0	11,320.2

¹⁾ On 31 March 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	31 March 2020		31 December 2019		31 March 2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Loans to credit institutions	12,637.0	12,637.0	4,186.8	4,186.8	17,949.3	17,949.3
Loans to the public	243,440.1	246,850.6	240,061.6	240,959.4	225,933.5	226,547.3
Bonds and other interest-bearing securities	11,139.0	11,139.0	10,304.0	10,304.0	10,949.3	10,949.3
Derivatives	9,812.7	9,812.7	7,568.2	7,568.2	7,512.8	7,512.8
Other assets	-	-	-	-	-	-
Prepaid expenses and accrued income	19.6	19.6	21.3	21.3	22.0	22.0
Total	277,048.4	280,458.9	262,141.9	263,039.7	262,366.9	262,980.7
Financial Liabilities						
Due to credit institutions	60,267.6	60,267.6	56,972.8	56,972.8	60,607.3	60,607.3
Debt securities in issue	198,689.2	205,058.3	188,500.7	194,473.5	185,059.5	190,148.3
Derivatives	529.0	529.0	374.4	374.4	349.0	349.0
Other liabilities	8.3	8.3	1.2	1.2	0.2	0.2
Subordinated liabilities	500.0	502.4	500.0	501.7	661.0	662.7
Accrued expenses and deferred income	1,461.8	1,461.8	954.0	954.0	1,536.9	1,536.9
Total	261,455.9	267,827.4	247,303.1	253,277.6	248,213.9	253,304.4

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 March 2020, SEK M		Level 1	Level 2	Level 3	Total
Assets					
Bonds and other interest-bearing securities		11,139.0			11,139.0
Derivatives			9,812.7		9,812.7
Liabilities					
Derivatives			529.0		529.0
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
31 March 2019, SEK M					
Assets					
Bonds and other interest-bearing securities		10,949.3			10,949.3
Derivatives			7,512.8		7,512.8
Liabilities					
Derivatives			349.0		349.0

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 Mar 2020	31 Dec 2019	31 Mar 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	816.4	794.7	602.1
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	255.8	756.0	228.4
Common Equity Tier 1 capital before legislative adjustments	12,512.6	12,235.0	11,514.8
Common Equity Tier 1 capital: legislative adjustments			
Additional value adjustments	-20.8	-17.7	-18.0
Fair value reserves related to gains or losses on cash-flow hedges	118.5	148.2	149.1
Negative amounts resulting from the calculation of expected loss amounts	-167.3	-159.5	-151.6
Total legislative adjustments of Common Equity Tier 1 capital	-69.5	-29.0	-20.5
Common Equity Tier 1 capital and additional Tier 1 instruments	12,443.0	12,206.0	11,494.3
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)	12,943.0	12,706.0	12,155.3
Total risk-weighted assets	68,708.2	66,991.0	63,386.9
Capital ratios and buffers			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.1%	18.2%	18.1%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.1%	18.2%	18.1%
Total capital (as a percentage of the total risk-weighted exposure amount)	18.8%	19.0%	19.2%
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)	10.8%	11.0%	11.2%

Note 12		Capital-adequacy analysis, continued					
SEK M	31 March 2020		31 December 2019		31 March 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	469.3	37.5	463.6	37.1	433.5	34.7	
Covered bonds	1,113.9	89.1	1,030.4	82.4	1,094.9	87.6	
Other items	139.1	11.1	143.0	11.4	102.3	8.2	
Total capital requirement and risk exposure amount	1,722.3	137.8	1,637.0	131.0	1,630.7	130.5	
Credit risk according to IRB Approach							
<i>Retail exposures</i>							
Exposures secured by real estate collateral	462.1	37.0	440.7	35.3	343.6	27.5	
Other retail exposures	14,478.5	1,158.3	14,165.5	1,133.2	13,726.9	1,098.2	
Other retail exposures, small and medium-sized businesses	0.2	0.0	0.1	0.0	0.8	0.1	
Other retail exposures	6.6	0.5	4.8	0.4	1.7	0.1	
Total retail exposures	14,947.3	1,195.8	14,611.1	1,168.9	14,073.0	1,125.8	
Exposures to corporates	4,055.3	324.4	3,852.1	308.2	3,430.7	274.5	
Total capital requirement and risk exposure amount	19,002.6	1,520.2	18,463.1	1,477.1	17,503.7	1,400.3	
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	360.0	28.8	455.5	36.4	554.9	44.4	
Additional Risk Exposure Amounts according to Article 458 CRR	45,894.8	3,671.6	45,005.6	3,600.5	42,268.0	3,381.4	
Total capital requirement and risk exposure amount	68,708.2	5,496.7	66,991.0	5,359.3	63,386.9	5,071.0	

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

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

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

Stockholm, 28 April 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 March 2020 and the three-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, 28 April 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-June Länsförsäkringar Bank	22 July 2020
Interim report January-June Länsförsäkringar Hypotek	22 July 2020

This report contains such information that Länsförsäkringar Hypotek AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 28 April 2020 at 12:00 a.m. CET.

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