

Länsförsäkringar Hypotek

Interim Report January–September 2020

The period in brief

- Operating profit increased 16% to SEK 1,029 M (889.9) and the return on equity strengthened to 8.4% (7.9).
- Net interest income rose 3% to SEK 1,950 M (1,889).
- Credit losses amounted to SEK 1.9 M (-0.8), net, corresponding to a credit loss level of 0.00% (0.00).
- Lending increased 7% to SEK 253.3 billion (236.1).
- The Common Equity Tier 1 capital ratio amounted to 18.3% (18.2*) on 30 September 2020.

Figures in parentheses pertain to the same period in 2019.
* Refers to 30 June 2020.

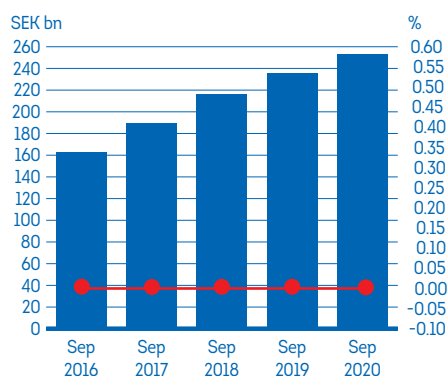
President's comment

The coronavirus pandemic dominated most of the period and both presented a strain on society as well as a major macroeconomic impact. However, the housing market showed considerable resilience and housing prices even rose during the year, despite higher unemployment. This trend was partly due to expectations regarding low interest rates, but also such factors as the unbalanced supply and demand for housing which is likely to continue to have an effect. There is nonetheless continuing uncertainty about the macroeconomic trend going forward, and it cannot be ruled out that there are risks related to housing prices. Länsförsäkringar Hypotek's mortgage lending operations continued to perform positively and we can report strong operating profit for the period. Lending performed well and we are continuing to capture market shares due to the tremendous work performed locally by the regional insurance companies. Loss allowances remain at very low levels and the credit quality of the loan portfolio has largely been unaffected by COVID-19.

Anders Borgcrantz

President of Länsförsäkringar Hypotek

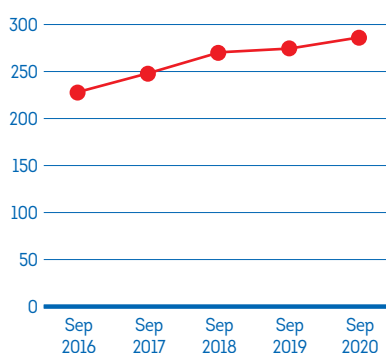
Loans to the public



● Loans, SEK billion ● Loan losses, %

Customer trend

Number of customers, 000s



Key figures

	Q 3 2020	Q 2 2020	Q 3 2019	Jan-Sep 2020	Jan-Sep 2019	Full-year 2019
Return on equity, %	8.7	8.3	7.9	8.4	7.9	8.1
Return on total assets, %	0.41	0.38	0.36	0.39	0.35	0.37
Investment margin, %	0.96	0.92	0.94	0.94	0.96	0.96
Cost/income ratio before credit losses	0.08	0.09	0.09	0.09	0.09	0.09
Common Equity Tier 1 capital ratio, %	18.3	18.2	18.0	18.3	18.0	18.2
Total capital ratio, %	19.0	18.9	18.7	19.0	18.7	19.0
Share of credit-impaired loan receivables (stage 3), %	0.07	0.07	0.08	0.07	0.08	0.07
Reserve ratio for loan receivables stage 1, %	0.00	0.00	0.00	0.00	0.00	0.00
Reserve ratio for loan receivables stage 2, %	0.08	0.08	0.07	0.08	0.07	0.07
Reserve ratio for loan receivables stage 3, %	1.46	1.08	0.95	1.46	0.95	1.12
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	7.31	5.40	4.73	7.31	4.73	5.59
Credit loss level, %	0.00	0.00	-0.00	0.00	-0.00	-0.00

Income statement, quarterly

SEK M	Q 3 2020	Q 2 2020	Q 1 2019	Q 4 2019	Q 3 2019
Net interest income	661.6	633.5	654.7	632.4	619.5
Net commission	-283.3	-248.4	-270.3	-287.4	-290.3
Net gains/losses from financial items	18.1	-15.4	-19.9	26.4	2.1
Total operating income	396.4	369.8	364.5	371.5	331.2
Staff costs	-4.7	-5.8	-5.0	-4.0	-4.3
Other administration expenses	-28.3	-28.5	-27.7	-29.0	-25.0
Total operating expenses	-33.0	-34.3	-32.8	-33.0	-29.3
Profit before credit losses	363.4	335.4	331.7	338.5	301.9
Credit losses, net	-1.5	1.2	-1.6	0.1	0.3
Operating profit	361.9	336.6	330.1	338.6	302.1

Market commentary

The third quarter of the year was largely characterised by economic recovery after the very sharp downturn in the first half of the year due to the coronavirus pandemic. From a global perspective, the coronavirus pandemic continues to impact the economy, although the economic activity is now increasing. Global manufacturing continued to strengthen during the quarter and a return to rising infections rates has not yet slowed production. The situation in the labour-intensive service sector has also improved but the recovery in this area is significantly slower since many restrictions remain in place.

Despite some concern about a second wave, there has been no decision by the large central banks to expand stimulus packages, instead outlining their preparations for taking action when necessary. The Fed, the US central bank, did announce, however, that it is revising its monetary policy strategy. In the future, the bank will pursue its monetary policy so that inflation averages 2%. This means, following periods of low inflation, compensating by aiming to achieve inflation

above 2%. The strategy for the maximum employment goal was also changed such that the Fed will, to a greater extent than previously, counteract a weak labour market, and not seek to take action if the labour market were to temporarily overheat. The likely effects are that both short and long-term interest rates will be kept low for a longer period of time than under the preceding framework. The ECB left its key interest rates, borrowing and asset purchase programme unchanged at its September meeting. The Riksbank held the repo rate unchanged in September, and did not change its rate forecast or expected asset purchases. The CPI with fixed interest rate excluding energy (CPIF-XE) was 1.4% in August, higher than the Riksbank forecast. Inflation expectations rose slightly, but from very low levels, which combined with the weak economy means that the rate of inflation is also expected to remain low in the future.

Global interest rates were on the whole unchanged in the third quarter, while global stock markets generally improved. However,

volatility on the stock markets rose towards the end of September when tech-heavy US markets fell and European markets were again unsettled about new restrictions. The Stockholm stock exchange rose 12.4% during the third quarter.

The Swedish economy appeared to have started to recover during the quarter and leading indicators improved for all industries in recent months. GDP for the second quarter fell sharply, down a full -8.3% compared with the first quarter. The decline was mainly due to weak private consumption and net exports. The fall in GDP was followed by a distinct slowdown in the labour market. However, the labour market stabilised during the third quarter. Economic policy measures are continuing to provide substantial support, mainly in the form of short-time work allowances. The housing market was robust in the quarter and both housing prices and the number of transactions were higher than pre-crisis levels. Housing prices have risen a total of 8.7% since year-end, according to Valueguard.

Impact of COVID-19

Since the outbreak of COVID-19, Länsförsäkringar Bank Group has focused on ensuring operational continuity and high availability for its customers. These measures remained in place during the third quarter. While most of the regional insurance companies' branches have always remained available for customer meetings, the number of customer meetings held via digital channels has risen since the outbreak of the pandemic. A large number of Länsförsäkringar Hypotek's employees are continuing to work remotely.

Mortgage lending for the third quarter reported a relatively normal pattern and increased SEK 4.8 billion. Applications for temporary mortgage repayment relief following the Financial Supervisory Authority's decision to

allow mortgage repayment deferrals were at low levels in the third quarter. The total volume of mortgages in Länsförsäkringar Hypotek that were granted repayment holidays due to COVID-19 amounted to SEK 9.1 billion on 30 September 2020. The granted repayment holidays have not resulted in an automatic transfer to stage 2 when calculating expected credit losses.

In the third quarter, forward-looking macroeconomic scenarios were incorporated into the model that calculates expected credit losses, although these macroeconomic scenarios were not reweighted. Credit losses amounted to SEK 1.5 M, net, in the third quarter, totalling SEK 1.9 M, net, for the period.

January-September 2020 compared with January-September 2019

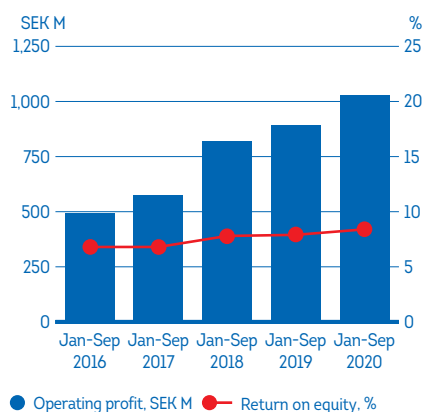
Growth and customer trend

Loans to the public rose 7%, or SEK 17.2 billion, to SEK 253.3 billion (236.1), with continued very high credit quality. The number of customers was 286,000 and 86% of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit increased 16% to SEK 1,029 M (889.9), primarily due to higher net interest income. The investment margin amounted to 0.94% (0.98). Profit before credit losses rose 16% to SEK 1,031 M (889.1). Return on equity strengthened to 8.4% (7.9).

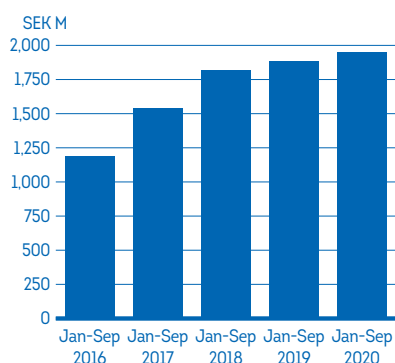
Operating profit and return on equity



Income

Operating income increased 16% to SEK 1,131 M (976.9) due to higher net interest income and lower commission expense. Net interest income rose 3% to SEK 1,950 M (1,889). Net losses from financial items amounted to SEK -17.1 M (-22.9). Net commission amounted to SEK -802.0 M (-889.2).

Net interest income



Expenses

Operating expenses amounted to SEK 100.1 M (87.9). The cost/income ratio before credit losses was 0.09 (0.09) and after credit losses 0.09 (0.09).

Credit losses

Credit losses amounted to SEK 1.9 M (-0.8), net, corresponding to a credit loss level of 0.00% (0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 187.6 M, corresponding to a share of credit-impaired loan receivables of 0.07%. The loss allowance for credit-impaired loan receivables was SEK 2.7 M. The reserve ratio for credit-impaired loan receivables amounted to 1.46%. In addition, SEK 11.0 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 13.7 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 7.31% and the total recognised loss allowance was SEK 44.0 M, of which SEK 35.2 M pertained to withheld remuneration to the regional insurance companies*.

Loss allowance, stage 3

SEK M	30 Sep 2020	30 Sep 2019
Loans to the public	253,251	236,095
Credit-impaired loan receivables (stage 3)	187.6	186.2
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	13.7	8.8
of which loss allowance for credit-impaired loan receivables (stage 3)	2.7	1.8
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	11.0	7.0

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

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

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 7%, or SEK 17.2 billion, to SEK 253.3 billion (236.1). The credit quality of the loan portfolio, comprising 71.5% (71.5) single-family homes, 25% (25) tenant-owned apartments, 3% (3) multi-family housing and 0.5% (0.5) industrial properties, remained favourable. On 31 August 2020, the market share of retail mortgages amounted to 7.0% (7.0) according to Statistics Sweden.

Cover pool

The cover pool, which forms the basis for issuing covered bonds, contains SEK 243 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 1.33 M (1.29). The weighted average loan-to-value ratio, LTV, was 58% (58) and the nominal, current OC (overcollateralisation) amounted to 35% (34). 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 65% (65) on 30 September 2020. No impaired loans are included in the cover pool.

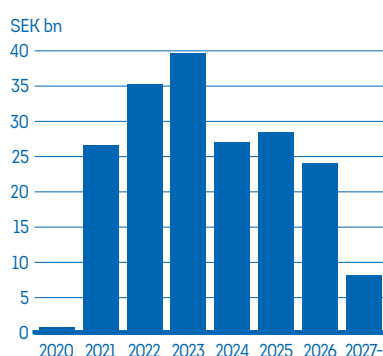
Cover pool	30 Sep 2020	30 Sep 2019
Cover pool, SEK billion	253	236
OC ¹ , %	35	34
Weighted average LTV, %	58	58
Collateral	Private homes	Private homes
Seasoning, months	63	60
Number of loans	412,957	398,213
Number of borrowers	182,667	175,877
Number of properties	182,182	175,822
Average commitment, SEK 000s	1,333	1,286
Average loan, SEK 000s	588	568
Interest rate type, variable, %	51	59
Interest rate type, fixed, %	49	41
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 5% to SEK 195.0 billion (185.6). Issued covered bonds during the period totalled a nominal SEK 27.6 billion (27.1) and repurchases of a nominal SEK 7.1 billion (8.1) were executed. Matured covered bonds amounted to a nominal SEK 13.4 billion (7.5). Länsförsäkringar Hypotek issued a new Swedish covered bond (LFH520) during the quarter, which matures in September 2027.

Maturity profile



● Covered bonds

Liquidity

On 30 September 2020, liquidity assets totalled SEK 10.8 billion (10.2). Liquidity remains healthy and contractual undertakings can be met for 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 18.3% (18.2). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation.

On 30 September 2020, the total Risk Exposure Amount (REA) amounted to SEK 70,972 M (69,793).

Länsförsäkringar Hypotek AB (SEK M)	30 Sep 2020	30 Jun 2020
IRB Approach	18,742	18,328
retail exposures	14,948	14,558
exposures to corporates	3,794	3,769
Standardised Approach	1,589	1,605
Operational risks	1,728	1,728
Additional requirements according to Article 458 CRR	48,656	47,854
Total REA	70,972	69,793
Common Equity Tier 1 capital	13,019	12,721
Tier 1 capital	13,019	12,721
Total capital	13,493	13,221
Common Equity Tier 1 capital ratio	18.3%	18.2%
Tier 1 ratio	18.3%	18.2%
Total capital ratio	19.0%	18.9%
Total capital requirement		
Pillar I	5,678	5,583
Pillar II	815	1,166
Combined buffer	1,774	1,745
Capital requirement as a percentage of REA		
Pillar I	8.0%	8.0%
Pillar II	1.1%	1.7%
Combined buffer	2.5%	2.5%

Internally assessed capital and buffer requirements

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 30 September 2020 amounted to SEK 6,493 M, comprising the minimum capital requirement under Pillar I and the capital requirement for risks managed under Pillar II. The internally assessed capital requirement is calculated based on the methods and models used to calculate the capital requirement under the framework of Pillar I. Internal models are used for Pillar II risks.

In March 2020, the Swedish Financial Supervisory Authority lowered the counter-cyclical capital buffer from 2.5% to 0%. However, the capital conservation buffer requirement remains in place, and amounted to SEK 1,774 M on 30 September 2020 (2.5% of REA).

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 13,493 M.

For more information on capital adequacy, see note 12.

¹ The comparative period pertains to 30 June 2020. Periodic information according to the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers, (FFFS 2014:12) and regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7) is provided in this section, the sections on funding and liquidity and in note 12.

Interest-rate risk

On 30 September 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 -155.2 M (-172.3).

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. Although the effects of COVID-19 have been relatively limited, continuous business contingency is in place. A more detailed description of risks is available in the 2019 Annual Report.

Third quarter of 2020 compared with second quarter of 2020

Operating profit increased 8% to SEK 361.9 M (336.6). Return on equity strengthened to 8.7% (8.3). Operating income increased 7% to SEK 396.4 M (369.8). Net interest income increased 4% to SEK 661.6 M (633.5). Net gains from financial items amounted to SEK 18.1 M (-15.4). Net commission amounted to SEK -283.3 M (-248.4). Operating expenses amounted to SEK 33.0 M (34.3) and the cost/income ratio before credit losses to 0.08% (0.09). Credit losses amounted to SEK 1.5 M (-1.2), net.

Events after the end of the period

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

Income statement

SEK M	Note	Q3 2020	Q2 2020	Change	Q3 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change	Full-Year 2019
Interest income		1,095.9	1,173.5	-7%	1,007.8	9%	3,365.4	2,989.1	13%	3,997.3
Interest expense		-434.3	-540.0	-20%	-388.3	12%	-1,415.6	-1,100.0	29%	-1,475.7
Net interest income	3	661.6	633.5	4%	619.5	7%	1,949.8	1,889.1	3%	2,521.5
Commission income		7.8	8.4	-7%	7.4	5%	22.7	15.0	51%	22.7
Commission expense		-291.1	-256.7	13%	-297.7	-2%	-824.7	-904.2	-9%	-1,199.2
Net commission	4	-283.3	-248.4	14%	-290.3	-2%	-802.0	-889.2	-10%	-1,176.6
Net gains/losses from financial items	5	18.1	-15.4		2.1		-17.1	-22.9	-25%	3.5
Total operating income		396.4	369.8	7%	331.2	20%	1,130.7	976.9	16%	1,348.4
Staff costs		-4.7	-5.8	-19%	-4.3	9%	-15.5	-11.5	35%	-15.5
Other administration expenses		-28.3	-28.5	-1%	-25.0	13%	-84.5	-76.3	11%	-105.2
Administration expenses		-33.0	-34.3	-4%	-29.3	13%	-100.0	-87.7	14%	-120.7
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.1	-0.1		-0.2
Total operating expenses		-33.0	-34.3	-4%	-29.4	12%	-100.1	-87.9	14%	-120.9
Profit before credit losses		363.4	335.4	8%	301.9	20%	1,030.5	889.1	16%	1,227.6
Credit losses, net	6	-1.5	1.2		0.3		-1.9	0.8		0.9
Operating profit		361.9	336.6	8%	302.1	20%	1,028.7	889.9	16%	1,228.5
Appropriations		-	-		-		-	-		-258.0
Tax		-79.6	-75.5	5%	-65.3	22%	-229.4	-197.3	16%	-214.5
Profit for the period		282.3	261.1	8%	236.8	19%	799.2	692.6	15%	756.0

Statement of comprehensive income

SEK M	Q3 2020	Q2 2020	Change	Q3 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change	Full-Year 2019
Profit for the period	282.3	261.1	8%	236.8	19%	799.2	692.6	15%	756.0
Other comprehensive income									
Items that have been reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	-11.0	-63.5	-83%	-4.1		-36.9	-22.8	62%	-19.3
Change in fair value of debt instruments measured at FVOCI	18.1	7.5		-12.4		15.6	-7.3		-8.4
Tax attributable to items that have been transferred or can be transferred to profit for the period	-1.5	12.0		2.7		4.5	5.4	-17%	4.9
Total other comprehensive income for the period, net after tax	5.6	-44.0		-13.8		-16.8	-24.7	-32%	-22.8
Total comprehensive income for the period	287.9	217.1	33%	223.0	29%	782.4	667.9	17%	733.2

Balance sheet

SEK M	Note	30 September 2020	31 December 2019	30 September 2019
Assets				
Loans to credit institutions	7	5,876.9	4,186.8	4,405.3
Loans to the public	8	253,250.5	240,061.6	236,095.0
Bonds and other interest-bearing securities		10,761.4	10,304.0	10,187.1
Derivatives	9	7,083.4	7,568.2	10,199.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		404.0	-	497.6
Tangible assets		0.7	0.4	0.5
Deferred tax assets		48.2	40.3	41.1
Other assets		0.4	9.3	3.0
Prepaid expenses and accrued income		41.6	34.0	57.2
Total assets		277,467.2	262,204.7	261,486.0
Liabilities, provisions and equity				
Due to credit institutions	7	64,433.1	56,972.8	57,962.3
Debt securities in issue		194,958.0	188,500.7	185,572.0
Derivatives	9	742.8	374.4	718.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,214.2	1,241.2	3,007.1
Other liabilities		188.1	211.8	298.8
Accrued expenses and deferred income		1,158.3	1,913.8	1,260.7
Provisions		1.6	1.4	1.5
Subordinated liabilities		500.0	500.0	500.0
Total liabilities and provisions		264,196.2	249,716.1	249,320.9
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		-148.9	-132.3	-134.2
Retained earnings		8,310.5	7,554.5	7,554.5
Profit for the period		799.2	756.0	692.6
Total equity		12,104.7	11,322.3	11,256.9
Total liabilities, provisions and equity		277,467.2	262,204.7	261,486.0
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-Sep 2020	Jan-Sep 2019
Cash and cash equivalents, 1 January	3,961.7	4,614.4
Operating activities		
Operating profit	1,028.7	889.9
Adjustment of non-cash items	-237.9	-607.7
Change in assets of operating activities		
Change in interest-bearing securities	-207.0	-226.8
Change in loans to the public	-13,191.9	-14,987.1
Change in other assets	-1,947.1	-1,735.3
Change in liabilities of operating activities		
Change in debt securities in issue	7,085.8	11,365.2
Change in other liabilities	7,203.8	3,501.8
Cash flow from operating activities	-265.6	-1,800.1
Investing activities		
Acquisition of property and equipment	-0.3	-
Cash flow from investing activities	-0.3	-
Financing activities		
Amortisation of subordinated debt	-	-161.0
Cash flow from financing activities	-	-161.0
Net cash flow for the period	-265.9	-1,961.1
Cash and cash equivalents, 30 September	3,695.9	2,653.3

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	6,896.1	658.5	10,589.1
Profit for the period						692.6	692.6
Other comprehensive income for the period			-5.8	-18.9			-24.7
Comprehensive income for the period			-5.8	-18.9		692.6	667.9
According to resolution by Annual General Meeting					658.5	-658.5	-
Closing balance, 30 September 2019	3,129.9	14.1	16.8	-150.9	7,554.5	692.6	11,256.9
Opening balance, 1 October 2019	3,129.9	14.1	16.8	-150.9	7,554.5	692.6	11,256.9
Profit for the period						63.3	63.3
Other comprehensive income for the period			-0.9	2.7			1.8
Comprehensive income for the period			-0.9	2.7		63.3	65.1
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						799.2	799.2
Other comprehensive income for the period			12.3	-29.1			-16.8
Comprehensive income for the period			12.3	-29.1		799.2	782.4
According to resolution by Annual General Meeting					756.0	-756.0	-
Closing balance, 30 September 2020	3,129.9	14.1	28.2	-177.3	8,310.5	799.2	12,104.7

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 (ÅARKL), the Swedish Securities Market Act (2007:528) and Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, is to apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and additions to IFRS. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

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

SIGNIFICANT EVENTS DURING THE QUARTER

COVID-19 has impacted operations during the third quarter. The effects are described under the heading "Impact of COVID-19" on page 3 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	Q3 2020	Q2 2020	Change	Q3 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change	Full-Year 2019
Interest income									
Loans to credit institutions	16.2 ¹⁾	21.9 ¹⁾	-26%	7.2		56.2	51.6	9%	58.5
Loans to the public	1,096.7	1,098.5		1,035.8	6%	3,281.0	3,053.5	7%	4,092.8
Interest-bearing securities	9.1 ¹⁾	8.9 ¹⁾	2%	12.2	-25%	25.6	43.3	-41%	50.6
Derivatives	-26.0	44.3		-47.4	-45%	2.6	-159.2		-204.5
Other interest income	-	-		-		-	-		-
Total interest income	1,095.9	1,173.5	-7%	1,007.8	9%	3,365.4	2,989.1	13%	3,997.3
Interest expense									
Due to credit institutions	-153.4 ¹⁾	-183.8 ¹⁾	-17%	-145.3	6%	-503.0	-428.7	17%	-575.7
Dept securities in issue	-434.3	-438.2	-1%	-463.7	-6%	-1,343.2	-1,432.1	-6%	-1,869.1
Subordinated liabilities	-2.1	-2.4	-13%	-2.9	-28%	-6.5	-8.5	-24%	-10.5
Derivatives	176.1	105.7	67%	254.9	-31%	500.3	863.7	-42%	1,105.2
Other interest expense	-20.6	-21.4	-4%	-31.3	-34%	-63.2	-94.4	-33%	-125.7
Total interest expense	-434.3	-540.0	-20%	-388.3	12%	-1,415.6	-1,100.0	29%	-1,475.7
Total net interest income	661.6	633.5	4%	619.5	7%	1,949.8	1,889.1	3%	2,521.5
Average interest rate on loans to the public during the period, %	1.8	1.8		1.8		1.8	1.8		1.8

¹⁾ Of which negative interest of Loans to credit institutions SEK 0.0 M (0.0), Interest-bearing securities SEK -0.2 M (-0.5) and Due to credit institutions SEK 0.0 M (0.0).

Interest income calculated according to the effective interest method amounts to SEK 1,095.9 M (1,173.5).

Note 4		Net commission							
SEK M	Q3 2020	Q2 2020	Change	Q3 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change	Full-Year 2019
Commission income									
Loans	7.8	8.4	-7%	7.4	5%	22.7	15.0	51%	22.7
Total commission income	7.8	8.4	-7%	7.4	5%	22.7	15.0	51%	22.7
Commission expense									
Remuneration to regional insurance companies	-291.1	-256.7	13%	-297.1	-2%	-824.6	-903.5	-9%	-1,199.1
Other commission	0.0	0.0		-0.6		-0.1	-0.7	-86%	-0.1
Total commission expense	-291.1	-256.7	13%	-297.7	-2%	-824.7	-904.2	-9%	-1,199.2
Total net commission	-283.3	-248.4	14%	-290.3	-2%	-802.0	-889.2	-10%	-1,176.6

Note 5		Net gains / losses from financial items							
SEK M	Q3 2020	Q2 2020	Change	Q3 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change	Full-Year 2019
Interest-bearing assets and liabilities and related derivatives	8.1	-23.6		-5.4		-40.9	-41.5	-1%	-24.5
Other financial assets and liabilities	0.0	0.0		0.0		0.0	0.0		0.0
Interest compensation (refer to items measured at amortised cost)	10.0	8.2	22%	7.5	33%	23.8	18.6	28%	28.0
Total net gains / losses from financial items	18.1	-15.4		2.1		-17.1	-22.9	-25%	3.5

Note 6 Credit losses									
Net credit losses, SEK M	Q3 2020	Q2 2020	Change	Q3 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change	Full-Year 2019
Change in loss allowance for loan receivables									
Stage 1 (not credit-impaired)	-1.3	-0.2		-0.3		-2.0	0.0		0.0
Stage 2 (not credit-impaired)	0.2	0.3	-33%	0.0		0.0	-0.1		-0.1
Stage 3 (credit-impaired)	-0.7	-0.1		0.1		-0.9	-0.1		-0.2
Total change in loss allowance for loan receivables	-1.8	-0.1		-0.2		-3.0	-0.2		-0.3
Expense for confirmed credit losses	0.0	0.3		0.0		-0.4	-0.2		-0.2
Payment received for prior confirmed credit losses	0.3	1.1	-73%	0.4	-25%	1.7	1.2	42%	1.5
Net expense for the period for credit losses for loan receivables	-1.5	1.3		0.3		-1.6	0.8		1.0
Change in loss allowance for commitments	0.0	0.0		0.0		-0.1	0.0		0.1
Net expense for other credit losses for the period	-	0.0		0.0		-	0.0		0.0
Net expense of the modification result for the period	0.0	-0.1		0.0		-0.1	-0.1		-0.2
Net expense for credit losses for the period	-1.5	1.2		0.3		-1.9	0.8		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 third quarter of 2020, total credit losses amounted to SEK -4.3 M (0.2), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK -1.5 M (1.2) and the remainder of SEK -2.8 M (-1.0) was settled against remuneration to the regional insurance companies.

The macroeconomic scenario applied in the model calculations of expected loss allowances in the third quarter has been updated from the preceding quarter. The update was made to reflect the current macroeconomic situation and to incorporate the effects of COVID-19. The changed macroeconomic scenario means that loss allowances increased in the third quarter.

The table below shows the changed forward-looking scenarios used for calculating the loss allowance. The updated macroeconomic scenarios implemented in the model calculations from September entail a more negative forecast primarily for unemployment but also for GDP. Three potential macroeconomic scenarios are considered when calculating expected credit losses: a base scenario that is currently weighted at 60%, and a more positive scenario and a more negative scenario that are both weighted at 20%.

SEK M	Base scenario			Negative scenario			Positive scenario		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Housing prices, annual change in %	6.21%	3.63%	4.03%	2.86%	3.58%	4.91%	7.34%	4.03%	4.03%
GDP, annual change in %	-3.40%	3.52%	2.51%	-3.88%	1.63%	2.40%	-3.03%	5.30%	2.62%
Unemployment, level in %	8.69%	9.53%	8.49%	8.84%	10.28%	9.05%	8.59%	9.01%	7.97%

Note 7 Loans / due to credit institutions

On 30 September 2020, Loans to credit institutions amounted to SEK 5,876.9 M (4,186.8) and was included in Stage 1. Loss allowance for credit losses amounted to SEK 0.0 M (0.0) Loans to credit institutions include deposits with the Parent Company of SEK 3,679.0 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 64,433.1 M (56,972.8) on 30 September. Due to credit institutions includes borrowings from the Parent Company of SEK 62,428.9 M (56,739.3).

Note 8 Loans to the public			
Loan receivables are geographically attributable in their entirety to Sweden			
SEK M	30 September 2020	31 December 2019	30 September 2019
Corporate sector	6,996.7	6,632.4	6,655.6
Retail sector	246,262.6	233,435.0	229,445.2
Loans to the public before loss allowance	253,259.3	240,067.4	236,100.8
Loss allowance	-8.8	-5.8	-5.8
Loans to the public	253,250.5	240,061.6	236,095.0

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	-0.9	0.0	0.0	-0.9
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.2	0.2	0.5	0.9
Change due to changed credit risk	-1.4	-0.2	-1.5	-3.1
Other adjustments	0.0	0.0	-	0.0
Decrease due to write-off	-	-	0.1	0.1
Closing balance, 30 September 2020	-4.4	-1.7	-2.7	-8.8
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	250,826.3	2,245.4	187.6	253,259.3
Credit reserve requirement	-21.9	-8.4	-13.7	-44.0
Withheld remuneration to the regional insurance companies	17.5	6.7	11.0	35.2
Recognised loss allowance	-4.4	-1.7	-2.7	-8.8
Loans to the public	250,822.0	2,243.7	184.8	253,250.5

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	-0.8	0.0	-0.1	-0.9
Change in loss allowance model or method	0.0	0.0	-	0.0
Decrease due to repayment	0.3	0.3	0.5	1.0
Change due to changed credit risk	0.6	-0.3	-0.6	-0.3
Other adjustments	0.0	0.0	0.0	0.0
Decrease due to write-off	-	-	0.1	0.1
Closing balance, 30 September 2019	-2.3	-1.7	-1.8	-5.8
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	233,580.6	2,333.9	186.2	236,100.8
Credit reserve requirement	-11.5	-8.5	-8.8	-28.8
Withheld remuneration to the regional insurance companies	9.2	6.8	7.0	23.0
Recognised loss allowance	-2.3	-1.7	-1.8	-5.8
Loans to the public	233,578.3	2,332.2	184.5	236,095.0

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

Note 9 Derivatives						
SEK M	30 September 2020		31 December 2019		30 September 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	151,970.0	2,295.0	188,462.0	1,703.7	141,767.0	3,076.6
Currency-related	34,347.2	4,788.4	38,871.4	5,864.5	39,271.5	7,122.6
Total derivatives with positive values	186,317.2	7,083.4	227,333.4	7,568.2	181,038.5	10,199.2
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	128,925.0	578.9	49,845.0	281.0	86,790.0	642.7
Currency-related	1,394.2	163.9	1,794.2	93.4	1,394.2	75.8
Total derivatives with negative values	130,319.2	742.8	51,639.2	374.4	88,184.2	718.5

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

Note 10 Pledged assets, contingent liabilities and commitments			
SEK M	30 September 2020	31 December 2019	30 September 2019
For own liabilities, pledged assets	255,339.2	240,428.0	237,569.0
Commitments ¹⁾	15,533.9	10,604.0	12,289.7

¹⁾ On 30 September 2020 there are no commitments to related parties.

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

SEK M	30 September 2020		31 December 2019		30 September 2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Loans to credit institutions	5,876.9	5,876.9	4,186.8	4,186.8	4,405.3	4,405.3
Loans to the public	253,250.5	253,840.7	240,061.6	240,959.4	236,095.0	236,728.6
Bonds and other interest-bearing securities	10,761.4	10,761.4	10,304.0	10,304.0	10,187.1	10,187.1
Derivatives	7,083.4	7,083.4	7,568.2	7,568.2	10,199.2	10,199.2
Other assets	-	-	-	-	-	-
Prepaid expenses and accrued income	18.7	18.7	21.3	21.3	23.6	23.6
Total	276,990.9	277,581.1	262,141.9	263,039.7	260,910.2	261,543.8
Financial liabilities						
Due to credit institutions	64,433.1	64,433.1	56,972.8	56,972.8	57,962.3	57,962.3
Debt securities in issue	194,958.0	201,157.6	188,500.7	194,473.5	185,572.0	190,445.5
Derivatives	742.8	742.8	374.4	374.4	718.5	718.5
Other liabilities	0.2	0.2	1.2	1.2	0.4	0.4
Subordinated liabilities	500.0	518.1	500.0	501.7	500.0	501.8
Accrued expenses and deferred income	260.0	260.0	954.0	954.0	293.0	293.0
Total	260,894.1	267,111.8	247,303.1	253,277.6	245,046.2	249,921.5

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

Determination of fair value through published price quotations or valuation techniques where					
Level 1 includes Instruments with published price quotations					
Level 2 includes Valuation techniques based on observable market prices					
Level 3 includes Valuation techniques based on unobservable market price					
Financial instruments measured at fair value in the balance sheet					
30 September 2020, SEK M		Level 1	Level 2	Level 3	Total
Assets					
Bonds and other interest-bearing securities		10,761.4			10,761.4
Derivatives			7,083.4		7,083.4
Liabilities					
Derivatives			742.8		742.8
31 December 2019, SEK M					
Assets					
Bonds and other interest-bearing securities		10,304.0			10,304.0
Derivatives			7,568.2		7,568.2
Liabilities					
Derivatives			374.4		374.4
30 September 2019, SEK M					
Assets					
Bonds and other interest-bearing securities		10,187.1			10,187.1
Derivatives			10,199.2		10,199.2
Liabilities					
Derivatives			718.5		718.5

Note 12 Capital-adequacy

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

SEK M	30 Sep 2020	31 Dec 2019	30 Sep 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	777.9	794.7	589.5
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	799.2	756.0	692.6
Common Equity Tier 1 capital before legislative adjustments	13,017.5	12,235.0	11,966.5
Common Equity Tier 1 capital: legislative adjustments			
Additional value adjustments	-18.0	-17.7	-20.7
Fair value reserves related to gains or losses on cash-flow hedges	177.2	148.2	150.9
Negative amounts resulting from the calculation of expected loss amounts	-157.8	-159.5	-164.1
Total legislative adjustments of Common Equity Tier 1 capital	1.4	-29.0	-33.9
Common Equity Tier 1 capital and additional Tier 1 instruments	13,018.9	12,206.0	11,932.6
Tier 2 capital: instruments and provisions			
Capital instruments and associated share premium reserves	473.9	500.0	500.0
Tier 2 capital	473.9	500.0	500.0
Total capital (total capital = Tier 1 capital + Tier 2 capital)	13,492.8	12,706.0	12,432.6
Total risk-weighted assets	70,972.4	66,991.0	66,456.7
Capital ratios and buffers			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.3%	18.2%	18.0%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.3%	18.2%	18.0%
Total capital (as a percentage of the total risk-weighted exposure amount)	19.0%	19.0%	18.7%
Institution-specific buffer requirements	7.0%	9.5%	9.5%
<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%	2.5%
<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)	11.0%	11.0%	10.7%

Note 12		Capital-adequacy analysis, continued					
SEK M		30 September 2020		31 December 2019		30 September 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		368.4	29.5	463.6	37.1	464.3	37.1
Covered bonds		1,076.1	86.1	1,030.4	82.4	1,018.7	81.5
Other items		144.2	11.5	143.0	11.4	137.0	11.0
Total risk exposure amount and capital requirement		1,588.8	127.1	1,637.0	131.0	1,620.0	129.6
Credit risk according to IRB Approach							
<i>Retail exposures</i>							
Exposures secured by real estate collateral		479.2	38.3	440.7	35.3	453.4	36.3
Other retail exposures		14,452.1	1,156.2	14,165.5	1,133.2	14,169.9	1,133.6
Other retail exposures, small and medium-sized businesses		0.7	0.1	0.1	0.0	2.3	0.2
Other retail exposures		15.4	1.2	4.8	0.4	9.0	0.7
Total retail exposures		14,947.5	1,195.8	14,611.1	1,168.9	14,634.6	1,170.8
Exposures to corporates		3,794.3	303.5	3,852.1	308.2	3,871.1	309.7
Total risk exposure amount and capital requirement		18,741.8	1,499.3	18,463.1	1,477.1	18,505.7	1,480.5
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		257.1	20.6	455.5	36.4	501.8	40.1
Additional Risk Exposure Amounts according to Article 458 CRR		48,656.3	3,892.5	45,005.6	3,600.5	44,399.4	3,552.0
Total risk exposure amount and capital requirement		70,972.4	5,677.8	66,991.0	5,359.3	66,456.7	5,316.5

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, 23 October 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 30 September 2020 and the nine-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, 23 October 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

Year-End report Länsförsäkringar Bank	8 February 2021
Year-End report Länsförsäkringar Hypotek	8 February 2021

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 23 October 2020 at 12:00 a.m. CET.

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