

Länsförsäkringar Hypotek

Year-end report 2020

The year in brief

- Operating profit increased 10% to SEK 1,348 M (1,229) and the return on equity strengthened to 8.2% (8.1).
- Net interest income rose 4% to SEK 2,612 M (2,522).
- Credit losses amounted to SEK 0.8 M (-0.9), net, corresponding to a credit loss level of 0.00% (-0.00).
- Lending increased 8% to SEK 259.5 billion (240.1).
- The Common Equity Tier 1 capital ratio amounted to 18.4% (18.3*) on 31 December 2020.

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

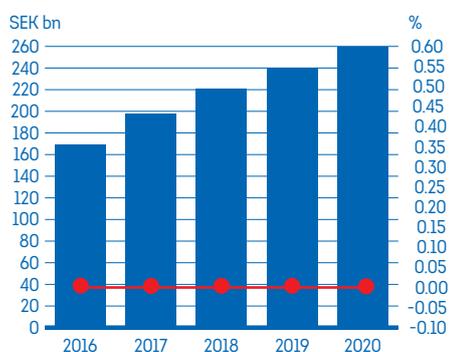
President's comment

The year was deeply impacted by the coronavirus pandemic, which put both the Swedish society and the global economy under stress. Despite an uncertain business environment, the Swedish housing market nonetheless displayed its resilience to the broad economic decline caused by the spread of COVID-19. The trend in housing prices was stable, particularly in the autumn, despite an uncertain macroeconomic outlook and rising unemployment. Länsförsäkringar Hypotek's mortgage operations continued to perform positively despite the ongoing coronavirus pandemic. Net interest income trended well and we reported strong operating profit for the full-year. Lending growth was stable and the credit quality of the mortgage portfolio remained very high with unaffectedly low credit losses. One of the reasons for this success is the employees of Länsförsäkringar's banking operations who worked tremendously hard during the year, given the circumstances. Hopes of a quicker recovery have increased as the vaccination programmes have started, however uncertainty about the macroeconomic development and how it will affect the housing market in the future still remains.

Anders Borgcrantz

President of Länsförsäkringar Hypotek

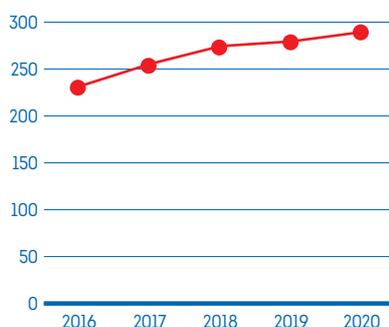
Loans to the public



● Loans, SEK billion ● Loan losses, %

Customer trend

Number of customers, 000s



Key figures

	Q 4 2020	Q 3 2020	Q 4 2019	Jan-Dec 2020	Jan-Dec 2019
Return on equity, %	7.6	8.7	8.7	8.2	8.1
Return on total assets, %	0.36	0.41	0.40	0.38	0.37
Investment margin, %	0.95	0.96	0.96	0.95	0.96
Cost/income ratio before credit losses	0.09	0.08	0.09	0.09	0.09
Common Equity Tier 1 capital ratio, %	18.4	18.3	18.2	18.4	18.2
Total capital ratio, %	19.1	19.0	19.0	19.1	19.0
Share of credit-impaired loan receivables (stage 3), %	0.07	0.07	0.07	0.07	0.07
Reserve ratio for loan receivables stage 1, %	0.00	0.00	0.00	0.00	0.00
Reserve ratio for loan receivables stage 2, %	0.08	0.08	0.07	0.08	0.07
Reserve ratio for loan receivables stage 3, %	0.72	1.46	1.12	0.72	1.12
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	3.61	7.31	5.59	3.61	5.59
Credit loss level, %	0.00	0.00	-0.00	0.00	-0.00

Income statement, quarterly

SEK M	Q 4 2020	Q 3 2020	Q 2 2020	Q 1 2019	Q 4 2019
Net interest income	662.1	661.6	633.5	654.7	632.4
Net commission	-305.2	-283.3	-248.4	-270.3	-287.4
Net gains/losses from financial items	-5.0	18.1	-15.4	-19.9	26.4
Total operating income	351.8	396.4	369.8	364.5	371.5
Staff costs	-5.6	-4.7	-5.8	-5.0	-4.0
Other administration expenses	-27.7	-28.3	-28.5	-27.7	-29.0
Total operating expenses	-33.4	-33.0	-34.3	-32.8	-33.0
Profit before credit losses	318.5	363.4	335.4	331.7	338.5
Credit losses, net	1.1	-1.5	1.2	-1.6	0.1
Operating profit	319.6	361.9	336.6	330.1	338.6

2020 was characterised by the COVID-19 pandemic that also dominated the global economy. Global GDP for 2020 is expected to fall due to the extensive restrictions implemented to slow the spread of COVID-19. Economic policy has been crucial in mitigating the effects of the crisis by applying expansive fiscal and monetary policies. Recovery was quick, but slowed in the autumn when the US, Europe and other parts of the world were hit by a second wave of high infection rates and new, far-reaching restrictions were introduced. However, the outlook for the economic recovery has improved as more vaccines are becoming available. How the global economy will perform now depends on the efficiency of the vaccination programmes that started at year-end. If the speed and success of the programmes are below expectations, it could mean that restrictive measures will become a permanent feature for much of 2021.

The US economy was severely impacted by restrictions and GDP for 2020 is expected to fall sharply. Unemployment rose rapidly from record lows at the end of 2019 to more than 14% in the spring. There was nevertheless a substantial recovery, with unemployment falling to less than 7% in the autumn. The US presidential election was a possible cause for concern for the financial markets, but there were no major reactions from the market. The expansive fiscal policy combined with the vaccine roll-out and relatively high

optimism are expected to result in recovery continuing in 2021. The US central bank, the Fed, is pursuing a new monetary policy strategy in which it will compensate for periods of low inflation by allowing the inflation rate to rise above its target of 2%. The Fed will also focus more on employment. The new strategy means that US monetary policy will be slightly more expansive with low interest rates and asset purchases for a long time.

The downturn in Europe was deep but with significant differences between countries. The trend in service-oriented countries such as Spain and Italy was alarming, while Germany, in which industry is a large part of the economy, fared better. National debt is continuing to grow quickly as governments continue to alleviate the effects of the pandemic. However, market interest rates remained stable. An EU-wide Recovery and Resilience Facility, financed by the EU and ECB to stimulate the economy through extensive bond buying resulted in higher confidence in the currency union. The ECB has decided to leave the key interest rate unchanged and has instead used other means to stimulate the economy and stabilise markets. For example, the ECB expanded its asset purchase programme and improved long-term borrowing conditions for banks.

Sweden was also deeply affected by the COVID-19 pandemic, but its economic performance was better than several other European countries. GDP was unchanged in the

first quarter of 2020 and the decline in the spring was less than feared. A sustainable recovery was made in the second half of the year and the performance of the labour market was better than expected with lower unemployment. The Riksbank decided to use its balance sheet to stimulate the economy and did not touch the repo rate. The asset purchase programme was expanded in the fourth quarter to SEK 700 billion and includes government bonds, treasury bills, covered bonds, municipal bonds and corporate securities.

Global stock markets performed very negatively at the end of the first quarter due to the outbreak of the COVID-19 pandemic and concern about its effects, but recovered very well during the remainder of 2020. The MSCI World Index and the S&P 500 Index rose 14% and 16%, respectively, during the year. The Stockholm Stock Exchange followed the same trend, up almost 13% in 2020.

The Swedish housing market demonstrated surprising resilience and was stable in 2020 with housing prices rising across the country. Expectations of low interest rates, together with COVID-related restrictions, led to higher demand for larger housing, while homeowners were not impacted by redundancies to the same extent as other groups in society. According to Valueguard, housing prices increased a total of 11.5% in 2020.

Impact of COVID-19

In connection with the outbreak of COVID-19 during the first quarter of 2020 and in light of the spread of the pandemic during the year, Länsförsäkringar Hypotek has taken a number of measures to ensure the continuation of operations. The aim of the implemented measures is for the external impact on customers to be as limited as possible. To ensure that this is possible, focus was directed on minimising the risk of internal contagion within the Bank Group that would affect Länsförsäkringar Hypotek's operational capacity. For this reason, the critical functions and tasks of the operations were divided into separate premises and some of Länsförsäkringar Hypotek's personnel were given the opportunity to work remotely, all the while being able to meet our ability to give first-rate service to customers. Most of the regional insurance companies' branches remained available for customer meetings during the year, but followed the recommendations of the authorities. Major focus was devoted to the digital channels, telephone banking and digital communication with both existing and potential customers in order to ensure that customers could continue to conduct their banking. Digital interaction with customers is a natural contact point that has created a solid platform for the operations to continue without any major disruptions. Virtual customer meetings were also expanded. The measures implemented earlier in the year continued in the fourth quarter.

Business volumes

The initial concern in the housing market when the pandemic broke out was relatively short lived and housing prices have subsequently risen to new peaks during the year. The impact on volumes, including the effect of COVID-19, was limited during the year and demand for mortgages has remained high. Mortgage lending in the fourth quarter remained at normal levels.

Temporary mortgage repayment relief

Länsförsäkringar Hypotek granted temporary mortgage repayment holidays following a decision by the Financial Supervisory Authority. Applications for temporary mortgage repayment relief were at low levels in the fourth quarter. The total volume of mortgages in Länsförsäkringar Hypotek that were granted repayment holidays due to COVID-19 amounted to SEK 13.0 billion on 31 December 2020. Granted repayment holidays did not entail an automatic transfer to stage 2 in the calculation of expected credit losses. The number of applications received for such repayment holidays in other lending segments was at a low level in the quarter.

Loss allowances

In the fourth quarter, forward-looking macroeconomic scenarios in the model that calculates expected credit losses were updated. Credit losses amounted to SEK -1.1 M, net, in the fourth quarter and to a total of SEK 0.8 M, net, for the year.

2020 compared with 2019

Growth and customer trend

Loans to the public rose 8%, or SEK 19.4 billion, to SEK 259.5 billion (240.1), with continued very high credit quality. The number of customers was 289,000 and 85% of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit increased 10% to SEK 1,348 M (1,229), primarily due to higher net interest income. The investment margin amounted to 0.95% (0.96). Profit before credit losses rose 10% to SEK 1,349 M (1,228). Return on equity strengthened to 8.2% (8.1).

Operating profit and return on equity

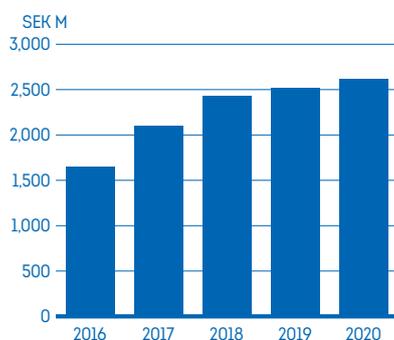


● Operating profit, SEK M ● Return on equity, %

Income

Operating income increased 10% to SEK 1,483 M (1,348) due to higher net interest income and lower commission expense. Net interest income increased 4% to SEK 2,612 M (2,522) due to higher volumes. Net commission was SEK -1,107 M (-1,177).

Net interest income



Expenses

Operating expenses amounted to SEK 133.5 M (120.9). The cost/income ratio before credit losses was 0.09 (0.09) and after credit losses 0.09 (0.09).

Credit losses

Credit losses amounted to SEK 0.8 M (-0.9), net, corresponding to a credit loss level of 0.00% (-0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 189.9 M, corresponding to a share of credit-impaired loan receivables of 0.07%. The loss allowance for credit-impaired loan receivables was SEK 1.4 M. The reserve ratio for credit-impaired loan receivables amounted to 0.72%. In addition, SEK 5.5 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 6.9 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 3.6% and the total recognised loss allowance was SEK 36.1 M, of which SEK 28.8 M pertained to withheld remuneration to the regional insurance companies*.

Loss allowance, stage 3

SEK M	31 Dec 2020	31 Dec 2019
Loans to the public	259,500	240,062
Credit-impaired loan receivables (stage 3)	189.9	162.0
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	6.9	9.1
of which loss allowance for credit-impaired loan receivables (stage 3)	1.4	1.8
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	5.5	7.2

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 19.4 billion, to SEK 259.5 billion (240.1). 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 December 2020, the market share of retail mortgages had strengthened to 7.1% (7.0) according to Statistics Sweden.

Cover pool

The cover pool, which forms the basis of issuance of covered bonds, contains SEK 248.6 billion of mortgages, 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 1.35 M (1.30). The weighted average loan-to-value ratio, LTV, was 58% (59) and the nominal, current OC (overcollateralisation) amounted to 37% (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% (66) on 31 December 2020. No impaired loans are included in the cover pool.

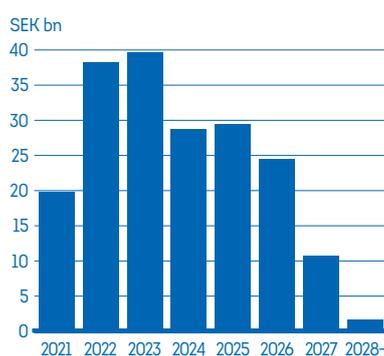
Cover pool	31 Dec 2020	31 Dec 2019
Cover pool, SEK billion	259	240
OC ¹ , %	37	34
Weighted average LTV, %	58	59
Collateral	Private homes	Private homes
Seasoning, months	63	61
Number of loans	417,635	402,194
Number of borrowers	184,820	177,628
Number of properties	184,264	177,539
Average commitment, SEK 000s	1,349	1,298
Average loan, SEK 000s	595	573
Interest rate type, variable, %	49	56
Interest rate type, fixed, %	51	44
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 4% to SEK 195.7 billion (188.5). Issued covered bonds during the year totalled a nominal SEK 38.1 billion (33.9) and repurchases of a nominal SEK 14.1 billion (8.1) were executed. Matured covered bonds amounted to a nominal SEK 13.8 billion (7.5). Länsförsäkringar Hypotek issued a new Swedish covered bond (LFH520) during the year, which matures in September 2027.

Maturity profile



● Covered bonds

Liquidity

On 31 December 2020, liquidity assets totalled SEK 10.7 billion (10.3). Liquidity remains healthy and contractual undertakings can be met for about 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 18.4% (18.3). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation.

On 31 December 2020, the total Risk Exposure Amount (REA) in Länsförsäkringar Hypotek was SEK 72,085 M (70,972).

Länsförsäkringar Hypotek AB (SEK M)	31 Dec 2020	30 Sep 2020
IRB Approach	19,015	18,742
retail exposures	15,131	14,948
exposures to corporates	3,884	3,794
Standardised Approach	1,532	1,589
Operational risks	1,728	1,728
Additional requirements according to Article 458 CRR	49,596	48,656
Total REA	72,085	70,972
Common Equity Tier 1 capital	13,285	13,019
Tier 1 capital	13,285	13,019
Total capital	13,734	13,493
Common Equity Tier 1 capital ratio	18.4%	18.3%
Tier 1 ratio	18.4%	18.3%
Total capital ratio	19.1%	19.0%
Total capital requirement		
Pillar I	5,767	5,678
Pillar II	789	815
Combined buffer	1,802	1,774
Capital requirement as a percentage of REA		
Pillar I	8.0%	8.0%
Pillar II	1.1%	1.1%
Combined buffer	2.5%	2.5%

Internally assessed capital and buffer requirements

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 31 December 2020 amounted to SEK 6,556 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.

The capital conservation buffer amounted to a total of SEK 1,802 M on 31 December 2020 (2.5% of REA).

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 13,734 M.

For more information on capital adequacy, see note 12.

¹ The comparative period pertains to 30 September 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 31 December 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 -179.9 M (71.8).

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

Fourth quarter of 2020 compared with third quarter of 2020

Operating profit fell 12% to SEK 319.6 M (361.9). Return on equity amounted to 7.6% (8.7). Operating income declined 11% to SEK 351.8 M (396.4). Net interest income was SEK 662.1 M (661.6). Net losses from financial items amounted to SEK -5.0 M (18.1). Net commission amounted to SEK -305.2 M (-283.3). Operating expenses amounted to SEK 33.4 M (33.0) and the cost/income ratio before credit losses to 0.09% (0.08). Credit losses amounted to SEK -1.1 M (1.5), net.

Events after the end of the period

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

Annual Report

The Annual Report will be available on Länsförsäkringar Hypotek's website on 15 March 2021.

Income statement

SEK M	Note	Q 4 2020	Q 3 2020	Change	Q 4 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Interest income		1,037.4	1,095.9	-5%	1,008.1	3%	4,402.8	3,997.3	10%
Interest expense		-375.4	-434.3	-14%	-375.7		-1,791.0	-1,475.7	21%
Net interest income	3	662.1	661.6		632.4	5%	2,611.9	2,521.5	4%
Commission income		9.1	7.8	17%	7.7	18%	31.7	22.7	40%
Commission expense		-314.3	-291.1	8%	-295.0	7%	-1,138.9	-1,199.2	-5%
Net commission	4	-305.2	-283.3	8%	-287.4	6%	-1,107.2	-1,176.6	-6%
Net gains/losses from financial items	5	-5.0	18.1		26.4		-22.2	3.5	
Total operating income		351.8	396.4	-11%	371.5	-5%	1,482.5	1,348.4	10%
Staff costs		-5.6	-4.7	19%	-4.0	40%	-21.1	-15.5	36%
Other administration expenses		-27.7	-28.3	-2%	-29.0	-4%	-112.3	-105.2	7%
Administration expenses		-33.3	-33.0	1%	-33.0	1%	-133.3	-120.7	10%
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.2	-0.2	
Total operating expenses		-33.4	-33.0	1%	-33.0	1%	-133.5	-120.9	10%
Profit before credit losses		318.5	363.4	-12%	338.5	-6%	1,349.0	1,227.6	10%
Credit losses, net	6	1.1	-1.5		0.1		-0.8	0.9	
Operating profit		319.6	361.9	-12%	338.6	-6%	1,348.2	1,228.5	10%
Appropriations		-274.1	-		-258.0	6%	-274.1	-258.0	6%
Tax		-9.7	-79.6	-88%	-17.2	-44%	-239.2	-214.5	12%
Profit for the period		35.8	282.3	-87%	63.4	-44%	835.0	756.0	10%

Statement of comprehensive income

SEK M	Q 4 2020	Q 3 2020	Change	Q 4 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Profit for the period	35.8	282.3	-87%	63.4	-44%	835.0	756.0	10%
Other comprehensive income								
Items that have been reclassified or may subsequently be reclassified to the income statement								
Cash-flow hedges	-30.6	-11.0		4.8		-67.5	-19.3	
Change in fair value of debt instruments measured at FVOCI	16.2	18.1	-10%	-1.0		31.7	-8.4	
Tax attributable to items that have been transferred or can be transferred to profit for the period	1.0	-1.5		-0.5		5.6	4.9	14%
Total other comprehensive income for the period, net after tax	-13.4	5.6		3.3		-30.2	-22.8	32%
Total comprehensive income for the period	22.4	287.9	-92%	66.7	-66%	804.8	733.2	10%

Balance sheet

SEK M	Note	31 December 2020	31 December 2019
Assets			
Loans to credit institutions	7	3,933.2	4,186.8
Loans to the public	8	259,499.5	240,061.6
Bonds and other interest-bearing securities		10,674.4	10,304.0
Derivatives	9	5,199.7	7,568.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		272.0	-
Tangible assets		0.7	0.4
Deferred tax assets		52.8	40.3
Other assets		0.2	9.3
Prepaid expenses and accrued income		23.9	34.0
Total assets		279,656.4	262,204.7
Liabilities, provisions and equity			
Due to credit institutions	7	65,341.8	56,972.8
Debt securities in issue		195,861.4	188,500.7
Derivatives	9	651.3	374.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,800.1	1,241.2
Other liabilities		158.6	211.8
Accrued expenses and deferred income		1,774.1	1,913.8
Provisions		1.6	1.4
Subordinated liabilities		500.0	500.0
Total liabilities and provisions		266,089.0	249,716.1
Untaxed reserves		1,440.3	1,166.3
Equity			
Share capital		3,129.9	3,129.9
Statutory reserve		14.1	14.1
Fair value reserve		-162.4	-132.3
Retained earnings		8,310.5	7,554.5
Profit for the period		835.0	756.0
Total equity		12,127.1	11,322.3
Total liabilities, provisions and equity		279,656.4	262,204.7
Other notes			
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Cash-flow statement in summary, indirect method

SEK M	Jan-Dec 2020	Jan-Dec 2019
Cash and cash equivalents, 1 January	3,961.7	4,614.4
Operating activities		
Operating profit	1,348.2	1,228.5
Adjustment of non-cash items	221.0	-454.6
Change in assets of operating activities		
Change in interest-bearing securities	-155.6	-435.0
Change in loans to the public	-19,439.4	-18,953.9
Change in other assets	-1,679.9	-214.6
Change in liabilities of operating activities		
Change in debt securities in issue	9,811.8	15,929.6
Change in other liabilities	7,931.1	2,408.4
Cash flow from operating activities	-1,962.8	-491.6
Investing activities		
Acquisition of property and equipment	-0.4	0.0
Cash flow from investing activities	-0.4	0.0
Financing activities		
Amortisation of subordinated debt	-	-161.0
Cash flow from financing activities	-	-161.0
Net cash flow for the period	-1,963.2	-652.6
Cash and cash equivalents, 31 December	1,998.6	3,961.7

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	22.5	-132.0	6,896.1	658.5	10,589.1
Profit for the period						756.0	756.0
Other comprehensive income for the period			-6.6	-16.2			-22.8
Comprehensive income for the period			-6.6	-16.2		756.0	733.2
According to resolution by Annual General Meeting					658.5	-658.5	-
Closing balance, 31 December 2019	3,129.9	14.1	15.9	-148.2	7,554.6	756.0	11,322.3
Opening balance, 1 January 2020	3,129.9	14.1	15.9	-148.2	7,554.6	756.0	11,322.3
Profit for the period						835.0	835.0
Other comprehensive income for the period			25.0	-55.1			-30.2
Comprehensive income for the period			25.0	-55.1			804.8
According to resolution by Annual General Meeting					756.0	-756.0	-
Closing balance, 31 December 2020	3,129.9	14.1	40.8	-203.3	8,310.5	835.0	12,127.1

Notes

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

Note 1 Accounting policies

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

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

SIGNIFICANT EVENTS DURING THE QUARTER

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

CHANGES THAT IMPACTED THE FINANCIAL STATEMENTS IN 2020

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

NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

Changes to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest Rate Benchmark Reform (phase 2)

The ongoing global Interest Rate Benchmark Reform aims to produce alternative risk-free rates as a replacement for interbank offered rates (IBORs) that are usually used as interest reference rates for financial assets and liabilities subject to variable interest. This Reform could result in a reform of the existing interest rate benchmark or the introduction of a new alternative benchmark rate based on transaction data.

On 27 August 2020, the IASB published amendments to several standards to prevent unwanted accounting consequences in the period after the Reform has been implemented. The amendments were adopted by the EU on 13 January 2021 and apply for financial years beginning on or after 1 January 2021. The amendments primarily entail a practical expedient for changes to contractual cash flows of financial assets and liabilities (including lease liabilities) that allow the effective interest rate to be changed to the new interest rate benchmark and thus entail that the carrying amount remains the same as before the change. The IASB is also adjusting the relief from hedge accounting requirements by making it possible to update documentation for existing hedging relationships in order to adapt to the new interest rate benchmark. A project is currently being conducted within the Länsförsäkringar AB Group to investigate the effects of the Interest Rate Benchmark Reform.

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	Q 4 2020	Q 3 2020	Change	Q 4 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Interest income								
Loans to credit institutions	6.2 ¹⁾	16.2 ¹⁾	-62%	6.9	-10%	62.4	58.5	7%
Loans to the public	1,081.9	1,096.7	-1%	1,039.3	4%	4,362.9	4,092.8	7%
Interest-bearing securities	9.1 ¹⁾	9.1 ¹⁾		7.3	25%	34.8	50.6	-31%
Derivatives	-59.8	-26.0		-45.3	32%	-57.2	-204.5	72%
Other interest income	-	-		-		-	-	
Total interest income	1,037.4	1,095.9	-5%	1,008.1	3%	4,402.8	3,997.3	10%
Interest expense								
Due to credit institutions	-162.3 ¹⁾	-153.4 ¹⁾	6%	-147.0	10%	-665.3	-575.7	16%
Dept securities in issue	-389.3	-434.3	-10%	-437.0	-11%	-1,732.5	-1,869.1	-7%
Subordinated liabilities	-2.0	-2.1	-5%	-1.9	5%	-8.5	-10.5	-19%
Derivatives	198.8	176.1	13%	241.5	-18%	699.1	1,105.2	-37%
Other interest expense	-20.6	-20.6		-31.2	-34%	-83.8	-125.7	-33%
Total interest expense	-375.4	-434.3	-14%	-375.7		-1,791.0	-1,475.7	21%
Total net interest income	662.1	661.6		632.4	5%	2,611.9	2,521.5	4%
Average interest rate on loans to the public during the period, %	1.7	1.8		1.7		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 (-0.2) and Due to credit institutions SEK 0.0 M (0.0).

Interest income calculated according to the effective interest method amounts to SEK 1,037.4 M (1,095.9).

Note 4 Net commission								
SEK M	Q 4 2020	Q 3 2020	Change	Q 4 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Commission income								
Loans	9.1	7.8	17%	7.7	18%	31.7	22.7	40%
Total commission income	9.1	7.8	17%	7.7	18%	31.7	22.7	40%
Commission expense								
Remuneration to regional insurance companies	-314.2	-291.1	8%	-295.6	6%	-1,138.9	-1,199.1	-5%
Other commission	0.0	0.0		0.6		-0.1	-0.1	
Total commission expense	-314.3	-291.1	8%	-295.0	7%	-1,138.9	-1,199.2	-5%
Total net commission	-305.2	-283.3	8%	-287.4	6%	-1,107.2	-1,176.6	-6%

Note 5 Net gains / losses from financial items								
SEK M	Q 4 2020	Q 3 2020	Change	Q 4 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Interest-bearing assets and liabilities and related derivatives	-15.7	8.1		17.0		-56.7	-24.5	
Other financial assets and liabilities	0.1	0.0		0.0		0.1	0.0	
Interest compensation (refer to items measured at amortised cost)	10.6	10.0	5%	9.4	12%	34.4	28.0	23%
Total net gains / losses from financial items	-5.0	18.1		26.4		-22.2	3.5	

Note 6		Credit losses							
		Q 4	Q 3		Q 4		Jan-Dec	Jan-Dec	
Net credit losses, SEK M		2020	2020	Change	2019	Change	2020	2019	Change
Change in loss allowance for loan receivables									
Stage 1 (not credit-impaired)		0.2	-1.3		-0.1		-1.8	0.0	
Stage 2 (not credit-impaired)		-0.1	0.2		0.0		-0.1	-0.1	
Stage 3 (credit-impaired)		1.4	-0.7		-0.1		0.4	-0.2	
Total change in loss allowance for loan receivables		1.5	-1.8		-0.1		-1.5	-0.3	
Expense for confirmed credit losses		-0.6	0.0		-0.1		-1.0	-0.2	
Payment received for prior confirmed credit losses		0.3	0.3		0.3		2.0	1.5	33%
Net expense for the period for credit losses for loan receivables		1.2	-1.5		0.2		-0.4	1.0	
Change in loss allowance for commitments		0.0	0.0		0.1		-0.1	0.1	
Net expense for other credit losses for the period		-	-		0.0		-	0.0	
Net expense of the modification result for the period		-0.1	0.0		-0.2	-50%	-0.3	-0.2	50%
Net expense for credit losses for the period		1.1	-1.5		0.1		-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 fourth quarter of 2020, total credit losses amounted to SEK -5.3 M (-4.3), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK 1.1 M (-1.5) and the remainder of SEK 4.2 M (-2.8) was settled against remuneration to the regional insurance companies.

The table below shows the forward-looking macroeconomic scenarios used for calculating the loss allowance. The macroeconomic scenarios applied in the model calculations were updated in the fourth quarter to reflect the current macroeconomic situation. The updated macroeconomic scenarios implemented in the model calculations in December entail only minor changes compared with the preceding quarter. 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		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Housing prices, annual change in %	4.03%	4.03%	4.03%	3.63%	4.03%	4.03%	4.03%	4.03%	4.03%
GDP, annual change in %	3.49%	3.14%	2.26%	1.95%	3.10%	2.26%	4.70%	3.16%	2.26%
Unemployment, level in %	9.28%	8.24%	7.36%	9.83%	8.68%	7.74%	8.79%	7.78%	7.09%

Note 7	Loans / due to credit institutions
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On 31 December 2020, Loans to credit institutions amounted to SEK 3,933.2 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 1,993.3 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 65,341.8 M (56,972.8) on 31 December. Due to credit institutions includes borrowings from the Parent Company of SEK 63,407.2 M (56,739.3).

Note 8	Loans to the public Loan receivables are geographically attributable in their entirety to Sweden		
SEK M		31 December 2020	30 December 2019
Corporate sector		7,473.0	6,632.4
Retail sector		252,033.9	233,435.0
Loans to the public before loss allowance		259,506.8	240,067.4
Loss allowance		-7.3	-5.8
Loans to the public		259,499.5	240,061.6

Allocation per stage, SEK M	31 December 2020								
	Gross carrying amount				Loss allowances				Carrying net amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Loans to the public	257,183.1	2,133.8	189.9	259,506.8	-4.2	-1.8	-1.4	-7.3	259,499.5
Allocation per stage, SEK M	31 December 2019								
	Gross carrying amount				Loss allowances				Carrying net amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Loans to the public	237,570.1	2,335.4	162.0	240,067.4	-2.4	-1.7	-1.8	-5.8	240,061.6

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	-1.8		-5.8
Increase due to new or acquired loans	-1.5	0.0	0.0		-1.6
Change in loss allowance model or method	0.0	0.0	0.0		0.0
Decrease due to repayment	0.3	0.3	0.7		1.3
Change due to changed credit risk	-0.6	-0.4	-1.0		-2.0
Other adjustments	0.0	0.0	-		0.0
Decrease due to write-off	-	-	0.8		0.8
Closing balance, 31 December 2020	-4.2	-1.8	-1.4		-7.3
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired		Total
	Stage 1	Stage 2	Stage 3		
Loans to the public before loss allowances	257,183.1	2,133.8	189.9		259,506.8
Credit reserve requirement	-20.4	-8.8	-6.9		-36.1
Withheld remuneration to the regional insurance companies	16.2	7.0	5.5		28.8
Recognised loss allowance	-4.2	-1.8	-1.4		-7.3
Loans to the public	257,179.0	2,132.0	188.6		259,499.5

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

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 December 2020		31 December 2019	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest-related	162,192.0	2,093.1	188,462.0	1,703.7
Currency-related	34,254.0	3,106.6	38,871.4	5,864.5
Total derivatives with positive values	196,446.0	5,199.7	227,333.4	7,568.2
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest-related	124,675.0	477.6	49,845.0	281.0
Currency-related	1,394.2	173.7	1,794.2	93.4
Total derivatives with negative values	126,069.2	651.3	51,639.2	374.4

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

Note 10 Pledged assets, contingent liabilities and commitments

SEK M	31 December 2020	31 December 2019
For own liabilities, pledged assets	260,934.0	240,428.0
Commitments ¹⁾	13,560.3	10,604.0

¹⁾ On 30 December 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 December 2020		31 December 2019	
	Book value	Fair value	Book value	Fair value
Financial assets				
Loans to credit institutions	3,933.2	3,933.2	4,186.8	4,186.8
Loans to the public	259,499.5	260,233.0	240,061.6	240,959.4
Bonds and other interest-bearing securities	10,674.4	10,674.4	10,304.0	10,304.0
Derivatives	5,199.7	5,199.7	7,568.2	7,568.2
Other assets	-	-	-	-
Prepaid expenses and accrued income	19.7	19.7	21.3	21.3
Total	279,326.5	280,060.0	262,141.9	263,039.7
Financial liabilities				
Due to credit institutions	65,341.8	65,341.8	56,972.8	56,972.8
Debt securities in issue	195,861.4	203,563.5	188,500.7	194,473.5
Derivatives	651.3	651.3	374.4	374.4
Other liabilities	0.3	0.3	1.2	1.2
Subordinated liabilities	500.0	519.5	500.0	501.7
Accrued expenses and deferred income	853.9	853.9	954.0	954.0
Total	263,208.7	270,930.3	247,303.1	253,277.6

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

Determination of fair value through published price quotations or valuation techniques where
Level 1 includes Instruments with published price quotations
Level 2 includes Valuation techniques based on observable market prices
Level 3 includes Valuation techniques based on unobservable market price

Financial instruments measured at fair value in the balance sheet

31 December 2020, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	10,674.4			10,674.4
Derivatives		5,199.7		5,199.7
Liabilities				
Derivatives		651.3		651.3
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

Note 12 Capital-adequacy

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

SEK M	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and associated share premium reserves	3,129.9	3,129.9
<i>Of which: share capital</i>	3,129.9	3,129.9
Non-distributed earnings (Retained earnings)	8,310.5	7,554.5
Accumulated Other comprehensive income	980.6	794.7
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	835.0	756.0
Common Equity Tier 1 capital before legislative adjustments	13,255.9	12,235.0
Common Equity Tier 1 capital: legislative adjustments		
Additional value adjustments	-16.0	-17.7
Fair value reserves related to gains or losses on cash-flow hedges	203.3	148.2
Negative amounts resulting from the calculation of expected loss amounts	-158.1	-159.5
Total legislative adjustments of Common Equity Tier 1 capital	29.2	-29.0
Common Equity Tier 1 capital and additional Tier 1 instruments	13,285.2	12,206.0
Tier 2 capital: instruments and provisions		
Capital instruments and associated share premium reserves	448.9	500.0
Tier 2 capital	448.9	500.0
Total capital (total capital = Tier 1 capital + Tier 2 capital)	13,734.0	12,706.0
Total risk-weighted assets	72,085.1	66,991.0
Capital ratios and buffers		
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.4%	18.2%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	18.4%	18.2%
Total capital (as a percentage of the total risk-weighted exposure amount)	19.1%	19.0%
Institution-specific buffer requirements	7.0%	9.5%
<i>Of which: capital conservation buffer requirement</i>	2.5%	2.5%
<i>Of which: countercyclical capital buffer requirement</i>	0.0%	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)	11.1%	11.0%

Note 12 Capital-adequacy analysis, continued		31 December 2020		31 December 2019	
SEK M		Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk according to Standardised Approach					
Exposures to institutions		327.5	26.2	463.6	37.1
Covered bonds		1,067.4	85.4	1,030.4	82.4
Other items		136.9	11.0	143.0	11.4
Total risk exposure amount and capital requirement		1,531.8	122.5	1,637.0	131.0
Credit risk according to IRB Approach					
<i>Retail exposures</i>					
Exposures secured by real estate collateral		452.8	36.2	440.7	35.3
Other retail exposures		14,663.3	1,173.1	14,165.5	1,133.2
Other retail exposures, small and medium-sized businesses		0.0	0.0	0.1	0.0
Other retail exposures		14.9	1.2	4.8	0.4
Total retail exposures		15,131.1	1,210.5	14,611.1	1,168.9
Exposures to corporates		3,884.1	310.7	3,852.1	308.2
Total risk exposure amount and capital requirement		19,015.1	1,521.2	18,463.1	1,477.1
Operational risk					
Standardised Approach		1,728.4	138.3	1,429.7	114.4
Total capital requirement for operational risk		1,728.4	138.3	1,429.7	114.4
Total capital requirement for credit valuation adjustments		213.3	17.1	455.5	36.4
Additional Risk Exposure Amounts according to Article 458 CRR		49,596.4	3,967.7	45,005.6	3,600.5
Total risk exposure amount and capital requirement		72,085.1	5,766.8	66,991.0	5,359.3

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, 8 february 2021

Anders Borgcrantz
President

Review report

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

Introduction

We have reviewed the attached condensed interim report of Länsförsäkringar Hypotek AB (publ) as of 31 December 2020 and the twelve-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this attached interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this attached interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the attached interim report is not prepared, in all material respects, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 8 february 2021

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 Länsförsäkringar Bank	29 April 2021
Interim report Länsförsäkringar Hypotek	29 April 2021

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