

Länsförsäkringar Hypotek

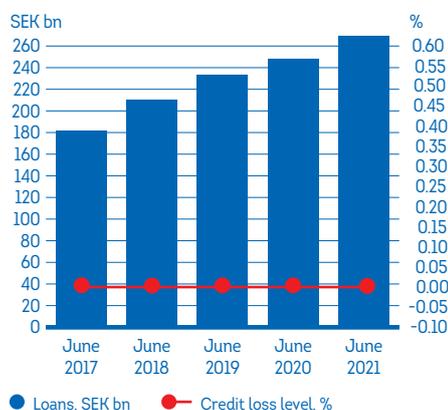
Interim Report January–June 2021

The period in brief

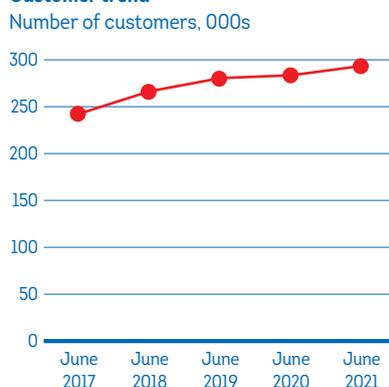
- Operating profit increased 4% to SEK 696.2 M (666.7) and the return on equity amounted to 8.1% (8.3).
- Net interest income rose 3% to SEK 1,330 M (1,288).
- Credit losses amounted to SEK -3.2 M (0.4), net, corresponding to a credit loss level of -0.00% (0.00).
- Lending increased 8% to SEK 269.2 billion (248.5).
- The Common Equity Tier 1 capital ratio amounted to 18.3% (18.5*) on 30 June 2021.

Figures in parentheses pertain to the same period in 2020.
*Pertains to 31 March 2021.

Loans to the public



Customer trend



President's comment

The trend in the Swedish housing market remains stable and housing prices increased again during the quarter, particularly for single-family homes for which the increase was relatively substantial. Higher demand for larger homes, mainly in the large cities, combined with expectations that interest rates will remain low were the main reasons for this strong price trend. In addition, the relatively limited impact on home buyers' finances during the pandemic contributed to the upturn. This increase also highlights the structural imbalance in the Swedish housing market. In parallel with the strong housing market, we can see that the competitive landscape in the mortgage market has intensified since the start of the year. We can conclude that the mortgage market is experiencing a period of major change with the largest players successively losing market shares in new lending. At the same time, several smaller players have periodically captured a larger share of new lending relative to their market shares. The growth in lending for Länsförsäkringar Hypotek has been favourable and we are continuing to capture market shares due to the tremendous work performed locally by the regional insurance companies. Our position in the mortgage market is continuously strengthening, while earnings are continuing to perform well.

Anders Borgcrantz

President of Länsförsäkringar Hypotek

Key figures

	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
Return on equity, %	7.9	8.2	8.3	8.1	8.3	8.2
Return on total assets, %	0.38	0.39	0.38	0.39	0.38	0.38
Investment margin, %	0.91	0.94	0.92	0.93	0.94	0.95
Cost/income ratio before credit losses	0.09	0.08	0.09	0.09	0.09	0.09
Common Equity Tier 1 capital ratio, %	18.3	18.5	18.2	18.3	18.2	18.4
Total capital ratio, %	18.3	18.5	18.9	18.3	18.9	19.1
Share of credit-impaired loan receivables (stage 3), %	0.07	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	0.00
Reserve ratio for loan receivables stage 2, %	0.04	0.05	0.08	0.04	0.08	0.08
Reserve ratio for loan receivables stage 3, %	0.74	0.73	1.08	0.74	1.08	0.72
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	3.72	3.64	5.40	3.72	5.40	3.61
Credit loss level, %	-0.00	-0.00	0.00	-0.00	0.00	0.00

Income statement, quarterly

SEK M	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net interest income	662.5	667.8	662.1	661.6	633.5
Net commission	-289.6	-295.8	-305.2	-283.3	-248.4
Net gains/losses from financial items	4.6	9.0	-5.0	18.1	-15.4
Total operating income	377.5	381.0	351.8	396.4	369.8
Staff costs	-3.8	-3.0	-5.6	-4.7	-5.8
Other administration expenses	-29.7	-28.9	-27.7	-28.3	-28.5
Total operating expenses	-33.5	-32.0	-33.4	-33.0	-34.3
Profit before credit losses	344.0	349.0	318.5	363.4	335.4
Credit losses, net	1.3	1.9	1.1	-1.5	1.2
Operating profit	345.3	350.9	319.6	361.9	336.6

Market commentary

The global economy continued to recover at a healthy pace in the second quarter, despite several extensive COVID-related restrictions remaining in place. The economic outlook is continuing to improve, with both confidence and activity picking up pace as society re-opens. The rate of infection is declining thanks to the vaccination programmes in large parts of the world, although risks remain with the spread of the delta variant. No major changes have been made to monetary or fiscal policy, which on a global scale remain expansive. However, the US central bank, the Fed, signalled that interest rates may be raised sooner than expected, albeit much later in the forecast period.

Growth in the US was heavily driven by extensive fiscal and monetary stimulus packages and the swift reopening of the economy. However, the rapid recovery did lead to a marked rise in inflation, with the most recent statistics exceeding expectations. The Fed believes that the uptick in inflation is temporary and that monetary policy will remain expansive until there are signs of a robust labour market and higher inflationary pressure. The European Central Bank (ECB)

also announced that recent high inflation would not lead to a less expansive monetary policy. Clear signals from the central banks and lower inflation expectations among finance-market players meant that long-term government bond rates fell in the US but remained stable in Europe in the second quarter.

Global stock markets performed positively in the second quarter and very strongly in the first half of 2021. The MSCI World Index was up 14.7% in the first six months of the year, while the US S&P500 rose 16.0%. Including dividends, the Stockholm Stock Exchange has increased more than 21.2% since the start of the year. However, volatility has increased in recent months and market sensitivity to the actions of central banks, particularly the Fed, will likely impact global stock markets in the second half of the year.

Sweden's economic performance was significantly better than expected, with considerable GDP growth in the first quarter in contrast to the eurozone. The development of the labour market is lagging, although growth is expected to be so strong in 2021 that the economic downturn in Sweden could be over by the start of 2022. Just like

other leading central banks, the Riksbank is continuing to pursue its purchases of securities and intends to leave the repo rate untouched for a long time to come. Purchases of securities, which are set to continue until the end of the year, contain a high share of covered bonds, resulting in a low and stable spread compared with government bonds.

The Swedish housing market remained strong with rising housing prices across the country, and Valueguard's HOX Housing Index has increased 9.3% since the start of the year. Higher demand for larger homes and a limited impact on home buyers' finances during the pandemic combined with expectations that interest rates will remain low are the main reasons for the strong development.

Information regarding COVID-19

Due to the ongoing pandemic, Länsförsäkringar Hypotek has taken a number of measures since the first quarter of 2020 to ensure the continuation of the operations. The aim of the implemented measures is for the external impact on customers to be as low as possible. Accordingly, the focus was on minimising the risk of internal contagion within Länsförsäkringar that would affect operational capacity. For this reason, the critical functions and tasks of the operations were

divided into separate premises and some employees were given the opportunity to work remotely, all the while being able to maintain our ability to give first-rate service to customers. The regional insurance companies' branches remain available for customer meetings, but are following the recommendations of the authorities. Virtual customer meetings were also expanded. The measures implemented in 2020 remained in place in the second quarter of 2021.

January–June 2021 compared with January–June 2020

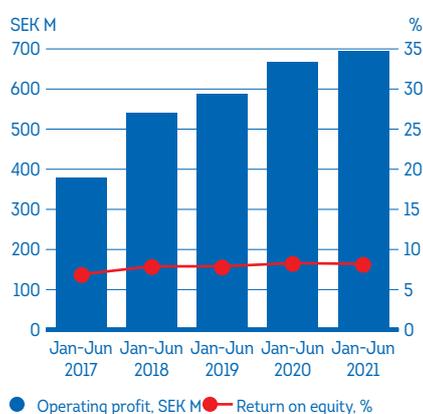
Growth and customer trend

Loans to the public rose 8%, or SEK 20.7 billion, to SEK 269.2 billion (248.5), with continued very high credit quality. The number of customers was 293,000 and 85% of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit increased 4% to SEK 696.2 M (666.7), due to higher net interest income. The investment margin amounted to 0.93% (0.94). Profit before credit losses rose 4% to SEK 693.0 M (667.1). Return on equity amounted to 8.1% (8.3).

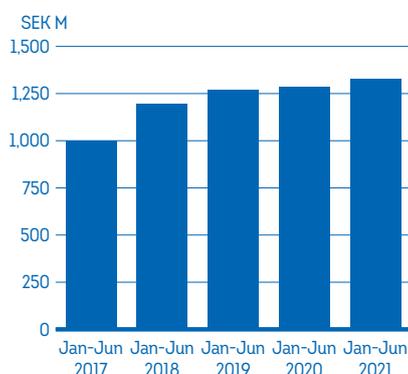
Operating profit and return on equity



Income

Operating income increased 3% to SEK 758.5 M (734.2), due to higher net interest income. Net interest income rose 3% to SEK 1,330 M (1,288) attributable to higher volumes. Net gains from financial items amounted to SEK 13.6 M (-35.3). Net commission amounted to SEK -585.4 M (-518.7).

Net interest income



Expenses

Operating expenses amounted to SEK 65.5 M (67.1). The cost/income ratio before credit losses amounted to 0.09 (0.09).

Credit losses

Credit losses amounted to SEK -3.2 M (0.4), net, corresponding to a credit loss level of -0.00% (0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 196.1 M, corresponding to a share of credit-impaired loan receivables of 0.07%. The loss allowance for credit-impaired loan receivables was SEK 1.5 M. The reserve ratio for credit-impaired loan receivables amounted to 0.74%. In addition, SEK 5.8 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 7.3 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 3.7% and the total recognised loss allowance was SEK 20.9 M, of which SEK 16.6 M pertained to withheld remuneration to the regional insurance companies*.

Loss allowance, stage 3

SEK M	30 Jun 2021	30 Jun 2020
Loans to the public	269,194	248,493
Credit-impaired loan receivables (stage 3)	196.1	189.2
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	7.3	10.2
of which loss allowance for credit-impaired loan receivables (stage 3)	1.5	2.0
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	5.8	8.2

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 20.7 billion, to SEK 269.2 billion (248.5).

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 May 2021, the market share of retail mortgages 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 257.5 billion in 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 1.38 M (1.32). The weighted average loan-to-value ratio, LTV, was 59% (59) and the nominal, current OC (overcollateralisation) amounted to 32% (32). Länsförsäkringar Hypotek's cover pool has a healthy buffer to manage any downturns in housing prices. In a stress test of the cover pool based on a 20% price drop in the market value of the mortgages' collateral, the weighted average LTV amounted to 66% (66) on 30 June 2021. No impaired loans are included in the cover pool.

Cover pool	30 Jun 2021	30 Jun 2020
Cover pool, SEK billion	268	249
OC ¹ , %	32	32
Weighted average LTV, %	59	59
Collateral	Private homes	Private homes
Seasoning, months	65	62
Number of loans	424,450	409,462
Number of borrowers	187,431	180,918
Number of properties	186,577	180,529
Average commitment, SEK 000s	1,380	1,320
Average loan, SEK 000s	607	582
Interest rate type, variable, %	46	52
Interest rate type, fixed, %	54	38
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 remains favourable and the maturity profile is well diversified. Debt securities

in issue increased 7% to SEK 209.0 billion (196.0). Issued covered bonds during the period totalled a nominal SEK 22.1 billion (19.9) and repurchases of a nominal SEK 3.2 billion (6.6) were executed. Matured covered bonds amounted to a nominal SEK 5.2 billion (5.5). Länsförsäkringar Hypotek issued a new Swedish covered bond (LFH521) during the quarter, which matures in September 2028.

Maturity profile



Liquidity

On 30 June 2021, liquidity assets totalled SEK 10.6 billion (10.8). The liquidity situation remains healthy and contractual undertakings can be met for more than two years without needing to secure new funding in the capital market. Liquidity assets comprised 100% (100) Swedish covered bonds with the credit rating of AAA/Aaa.

Rating

Länsförsäkringar Hypotek is one of three issuers in the Swedish market with the highest credit rating for covered bonds from both Standard & Poor's and Moody's. The Parent Company Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A1/Stable from Moody's.

Capital ratio¹

The Common Equity Tier 1 capital ratio amounted to 18.3% (18.5). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation.

On 30 June 2021, the total Risk Exposure Amount (REA) amounted to SEK 75,601 M (73,364).

Länsförsäkringar Hypotek AB (SEK M)	30 Jun 2021	31 Mar 2021
IRB Approach	19,363	19,455
retail exposures	15,102	15,420
exposures to corporates	4,261	4,036
Standardised Approach	1,437	1,244
Operational risks	2,011	2,011
Additional requirements	52,657	50,541
Total REA	75,601	73,364
Common Equity Tier 1 capital	13,831	13,558
Tier 1 capital	13,831	13,558
Total capital	13,831	13,558
Common Equity Tier 1 capital ratio	18.3%	18.5%
Tier 1 ratio	18.3%	18.5%
Total capital ratio	18.3%	18.5%
Risk-based capital requirements		
Own funds requirements (Pillar I)	6,048	5,869
Pillar II Requirements (P2R)	0	0
Combined buffer requirement	1,890	1,834
Pillar II Guidance (P2G)	0	0
Overall adequate level of own funds	7,938	7,703
Risk-based capital requirements as a percentage of REA		
Own funds requirements (Pillar I)	8.0%	8.0%
Pillar II Requirements (P2R)	0.0%	0.0%
Combined buffer requirement	2.5%	2.5%
Pillar II Guidance (P2G)	0.0%	0.0%
Overall adequate level of own funds	10.5%	10.5%

For more information on capital adequacy, see note 12.

Internally assessed capital, risk-based capital requirement and buffer requirements

The CRDV has now been introduced and the Swedish Financial Supervisory Authority has also issued updated regulations for capital adequacy disclosures. For greater clarity, the internal assessed capital requirement as per 30 June 2021 is also presented, even though there is no longer any requirement to do so. The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 30 June 2021 amounted to SEK 6,764 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 formally determined Pillar II Requirements (P2R) and Pillar II Guidance (P2G) both amounted to SEK 0 M (0% of REA) on 30 June 2021, since the Financial Supervisory Authority has not yet decided on them. However, Länsförsäkringar Hypotek AB continued to meet the former capital planning buffer.

The capital conservation buffer on 30 June 2021 amounted to SEK 1,890 M (2.5% of REA) and the overall adequate level of own funds amounted to SEK 7,938 M (10.5% of REA).

The leverage ratio was 4.8% (4.6) on 30 June 2021. The formally determined Pillar II Requirements (P2R) and Pillar II Guidance (P2G) regarding the leverage ratio amounted to SEK 0 M (0%) on 30 June 2021, since the Financial Supervisory Authority has not yet decided on them. The own funds requirements and overall adequate level of own funds for the leverage ratio both amounted to 3.0% (3.0) on 30 June 2021.

¹ The comparative period pertains to 31 March 2021. Periodic information according to the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers, (FFFS 2014:12) and regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7) is provided in this section, the sections on funding and liquidity, and in note 12.

Interest-rate risk

On 30 June 2021, 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 -196.3 M (-152.2).

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 2020 Annual Report.

Rating			
Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Hypotek [†]	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek [†]	Moody's	Aaa	-
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1

[†] Pertains to the company's covered bonds.

Second quarter of 2021 compared with first quarter of 2021

Operating profit declined 2% to SEK 345.3 M (350.9). Return on equity amounted to 7.9% (8.2). Operating income amounted to SEK 377.5 M (381.0). Net interest income was SEK 662.5 M (667.8). Net gains from financial items amounted to SEK 4.6 M (9.0). Net commission amounted to SEK -289.6 M (-295.8). Operating expenses amounted to SEK 33.5 M (32.0) and the cost/income ratio before credit losses to 0.09% (0.08). Credit losses amounted to SEK -1.3 M (-1.9), net.

Events after the end of the period

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

Income statement

SEK M	Note	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full-Year 2020
Interest income		1,051.4	1,013.1	4%	1,173.5	-10%	2,064.5	2,269.5	-9%	4,402.8
Interest expense		-388.9	-345.3	13%	-540.0	-28%	-734.2	-981.3	-25%	-1,791.0
Net interest income	3	662.5	667.8	-1%	633.5	5%	1,330.3	1,288.2	3%	2,611.9
Commission income		9.8	8.1	21%	8.4	17%	17.8	14.9	19%	31.7
Commission expense		-299.3	-303.9	-2%	-256.7	17%	-603.2	-533.6	13%	-1,138.9
Net commission	4	-289.6	-295.8	-2%	-248.4	17%	-585.4	-518.7	13%	-1,107.2
Net gains/losses from financial items	5	4.6	9.0	-49%	-15.4		13.6	-35.3		-22.2
Total operating income		377.5	381.0	-1%	369.8	2%	758.5	734.2	3%	1,482.5
Staff costs		-3.8	-3.0	27%	-5.8	-34%	-6.8	-10.8	-37%	-21.1
Other administration expenses		-29.7	-28.9	3%	-28.5	4%	-58.6	-56.2	4%	-112.3
Administration expenses		-33.5	-31.9	5%	-34.3	-2%	-65.4	-67.0	-2%	-133.3
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.1	-0.1		-0.2
Total operating expenses		-33.5	-32.0	5%	-34.3	-2%	-65.5	-67.1	-2%	-133.5
Profit before credit losses		344.0	349.0	-1%	335.4	3%	693.0	667.1	4%	1,349.0
Credit losses, net	6	1.3	1.9	-32%	1.2	8%	3.2	-0.4		-0.8
Operating profit		345.3	350.9	-2%	336.6	3%	696.2	666.7	4%	1,348.2
Appropriations		-	-		-		-	-		-274.1
Tax		-71.0	-72.4	-2%	-75.5	-6%	-143.4	-149.8	-4%	-239.2
Profit for the period		274.3	278.5	-2%	261.1	5%	552.8	516.9	7%	835.0

Statement of comprehensive income

SEK M	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full-Year 2020
Profit for the period	274.3	278.5	-2%	261.1	5%	552.8	516.9	7%	835.0
Other comprehensive income									
Items that have been reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	3.2	30.9	-90%	-63.5		34.1	-25.9		-67.5
Change in fair value of debt instruments measured at FVOCI	-3.7	-1.8		7.5		-5.5	-2.6		31.7
Tax attributable to items that have been transferred or can be transferred to profit for the period	0.1	-6.0		12.0	-99%	-5.9	6.1		5.6
Total other comprehensive income for the period, net after tax	-0.4	23.1		-44.0	-99%	22.7	-22.4		-30.2
Total comprehensive income for the period	273.9	301.6	-9%	217.1	26%	575.5	494.5	16%	804.8

Balance sheet

SEK M	Note	30 June 2021	31 December 2020	30 June 2020
Assets				
Loans to credit institutions	7	3,694.9	3,933.2	6,397.7
Loans to the public	8	269,194.4	259,499.5	248,493.2
Bonds and other interest-bearing securities		10,530.4	10,674.4	10,755.6
Derivatives	9	4,166.6	5,199.7	7,547.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		32.8	272.0	361.9
Tangible assets		0.6	0.7	0.4
Deferred tax assets		45.7	52.8	45.9
Other assets		0.3	0.2	0.5
Prepaid expenses and accrued income		71.2	23.9	66.1
Total assets		287,736.9	279,656.4	273,669.0
Liabilities, provisions and equity				
Due to credit institutions	7	60,043.8	65,341.8	58,074.3
Debt securities in issue		208,995.1	195,861.4	196,024.2
Derivatives	9	733.8	651.3	685.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		747.6	1,800.1	2,270.4
Other liabilities		122.1	158.6	214.8
Accrued expenses and deferred income		2,949.9	1,774.1	2,915.5
Provisions		1.6	1.6	1.6
Subordinated liabilities		-	500.0	500.0
Total liabilities and provisions		273,594.0	266,089.0	260,686.0
Untaxed reserves		1,440.3	1,440.3	1,166.3
Equity				
<i>Restricted equity</i>				
Share capital		3,129.9	3,129.9	3,129.9
Statutory reserve		14.1	14.1	14.1
<i>Total restricted equity</i>		<i>3,144.0</i>	<i>3,144.0</i>	<i>3,144.0</i>
<i>Non-restricted equity</i>				
Fair value reserves		-139.6	-162.3	-154.6
Retained earnings		9,145.4	8,310.5	8,310.5
Profit for the period		552.8	835.0	516.9
<i>Total non-restricted equity</i>		<i>9,558.6</i>	<i>8,983.1</i>	<i>8,672.8</i>
Total equity		12,702.6	12,127.1	11,816.8
Total liabilities, provisions and equity		287,736.9	279,656.4	273,669.0
Other notes				
Accounting policies	1			
Segment reporting	2			
Pledged assets, contingent liabilities and commitments	10			
Fair value valuation techniques	11			
Capital-adequacy analysis	12			
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Cash-flow statement in summary, indirect method

SEK M	Jan-Jun 2021	Jan-Jun 2020
Cash and cash equivalents, 1 January	1,998.6	3,961.7
Operating activities		
Operating profit	696.2	666.7
Adjustment of non-cash items	-680.5	574.2
Change in assets of operating activities		
Change in interest-bearing securities	121.6	-207.0
Change in loans to the public	-9,691.8	-8,432.8
Change in other assets	1,796.0	-48.3
Change in liabilities of operating activities		
Change in debt securities in issue	14,164.6	8,645.7
Change in other liabilities	-4,300.8	955.3
Cash flow from operating activities	2,105.2	2,153.9
Investing activities		
Acquisition of property and equipment	0.0	0.0
Cash flow from investing activities	0.0	0.0
Financing activities		
Amortisation of subordinated debt	-500.0	-
Cash flow from financing activities	-500.0	-
Net cash flow for the period	1,605.3	2,153.9
Cash and cash equivalents, 30 June	3,603.8	6,115.6

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 2020	3,129.9	14.1	15.9	-148.2	7,554.5	756.0	11,322.3
Profit for the period						516.9	516.9
Other comprehensive income for the period			-2.0	-20.4			-22.4
Comprehensive income for the period			-2.0	-20.4		516.9	494.5
According to resolution by Annual General Meeting					756.0	-756.0	-
Closing balance, 30 June 2020	3,129.9	14.1	14.0	-168.5	8,310.5	516.9	11,816.8
Opening balance, 1 July 2020	3,129.9	14.1	14.0	-168.5	8,310.5	516.9	11,816.8
Profit for the period						318.2	318.2
Other comprehensive income for the period			26.9	-34.8			-8.0
Comprehensive income for the period						318.2	310.2
Closing balance, 31 December 2020	3,129.9	14.1	40.8	-203.3	8,310.5	835.0	12,127.1
Opening balance, 1 January 2021	3,129.9	14.1	40.8	-203.3	8,310.5	835.0	12,127.1
Profit for the period						552.8	552.8
Other comprehensive income for the period			-4.4	27.1			22.7
Comprehensive income for the period			-4.4	27.1		552.8	575.5
According to resolution by Annual General Meeting					835.0	-835.0	-
Closing balance, 30 June 2021	3,129.9	14.1	36.4	-176.2	9,145.4	552.8	12,702.6

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.

CHANGES THAT IMPACTED THE FINANCIAL STATEMENTS IN 2021

This report was prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of this standards as endorsed by the European Commission. Furthermore, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559) and the Swedish Financial Supervisory Authority's regulation and general guideline regarding annual reports at credit institutions and securities companies (FFFS 2008:25) were applied. The Group also applies the Swedish Financial Reporting Board's (RFR) recommendation RFR 1 Supplementary Accounting Rules for Groups and statements. Disclosures in accordance with IAS 34 appear in the financial statements and their associated notes as well as other parts of the interim report.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2020 Annual Report.

Note 2 Segment reporting

The business of the company represents one operating segment and reporting to the chief operating decision maker thus agrees with the interim report.

Note 3		Net interest income							
SEK M	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full-Year 2020
Interest income									
Loans to credit institutions	20.1 ¹⁾	8.7 ¹⁾		21.9	-8%	28.8	40.0	-28%	62.4
Loans to the public	1,073.3	1,073.5		1,098.5	-2%	2,146.7	2,184.4	-2%	4,362.9
Interest-bearing securities	9.1 ¹⁾	8.9 ¹⁾	2%	8.9	2%	18.1	16.5	10%	34.8
Derivatives	-51.1	-78.0	-34%	44.3		-129.1	28.6		-57.2
Other interest income	-	-		-		-	-		-
Total interest income	1,051.4	1,013.1	4%	1,173.5	-10%	2,064.5	2,269.5	-9%	4,402.8
Interest expense									
Due to credit institutions	-165.8 ¹⁾	-163.0 ¹⁾	2%	-183.8	-10%	-328.8	-349.6	-6%	-665.3
Dept securities in issue	-393.3	-389.3	1%	-438.2	-10%	-782.6	-908.8	-14%	-1,732.5
Subordinated liabilities	-	-1.7		-2.4		-1.7	-4.5	-62%	-8.5
Derivatives	198.0	231.5	-14%	105.7	87%	429.5	324.2	32%	699.1
Other interest expense	-27.9	-22.8	22%	-21.4	30%	-50.7	-42.6	19%	-83.8
Total interest expense	-388.9	-345.3	13%	-540.0	-28%	-734.2	-981.3	-25%	-1,791.0
Total net interest income	662.5	667.8	-1%	633.5	5%	1,330.3	1,288.2	3%	2,611.9
Average interest rate on loans to the public during the period, %	1.6	1.6		1.8		1.6	1.8		1.8

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

Interest income calculated according to the effective interest method amounts to SEK 1,051.4 M (1,013.1).

Note 4		Net commission							
SEK M	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full-Year 2020
Commission income									
Loans	9.8	8.1		8.4	17%	17.8	14.9	19%	31.7
Total commission income	9.8	8.1		8.4	17%	17.8	14.9	19%	31.7
Commission expense									
Remuneration to regional insurance companies	-299.3	-303.8		-256.7	17%	-603.2	-533.5	13%	-1,138.9
Other commission	0.0	0.0		0.0		0.0	0.0		-0.1
Total commission expense	-299.3	-303.9		-256.7	17%	-603.2	-533.6	13%	-1,138.9
Total net commission	-289.6	-295.8		-248.4	17%	-585.4	-518.7	13%	-1,107.2

Note 5		Net gains / losses from financial items							
SEK M	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full-Year 2020
Interest-bearing assets and liabilities and related derivatives	-6.2	-0.6		-23.6	-74%	-6.7	-49.1	-86%	-56.7
Other financial assets and liabilities	0.0	0.0		0.0		0.0	0.0		0.1
Interest compensation (refer to items measured at amortised cost)	10.7	9.6	11%	8.2	30%	20.3	13.8	47%	34.4
Total net gains / losses from financial items	4.6	9.0	-49%	-15.4		13.6	-35.3		-22.2

Note 6 Credit losses									
	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full-Year 2020
Net credit losses, SEK M									
Change in loss allowance for loan receivables									
Stage 1 (not credit-impaired)	0.4	1.9	-79%	-0.2		2.4	-0.7		-1.8
Stage 2 (not credit-impaired)	0.1	0.7	-86%	0.3	-67%	0.8	-0.3		-0.1
Stage 3 (credit-impaired)	0.0	-0.1		-0.1		-0.1	-0.2	-50%	0.4
Total change in loss allowance for loan receivables	0.5	2.6	-81%	-0.1		3.1	-1.2		-1.5
Expense for confirmed credit losses	-0.1	-1.4	-93%	0.3		-1.5	-0.4		-1.0
Payment received for prior confirmed credit losses	1.0	0.6	67%	1.1	-9%	1.7	1.4	21%	2.0
Net expense for the period for credit losses for loan receivables	1.4	1.9	-26%	1.3	8%	3.2	-0.1		-0.4
Change in loss allowance for commitments	0.0	0.1		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		-0.1		-0.1	-0.2	-50%	-0.3
Net expense for credit losses for the period	1.3	1.9	-32%	1.2	8%	3.2	-0.4		-0.8

A condition for full payment of the regional insurance companies' distribution remuneration by Länsförsäkringar Hypotek AB is that the loans generated by each regional insurance company for Länsförsäkringar Hypotek AB are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. During the second quarter of 2021, total credit losses amounted to SEK 3.2 M (12.4), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK 1.3 M (1.9) and the remainder of SEK 1.8 M (10.5) 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 first quarter to reflect the current macroeconomic situation. 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%.

30 June 2021	Base scenario			Negative scenario			Positive scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
SEK M									
Housing prices, annual change in %	9.4%	4.0%	4.0%	7.7%	4.0%	4.0%	10.9%	4.0%	4.0%
GDP, annual change in %	3.8%	3.1%	2.1%	3.4%	2.2%	1.8%	4.3%	4.0%	2.2%
Unemployment, level in %	8.6%	7.4%	7.0%	8.8%	7.8%	7.2%	8.4%	7.1%	7.0%
31 March 2021	Base scenario			Negative scenario			Positive scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
SEK M									
Housing prices, annual change in %	4.7%	4.0%	4.0%	3.3%	4.0%	4.0%	5.9%	4.0%	4.0%
GDP, annual change in %	3.5%	3.5%	2.3%	2.8%	2.5%	2.2%	4.1%	4.2%	2.0%
Unemployment, level in %	8.4%	7.6%	7.2%	8.8%	8.0%	7.3%	8.0%	7.2%	7.0%

Note 7 Loans / due to credit institutions

On 30 June 2021, Loans to credit institutions amounted to SEK 3,694.9 M (3,933.2) 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 3,674.6 M (1,993.3). Balances in the Parent Company's bank accounts pertaining to the covered bond operations are recognised as Loans to credit institutions. Due to credit institutions amounted to SEK 60,043.8 M (65,341.8) on 30 June. Due to credit institutions includes borrowings from the Parent Company of SEK 59,833.5 M (63,407.2).

Note 8	Loans to the public Loan receivables are geographically attributable in their entirety to Sweden		
SEK M	30 June 2021	31 December 2020	30 June 2020
Corporate sector	8,266.1	7,473.0	6,886.5
Retail sector	260,932.5	252,033.9	241,613.8
Loans to the public before loss allowance	269,198.6	259,506.8	248,500.2
Loss allowance	-4.2	-7.3	-7.0
Loans to the public	269,194.4	259,499.5	248,493.2

Loans to the public				
Reconciliation of loss allowance				
SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Opening balance, 1 January 2021	-4.2	-1.8	-1.4	-7.3
Increase due to new or acquired loans	-0.5	0.0	-	-0.6
Change in loss allowance model or method	0.0	0.0	-	0.0
Decrease due to repayment	0.3	0.2	0.2	0.7
Change due to changed credit risk	2.1	0.9	0.0	2.9
Transfer between stages	0.5	-0.2	-0.3	0.0
Other adjustments	0.0	0.0	0.0	0.0
Decrease due to write-off	-	-	0.0	0.0
Closing balance, 30 June 2021	-1.8	-1.0	-1.5	-4.2
Allocation of loss allowance requirement				
SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	266,815.1	2,187.5	196.1	269,198.6
Credit reserve requirement	-8.7	-4.9	-7.3	-20.9
Withheld remuneration to the regional insurance companies	6.9	3.9	5.8	16.6
Recognised loss allowance	-1.8	-1.0	-1.5	-4.2
Loans to the public	266,813.3	2,186.5	194.6	269,194.4

Länsförsäkringar Hypotek's operations comprise one operating segment, which is why the table above shows information about loans to the public and credit reserve requirements per segment and stage.

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	-1.8	-5.8
Increase due to new or acquired loans	-0.6	-0.0	-0.0	-0.6
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.2	0.1	0.4	0.7
Change due to changed credit risk	-0.6	-0.3	-0.5	-1.4
Transfer between stages	-1.0	-0.1	-0.2	-1.3
Other adjustments	0.7	-0.3	-0.5	-0.1
Decrease due to write-off	0.0	0.0	0.1	0.1
Closing balance, 30 June 2020	-3.1	-1.9	-2.0	-7.0
Allocation of loss allowance requirement Loans to the public before loss allowances	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	245,914.2	2,396.8	189.2	248,500.2
Credit reserve requirement	-15.3	-9.5	-10.2	-35.0
Withheld remuneration to the regional insurance companies	12.2	7.5	8.2	27.9
Recognised loss allowance	-3.1	-1.9	-2.0	-7.0
Loans to the public	245,911.2	2,394.9	187.2	248,493.2

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

Note 9 Derivatives

SEK M	30 June 2021		31 December 2020		30 June 2020	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	190,237.0	1,764.4	162,192.0	2,093.1	157,110.0	2,850.4
Currency-related	31,565.6	2,402.2	34,254.0	3,106.6	34,347.2	4,697.3
Total derivatives with positive values	221,802.6	4,166.6	196,446.0	5,199.7	191,457.2	7,547.7
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	122,465.0	605.5	124,675.0	477.6	115,095.0	532.7
Currency-related	993.8	128.3	1,394.2	173.7	1,394.2	152.3
Total derivatives with negative values	123,458.8	733.8	126,069.2	651.3	116,489.2	684.9

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

Note 10 Pledged assets, contingent liabilities and commitments

SEK M	30 June 2021	31 December 2020	30 June 2020
For own liabilities, pledged assets	267,922.7	260,934.0	249,188.7
Commitments ¹⁾	18,605.5	13,560.3	14,736.9

¹⁾ On 30 June 2021 there are no commitments to related parties.

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

SEK M	30 June 2021		31 December 2020		30 June 2020	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Loans to credit institutions	3,694.9	3,694.9	3,933.2	3,933.2	6,397.7	6,397.7
Loans to the public	269,194.4	269,834.7	259,499.5	260,233.0	248,493.2	249,007.0
Bonds and other interest-bearing securities	10,530.4	10,530.4	10,674.4	10,674.4	10,755.6	10,755.6
Derivatives	4,166.6	4,166.6	5,199.7	5,199.7	7,547.7	7,547.7
Other assets	-	-	-	-	-	-
Prepaid expenses and accrued income	18.1	18.1	19.7	19.7	21.0	21.0
Total	287,604.4	288,244.6	279,326.5	280,060.0	273,215.2	273,729.0
Financial liabilities						
Due to credit institutions	60,043.8	60,043.8	65,341.8	65,341.8	58,074.3	58,074.3
Debt securities in issue	208,995.1	216,290.1	195,861.4	203,563.5	196,024.2	203,984.0
Derivatives	733.8	733.8	651.3	651.3	685.0	685.0
Other liabilities	0.3	0.3	0.3	0.3	0.4	0.4
Subordinated liabilities	-	-	500.0	519.5	500.0	516.1
Accrued expenses and deferred income	1,980.6	1,980.6	853.9	853.9	2,028.1	2,028.1
Total	271,753.7	279,048.7	263,208.7	270,930.3	257,312.0	265,287.9

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

Determination of fair value through published price quotations or valuation techniques where					
Level 1 includes Instruments with published price quotations					
Level 2 includes Valuation techniques based on observable market prices					
Level 3 includes Valuation techniques based on unobservable market price					
Financial instruments measured at fair value in the balance sheet					
30 June 2021, SEK M		Level 1	Level 2	Level 3	Total
Assets					
Bonds and other interest-bearing securities		10,530.4			10,530.4
Derivatives			4,166.6		4,166.6
Liabilities					
Derivatives			733.8		733.8
31 December 2020, SEK M					
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
30 June 2020, SEK M					
Assets					
Bonds and other interest-bearing securities		10,755.6			10,755.6
Derivatives			7,547.7		7,547.7
Liabilities					
Derivatives			685.0		685.0

Note 12 Capital-adequacy analysis – key figures

The capital-adequacy analysis was prepared in accordance with FFFS 2008:25. Under this regulation, an institution is to present the disclosures stipulated in Article 447 of the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation). The capital-adequacy analysis is also to include an overview of the total risk exposure amount in accordance with Article 438 d of the Capital Requirements Regulation. The Group's disclosures on its total own funds requirements and its own funds in accordance with the Swedish Financial Supervisory Authority's regulation and general guideline regarding prudential requirements and capital buffers (FFFS 2014:12) are found in the section Capital adequacy on page 6.

	30 Jun 2021	31 Dec 2020	30 Jun 2020
Available own funds (amounts)			
Common Equity Tier 1 (CET1) capital	13,831.5	13,285.2	12,721.2
Tier 1 capital	13,831.5	13,285.2	12,721.2
Total capital	13,831.5	13,734.0	13,220.1
Risk-weighted exposure amounts			
Total risk-weighted exposure amount	75,600.8	72,085.1	69,793.4
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	18.3%	18.4%	18.2%
Tier 1 ratio (%)	18.3%	18.4%	18.2%
Total capital ratio (%)	18.3%	19.1%	18.9%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
Additional CET1 SREP requirements (%)	0%	0%	0%
Additional AT1 SREP requirements (%)	0%	0%	0%
Additional T2 SREP requirements (%)	0%	0%	0%
Total SREP own funds requirements (%)	8%	8%	8%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
Capital conservation buffer (%)	2.5%	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0%	0%	0%
Institution specific countercyclical capital buffer (%)	0%	0%	0%
Systemic risk buffer (%)	0%	0%	0%
Global Systemically Important Institution buffer (%)	0%	0%	0%
Other Systemically Important Institution buffer	0%	0%	0%
Combined buffer requirement (%)	2.5%	2.5%	2.5%
Overall capital requirements (%)	10.5%	10.5%	10.5%
CET1 available after meeting the total SREP own funds requirements (%)	13.8%	13.9%	13.7%
Leverage ratio			
Leverage ratio total exposure measure	288,926.6	288,362.1	282,925.0
Leverage ratio (%)	4.8%	4.6%	4.5%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
Additional CET1 leverage ratio requirements (%)	0%	N/A	N/A
Additional AT1 leverage ratio requirements (%)	0%	N/A	N/A
Additional T2 leverage ratio requirements (%)	0%	N/A	N/A
Total SREP leverage ratio requirements (%)	3%	N/A	N/A
Leverage buffer and overall leverage ratio requirements (as a percentage of leverage ratio total exposure amount)			
Applicable leverage buffer (%)	0%	N/A	N/A
Overall leverage ratio requirements (%)	3%	N/A	N/A
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value - average)	0.0	N/A	N/A
Cash outflows - Total weighted value	9,429.0	N/A	N/A
Cash inflows - Total weighted value	4,043.0	N/A	N/A
Total net cash outflows (adjusted value)	5,386.0	N/A	N/A
Liquidity coverage ratio (%)	0%	N/A	N/A
Net Stable Funding Ratio			
Total available stable funding	212,675.0	N/A	N/A
Total required stable funding	225,185.3	N/A	N/A
NSFR ratio (%)	94%	N/A	N/A

Note 12 Capital-adequacy analysis - overview of risk weighted exposure amounts

	Risk weighted exposure amounts			Total own funds requirements		
	30 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020
Credit risk (excluding CCR)	73,248.6	69,819.0	67,423.2	5,859.9	5,585.5	5,393.9
Of which: the standardised approach	1,227.9	1,207.4	1,241.6	98.2	96.6	99.3
Of which: the foundation IRB (FIRB) approach	4,261.1	3,884.1	3,769.3	340.9	310.7	301.5
Of which: the advanced IRB (AIRB) approach	15,102.1	15,131.1	14,558.4	1,208.2	1,210.5	1,164.7
Of which: risk exposure amounts according to Article 458 CRR	52,657.5	49,596.4	47,854.1	4,212.6	3,967.7	3,828.3
Counterparty credit risk - CCR	340.7	537.7	641.7	27.3	43.0	51.3
Of which: the standardised approach	209.0	324.4	363.3	16.7	26.0	29.1
Of which: credit valuation adjustment - CVA	131.7	213.3	278.3	10.5	17.1	22.3
Of which: other CCR	-	-	-	-	-	-
Operational risk	2,011.5	1,728.4	1,728.4	160.9	138.3	138.3
Of which standardised approach	2,011.5	1,728.4	1,728.4	160.9	138.3	138.3
Total	75,600.8	72,085.1	69,793.4	6,048.1	5,766.8	5,583.5

Note 13 Disclosures on related parties

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

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

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

Stockholm, 21 July 2021

Sven Eggefalk
Chairman

Anders Långström
Board Member

Magnus Olsson
Board Member

Jonas Rosman
Board Member

Göran Zakrisson
Board Member

Anders Borgcrantz
President

Review report

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

Introduction

We have reviewed the attached condensed interim report of Länsförsäkringar Hypotek AB (publ) as of 30 June 2021 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this attached interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this attached interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 21 July 2021

KPMG AB

Anders Tagde
Authorized Public Accountant

Definitions

Glossary

Return on total assets

Profit for the year, after tax, in relation to average total assets.

Own funds

Own funds comprises the sum of Tier 1 capital and Tier 2 capital, less items indicated in the capital adequacy rules. Own funds in relation to capital requirements.

Credit-impaired loan receivables

Loan receivables that have fallen due, have defaulted on issue or acquisition and thus are in stage 3 of the rules on expected credit losses under IFRS 9.

Common Equity Tier 1 capital

Common Equity Tier 1 capital comprises equity less intangible assets, goodwill, prudent valuation, investments in financial companies and IRB deficit.

Common Equity Tier 1 capital ratio

Common Equity Tier 1 capital in relation to the total risk exposure amount.

Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 instruments.

Tier 1 ratio

Tier 1 capital in relation to the total risk exposure amount.

Risk Exposure Amount (REA)

The Risk Exposure Amount comprises assets in the balance sheet and off-balance sheet commitments valued in accordance with credit risk, market risk, operational risk and credit valuation adjustment risk in accordance with the capital adequacy rules.

Loan receivables

Comprises loans to the public and loans to credit institutions.

Fixed-interest period

The agreed period during which the interest rate on an asset or liability is fixed.

Tier 2 capital

Primarily comprises fixed-term subordinated debt.

Total capital ratio

Total own funds in relation to the total risk exposure amount.

Alternative performance measures

The European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures came into effect on 3 July 2016. In accordance with these guidelines, disclosures on financial performance measures that are not defined by IFRS have been provided. Investment margin and return on equity show the organisation's earnings in relation to various investment measures. The share of credit-impaired loan receivables, credit losses and performance measures concerning loss allowance are presented to provide an understanding of lending, collateral and credit risk. The common factor for all of the alternative performance measures is that they describe the development of the operations and aim to improve comparability between different periods. The measures may differ from similar performance measures presented by other organisations.

Share of credit-impaired loan receivables

Credit-impaired loan receivables (stage 3) after loss allowance in relation to loans to the public and credit institutions before loss allowance.

Credit loss level

Credit losses, net, for loan receivables in relation to loans to the public and credit institutions after loss allowance.

Investment margin

Net interest income in relation to average total assets.

Reserve ratio for loan receivables

Recognised loss allowance for loan receivables in relation to loan receivables before loss allowance.

Return on equity

Operating profit less standard tax in relation to average equity, adjusted for items in equity recognised in other comprehensive income and for Additional Tier 1 Capital loans.

Financial calendar

Interim report January-September Länsförsäkringar Bank	27 October 2021
Interim report January-September Länsförsäkringar Hypotek	27 October 2021

This report contains such information that Länsförsäkringar Hypotek AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication on 21 July 2021 at 12:00 a.m. CET.

For further information, please contact:

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