

Länsförsäkringar Hypotek

Interim Report January–September 2021

The period in brief

- Operating profit increased 3% to SEK 1,064 M (1,029) and the return on equity amounted to 8.2% (8.4).
- Net interest income rose 3% to SEK 2,005 M (1,950).
- Credit losses amounted to SEK -3.8 M (1.9), net, corresponding to a credit loss level of -0.00% (0.00).
- Lending increased 8% to SEK 273.6 billion (253.3).
- The Common Equity Tier 1 capital ratio amounted to 18.6% (18.3*) on 30 September 2021.

Figures in parentheses pertain to the same period in 2020.

*Pertains to 30 June 2021.

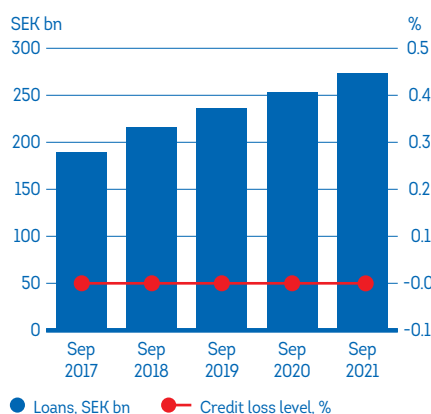
President's comment

Länsförsäkringar Hypotek continued to perform positively and we can report strong operating profit for the period. Growth in lending volumes is continuing and we are still capturing larger shares of new mortgage lending compared with our market shares, largely thanks to the outstanding work performed locally by the regional insurance companies. Loss allowances remain at very low levels and we can state that credit quality has mostly been unaffected throughout the COVID-19 pandemic. High competition remains a feature of the mortgage market, with many players capturing larger shares of new lending. The housing market performed strongly during the pandemic and the price trend has reached record-breaking levels despite a cautious price trend for a couple of months in the summer. The strong performance can partly be explained by expectations of low interest rates for a long time. The underlying problem of a poorly functioning housing market and the imbalance between supply and demand for housing remain areas for which there are no clear initiatives, but it is probably also one of the reasons behind the price increase.

Anders Borgcrantz

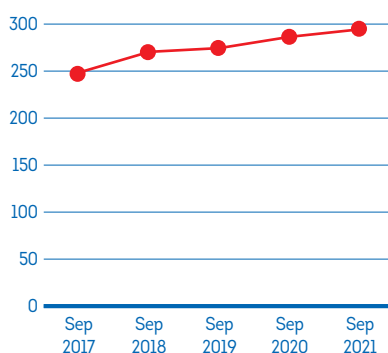
President of Länsförsäkringar Hypotek

Loans to the public



Customer trend

Number of customers, 000s



Key figures

	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Return on equity, %	8.4	7.9	8.7	8.2	8.4	8.2
Return on total assets, %	0.40	0.38	0.41	0.39	0.39	0.38
Investment margin, %	0.92	0.91	0.96	0.93	0.94	0.95
Cost/income ratio before credit losses	0.08	0.09	0.08	0.08	0.09	0.09
Common Equity Tier 1 capital ratio, %	18.6	18.3	18.3	18.6	18.3	18.4
Total capital ratio, %	18.6	18.3	19.0	18.6	19.0	19.1
Share of credit-impaired loan receivables (stage 3), %	0.08	0.07	0.07	0.08	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	0.04	0.08	0.04	0.08	0.08
Reserve ratio for loan receivables stage 3, %	0.67	0.74	1.46	0.67	1.46	0.72
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	3.37	3.72	7.31	3.37	7.31	3.61
Credit loss level, %	-0.00	-0.00	0.00	-0.00	0.00	0.00

Income statement, quarterly

SEK M	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net interest income	674.9	662.5	667.8	662.1	661.6
Net commission	-292.7	-289.6	-295.8	-305.2	-283.3
Net gains/losses from financial items	17.1	4.6	9.0	-5.0	18.1
Total operating income	399.3	377.5	381.0	351.8	396.4
Staff costs	-3.3	-3.8	-3.0	-5.6	-4.7
Other administration expenses	-28.8	-29.7	-28.9	-27.7	-28.3
Total operating expenses	-32.1	-33.5	-32.0	-33.4	-33.0
Profit before credit losses	367.2	344.0	349.0	318.5	363.4
Credit losses, net	0.6	1.3	1.9	1.1	-1.5
Operating profit	367.8	345.3	350.9	319.6	361.9

The economic recovery continued during the quarter and global growth remained strong. The gradual reopening of European economies led to very strong growth in the euro-zone, while the US economy continued to show its strength. Emerging markets continued to report a high rate of infection, and several of these countries were subject to extensive restrictions. The exception is China where a clear recovery could be noted but the consequences of the robust credit expansion are now emerging. There is uncertainty in the financial markets in Asia with China's second largest property developer, Evergrande, on the verge of bankruptcy, which risks having knock-on effects to the rest of the sector, and also to other parts of the Chinese economy and even globally.

In Europe, the industrial and service sectors are both growing, which is resulting in a recovery in the labour market. While growth in the US remains high, it is now probably starting to peak following surprisingly positive growth for several quarters.

Robust demand in the global economy and supply shortages led to a strong up-tick in commodity prices. This directly impacts energy prices, thus contributing to higher inflation. The central banks have been clear in saying that the effects are expected to be temporary and that monetary stimulus packages will remain in place to support economic recovery. Higher inflation coupled with a

rapid recovery in the economy has, however, resulted in the US central bank, the Fed, starting to signal that it would taper asset purchases and that it could raise the key interest rate more quickly than previously expected.

The third quarter saw greater volatility in the financial markets. Longer interest rates have risen since the Fed, and to some extent other central banks, indicated a less expansive monetary policy moving forward. The stock markets were weaker at the end of the quarter after a very strong performance in the first eight months of 2021. Uncertainty surrounding growth, higher inflation, a less expansive monetary policy and financial stability in China are some of the factors underlying the decline. Following a weak end to September, the leading stock market indices were essentially unchanged during the quarter. The MSCI World Index fell marginally by -0.35%, while the US S&P500 rose 0.23% in the quarter. The Stockholm Stock Exchange was up 0.94% in the quarter, including dividends.

In Sweden, growth remained strong, while unemployment was at a higher level than expected. However, incoming unemployment data for the past few months was more positive. The Riksbank is continuing to reduce its asset purchases according to plan but the repo rate is expected to remain unchanged for a long time to come. Long-term

bond interest rates rose in September and a ten-year Swedish government bond, for example, increased 16 points in September. The difference between mortgage bonds and government bonds remains stable and is at a low level. Inflation has increased but a more expansive monetary policy will be required to support the labour market. The trend in the housing market remained stable and housing prices rose in the latter part of the quarter following a seasonal decline in July. The price trend in the Swedish housing market was strong in 2021 and the HOX Housing Index has risen 10.5% since the start of the year.

January-September 2021 compared with January-September 2020

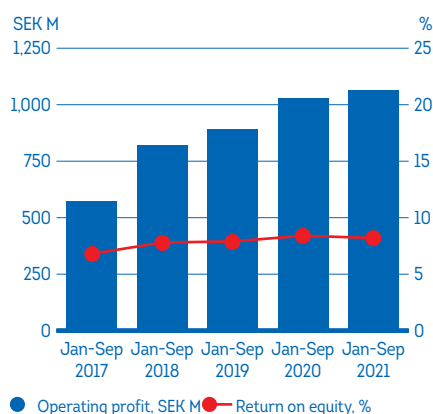
Growth and customer trend

Loans to the public rose 8%, or SEK 20.3 billion, to SEK 273.6 billion (253.3), with continued very high credit quality. The number of customers was 294,000 and 85% of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit increased 3% to SEK 1,064 M (1,029), primarily due to higher net interest income and net gains from financial items. The investment margin was 0.93% (0.94). Profit before credit losses rose 3% to SEK 1,060 M (1,031). Return on equity amounted to 8.2% (8.4).

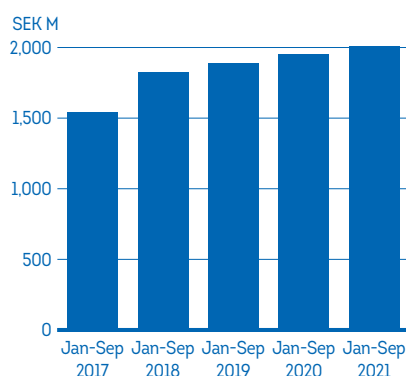
Operating profit and return on equity



Income

Operating income increased 2% to SEK 1,158 M (1,131), due to higher net interest income and net gains from financial items. Net interest income increased 3% to SEK 2,005 M (1,950). Net gains from financial items amounted to SEK 30.6 M (-17.1). Net commission amounted to SEK -878.1 M (-802.0).

Net interest income



Expenses

Operating expenses amounted to SEK 97.5 M (100.1). The cost/income ratio before credit losses was 0.08 (0.09) and the cost/income ratio after credit losses was 0.08 (0.09).

Credit losses

Credit losses amounted to SEK -3.8 M (1.9), net, corresponding to a credit loss level of -0.00% (0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 211.9 M, corresponding to a share of credit-impaired loan receivables of 0.08%. The loss allowance for credit-impaired loan receivables was SEK 1.4 M. The reserve ratio for credit-impaired loan receivables amounted to 0.67%. In addition, SEK 5.7 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 7.2 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 3.4% and the total recognised loss allowance was SEK 18.9 M, of which SEK 15.1 M pertained to withheld remuneration to the regional insurance companies*.

Loss allowance, stage 3

SEK M	30 Sep 2021	30 Sep 2020
Loans to the public	273,621	253,251
Credit-impaired loan receivables (stage 3)	211.9	187.6
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	7.2	13.7
of which loss allowance for credit-impaired loan receivables (stage 3)	1.4	2.7
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	5.7	11.0

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

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

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 8%, or SEK 20.3 billion, to SEK 273.6 billion (253.3). The credit quality of the loan portfolio, comprising 71.5% (71.5) single-family homes, 25% (25) tenant-owned apartments, 3% (3) multi-family housing and 0.5% (0.5) industrial properties, remained favourable. On 31 August 2021, the market share of retail mortgages amounted 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 261.8 billion, corresponding to 96% of the loan portfolio. The collateral comprises only private homes, of which 72% (72) are single-family homes, 26% (26) tenant-owned apartments and 2% (2) vacation homes. The geographic spread throughout Sweden is favourable and the average loan commitment is low at SEK 1.40 M (1.33). The weighted average loan-to-value ratio, LTV, was 54% (58) and the nominal, current OC (overcollateralisation) amounted to 33% (35). Länsförsäkringar Hypotek's cover pool has a healthy buffer to manage any downturns in housing prices. In a stress test of the cover pool based on a 20% price drop in the market value of the mortgages' collateral, the weighted average LTV amounted to 63% (65) on 30 September 2021. No impaired loans are included in the cover pool.

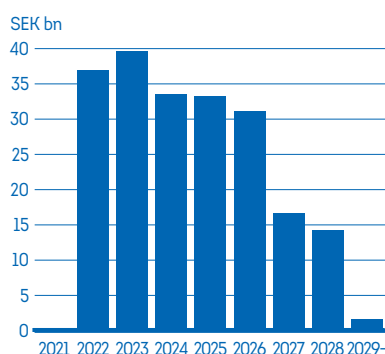
Cover pool	30 Sep 2021	30 Sep 2020
Cover pool, SEK billion	271	253
OC ¹ , %	33	35
Weighted average LTV, %	54	58
Collateral	Private homes	Private homes
Seasoning, months	65	63
Number of loans	426,313	412,957
Number of borrowers	188,061	182,667
Number of properties	186,957	182,182
Average commitment, SEK 000s	1,400	1,333
Average loan, SEK 000s	614	588
Interest rate type, variable, %	46	51
Interest rate type, fixed, %	54	49
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 8% to SEK 210.1 billion (195.0). Issued covered bonds during the period totalled a nominal SEK 35.8 billion (27.6) and repurchases of a nominal SEK 4.5 billion (7.1) were executed. Matured covered bonds amounted to a nominal SEK 16.3 billion (13.4). In September, Länsförsäkringar Hypotek issued a seven-year euro benchmark covered bond for a nominal EUR 500 M.

Maturity profile



● Covered bonds

Liquidity

On 30 September 2021, liquidity assets totalled SEK 9.9 billion (10.8). Liquidity remains healthy and contractual undertakings can be met for two years without needing to secure new funding in the capital market. Liquidity assets comprised 100% (100) Swedish covered bonds with the credit rating of AAA/Aaa.

Rating

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

Rating			
Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar 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.

Capital ratio¹

The Common Equity Tier 1 capital ratio amounted to 18.6% (18.3). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation.

On 30 September 2021, the total Risk Exposure Amount (REA) amounted to SEK 76,001 M (75,601).

Länsförsäkringar Hypotek AB (SEK M)	30 Sep 2021	30 Jun 2021
IRB Approach	19,372	19,363
retail exposures	15,051	15,102
exposures to corporates	4,320	4,261
Standardised Approach	1,287	1,437
Operational risks	2,011	2,011
Additional requirements	53,200	52,657
Total REA	76,001	75,601
Common Equity Tier 1 capital	14,130	13,831
Tier 1 capital	14,130	13,831
Total capital	14,130	13,831
Common Equity Tier 1 capital ratio	18.6%	18.3%
Tier 1 ratio	18.6%	18.3%
Total capital ratio	18.6%	18.3%
Risk-based capital requirements		
Own funds requirements (Pillar I)	6,080	6,048
Pillar II Requirements (P2R)	0	0
Combined buffer requirement	1,900	1,890
Pillar II Guidance (P2G)	0	0
Overall adequate level of own funds	7,980	7,938
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 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 September 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 September 2021 amounted to SEK 6,933 M (6,764) 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 Financial Supervisory Authority will not perform a Supervisory Review and Evaluation Process for Länsförsäkringar Hypotek in 2021. This means that there were no formally determined Pillar II Requirements (P2R) and Pillar II Guidance (P2G) for Länsförsäkringar Hypotek on 30 September 2021.

The capital conservation buffer on 30 September 2021 amounted to SEK 1,900 M (2.5% of REA) and the overall adequate level of own funds amounted to SEK 7,980 M (10.5% of REA).

The leverage ratio was 4.8% (4.8) on 30 September 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 September 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 September 2021.

¹ The comparative period pertains to 30 June 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 September 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 -240.3 M (-155.2).

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. Risks and uncertainty related to COVID-19 have gradually declined during the year but continue to be monitored. A more detailed description of risks is available in the 2020 Annual Report.

Third quarter of 2021 compared with second quarter of 2021

Operating profit increased 7% to SEK 367.8 M (345.3). Return on equity strengthened to 8.4% (7.9). Operating income amounted to SEK 399.3 M (377.5). Net interest income increased 2% to SEK 674.9 M (662.5). Net gains from financial items amounted to SEK 17.1 M (4.6). Net commission amounted to SEK -292.7 M (-289.6). Operating expenses amounted to SEK 32.1 M (33.5) and the cost/income ratio before credit losses to 0.08% (0.09). Credit losses amounted to SEK -0.6 M (-1.3), net.

Events after the end of the period

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

Income statement

SEK M	Note	Q 3 2021	Q 2 2021	Change	Q 3 2020	Change	Jan-Sep 2021	Jan-Sep 2020	Change	Full-Year 2020
Interest income		1,038.4	1,051.4	-1%	1,095.9	-5%	3,102.9	3,365.4	-8%	4,402.8
Interest expense		-363.6	-388.9	-7%	-434.3	-16%	-1,097.8	-1,415.6	-22%	-1,791.0
Net interest income	3	674.9	662.5	2%	661.6	2%	2,005.1	1,949.8	3%	2,611.9
Commission income		9.5	9.8	-3%	7.8	22%	27.3	22.7	20%	31.7
Commission expense		-302.2	-299.3	1%	-291.1	4%	-905.4	-824.7	10%	-1,138.9
Net commission	4	-292.7	-289.6	1%	-283.3	3%	-878.1	-802.0	9%	-1,107.2
Net gains/losses from financial items	5	17.1	4.6		18.1	-6%	30.6	-17.1		-22.2
Total operating income		399.3	377.5	6%	396.4	1%	1,157.7	1,130.7	2%	1,482.5
Staff costs		-3.3	-3.8	-13%	-4.7	-30%	-10.1	-15.5	-35%	-21.1
Other administration expenses		-28.8	-29.7	-3%	-28.3	2%	-87.4	-84.5	3%	-112.3
Administration expenses		-32.1	-33.5	-4%	-33.0	-3%	-97.5	-100.0	-3%	-133.3
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.1	-0.1		-0.2
Total operating expenses		-32.1	-33.5	-4%	-33.0	-3%	-97.6	-100.1	-2%	-133.5
Profit before credit losses		367.2	344.0	7%	363.4	1%	1,060.1	1,030.5	3%	1,349.0
Credit losses, net	6	0.6	1.3	-54%	-1.5		3.8	-1.9		-0.8
Operating profit		367.8	345.3	7%	361.9	2%	1,064.0	1,028.7	3%	1,348.2
Appropriations		-	-		-		-	-		-274.1
Tax		-75.5	-71.0	6%	-79.6	-5%	-218.9	-229.4	-5%	-239.2
Profit for the period		292.3	274.3	7%	282.3	4%	845.1	799.2	6%	835.0

Statement of comprehensive income

SEK M	Q 3 2021	Q 2 2021	Change	Q 3 2020	Change	Jan-Sep 2021	Jan-Sep 2020	Change	Full-Year 2020
Profit for the period	292.3	274.3	7%	282.3	4%	845.1	799.2	6%	835.0
Other comprehensive income									
Items that have been reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	22.2	3.2		-11.0		56.3	-36.9		-67.5
Change in fair value of debt instruments measured at FVOCI	2.7	-3.7		18.1	-85%	-2.7	15.6		31.7
Tax attributable to items that have been transferred or can be transferred to profit for the period	-5.1	0.1		-1.5		-11.0	4.5		5.6
Total other comprehensive income for the period, net after tax	19.8	-0.4		5.6		42.5	-16.8		-30.2
Total comprehensive income for the period	312.1	273.9	14%	287.9	8%	887.6	782.4	13%	804.8

Balance sheet

SEK M	Note	30 September 2021	31 December 2020	30 September 2020
Assets				
Loans to credit institutions	7	2,521.5	3,933.2	5,876.9
Loans to the public	8	273,620.7	259,499.5	253,250.5
Bonds and other interest-bearing securities		9,823.5	10,674.4	10,761.4
Derivatives	9	3,576.6	5,199.7	7,083.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		-	272.0	404.0
Tangible assets		0.5	0.7	0.7
Deferred tax assets		41.2	52.8	48.2
Other assets		0.3	0.2	0.4
Prepaid expenses and accrued income		45.1	23.9	41.6
Total assets		289,629.3	279,656.4	277,467.2
Liabilities, provisions and equity				
Due to credit institutions	7	62,446.3	65,341.8	64,433.1
Debt securities in issue		210,095.7	195,861.4	194,958.0
Derivatives	9	1,034.7	651.3	742.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		277.9	1,800.1	2,214.2
Other liabilities		136.4	158.6	188.1
Accrued expenses and deferred income		1,181.8	1,774.1	1,158.3
Provisions		1.6	1.6	1.6
Subordinated liabilities		-	500.0	500.0
Total liabilities and provisions		275,174.3	266,089.0	264,196.2
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		-119.8	-162.3	-148.9
Retained earnings		9,145.4	8,310.5	8,310.5
Profit for the period		845.1	835.0	799.2
<i>Total non-restricted equity</i>		<i>9,870.7</i>	<i>8,983.1</i>	<i>8,960.8</i>
Total equity		13,014.6	12,127.1	12,104.7
Total liabilities, provisions and equity		289,629.3	279,656.4	277,467.2
Other notes				
Accounting policies	1			
Segment reporting	2			
Pledged assets, contingent liabilities and commitments	10			
Fair value valuation techniques	11			
Capital-adequacy analysis	12			
Disclosures on related parties	13			

Cash-flow statement in summary, indirect method

SEK M	Jan-Sep 2021	Jan-Sep 2020
Cash and cash equivalents, 1 January	1,998.6	3,961.7
Operating activities		
Operating profit	1,064.0	1,028.7
Adjustment of non-cash items	2.8	-237.9
Change in assets of operating activities		
Change in interest-bearing securities	821.3	-207.0
Change in loans to the public	-14,117.7	-13,191.9
Change in other assets	1,824.4	-1,947.1
Change in liabilities of operating activities		
Change in debt securities in issue	15,067.4	7,085.8
Change in other liabilities	-3,728.2	7,203.8
Cash flow from operating activities	934.0	-265.6
Investing activities		
Acquisition of property and equipment	0.0	-0.3
Cash flow from investing activities	0.0	-0.3
Financing activities		
Amortisation of subordinated debt	-500.0	-
Cash flow from financing activities	-500.0	-
Net cash flow for the period	434.1	-265.9
Cash and cash equivalents, 30 September	2,432.7	3,695.9

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						799.2	799.2
Other comprehensive income for the period			12.3	-29.1			-16.8
Comprehensive income for the period			12.3	-29.1		799.2	782.4
According to resolution by Annual General Meeting					756.0	-756.0	-
Closing balance, 30 September 2020	3,129.9	14.1	28.2	-177.3	8,310.5	799.2	12,104.7
Opening balance, 1 October 2020	3,129.9	14.1	28.2	-177.3	8,310.5	799.2	12,104.7
Profit for the period						35.9	35.9
Other comprehensive income for the period			12.6	-26.0			-13.4
Comprehensive income for the period						35.9	22.4
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						845.1	845.1
Other comprehensive income for the period			-2.2	44.7			42.5
Comprehensive income for the period			-2.2	44.7		845.1	887.6
According to resolution by Annual General Meeting					835.0	-835.0	-
Closing balance, 30 September 2021	3,129.9	14.1	38.6	-158.6	9,145.4	845.1	13,014.6

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.

CHANGED ACCOUNTING POLICIES

The Group applies the Interest Rate Benchmark Reform – Phase 2 from 1 January 2021. The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 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. In addition, the rules on hedge accounting have been adapted in order to permit any changes made to hedge identifications and hedge documentation due to the Interest Rate Benchmark Reform, without needing to end the hedging relationship. For more information, refer to Notes 2 and 3 in the 2020 Annual Report. The introduction had no impact on the company's financial position, earnings, cash flow or disclosures.

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	Q 3 2021	Q 2 2021	Change	Q 3 2020	Change	Jan-Sep 2021	Jan-Sep 2020	Change	Full-Year 2020
Interest income									
Loans to credit institutions	11.0 ¹⁾	20.1 ¹⁾	-45%	16.2	-32%	39.7	56.2	-29%	62.4
Loans to the public	1,079.1	1,073.3	1%	1,096.7	-2%	3,225.9	3,281.0	-2%	4,362.9
Interest-bearing securities	9.3 ¹⁾	9.1 ¹⁾	2%	9.1	2%	27.4	25.6	7%	34.8
Derivatives	-61.0	-51.1	19%	-26.0		-190.1	2.6		-57.2
Other interest income	-	-		-		-	-		-
Total interest income	1,038.4	1,051.4	-1%	1,095.9	-5%	3,102.9	3,365.4	-8%	4,402.8
Interest expense									
Due to credit institutions	-157.5 ¹⁾	-165.8 ¹⁾	-5%	-153.4	3%	-486.2	-503.0	-3%	-665.3
Dept securities in issue	-391.3	-393.3	-1%	-434.3	-10%	-1,173.9	-1,343.2	-13%	-1,732.5
Subordinated liabilities	-	-		-2.1		-1.7	-6.5	-74%	-8.5
Derivatives	210.2	198.0	6%	176.1	19%	639.8	500.3	28%	699.1
Other interest expense	-25.0	-27.9	-10%	-20.6	21%	-75.7	-63.2	20%	-83.8
Total interest expense	-363.6	-388.9	-7%	-434.3	-16%	-1,097.8	-1,415.6	-22%	-1,791.0
Total net interest income	674.9	662.5	2%	661.6	2%	2,005.1	1,949.8	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 0.0 M (0.0) and Due to credit institutions SEK 0.0 M (0.0).

Interest income calculated according to the effective interest method amounts to SEK 1,038.4 M (1,051.4).

Note 4	Net commission								
SEK M	Q 3 2021	Q 2 2021	Change	Q 3 2020	Change	Jan-Sep 2021	Jan-Sep 2020	Change	Full-Year 2020
Commission income									
Loans	9.5	9.8	-3%	7.8	22%	27.3	22.7	20%	31.7
Total commission income	9.5	9.8	-3%	7.8	22%	27.3	22.7	20%	31.7
Commission expense									
Remuneration to regional insurance companies	-302.1	-299.3	1%	-291.1	4%	-905.3	-824.6	10%	-1,138.9
Other commission	-0.1	0.0		0.0		-0.1	-0.1		-0.1
Total commission expense	-302.2	-299.3	1%	-291.1	4%	-905.4	-824.7	10%	-1,138.9
Total net commission	-292.7	-289.6	1%	-283.3	3%	-878.1	-802.0	9%	-1,107.2

Note 5	Net gains / losses from financial items								
SEK M	Q 3 2021	Q 2 2021	Change	Q 3 2020	Change	Jan-Sep 2021	Jan-Sep 2020	Change	Full-Year 2020
Interest-bearing assets and liabilities and related derivatives	4.4	-6.2		8.1	-46%	-2.3	-40.9	-94%	-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)	12.7	10.7	19%	10.0	27%	33.0	23.8	39%	34.4
Total net gains / losses from financial items	17.1	4.6		18.1	-6%	30.6	-17.1		-22.2

Note 6 Credit losses									
Net credit losses, SEK M	Q 3 2021	Q 2 2021	Change	Q 3 2020	Change	Jan-Sep 2021	Jan-Sep 2020	Change	Full-Year 2020
Change in loss allowance for loan receivables									
Stage 1 (not credit-impaired)	0.2	0.4	-50%	-1.3		2.6	-2.0		-1.8
Stage 2 (not credit-impaired)	0.2	0.1		0.2		1.0	0.0		-0.1
Stage 3 (credit-impaired)	0.0	0.0		-0.7		-0.1	-0.9	-89%	0.4
Total change in loss allowance for loan receivables	0.4	0.5	-20%	-1.8		3.5	-3.0		-1.5
Expense for confirmed credit losses	0.0	-0.1		0.0		-1.5	-0.4		-1.0
Payment received for prior confirmed credit losses	0.3	1.0	-70%	0.3		1.9	1.7	12%	2.0
Net expense for the period for credit losses for loan receivables	0.7	1.4	-50%	-1.5		3.9	-1.6		-0.4
Change in loss allowance for commitments	0.0	0.0		0.0		0.1	-0.1		-0.1
Net expense for other credit losses for the period	-	-		-		-	-		-
Net expense of the modification result for the period	0.0	-0.1		0.0		-0.2	-0.1		-0.3
Net expense for credit losses for the period	0.6	1.3	-54%	-1.5		3.8	-1.9		-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 third quarter of 2021, total credit losses amounted to SEK 2.6 M (3.2), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK 0.6 M (1.3) and the remainder of SEK 1.9 M (1.8) 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 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 September 2021	Base scenario			Negative scenario			Positive scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Housing prices, annual change in %	8.5%	4.0%	4.0%	7.2%	3.8%	4.0%	9.9%	4.0%	4.0%
GDP, annual change in %	4.1%	3.6%	2.1%	3.9%	2.7%	1.9%	4.3%	4.5%	2.4%
Unemployment, level in %	8.8%	7.5%	7.0%	8.9%	7.8%	7.2%	8.7%	7.2%	7.0%
30 June 2021	Base scenario			Negative scenario			Positive scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
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%
30 September 2020	Base scenario			Negative scenario			Positive scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Housing prices, annual change in %	6.2%	3.6%	4.0%	2.9%	3.6%	4.9%	7.4%	4.0%	4.0%
GDP, annual change in %	-3.4%	3.5%	2.5%	-3.9%	1.6%	2.4%	-3.0%	5.3%	2.6%
Unemployment, level in %	8.7%	9.5%	8.5%	8.8%	10.3%	9.1%	8.6%	9.0%	8.0%

Note 7 Loans / due to credit institutions

On 30 September 2021, Loans to credit institutions amounted to SEK 2,521.5 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 2,505.0 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 62,446.3 M (65,341.8) on 30 September. Due to credit institutions includes borrowings from the Parent Company of SEK 62,297.1 M (63,407.2).

Note 8	Loans to the public Loan receivables are geographically attributable in their entirety to Sweden		
SEK M	30 September 2021	31 December 2020	30 September 2020
Corporate sector	8,392.7	7,473.0	6,996.7
Retail sector	265,231.8	252,033.9	246,262.6
Loans to the public before loss allowance	273,624.5	259,506.8	253,259.3
Loss allowance	-3.8	-7.3	-8.8
Loans to the public	273,620.7	259,499.5	253,250.5

Loans to the public				
Reconciliation of loss allowance				
SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Opening balance, 1 January 2021	-4.2	-1.8	-1.4	-7.3
Increase due to new or acquired loans	-0.7	0.0	-	-0.7
Change in loss allowance model or method	0.0	0.0	-	0.0
Decrease due to repayment	0.4	0.2	0.3	1.0
Change due to changed credit risk	2.3	1.0	0.0	3.3
Transfer between stages	0.6	-0.2	-0.4	0.0
Other adjustments	0.0	0.0	0.0	0.0
Decrease due to write-off	-	-	0.0	0.0
Closing balance, 30 September 2021	-1.6	-0.8	-1.4	-3.8
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	271,450.2	1,962.4	211.9	273,624.5
Credit reserve requirement	-7.8	-4.0	-7.2	-18.9
Withheld remuneration to the regional insurance companies	6.2	3.2	5.7	15.1
Recognised loss allowance	-1.6	-0.8	-1.4	-3.8
Loans to the public	271,448.6	1,961.6	210.5	273,620.7

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	-0.9	0.0	0.0	-0.9
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.2	0.2	0.5	0.9
Change due to changed credit risk	-2.4	0.1	-0.8	-3.2
Transfer between stages	1.0	-0.3	-0.7	0.1
Other adjustments	0.0	0.0	-	0.0
Decrease due to write-off	-	-	0.1	0.1
Closing balance, 30 September 2020	-4.4	-1.7	-2.7	-8.8
Allocation of loss allowance requirement SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances	250,826.3	2,245.4	187.6	253,259.3
Credit reserve requirement	-21.9	-8.4	-13.7	-44.0
Withheld remuneration to the regional insurance companies	17.5	6.7	11.0	35.2
Recognised loss allowance	-4.4	-1.7	-2.7	-8.8
Loans to the public	250,822.0	2,243.7	184.8	253,250.5

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

Note 9 Derivatives

SEK M	30 September 2021		31 December 2020		30 September 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	176,365.0	1,154.7	162,192.0	2,093.1	151,970.0	2,295.0
Currency-related	31,629.0	2,421.9	34,254.0	3,106.6	34,347.2	4,788.4
Total derivatives with positive values	207,994.0	3,576.6	196,446.0	5,199.7	186,317.2	7,083.4
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	130,675.0	892.3	124,675.0	477.6	128,925.0	578.9
Currency-related	6,071.8	142.4	1,394.2	173.7	1,394.2	163.9
Total derivatives with negative values	136,746.8	1,034.7	126,069.2	651.3	130,319.2	742.8

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

Note 10 Pledged assets, contingent liabilities and commitments

SEK M	30 September 2021	31 December 2020	30 September
For own liabilities, pledged assets	271,443.4	260,934.0	255,339.2
Commitments ¹⁾	15,835.5	13,560.3	15,533.9

¹⁾ On 30 September 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.

Note 11	Fair value valuation techniques					
SEK M	30 September 2021		31 December 2020		30 September 2020	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Loans to credit institutions	2,521.5	2,521.5	3,933.2	3,933.2	5,876.9	5,876.9
Loans to the public	273,620.7	274,213.9	259,499.5	260,233.0	253,250.5	253,840.7
Bonds and other interest-bearing securities	9,823.5	9,823.5	10,674.4	10,674.4	10,761.4	10,761.4
Derivatives	3,576.6	3,576.6	5,199.7	5,199.7	7,083.4	7,083.4
Other assets	-	-	-	-	-	-
Prepaid expenses and accrued income	17.7	17.7	19.7	19.7	18.7	18.7
Total	289,559.9	290,153.1	279,326.5	280,060.0	276,990.9	277,581.1
Financial liabilities						
Due to credit institutions	62,446.3	62,478.5	65,341.8	65,373.0 ¹⁾	64,433.1	64,422.3 ¹⁾
Debt securities in issue	210,095.7	212,001.5	195,861.4	200,532.3 ¹⁾	194,958.0	198,668.4 ¹⁾
Derivatives	1,034.7	1,034.7	651.3	651.3	742.8	742.8
Other liabilities	0.3	0.3	0.3	0.3	0.2	0.2
Subordinated liabilities	-	-	500.0	519.5	500.0	518.1
Accrued expenses and deferred income	215.2	215.2	853.9	853.9	260.0	260.0
Total	273,792.1	275,730.2	263,208.7	267,930.3	260,894.1	264,611.8

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.

¹⁾ Comparative figures have been changed.

Determination of fair value through published price quotations or valuation techniques where Level 1 includes Instruments with published price quotations Level 2 includes Valuation techniques based on observable market prices Level 3 includes Valuation techniques based on unobservable market price Financial instruments measured at fair value in the balance sheet				
30 September 2021, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	9,823.5			9,823.5
Derivatives		3,576.6		3,576.6
Liabilities				
Derivatives		1,034.7		1,034.7
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 September 2020, SEK M				
Assets				
Bonds and other interest-bearing securities	10,761.4			10,761.4
Derivatives		7,083.4		7,083.4
Liabilities				
Derivatives		742.8		742.8

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 5.

	30 Sep 2021	31 Dec 2020	30 Sep 2020
Available own funds (amounts)			
Common Equity Tier 1 (CET1) capital	14,130.2	13,285.2	13,018.9
Tier 1 capital	14,130.2	13,285.2	13,018.9
Total capital	14,130.2	13,734.0	13,492.8
Risk-weighted exposure amounts			
Total risk-weighted exposure amount	76,000.9	72,085.1	70,972.4
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	18.6%	18.4%	18.3%
Tier 1 ratio (%)	18.6%	18.4%	18.3%
Total capital ratio (%)	18.6%	19.1%	19.0%
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 (%)	14.1%	13.9%	13.8%
Leverage ratio			
Leverage ratio total exposure measure	290,915.7	288,362.1	286,564.0
Leverage ratio (%)	4.9%	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%	0%	0%
Additional AT1 leverage ratio requirements (%)	0%	0%	0%
Additional T2 leverage ratio requirements (%)	0%	0%	0%
Total SREP leverage ratio requirements (%)	3%	0%	0%
Leverage buffer and overall leverage ratio requirements (as a percentage of leverage ratio total exposure amount)			
Applicable leverage buffer (%)	0%	0%	0%
Overall leverage ratio requirements (%)	3%	0%	0%
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value - average)	-	N/A	N/A
Cash outflows - Total weighted value	4,869.7	N/A	N/A
Cash inflows - Total weighted value	3,322.6	N/A	N/A
Total net cash outflows (adjusted value)	1,547.1	N/A	N/A
Liquidity coverage ratio (%)	0%	N/A	N/A
Net Stable Funding Ratio			
Total available stable funding	238,552.3	N/A	N/A
Total required stable funding	222,740.4	N/A	N/A
NSFR ratio (%)	107.1%	N/A	N/A

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

	Risk weighted exposure amounts			Total own funds requirements		
	30 Sep 2021	31 Dec 2020	30 Sep 2020	30 Sep 2021	31 Dec 2020	30 Sep 2020
Credit risk (excluding CCR)	73,691.8	69,819.0	68,648.0	5,895.3	5,585.5	5,491.8
Of which: the standardised approach	1,120.0	1,531.8	1,249.9	89.6	96.6	100.0
Of which: the foundation IRB (FIRB) approach	4,320.3	3,884.1	3,794.3	345.6	310.7	303.5
Of which: the advanced IRB (AIRB) approach	15,051.4	15,131.1	14,947.5	1,204.1	1,210.5	1,195.8
Of which: risk exposure amounts according to Article 458 CRR	53,200.1	49,596.4	48,656.3	4,256.0	3,967.7	3,892.5
Counterparty credit risk - CCR	297.6	537.7	596.0	23.8	43.0	47.7
Of which: the standardised approach	166.6	324.4	338.9	13.3	26.0	27.1
Of which: credit valuation adjustment - CVA	131.0	213.3	257.1	10.5	17.1	20.6
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	76,000.9	72,085.1	70,972.4	6,080.1	5,766.8	5,677.8

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, 27 October 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 30 september 2021 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this attached interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this attached interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 27 October 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

Year-end report Länsförsäkringar Bank	11 February 2022
Year-end report Länsförsäkringar Hypotek	11 February 2022

This report contains such information that Länsförsäkringar Hypotek AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 27 October 2021 at 12:00 a.m. CET.

For further information, please contact:

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