

# Länsförsäkringar Hypotek

## Year-end Report 2021

### The year in brief

- Operating profit increased 6% to SEK 1,433 M (1,348) and the return on equity amounted to 8.2% (8.2).
- Net interest income rose 3% to SEK 2,696 M (2,612).
- Credit losses amounted to SEK -4.2 M (0.8), net, corresponding to a credit loss level of -0.00% (0.00).
- Lending increased 7% to SEK 278.5 billion (259.5).
- The Common Equity Tier 1 capital ratio amounted to 17.8% (18.6) on 31 December 2021.

Figures in parentheses pertain to the same period in 2020.  
\* Pertains to 30 September 2021.

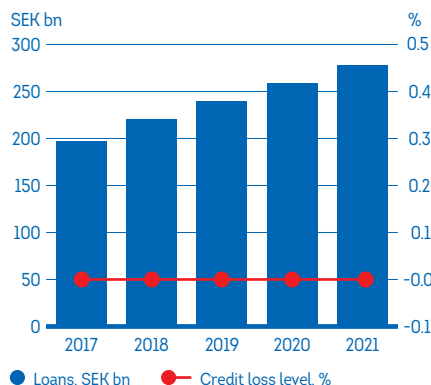
### President's comment

Länsförsäkringar's retail mortgage operations continued to perform well in 2021. Operating profit was positive, driven by a favourable trend in net interest income. Growth in lending continued during the year, although the market was slightly more challenging given the prevailing fierce competition. We are continuing to work intensively following our strategy and Länsförsäkringar's banking operations has implemented several initiatives that will develop business, both locally and through our digital channels. 2021 was largely impacted by the COVID-19 pandemic, which continued to have a tangible effect on society at large as well as on the housing market, where we have seen a clear continuing strong demand for larger residential properties both in and outside the large cities. Housing prices reached new record-breaking levels during the year while housing construction accelerated further in 2021.

**Anders Borgcrantz**

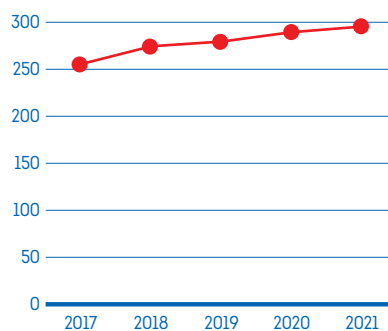
President of Länsförsäkringar Hypotek

#### Loans to the public



#### Customer trend

Number of customers, 000s



## Key figures

	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Return on equity, %	8.2	8.4	7.6	8.2	8.2
Return on total assets, %	0.39	0.40	0.36	0.39	0.38
Investment margin, %	0.92	0.92	0.95	0.93	0.95
Cost/income ratio before credit losses	0.08	0.08	0.09	0.08	0.09
Common Equity Tier 1 capital ratio, %	17.8	18.6	18.4	17.8	18.4
Total capital ratio, %	17.8	18.6	19.1	17.8	19.1
Share of credit-impaired loan receivables (stage 3), %	0.07	0.08	0.07	0.07	0.07
Reserve ratio for loan receivables stage 1, %	0.00	0.00	0.00	0.00	0.00
Reserve ratio for loan receivables stage 2, %	0.04	0.04	0.08	0.04	0.08
Reserve ratio for loan receivables stage 3, %	0.69	0.67	0.72	0.69	0.72
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	3.44	3.37	3.61	3.44	3.61
Credit loss level, %	-0.00	-0.00	0.00	-0.00	0.00

## Income statement, quarterly

SEK M	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net interest income	690.5	674.9	662.5	667.8	662.1
Net commission	-297.7	-292.7	-289.6	-295.8	-305.2
Net gains/losses from financial items	9.4	17.1	4.6	9.0	-5.0
<b>Total operating income</b>	<b>402.2</b>	<b>399.3</b>	<b>377.5</b>	<b>381.0</b>	<b>351.8</b>
Staff costs	-3.7	-3.3	-3.8	-3.0	-5.6
Other administration expenses	-29.5	-28.8	-29.7	-28.9	-27.7
<b>Total operating expenses</b>	<b>-33.2</b>	<b>-32.1</b>	<b>-33.5</b>	<b>-32.0</b>	<b>-33.4</b>
<b>Profit before credit losses</b>	<b>369.1</b>	<b>367.2</b>	<b>344.0</b>	<b>349.0</b>	<b>318.5</b>
Credit losses, net	0.3	0.6	1.3	1.9	1.1
<b>Operating profit</b>	<b>369.4</b>	<b>367.8</b>	<b>345.3</b>	<b>350.9</b>	<b>319.6</b>

## Market commentary

The global economic development in 2021 was generally characterised by very strong growth and high inflation. Global GDP grew almost 6% and the pandemic-related economic downturn had recovered in many countries by year-end. Developed economies generally made better recoveries due to their vaccine programmes and expansive economic policies. However, recovery in several emerging markets was impeded by continued high rates of infection and tough restrictions. This difference was tangible among global stock markets with markets in developed economies rising sharply while emerging markets reported a weaker trend, with particularly weak markets in China.

The recovery in the US was both rapid and wide-scale. Extensive stimuli and fast-rising demand significantly strengthened both production and the labour market. The US also had the highest rate of inflation during the year, rising to levels that have not been seen since the 1980s. Very strong demand led to a shortage of goods, services and labour. However, the US central bank, the Fed, believed that inflation was largely transitory and continued its extensive stimuli for most of the year. At the end of 2021, the Fed gave signs that the economy had recovered enough that stimulus programmes could start to be cut back. The Fed also changed its forecast for its key interest rate and expects to hike rates three times in 2022. US short-term rates rose slightly toward the end of the year, while long-term interest rates remained low.

Europe also reported strong growth and rising inflation. The hard hit services sector strengthened considerably and such countries as Spain and France reported strong growth. Growth in Germany was slightly held back by a shortage of components and other bottleneck problems in the industrial sector. Like the US, inflation rose due to the price of commodities and electricity, but nowhere near the levels or as wide-scaled as recorded in the US. The European Central Bank (ECB) continued its stimuli and although bond buying was wound down slightly it is expected to continue throughout 2022. The ECB is not expected to raise its key interest rate in 2022. The differing approaches of the Fed and the ECB meant that the interest-rate difference between the US and Europe increased in 2021, contributing to the USD strengthening considerably.

In Asia, the Chinese economy had already made a recovery in the first half of 2021, but reduced stimuli, continuing restrictions and weaker consumer demand resulted in the economic climate softening in the second half of the year. The large property developer Evergrande experienced payment difficulties, which created turmoil and slowed the trend in the construction industry. The Chinese government tightened regulations for several large tech companies during the year, which had major negative consequences for the Chinese stock market. China's central bank introduced new stimulus packages at the end of the year to bolster the economy.

The stock markets performed very well in

2021. The leading stock market indices rose during the year and the MSCI World Index was up 21.1%, while the US S&P500 rose 27.7%. The Stockholm Stock Exchange increased 36.6% in 2021, including dividends.

The Swedish economy grew substantially during the year and GDP is now at a normal level. Inflation also rose, but less than in many other developed economies. The labour market strengthened considerably and continued to be dominated by a division between strong and weak groups in the labour market, and long-term unemployment remained high. The Riksbank continued with its extensive asset purchase program during 2021 but initiated a reduction of their purchases and during 2022 only maturing bonds will be reinvested. Long-term government bond rates fell in the fourth quarter, while the difference between mortgage bonds and government bonds expanded during the quarter, driven by the Riksbank's announcement that it would start to taper its purchases of covered bonds. The forecast for the key interest rate was marginally changed and the repo rate will not be raised until late 2024. The Swedish housing market performed very strongly in 2021 with a sharp rise in housing prices, despite housing development accelerating during the year. Similar to 2020, the price of single-family homes rose more than for tenant-owned apartments, largely driven by continuing high demand for larger homes. Housing prices in the Swedish market increased 10.5% in 2021 according to the HOX Housing Index.

## Information regarding COVID-19

The rate of infection of COVID-19 increased substantially towards the end of 2021 due to the omicron variant. However, the impact of the higher rate of infection on the business activities has been limited to date. Robust stimulus measures were taken by the government and relevant authorities when the pandemic broke out, and monetary policy remains expansive even though the Riksbank has started to cut back its asset buying programme. During the year, the stimulus

packages contributed positively to the macroeconomic performance, strong stock markets and a continued rise in housing prices, which combined have a positive effect on the operations.

Länsförsäkringar Bank has taken a number of measures since the first quarter of 2020 to ensure the continuation of the operations in the Bank Group. The aim of the implemented measures is for the external impact on customers to be as low as possible.

The focus was on minimising the risk of internal contagion in the Bank Group that would affect the bank's operational capacity. The operations are thus continuing to involve a large element of remote working. The regional insurance companies' branches remain available for customer meetings, observing the recommendations of the authorities.

# 2021 compared with 2020

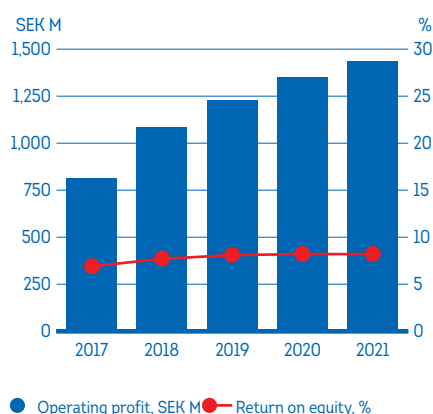
## Growth and customer trend

Loans to the public rose 7%, or SEK 19.0 billion, to SEK 278.5 billion (259.5), with continued very high credit quality. The number of customers was 295,000 and 86% of retail mortgage customers have Länsförsäkringar as their primary bank.

## Earnings and profitability

Operating profit increased 6% to SEK 1,433 M (1,348), primarily due to higher net interest income. The investment margin amounted to 0.93% (0.95). Profit before credit losses rose 6% to SEK 1,429 M (1,349). Return on equity amounted to 8.2% (8.2).

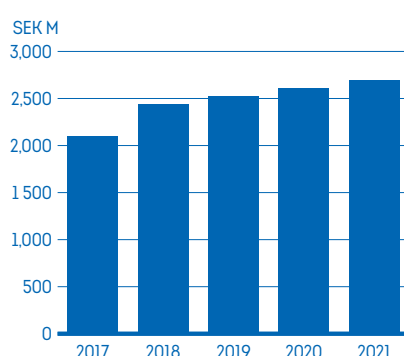
### Operating profit and return on equity



## Income

Operating income increased 5% to SEK 1,560 M (1,483), attributable to higher net interest income and net gains from financial items. Net interest income increased 3% to SEK 2,296 M (2,612) due to higher volumes. Net commission was SEK -1,176 M (-1,107).

### Net interest income



## Expenses

Operating expenses amounted to SEK 130.8 M (133.5). 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 -4.2 M (0.8), net, corresponding to a credit loss level of -0.00% (0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 200.2 M, corresponding to a share of credit-impaired loan receivables of 0.07%. The loss allowance for credit-impaired loan receivables was SEK 1.4 M. The reserve ratio for credit-impaired loan receivables amounted to 0.69%. In addition, SEK 5.5 M of the remuneration to the regional insurance companies regarding credit-impaired loan receivables\* is withheld. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 6.9 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 3.4% and the total recognised loss allowance was SEK 18.3 M, of which SEK 14.7 M pertained to withheld remuneration to the regional insurance companies\*.

### Loss allowance, stage 3

SEK M	31 Dec 2021	31 Dec 2020
Loans to the public	278,523	259,500
Credit-impaired loan receivables (stage 3)	200.2	189.9
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	6.9	6.9
of which loss allowance for credit-impaired loan receivables (stage 3)	1.4	1.4
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	5.5	5.5

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

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

## Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 7%, or SEK 19.0 billion, to SEK 278.5 billion (259.5). The credit quality of the loan portfolio, comprising 71.5% (71.5) single-family homes, 24.5% (25) tenant-owned apartments, 3.5% (3) multi-family housing and 0.5% (0.5) industrial properties, remained favourable. On 31 December 2021, the market share of retail mortgages was 7.1% (7.1) according to Statistics Sweden.

## Cover pool

The cover pool, which forms the basis of issuance of covered bonds, contains mortgages of SEK 267 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 1.41 M (1.35). The weighted average loan-to-value ratio, LTV, was 54% (58) and the nominal, current OC (overcollateralisation) amounted to 29% (37). 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 31 December 2021. No impaired loans are included in the cover pool.

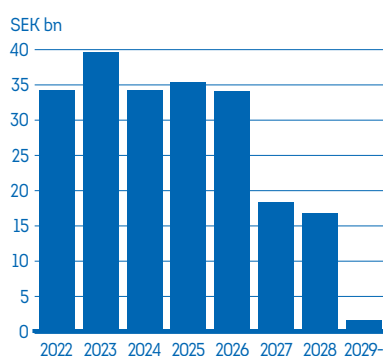
Cover pool	31 Dec 2021	31 Dec 2020
Cover pool, SEK billion	277	259
OC <sup>1</sup> , %	29	37
Weighted average LTV, %	54	58
Collateral	Private homes	Private homes
Seasoning, months	66	63
Number of loans	429,536	417,635
Number of borrowers	189,193	184,820
Number of properties	187,998	184,264
Average commitment, SEK 000s	1,411	1,349
Average loan, SEK 000s	621	595
Interest rate type, variable, %	49	49
Interest rate type, fixed, %	51	51
Loans past due 60 days	None	None

<sup>1</sup> 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 13% to SEK 220.6 billion (195.9). Issued covered bonds during the year totalled a nominal SEK 45.8 billion (35.1) and repurchases of a nominal SEK 4.5 billion (14.1) were executed. Matured covered bonds amounted to a nominal SEK 16.3 billion (13.8). During the year, Länsförsäkringar Hypotek issued a new Swedish covered bond (LFH521), which matures in September 2028 and a seven-year Euro benchmark covered bond for a nominal EUR 500 M.

### Maturity profile



● Covered bonds

## Liquidity

On 31 December 2021, liquidity assets totalled SEK 10.0 billion (10.7). Liquidity remains healthy and contractual undertakings can be met for about two years without needing to secure new funding in the capital market. Liquidity assets comprised 100% (100) Swedish covered bonds with the credit rating of AAA/Aaa.

## Rating

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

## Capital ratio<sup>1</sup>

On 31 December 2021, the total Risk Exposure Amount (REA) amounted to SEK 81,262 M (76,001).

The Common Equity Tier 1 capital ratio amounted to 17.8% (18.6). Common Equity Tier 1 capital strengthened again this quarter, with sustained profit generation.

Under Article 113(6) of CRR, approval may be granted to use a risk weight of 0% for certain exposures for companies that are part of

the same consolidated situation. Approval for this was obtained in the past but has since expired, and thus affected the Common Equity Tier 1 capital ratio. An application to extend approval was submitted to the Financial Supervisory Authority but had not been received as per 31 December 2021. It is expected that approval will be granted not later than February and will then be taken into account in the reporting as per the end of March.

If approval described above is granted and a risk weight of 0% is applied to intra-Group exposures, the Common Equity Tier 1 capital ratio would have been 18.6%. The credit quality of lending remained favourable.

Länsförsäkringar Hypotek AB (SEK M)	31 Dec 2021	30 Sep 2021
IRB Approach	19,749	19,372
retail exposures	15,396	15,051
exposures to corporates	4,354	4,320
Standardised Approach	5,718	1,287
Operational risks	2,011	2,011
Additional requirements	53,620	53,200
Total REA	81,262	76,001
Common Equity Tier 1 capital	14,426	14,130
Tier 1 capital	14,426	14,130
Total capital	14,426	14,130
Common Equity Tier 1 capital ratio	17.8%	18.6%
Tier 1 ratio	17.8%	18.6%
Total capital ratio	17.8%	18.6%
<b>Risk-based capital requirements</b>		
Own funds requirements (Pillar I)	6,501	6,080
Pillar II Requirements (P2R)	0	0
Combined buffer requirement	2,032	1,900
Pillar II Guidance (P2G)	0	0
Overall adequate level of own funds	8,533	7,980
<b>Risk-based capital requirements as a percentage of REA</b>		
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%

## Internally assessed capital and buffer requirements

The CRD V 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 31 December 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 31 December 2021 amounted to SEK 7,330 M (6,933), 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 31 December 2021.

The capital conservation buffer on 31 December 2021 amounted to SEK 2,032 M (2.5% of REA) and the overall adequate level of own funds amounted to SEK 8,533 M (10.5% of REA).

The leverage ratio amounted to 4.7% (4.8) on 31 December 2021. The formally determined Pillar II Requirements (P2R) and Pillar II Guidance (P2G) regarding the leverage ratio amounted to SEK 0 M (0%) on 31 December 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 31 December 2021.

For more information on capital adequacy, see note 12.

<sup>1</sup> The comparative period pertains to 30 September 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.

## Rating

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

<sup>†</sup> Pertains to the company's covered bonds.

### **Interest-rate risk**

On 31 December 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 -119.4 M (-179.9).

### **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.

### **Fourth quarter of 2021 compared with third quarter of 2021**

Operating profit amounted to SEK 369.4 M (367.8). Return on equity amounted to 8.2% (8.4). Operating income amounted to SEK 402.2 M (399.3). Net interest income increased 2% to SEK 690.5 M (674.9). Net gains from financial items amounted to SEK 9.4 M (17.1). Net commission amounted to SEK -297.7 M (-292.7). Operating expenses amounted to SEK 33.2 M (32.1) and the cost/income ratio before credit losses to 0.08% (0.08). Credit losses amounted to SEK -0.3 M (-0.6), net.

### **Events after the end of the period**

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

### **Annual Report**

The 2021 Annual Report will be available on Länsförsäkringar Hypotek's website on 14 March 2022.

## Income statement

SEK M	Note	Q 4 2021	Q 3 2021	Change	Q 4 2020	Change	Jan-Dec 2021	Jan-Dec 2020	Change
Interest income		1,047.9	1,038.4	1%	1,037.4	1%	4,150.8	4,402.8	-6%
Interest expense		-357.4	-363.6	-2%	-375.4	-5%	-1,455.2	-1,791.0	-19%
<b>Net interest income</b>	3	<b>690.5</b>	<b>674.9</b>	<b>2%</b>	<b>662.1</b>	<b>4%</b>	<b>2,695.6</b>	<b>2,611.9</b>	<b>3%</b>
Commission income		9.9	9.5	4%	9.1	9%	37.3	31.7	18%
Commission expense		-307.6	-302.2	2%	-314.3	-2%	-1,213.0	-1,138.9	7%
<b>Net commission</b>	4	<b>-297.7</b>	<b>-292.7</b>	<b>2%</b>	<b>-305.2</b>	<b>-2%</b>	<b>-1,175.8</b>	<b>-1,107.2</b>	<b>6%</b>
Net gains/losses from financial items	5	9.4	17.1	-45%	-5.0		40.1	-22.2	
<b>Total operating income</b>		<b>402.2</b>	<b>399.3</b>	<b>1%</b>	<b>351.8</b>	<b>14%</b>	<b>1,560.0</b>	<b>1,482.5</b>	<b>5%</b>
Staff costs		-3.7	-3.3	12%	-5.6	-34%	-13.8	-21.1	-35%
Other administration expenses		-29.5	-28.8	2%	-27.7	6%	-116.9	-112.3	4%
<b>Administration expenses</b>		<b>-33.1</b>	<b>-32.1</b>	<b>3%</b>	<b>-33.3</b>	<b>-1%</b>	<b>-130.6</b>	<b>-133.3</b>	<b>-2%</b>
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.2	-0.2	0%
<b>Total operating expenses</b>		<b>-33.2</b>	<b>-32.1</b>	<b>3%</b>	<b>-33.4</b>	<b>-1%</b>	<b>-130.8</b>	<b>-133.5</b>	<b>-2%</b>
<b>Profit before credit losses</b>		<b>369.1</b>	<b>367.2</b>	<b>1%</b>	<b>318.5</b>	<b>16%</b>	<b>1,429.2</b>	<b>1,349.0</b>	<b>6%</b>
Credit losses, net	6	0.3	0.6	-50%	1.1	-73%	4.2	-0.8	
<b>Operating profit</b>		<b>369.4</b>	<b>367.8</b>	<b>0%</b>	<b>319.6</b>	<b>16%</b>	<b>1,433.4</b>	<b>1,348.2</b>	<b>6%</b>
Appropriations		-275.7	-		-274.1	1%	-275.7	-274.1	1%
Tax		-22.2	-75.5	-71%	-9.7		-241.1	-239.2	1%
<b>Profit for the period</b>		<b>71.5</b>	<b>292.3</b>	<b>-76%</b>	<b>35.8</b>		<b>916.6</b>	<b>835.0</b>	<b>10%</b>

## Statement of comprehensive income

SEK M	Q 4 2021	Q 3 2021	Change	Q 4 2020	Change	Jan-Dec 2021	Jan-Dec 2020	Change
<b>Profit for the period</b>	<b>71.5</b>	<b>292.3</b>	<b>-76%</b>	<b>35.8</b>		<b>916.6</b>	<b>835.0</b>	<b>10%</b>
<b>Other comprehensive income</b>								
<b>Items that have been reclassified or may subsequently be reclassified to the income statement</b>								
Cash-flow hedges	25.8	22.2	16%	-30.6		82.1	-67.5	
Change in fair value of debt instruments measured at FVOCI	12.3	2.7		16.2	-24%	9.6	31.7	-70%
Tax attributable to items that have been transferred or can be transferred to profit for the period	-7.9	-5.1	55%	1.0		-18.9	5.6	
<b>Total other comprehensive income for the period, net after tax</b>	<b>30.3</b>	<b>19.8</b>	<b>53%</b>	<b>-13.4</b>		<b>72.9</b>	<b>-30.2</b>	
<b>Total comprehensive income for the period</b>	<b>101.8</b>	<b>312.1</b>	<b>-67%</b>	<b>22.4</b>		<b>989.4</b>	<b>804.8</b>	<b>23%</b>



## Balance sheet

SEK M	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Loans to credit institutions	7	4,272.6	3,933.2
Loans to the public	8	278,522.8	259,499.5
Bonds and other interest-bearing securities		9,968.6	10,674.4
Derivatives	9	4,166.0	5,199.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		659.1	272.0
Tangible assets		0.5	0.7
Deferred tax assets		35.8	52.8
Other assets		0.3	0.2
Prepaid expenses and accrued income		20.4	23.9
<b>Total assets</b>		<b>297,646.1</b>	<b>279,656.4</b>
<b>Liabilities, provisions and equity</b>			
Due to credit institutions	7	58,632.3	65,341.8
Debt securities in issue		220,591.8	195,861.4
Derivatives	9	1,350.3	651.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		329.3	1,800.1
Other liabilities		97.4	158.6
Accrued expenses and deferred income		1,810.7	1,774.1
Provisions		1.6	1.6
Subordinated liabilities		-	500.0
<b>Total liabilities and provisions</b>		<b>282,813.5</b>	<b>266,089.0</b>
<b>Untaxed reserves</b>		<b>1,716.1</b>	<b>1,440.3</b>
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		3,129.9	3,129.9
Statutory reserve		14.1	14.1
<i>Total restricted equity</i>		<i>3,144.0</i>	<i>3,144.0</i>
<i>Non-restricted equity</i>			
Fair value reserves		-89.5	-162.4
Retained earnings		9,145.4	8,310.5
Profit for the period		916.6	835.0
<i>Total non-restricted equity</i>		<i>9,972.5</i>	<i>8,983.1</i>
<b>Total equity</b>		<b>13,116.5</b>	<b>12,127.1</b>
<b>Total liabilities, provisions and equity</b>		<b>297,646.1</b>	<b>279,656.4</b>
<b>Other notes</b>			
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## Cash-flow statement in summary, indirect method

SEK M	Jan-Dec 2021	Jan-Dec 2020
<b>Cash and cash equivalents, 1 January</b>	<b>1,998.6</b>	<b>3,961.7</b>
<b>Operating activities</b>		
Operating profit	1,433.4	1,348.2
Adjustment of non-cash items	-521.3	221.0
<b>Change in assets of operating activities</b>		
Change in interest-bearing securities	634.3	-155.6
Change in loans to the public	-19,019.7	-19,439.4
Change in other assets	745.2	-1,679.9
<b>Change in liabilities of operating activities</b>		
Change in debt securities in issue	25,286.2	9,811.8
Change in other liabilities	-6,977.0	7,931.1
<b>Cash flow from operating activities</b>	<b>1,581.1</b>	<b>-1,962.8</b>
<b>Investing activities</b>		
Acquisition of property and equipment	0.0	-0.4
<b>Cash flow from investing activities</b>	<b>0.0</b>	<b>-0.4</b>
<b>Financing activities</b>		
Amortisation of subordinated debt	-500.0	-
<b>Cash flow from financing activities</b>	<b>-500.0</b>	<b>-</b>
<b>Net cash flow for the period</b>	<b>1,081.1</b>	<b>-1,963.2</b>
<b>Cash and cash equivalents, 31 December</b>	<b>3,079.7</b>	<b>1,998.6</b>

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	7,554.6	756.0	11,322.3
Profit for the period						835.0	835.0
Other comprehensive income for the period			25.0	-55.1			-30.2
Comprehensive income for the period			25.0	-55.1		835.0	804.8
According to resolution by Annual General Meeting					756.0	-756.0	-
Closing balance, 31 December 2020	3,129.9	14.1	40.8	-203.3	8,310.5	835.0	12,127.1
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						916.6	916.6
Other comprehensive income for the period			7.7	65.2			72.9
Comprehensive income for the period			7.7	65.2		916.6	989.4
According to resolution by Annual General Meeting					835.0	-835.0	-
Closing balance, 31 December 2021	3,129.9	14.1	48.5	-138.1	9,145.4	916.6	13,116.5

# 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 4 2021	Q 3 2021	Change	Q 4 2020	Change	Jan-Dec 2021	Jan-Dec 2020	Change
<b>Interest income</b>								
Loans to credit institutions	19.4 <sup>1)</sup>	11.0 <sup>1)</sup>	76%	6.2		59.2	62.4	-5%
Loans to the public	1,078.4	1,079.1		1,081.9		4,304.3	4,362.9	-1%
Interest-bearing securities	9.4 <sup>1)</sup>	9.3 <sup>1)</sup>	1%	9.1	3%	36.8	34.8	6%
Derivatives	-59.3	-61.0	-3%	-59.8	-1%	-249.4	-57.2	
Other interest income	-	-		-		-	-	
<b>Total interest income</b>	<b>1,047.9</b>	<b>1,038.4</b>	<b>1%</b>	<b>1,037.4</b>	<b>1%</b>	<b>4,150.8</b>	<b>4,402.8</b>	<b>-6%</b>
<b>Interest expense</b>								
Due to credit institutions	-160.4 <sup>1)</sup>	-157.5 <sup>1)</sup>	2%	-162.3	-1%	-646.6	-665.3	-3%
Dept securities in issue	-387.9	-391.3	-1%	-389.3		-1,561.8	-1,732.5	-10%
Subordinated liabilities	-	-		-2.0		-1.7	-8.5	-80%
Derivatives	215.9	210.2	3%	198.8	9%	855.7	699.1	22%
Other interest expense	-25.0	-25.0		-20.6	21%	-100.7	-83.8	20%
<b>Total interest expense</b>	<b>-357.4</b>	<b>-363.6</b>	<b>-2%</b>	<b>-375.4</b>	<b>-5%</b>	<b>-1,455.2</b>	<b>-1,791.0</b>	<b>-19%</b>
<b>Total net interest income</b>	<b>690.5</b>	<b>674.9</b>	<b>2%</b>	<b>662.1</b>	<b>4%</b>	<b>2,695.6</b>	<b>2,611.9</b>	<b>3%</b>
Average interest rate on loans to the public during the period, %	1.6	1.6		1.7		1.6	1.8	

<sup>1)</sup> 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 0.1 M (0.0).

Interest income calculated according to the effective interest method amounts to SEK 1,047.9 M (1,038.4).

Note 4	Net commission							
SEK M	Q 4 2021	Q 3 2021	Change	Q 4 2020	Change	Jan-Dec 2021	Jan-Dec 2020	Change
<b>Commission income</b>								
Loans	9.9	9.5	4%	9.1	9%	37.3	31.7	18%
<b>Total commission income</b>	<b>9.9</b>	<b>9.5</b>	<b>4%</b>	<b>9.1</b>	<b>9%</b>	<b>37.3</b>	<b>31.7</b>	<b>18%</b>
<b>Commission expense</b>								
Remuneration to regional insurance companies	-307.4	-302.1	2%	-314.2	-2%	-1,212.7	-1,138.9	6%
Other commission	-0.2	-0.1		0.0		-0.3	-0.1	
<b>Total commission expense</b>	<b>-307.6</b>	<b>-302.2</b>	<b>2%</b>	<b>-314.3</b>	<b>-2%</b>	<b>-1,213.0</b>	<b>-1,138.9</b>	<b>7%</b>
<b>Total net commission</b>	<b>-297.7</b>	<b>-292.7</b>	<b>2%</b>	<b>-305.2</b>	<b>-2%</b>	<b>-1,175.8</b>	<b>-1,107.2</b>	<b>6%</b>

Note 5	Net gains / losses from financial items							
SEK M	Q 4 2021	Q 3 2021	Change	Q 4 2020	Change	Jan-Dec 2021	Jan-Dec 2020	Change
Interest-bearing assets and liabilities and related derivatives	-0.7	4.4		-15.7	-96%	-3.0	-56.7	-95%
Other financial assets and liabilities	0.0	0.0		0.1		0.0	0.1	
Interest compensation (refer to items measured at amortised cost)	10.1	12.7	-20%	10.6	-5%	43.0	34.4	25%
<b>Total net gains / losses from financial items</b>	<b>9.4</b>	<b>17.1</b>	<b>-45%</b>	<b>-5.0</b>		<b>40.1</b>	<b>-22.2</b>	

<b>Note 6 Credit losses</b>								
Net credit losses, SEK M	Q 4 2021	Q 3 2021	Change	Q 4 2020	Change	Jan-Dec 2021	Jan-Dec 2020	Change
<b>Change in loss allowance for loan receivables</b>								
Stage 1 (not credit-impaired)	0.0	0.2		0.2		2.6	-1.8	
Stage 2 (not credit-impaired)	0.0	0.2		-0.1		1.0	-0.1	
Stage 3 (credit-impaired)	0.1	0.0		1.4	-93%	0.0	0.4	
<b>Total change in loss allowance for loan receivables</b>	<b>0.1</b>	<b>0.4</b>	<b>-75%</b>	<b>1.5</b>	<b>-93%</b>	<b>3.6</b>	<b>-1.5</b>	
Expense for confirmed credit losses	-0.3	0.0		-0.6	-50%	-1.8	-1.0	80%
Payment received for prior confirmed credit losses	0.5	0.3	67%	0.3	67%	2.4	2.0	20%
<b>Net expense for the period for credit losses for loan receivables</b>	<b>0.3</b>	<b>0.7</b>	<b>-57%</b>	<b>1.2</b>	<b>-75%</b>	<b>4.3</b>	<b>-0.4</b>	
Change in loss allowance for commitments	0.0	0.0		0.0		0.1	-0.1	
Net expense for other credit losses for the period	-	-		-		-	0.0	
Net expense of the modification result for the period	0.0	0.0		-0.1		-0.2	-0.3	-33%
<b>Net expense for credit losses for the period</b>	<b>0.3</b>	<b>0.6</b>	<b>-50%</b>	<b>1.1</b>	<b>-73%</b>	<b>4.2</b>	<b>-0.8</b>	

A condition for full payment of the regional insurance companies' distribution remuneration by Länsförsäkringar Hypotek AB is that the loans generated by each regional insurance company for Länsförsäkringar Hypotek AB are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. During the fourth quarter of 2021, total credit losses amounted to SEK 0.3 M (2.6), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK 0.3 M (0.6) and the remainder of SEK -0.1 M (1.9) was settled against remuneration to the regional insurance companies.

The table below shows the forward-looking macroeconomic scenarios used for calculating the loss allowance. The macroeconomic scenarios applied in the model calculations were updated in the fourth quarter to reflect the current macroeconomic situation. 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%.

31 December 2021	Base scenario			Negative scenario			Positive scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Housing prices, annual change in %	4.0%	4.0%	4.0%	3.6%	4.0%	4.0%	4.4%	4.0%	4.0%
GDP, annual change in %	3.9%	1.8%	1.8%	3.1%	1.4%	1.8%	4.8%	2.3%	1.8%
Unemployment, level in %	7.5%	7.0%	7.0%	7.8%	7.2%	7.0%	7.3%	7.0%	7.0%
31 December 2020	Base scenario			Negative scenario			Positive scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Housing prices, annual change in %	4.0%	4.0%	4.0%	3.6%	4.0%	4.0%	4.0%	4.0%	4.0%
GDP, annual change in %	3.5%	3.1%	2.3%	1.9%	3.1%	2.3%	4.7%	3.2%	2.3%
Unemployment, level in %	9.3%	8.2%	7.4%	9.8%	8.7%	7.7%	8.8%	7.8%	7.1%

## **Note 7 Loans / due to credit institutions**

On 31 December 2021, Loans to credit institutions amounted to SEK 4,272.6 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 3,372.6 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 58,632.3 M (65,341.8) on 31 December 2021. Due to credit institutions includes borrowings from the Parent Company of SEK 56,781.9 M (63,407.2).

<b>Note 8</b>	<b>Loans to the public</b> Loan receivables are geographically attributable in their entirety to Sweden	
<b>SEK M</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Corporate sector	8,570.1	7,473.0
Retail sector	269,956.4	252,033.9
<b>Loans to the public before loss allowance</b>	<b>278,526.5</b>	<b>259,506.8</b>
Loss allowance	-3.7	-7.3
<b>Loans to the public</b>	<b>278,522.8</b>	<b>259,499.5</b>

Loans to the public				
Reconciliation of loss allowance				
SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Opening balance, 1 January 2021</b>	<b>-4.2</b>	<b>-1.8</b>	<b>-1.4</b>	<b>-7.3</b>
Increase due to new or acquired loans	-0.9	0.0	0.0	-1.0
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.6	0.4	0.3	1.3
Change due to changed credit risk	2.2	0.9	0.0	3.2
Transfer between stages	0.7	-0.3	-0.4	0.0
Other adjustments	0.0	0.0	0.0	0.0
Decrease due to write-off	-	-	0.1	0.1
<b>Closing balance, 31 December 2021</b>	<b>-1.5</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-3.7</b>
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to the public before loss allowances</b>	<b>276,393.8</b>	<b>1,932.5</b>	<b>200.2</b>	<b>278,526.5</b>
Credit reserve requirement	-7.6	-3.9	-6.9	-18.3
Withheld remuneration to the regional insurance companies	6.1	3.1	5.5	14.7
<b>Recognised loss allowance</b>	<b>-1.5</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-3.7</b>
<b>Loans to the public</b>	<b>276,392.3</b>	<b>1,931.7</b>	<b>198.8</b>	<b>278,522.8</b>

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	
<b>Opening balance, 1 January 2020</b>	<b>-2.4</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-5.8</b>
Increase due to new or acquired loans	-1.5	0.0	0.0	-1.6
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	0.3	0.3	0.7	1.3
Change due to changed credit risk	-0.6	-0.4	-1.0	-2.0
Other adjustments	-	-	-	-
Decrease due to write-off	-	-	0.8	0.8
<b>Closing balance, 31 December 2020</b>	<b>-4.2</b>	<b>-1.8</b>	<b>-1.4</b>	<b>-7.3</b>
Allocation of loss allowance requirement SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to the public before loss allowances</b>	<b>257,183.1</b>	<b>2,133.8</b>	<b>189.9</b>	<b>259,506.8</b>
Credit reserve requirement	-20.4	-8.8	-6.9	-36.1
Withheld remuneration to the regional insurance companies	16.2	7.0	5.5	28.8
<b>Recognised loss allowance</b>	<b>-4.2</b>	<b>-1.8</b>	<b>-1.4</b>	<b>-7.3</b>
<b>Loans to the public</b>	<b>257,179.0</b>	<b>2,132.0</b>	<b>188.6</b>	<b>259,499.5</b>

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

**Note 9** Derivatives

SEK M	31 December 2021		31 December 2020	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>				
<i>Derivatives in hedge accounting</i>				
Interest-related	190,085.0	1,133.9	162,192.0	2,093.1
Currency-related	32,348.3	3,032.1	34,254.0	3,106.6
<b>Total derivatives with positive values</b>	<b>222,433.3</b>	<b>4,166.0</b>	<b>196,446.0</b>	<b>5,199.7</b>
<b>Derivatives with negative values</b>				
<i>Derivatives in hedge accounting</i>				
Interest-related	129,665.0	1,254.8	124,675.0	477.6
Currency-related	6,174.7	95.5	1,394.2	173.7
<b>Total derivatives with negative values</b>	<b>135,839.7</b>	<b>1,350.3</b>	<b>126,069.2</b>	<b>651.3</b>

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

**Note 10** Pledged assets, contingent liabilities and commitments

SEK M	31 December 2021	31 December 2020
For own liabilities, pledged assets	278,209.3	260,934.0
Commitments <sup>1)</sup>	12,718.9	13,560.3

<sup>1)</sup> On 31 December 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.



<div>Note 11</div> <div>Fair value valuation techniques</div>				
SEK M	31 December 2021		31 December 2020	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Loans to credit institutions	4,272.6	4,272.6	3,933.2	3,933.2
Loans to the public	278,522.8	278,728.5	259,499.5	260,233.0
Bonds and other interest-bearing securities	9,968.6	9,968.6	10,674.4	10,674.4
Derivatives	4,166.0	4,166.0	5,199.7	5,199.7
Other assets	-	-	-	-
Prepaid expenses and accrued income	19.0	19.0	19.7	19.7
<b>Total</b>	<b>296,949.1</b>	<b>297,154.7</b>	<b>279,326.5</b>	<b>280,060.0</b>
<b>Financial liabilities</b>				
Due to credit institutions	58,632.3	58,709.6	65,341.8	65,373.0 <sup>1)</sup>
Debt securities in issue	220,591.8	222,425.9	195,861.4	200,532.3 <sup>1)</sup>
Derivatives	1,350.3	1,350.3	651.3	651.3
Other liabilities	5.2	5.2	0.3	0.3
Subordinated liabilities	-	-	500.0	519.5
Accrued expenses and deferred income	842.5	842.5	853.9	853.9
<b>Total</b>	<b>281,422.2</b>	<b>283,333.5</b>	<b>263,208.7</b>	<b>267,930.3</b>

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.

<sup>1)</sup> 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				
31 December 2021, SEK M	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Bonds and other interest-bearing securities	9,968.6			9,968.6
Derivatives		4,166.0		4,166.0
<b>Liabilities</b>				
Derivatives		1,350.3		1,350.3
<b>31 December 2020, SEK M</b>				
<b>Assets</b>				
Bonds and other interest-bearing securities	10,674.4			10,674.4
Derivatives		5,199.7		5,199.7
<b>Liabilities</b>				
Derivatives		651.3		651.3

## 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.

	31 Dec 2021	31 Dec 2020
<b>Available own funds (amounts)</b>		
Common Equity Tier 1 (CET1) capital	14,426.4	13,285.2
Tier 1 capital	14,426.4	13,285.2
Total capital	14,426.4	13,734.0
<b>Risk-weighted exposure amounts</b>		
Total risk-weighted exposure amount	81,262.3	72,085.1
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
Common Equity Tier 1 ratio (%)	17.8%	18.4%
Tier 1 ratio (%)	17.8%	18.4%
Total capital ratio (%)	17.8%	19.1%
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0%	0%
of which: to be made up of CET1 capital (percentage points)	0%	0%
of which: to be made up of Tier 1 capital (percentage points)	0%	0%
Total SREP own funds requirements (%)	8%	8%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>		
Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0%	0%
Institution specific countercyclical capital buffer (%)	0%	0%
Systemic risk buffer (%)	0%	0%
Global Systemically Important Institution buffer (%)	0%	0%
Other Systemically Important Institution buffer	0%	0%
Combined buffer requirement (%)	2.5%	2.5%
Overall capital requirements (%)	10.5%	10.5%
CET1 available after meeting the total SREP own funds requirements (%)	13.3%	13.9%
<b>Leverage ratio</b>		
Leverage ratio total exposure measure	305,919.6	288,362.1
Leverage ratio (%)	4.7%	4.6%
<b>Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)</b>		
Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
of which: to be made up of CET1 capital (percentage points)	0%	0%
Total SREP leverage ratio requirements (%)	3%	0%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>		
Leverage ratio buffer requirement (%)	0%	0%
Overall leverage ratio requirements (%)	3%	0%
<b>Liquidity Coverage Ratio (12 months average)</b>		
Total high-quality liquid assets (HOLA) (Weighted value - average)	0.0	E/T
Cash outflows - Total weighted value	4,691.6	E/T
Cash inflows - Total weighted value	6,932.2	E/T
Total net cash outflows (adjusted value)	1,502.6	E/T
Liquidity coverage ratio (%)	0%	E/T
<b>Net Stable Funding Ratio</b>		
Total available stable funding	243,982.7	E/T
Total required stable funding	229,051.7	E/T
NSFR ratio (%)	107%	E/T

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

	Risk weighted exposure amounts		Total own funds requirements	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>Credit risk (excluding CCR)</b>	<b>75,815.7</b>	<b>69,819.0</b>	<b>6,065.3</b>	<b>5,585.5</b>
Of which: the standardised approach	2,446.0	1,531.8	195.7	96.6
Of which: the foundation IRB (FIRB) approach	4,353.8	3,884.1	348.3	310.7
Of which: the advanced IRB (AIRB) approach	15,395.6	15,131.1	1,231.6	1,210.5
Of which: risk exposure amounts according to Article 458 CRR	53,620.4	49,596.4	4,289.6	3,967.7
<b>Counterparty credit risk - CCR</b>	<b>3,435.0</b>	<b>537.7</b>	<b>274.8</b>	<b>43.0</b>
Of which: the standardised approach	3,271.6	324.4	261.7	26.0
Of which: credit valuation adjustment - CVA	163.5	213.3	13.1	17.1
Of which: other CCR	-	-	-	-
<b>Operational risk</b>	<b>2,011.5</b>	<b>1,728.4</b>	<b>160.9</b>	<b>138.3</b>
Of which standardised approach	2,011.5	1,728.4	160.9	138.3
<b>Total</b>	<b>81,262.3</b>	<b>72,085.1</b>	<b>6,501.0</b>	<b>5,766.8</b>

**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, 11 February 2022

Anders Borgcrantz  
*Verkställande direktör*

# Review report

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

## Introduction

We have reviewed the attached condensed interim report of Länsförsäkringar Hypotek AB (publ) as of 31 December 2021 and the twelve-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this attached interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this attached interim report based on our review.

## Scope of review

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

## Conclusion

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

Stockholm, 11 February 2022  
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.

### Liquidity Coverage ratio

Qualitative liquid assets (12-month average) in relation to their net cash outflow measured over a period of 30 days.

### 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.

### Net stable funding ratio

Available stable funding in relation to the assets that require stable funding over one year.

## 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-March Länsförsäkringar Bank	25 April 2022
Interim report January-March Länsförsäkringar Hypotek	25 April 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 11 February 2022 at 12:00 a.m. CET.

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