

# Länsförsäkringar Hypotek

## Interim Report January-June 2022

### The period in brief

- Operating profit declined 9% to SEK 636.7 M (696.2) and the return on equity amounted to 6.8% (8.1).
- Net interest income declined 3% to SEK 1,343 M (1,380).
- Credit losses amounted to SEK -0.3 M (-3.2), net, corresponding to a credit loss level of -0.00% (-0.00).
- Operating profit was impacted by fees levied of SEK 106.8 M, of which risk tax comprised SEK 56.4 M.
- Lending increased 6.5% to SEK 286.7 billion (269.2).
- The Common Equity Tier 1 capital ratio amounted to 18.4% (17.8\*) on 30 June 2022.

Figures in parentheses pertain to the same period in 2021.

\*) Pertains to 31 December 2021.

### President's comment

The period was characterised by changes in the macro environment with rising inflation, higher interest rates and reduced growth prospects. The housing market started to show signs of a weaker trend, with indications that prices have started to fall. In the future, mortgage customers will encounter higher mortgage rates, which naturally impacts household purchasing power. With our credit process, we can rest assured that Länsförsäkringar's mortgage customers have healthy margins to cope with higher interest rates and we can confirm that our credit quality remains very high. High competition remains a feature of the mortgage market. Following a slightly weaker start to the year in terms of volumes, growth was again stronger in recent months. Länsförsäkringar Hypotek's earnings for the first half of the year were stable and we are well prepared financially.

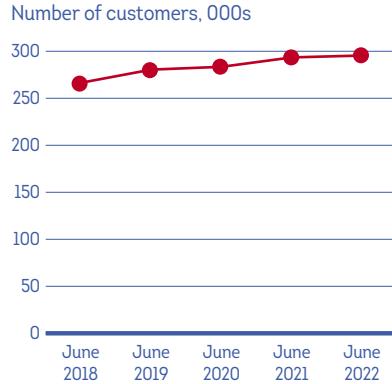
**Anders Borgcrantz**

President of Länsförsäkringar Hypotek

#### Loans to the public



#### Customer trend



Länsförsäkringar

[lansforsakringar.se/finansiellhypotek](http://lansforsakringar.se/finansiellhypotek)

## Key figures

	Jan-June 2022	July-Dec 2021	Jan-June 2021	Full-year 2021
Return on equity, %	6.81	8.20	8.06	8.13
Return on total assets, %	0.35	0.39	0.39	0.39
Investment margin*, %	0.88	0.96	0.96	0.96
Cost/income ratio before credit losses and fees levied*	0.09	0.08	0.08	0.08
Common Equity Tier 1 capital ratio, %	18.4	17.8	18.3	17.8
Total capital ratio, %	18.4	17.8	18.3	17.8
Share of credit-impaired loan receivables (stage 3), %	0.06	0.07	0.07	0.07
Reserve ratio for loan receivables stage 1, %	0.00	0.00	0.00	0.00
Reserve ratio for loan receivables stage 2, %	0.05	0.04	0.04	0.04
Reserve ratio for loan receivables stage 3, %	0.84	0.69	0.74	0.69
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	4.20	3.44	3.72	3.44
Credit loss level, %	0.00	0.00	0.00	0.00

\* Historical key figures for 2021 have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

## Income statement, first six months

SEK M	Jan-June 2022	July-Dec 2021	Jan-June 2021
Net interest income**	1,343.1	1,415.2	1,380.4
Net commission	-496.6	-590.4	-585.4
Net gains/losses from financial items	-33.1	26.5	13.6
<b>Total operating income**</b>	<b>813.4</b>	<b>851.4</b>	<b>808.6</b>
Staff costs	-8.0	-7.0	-6.8
Other administration expenses	-62.2	-58.3	-58
<b>Total operating expenses</b>	<b>-70.2</b>	<b>-65.3</b>	<b>-65</b>
<b>Profit before credit losses and fees levied***</b>	<b>743.2</b>	<b>786.1</b>	<b>743.1</b>
Credit losses, net	0.3	1.0	3.2
Risk tax levied and resolution fee**	-106.8	-49.9	-50.1
<b>Operating profit</b>	<b>636.7</b>	<b>737.2</b>	<b>696.2</b>

\* Comparative figures for 2021 have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

The strong recovery of the global economy after the pandemic, in which demand outstripped supply, led to 2022 starting with increased inflation tendencies. The first half of the year was dominated by Russia's invasion of Ukraine, driving up the prices of energy, fuel and food, among other items, which accelerated inflation. In addition, new pandemic restrictions in China further hampered developments and in combination, this led to a sharp u-turn in monetary policy and reduced growth prospects.

The rapid economic recovery together with supply chain disruptions and the war in Ukraine resulted in very high inflation around the world. A number of leading central banks started to tighten monetary policies and began to quickly raise rates, which means that the economic outlook is gloomier and the risk of a recession has increased substantially. The US central bank, the Fed, led the way and was one of the first to act by lifting interest rates when it raised its key interest rate by 0.50 of a percentage point in May, and an additional 0.75 of a percentage point in June. The Fed is now expected to raise its key rate to just over 3.0% by the end of the year. Meanwhile, the Fed started to reduce its bond holdings, which resulted in one of the fastest restrictive changes of monetary policies in its history. The European Central

Bank (ECB) is expected to follow suit and in the summer announced its first interest-rate hike in more than ten years and to thereafter continue to raise its rates at a fast pace.

In Sweden, growth for most of the first half of the year was still relatively healthy and the labour market strong, although most signs now suggest that Swedish growth will decline in line with the trend in the macroeconomic environment. Among other developments, consumer confidence has fallen rapidly and the risk of low growth in the future has increased substantially. Household consumption was negatively affected by high inflation and rising interest rates. This can be expected to lead to weaker growth and falling housing prices. Valueguard's housing index, HOX, was up 2.2% in 2022 following a strong start to the year, but has since fallen 2.0% in the past three months. The Riksbank surprised by announcing that it would be much quicker in tightening its monetary policy than previously expected. At its June meeting, the Riksbank raised its policy rate by 0.5 of a percentage point and indicated further rate hikes at a rapid pace. In addition, the Riksbank announced that its would reduce its asset holdings faster than previously decided. Interest on mortgage bonds has increased sharply due to rising market interest rates in the global economy. The Riksbank's

quicker pace of reducing its asset holdings also contributed to the higher rate on mortgage bonds and a higher spread compared with government bonds.

Stock markets continued to decline in the second quarter after a relatively sharp drop also at the start of the year. The weak stock market trend was due to the surprisingly high inflation, austere monetary policy combined with lower growth prospects. The MSCI World Index fell 18% in the first half of the year and the US S&P500 was down 21%. The Stockholm Stock Exchange declined more than 27% in the same period, including dividends. Expected hikes in key interest rates also contributed to greater fluctuations in market interest rates. The US ten-year government bond yield was up from 1.6% at the start of the year to 3.1% at the end of the second quarter. Market interest rates in Sweden also increased sharply and the Swedish ten-year government bond yield rose from 0.3% to 1.8% in the same period. Interest on mortgage bonds increased even more, impacted by the Riksbank reducing its asset holdings at a faster rate. Rising market interest rates affect financing costs for banks, which led to gradual increases in mortgage rates for Swedish households.

# Impact of the war in Ukraine

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As described in the market commentary, the war in Ukraine has impacted the financial markets. Rising market interest rates result in the need to pass on the effects of higher financing costs to customer, for example, by raising mortgage rates. Since customers' repayment capacity is stressed by assumptions of higher rates in the affordability calculation that is part of the credit scoring process, mortgage customers are considered to have a solid margin for managing the situation.

Rising rates have contributed to tendencies of a weaker housing market with housing prices starting to dip. The impact of falling housing prices is, to date, minor. If housing prices continue to fall, it would lead to lower lending growth and lower average loan-to-value ratio in the mortgage portfolio.

The funding markets have continued to function, although uncertainty has widened credit spreads, meaning higher funding

costs. The Bank Group has a solid liquidity position and thus the capacity to manage periods of disruptions in the funding market. Wider credit spreads also have a slightly negative impact of holdings in the liquidity reserve.

The weak stock-market trend during the period impacted the volume of funds under management, which declined due to changes in value. This contributed to a negative trend in commission income from the fund business.

Geopolitical uncertainty combined with high inflation and rising interest rates result in weaker growth prospects. The macroeconomic scenarios forming the basis of the model calculations for expected credit losses were revised downward in the scheduled quarterly update. This reduction of the macroeconomic scenarios led to a slight upturn in the loss allowance for expected credit losses, but it is limited. However, it cannot be

ruled out that additional downward revisions of the forward-looking macro forecasts in the future will have greater effects on the loss allowance for expected credit losses. The most exposed sectors in lending to corporates considered to be agriculture, transport and hotels. These sectors have not yet noted any tangible impact of lending exposure. No effect on actual credit losses could be seen.

Since the impact of the war in Ukraine on the income statement, balance sheet and credit quality has been relatively limited, to date, the effect in terms of capital adequacy is also limited.

# January-June 2022 compared with January-June 2021

## Growth and customer trend

Loans to the public rose 7%, or SEK 17.5 billion, to SEK 286.7 billion (269.2), 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 fell 9% to SEK 636.7 M (696.2) mainly due to lower net interest income, net losses from financial items and the introduction of risk tax for banks. The investment margin amounted to 0.88% (0.96). Profit before credit losses and fees levied was unchanged at SEK 743 M (743). Return on equity amounted to 6.8% (8.1).

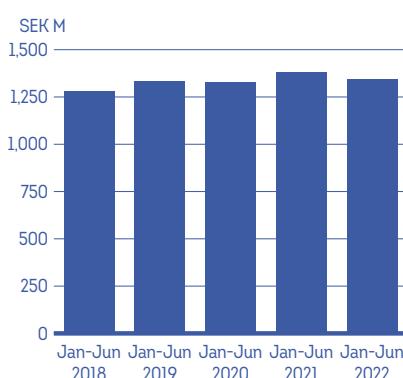
## Operating profit and return on equity



## Income

Operating income increased 1% to SEK 813.4 M (808.6), due to slightly lower negative net commission. Net interest income declined 3% to SEK 1,343 M (1,380) attributable to slightly lower margins. Net losses from financial items declined to SEK -33.1 M (13.6), which was due to the repurchase of own bonds under the liquidity management framework. Net commission amounted to SEK -496.6 M (-585.4).

## Net interest income



## Expenses

Operating expenses amounted to SEK 70.3 M (65.5). The cost/income ratio before credit losses and fees levied amounted to 0.09 (0.09).

## Credit losses

Credit losses amounted to SEK -0.3 M (-3.2), net, corresponding to a credit loss level of -0.00% (-0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 163.81 M, corresponding to a share of credit-impaired loan receivables of 0.06%. The loss allowance for credit-impaired loan receivables was SEK 1.4 M. The reserve ratio for credit-impaired loan receivables amounted to 0.84%. 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 4.2% and the total recognised loss allowance was SEK 22.0 M, of which SEK 17.6 M pertained to withheld remuneration to the regional insurance companies\*.

## Loss allowance, stage 3

SEK M	30 Jun 2022	30 Jun 2021
Loans to the public	385,639	269,194
Credit-impaired loan receivables (stage 3)	163.8	196.1
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	6.9	7.3
of which loss allowance for credit-impaired loan receivables (stage 3)	1.4	1.5
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	5.5	5.8

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

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

## Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 7%, or SEK 17.5 billion, to SEK 286.7 billion (269.2). The credit quality of the loan portfolio, comprising 71.4% (71.5) loans with collateral in single-family homes, 24.4% (25) collateral in tenant-owned apartments and 3.4% (3) collateral in multi-family housing, remained favourable. As of 31 May 2022, the market share of retail mortgages had declined slightly to 7.0% (7.1) according to Statistics Sweden.

## Cover pool

The cover pool, which forms the basis of issuance of covered bonds, contains mortgages of SEK 274.0 billion, corresponding to 96% of the loan portfolio. The collateral comprises only private homes, of which 72% (72) are single-family homes, 25% (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 1.45 M (1.38). The weighted average loan-to-value ratio, LTV, was 55% (59) and the nominal, current OC (overcollateralisation) amounted to 26% (32). Länsförsäkringar Hypotek's cover pool has a healthy buffer to manage any downturns in housing prices. In a stress test of the cover pool based on a 20% price drop in the market value of the mortgages' collateral, the weighted average LTV amounted to 63% (66) on 30 June 2022. No impaired loans are included in the cover pool.

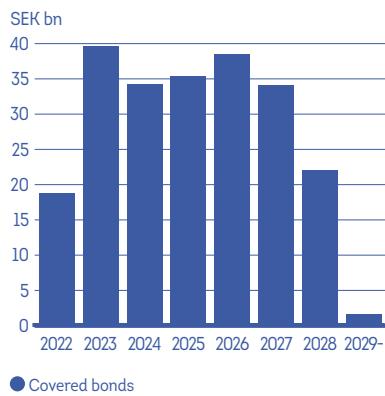
Cover pool	30 Jun 2022	30 Jun 2021
Cover pool, SEK billion	285	268
OC <sup>1</sup> , %	26	32
Weighted average LTV, %	55	59
Collateral	Private homes	Private homes
Seasoning, months	67	65
Number of loans	434,041	424,450
Number of borrowers	190,078	187,431
Number of properties	188,543	186,577
Average commitment, SEK 000s	1,453	1,380
Average loan, SEK 000s	631	607
Interest rate type, variable, %	52	46
Interest rate type, fixed, %	48	54
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 remains favourable and the maturity profile is well diversified. Debt securities in issue increased 9% to SEK 228.3 billion (209.0). Issued covered bonds during the period totalled a nominal SEK 25.2 billion (22.1) and repurchases of a nominal SEK 10.3 billion (3.2) were executed. Matured covered bonds amounted to a nominal SEK 5.2 billion (5.2). Länsförsäkringar Hypotek issued a five-year Euro covered bond for a nominal EUR 500 M in May

## Maturity profile



## Liquidity

The liquidity situation remains healthy and holdings in liquidity assets totalled SEK 10.6 billion (10.6) on 30 June 2022. The liquidity reserves 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>

During the second quarter, approval was granted by the FSA under Article 113(6) of the CRR to use a risk weight of 0% for certain exposures for companies that are part of the same consolidated situation, which positively impacted the capital ratios.

On 30 June 2022, the total Risk Exposure Amount (REA) amounted to SEK 80,601 M (81,162). The Common Equity Tier 1 capital ratio amounted to 18.4% (17.8). Common Equity Tier 1 capital strengthened in the first half of the year, with continued profit generation.

Länsförsäkringar Hypotek AB (SEK M)	30 Jun 2022	31 Mar 2022
IRB Approach	19,754	19,749
retail exposures	15,137	15,396
exposures to corporates	4,616	4,354
Standardised Approach	1,836	5,718
CVA	554	163
Operational risks	2,195	2,011
Additional requirements	56,261	53,620
Total REA	80,601	81,162
Common Equity Tier 1 capital	14,861	14,426
Tier 1 capital	14,861	14,426
Total capital	14,861	14,426
Common Equity Tier 1 capital ratio	18.4%	17.8%
Tier 1 ratio	18.4%	17.8%
Total capital ratio	18.4%	17.8%
<b>Risk-based capital requirements</b>		
Own funds requirements (Pillar I)	6,448	6,501
Pillar II Requirements (P2R)	0	0
Combined buffer requirement	2,015	2,032
Pillar II Guidance (P2G)	0	0
Overall adequate level of own funds	8,463	8,533
<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%

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 (FSA) has also issued updated regulations for capital adequacy disclosures. For greater clarity, the internally assessed capital requirement as per 30 June 2022 is also presented, even though there is no longer any requirement to do so. The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 30 June 2022 amounted to SEK 9,534 M (7,330), comprising the minimum capital requirement under Pillar I and the capital requirement for risks managed under Pillar II as well as a stress test buffer. 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 FSA did 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 June 2022. Under the framework of the 2022 Supervisory Review and Evaluation Process, Länsförsäkringar Hypotek has not yet received formally decided Pillar II Requirements (P2R) or Pillar II Guidance (P2G) for the Consolidated Situation.

The capital conservation buffer on 30 June 2022 amounted to SEK 2,015 M (2.5% of REA) and the overall adequate level of own funds amounted to SEK 8,463 M (10.5% of REA).

The leverage ratio was 4.6% (4.7) on 30 June 2022. The formally determined Pillar II Requirements (P2R) and Pillar II Guidance (P2G) regarding the leverage ratio amounted to SEK 0 M (0%) on 30 June 2022, since the FSA has not yet decided on them. The own funds requirements and overall adequate level of own funds for the leverage ratio both amounted to 3.0% (3.0) on 30 June 2022.

<sup>1</sup> The comparative period pertains to 31 March 2022. Periodic information according to the FSA's regulations regarding prudential requirements and capital buffers, (FFFS 2014:12) and regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7) is provided in this section, the sections on funding and liquidity and in note 12.

## Interest-rate risk

On 30 June 2022, 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 -116.9 M (-196.3).

## 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.

## 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. Russia's invasion of Ukraine risks resulting in significant macroeconomic consequences and increased cyber risks, but this is highly uncertain. For more information about macroeconomic developments and the impact of the war in Ukraine, refer to pages 3 and 4. A more detailed description of risks is available in the 2021 Annual Report.

## First half of 2022 compared with second half of 2021.

Operating profit declined 13.6% to SEK 636.7 M (737.2). Return on equity amounted to 6.8% (8.2). Operating income amounted to SEK 813.4 M (851.4). Net interest income was SEK 1,343.1 M (1,415.2). Net losses from financial items amounted to SEK -33.1 M (gains: 26.5). Net commission was SEK -496.6 M (-590.4). Operating expenses amounted to SEK 70.3 M (65.3) and the cost/income ratio before credit losses and fees levied amounted to 0.09 (0.08). Credit losses amounted to SEK -0.3 M (-1), net.

## Other events

President Anders Borgcrantz announced in June that he intends to retire at the end of the year. Recruitment of his successor will commence.

## Events after the end of the period

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

Income statement										
SEK M	Note	Q2 2022	Q1 2022	Change	Q2 2021	Change	Jan-Jun 2022	Jan-Jun 2021	Change	Full-Year 2020
Interest income		1,075.9	1,014.8	6%	1,051.4	2%	2,090.7	2,064.5	1%	4,150.8
Interest expense		-456.4	-291.2	57%	-361.6	26%	-747.6	-684.1	9%	-1,355.2
<b>Net interest income</b>	3	<b>619.5</b>	<b>723.7</b>	<b>-14%</b>	<b>689.8</b>	<b>-10%</b>	<b>1,343.1</b>	<b>1,380.4</b>	<b>-3%</b>	<b>2,795.6</b>
Commission income		10.2	8.3	23%	9.8	4%	18.5	17.8	4%	37.3
Commission expense		-250.7	-264.4	-5%	-299.3	-16%	-515.1	-603.2	-15%	-1,213.0
<b>Net commission</b>	4	<b>-240.5</b>	<b>-256.1</b>	<b>-6%</b>	<b>-289.6</b>	<b>-17%</b>	<b>-496.6</b>	<b>-585.4</b>	<b>-15%</b>	<b>-1,175.8</b>
Net gains/losses from financial items	5	-2.9	-30.2	-90%	4.6		-33.1	13.6		40.1
<b>Total operating income</b>		<b>376.0</b>	<b>437.4</b>	<b>-14%</b>	<b>404.8</b>	<b>-7%</b>	<b>813.4</b>	<b>808.6</b>	<b>1%</b>	<b>1,660.0</b>
Staff costs		-4.1	-3.8	8%	-3.8	8%	-8.0	-6.8	18%	-13.8
Other administration expenses		-31.4	-30.8	2%	-29.7	6%	-62.2	-58.6	6%	-116.9
<b>Administration expenses</b>		<b>-35.5</b>	<b>-34.6</b>	<b>3%</b>	<b>-33.5</b>	<b>6%</b>	<b>-70.2</b>	<b>-65.4</b>	<b>7%</b>	<b>-130.6</b>
Depreciation and impairment of tangible assets		0.0	0.0		0.0		-0.1	-0.1		-0.2
<b>Total operating expenses</b>		<b>-35.6</b>	<b>-34.7</b>	<b>3%</b>	<b>-33.5</b>	<b>6%</b>	<b>-70.3</b>	<b>-65.5</b>	<b>7%</b>	<b>-130.8</b>
<b>Profit before credit losses</b>		<b>340.5</b>	<b>402.7</b>	<b>-15%</b>	<b>371.3</b>	<b>-8%</b>	<b>743.2</b>	<b>743.1</b>		<b>1,529.2</b>
Credit losses, net	6	-0.8	1.1		1.3		0.3	3.2	-91%	4.2
Risk tax levied and resolution fee <sup>1)</sup>		-51.0	-55.8	-9%	-27.3	87%	-106.8	-50.1		-100.0
<b>Operating profit</b>		<b>288.7</b>	<b>348.0</b>	<b>-17%</b>	<b>345.3</b>	<b>-16%</b>	<b>636.7</b>	<b>696.2</b>	<b>-9%</b>	<b>1,433.4</b>
Appropriations		-	-		-		-	-		-275.7
Tax		-37.5	-71.6	-48%	-71.0	-47%	-109.1	-143.4	-24%	-241.1
<b>Profit for the period</b>		<b>251.2</b>	<b>276.4</b>	<b>-9%</b>	<b>274.3</b>	<b>-8%</b>	<b>527.6</b>	<b>552.8</b>	<b>-5%</b>	<b>916.6</b>

<sup>1)</sup> Comparative figures have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

Statement of comprehensive income										
SEK M		Q2 2022	Q1 2022	Change	Q2 2021	Change	Jan-Jun 2022	Jan-Jun 2021	Change	Full-Year 2020
<b>Profit for the period</b>		<b>251.2</b>	<b>276.4</b>	<b>-9%</b>	<b>274.3</b>	<b>-8%</b>	<b>527.6</b>	<b>552.8</b>	<b>-5%</b>	<b>916.6</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		81.1	105.9	-23%	3.2		187.0	34.1		82.1
Change in fair value of debt instruments measured at FVOCI		-67.7	-38.6	75%	-3.7		-106.4	-5.5		9.6
Tax attributable to items that have been transferred or can be transferred to profit for the period		-2.8	-13.9	-80%	0.1		-16.6	-5.9		-18.9
<b>Total other comprehensive income for the period, net after tax</b>		<b>10.6</b>	<b>53.4</b>	<b>-80%</b>	<b>-0.4</b>		<b>64.1</b>	<b>22.7</b>		<b>72.9</b>
<b>Total comprehensive income for the period</b>		<b>261.8</b>	<b>329.9</b>	<b>-21%</b>	<b>273.9</b>	<b>-4%</b>	<b>591.7</b>	<b>575.5</b>	<b>3%</b>	<b>989.4</b>

<b>Balance sheet</b>				
<b>SEK M</b>	<b>Note</b>	<b>30 June 2022</b>	<b>31 December 2021</b>	<b>30 June 2021</b>
<b>Assets</b>				
Loans to credit institutions	7	2,753.0	4,272.6	3,694.9
Loans to the public	8	286,671.8	278,522.8	269,194.4
Bonds and other interest-bearing securities		10,138.7	9,968.6	10,530.4
Derivatives	9	7,190.9	4,166.0	4,166.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		-3,900.3	659.1	32.8
Tangible assets		0.4	0.5	0.6
Deferred tax assets		-	35.8	45.7
Other assets		0.3	0.3	0.3
Prepaid expenses and accrued income		73.9	20.4	71.2
<b>Total assets</b>		<b>302,928.7</b>	<b>297,646.1</b>	<b>287,736.9</b>
<b>Liabilities, provisions and equity</b>				
Due to credit institutions	7	56,410.5	58,632.3	60,043.8
Debt securities in issue		228,279.8	220,591.8	208,995.1
Derivatives	9	9,884.0	1,350.3	733.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		-9,929.7	329.3	747.6
Deferred tax liabilities		2.7	-	-
Other liabilities		58.9	97.4	122.1
Accrued expenses and deferred income		2,796.4	1,810.7	2,949.9
Provisions		1.8	1.6	1.6
Subordinated liabilities		-	-	-
<b>Total liabilities and provisions</b>		<b>287,504.5</b>	<b>282,813.5</b>	<b>273,594.0</b>
<b>Untaxed reserves</b>		<b>1,716.1</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	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		-25.4	-89.5	-139.6
Retained earnings		10,062.0	9,145.4	9,145.4
Profit for the period		527.6	916.6	552.8
<i>Total non-restricted equity</i>		<i>10,564.2</i>	<i>9,972.5</i>	<i>9,558.6</i>
<b>Total equity</b>		<b>13,708.2</b>	<b>13,116.5</b>	<b>12,702.6</b>
<b>Total liabilities, provisions and equity</b>		<b>302,928.7</b>	<b>297,646.1</b>	<b>287,736.9</b>
<b>Other notes</b>				
Accounting policies		1		
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## Cash-flow statement in summary, indirect method

SEK M	Jan-Jun 2022	Jan-Jun 2021
<b>Cash and cash equivalents, 1 January</b>	<b>3,079.7</b>	<b>1,998.6</b>
<b>Operating activities</b>		
Operating profit	636.7	696.2
Adjustment of non-cash items	-50.1	-680.5
<b>Change in assets of operating activities</b>		
Change in interest-bearing securities	-758.6	121.6
Change in loans to the public	-8,149.7	-9,691.8
Change in other assets	190.2	1,796.0
<b>Change in liabilities of operating activities</b>		
Change in debt securities in issue	8,217.5	14,164.6
Change in other liabilities	-1,362.3	-4,300.8
<b>Cash flow from operating activities</b>	<b>-1,276.3</b>	<b>2,105.2</b>
<b>Investing activities</b>		
Acquisition of property and equipment	0.0	0.0
<b>Cash flow from investing activities</b>	<b>0.0</b>	<b>0.0</b>
<b>Financing activities</b>		
Amortisation of subordinated debt	-	-500.0
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-500.0</b>
<b>Net cash flow for the period</b>	<b>-1,276.3</b>	<b>1,605.3</b>
<b>Cash and cash equivalents, 30 June</b>	<b>1,803.3</b>	<b>3,603.8</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				
	Share capital	Statutory reserve	Fair value reserve			Retained earnings	Profit for the period
			Fair value reserve	Hedge reserve	Total		
<b>Opening balance, 1 January 2021</b>	<b>3,129.9</b>	<b>14.1</b>	<b>40.8</b>	<b>-203.3</b>	<b>8,310.5</b>	<b>835.0</b>	<b>12,127.1</b>
Profit for the period						552.8	552.8
Other comprehensive income for the period			-4.4	27.1			22.7
<b>Comprehensive income for the period</b>			<b>-4.4</b>	<b>27.1</b>		<b>552.8</b>	<b>575.5</b>
According to resolution by Annual General Meeting					835.0	-835.0	-
<b>Closing balance, 30 June 2021</b>	<b>3,129.9</b>	<b>14.1</b>	<b>36.4</b>	<b>-176.2</b>	<b>9,145.4</b>	<b>552.8</b>	<b>12,702.6</b>
<b>Opening balance, 1 July 2021</b>	<b>3,129.9</b>	<b>14.1</b>	<b>36.4</b>	<b>-176.2</b>	<b>9,145.4</b>	<b>552.8</b>	<b>12,702.6</b>
Profit for the period						363.8	363.8
Other comprehensive income for the period			12.1	38.1			50.2
<b>Comprehensive income for the period</b>						<b>363.8</b>	<b>413.9</b>
<b>Closing balance, 31 December 2021</b>	<b>3,129.9</b>	<b>14.1</b>	<b>48.5</b>	<b>-138.1</b>	<b>9,145.4</b>	<b>916.6</b>	<b>13,116.5</b>
<b>Opening balance, 1 January 2022</b>	<b>3,129.9</b>	<b>14.1</b>	<b>48.5</b>	<b>-138.1</b>	<b>9,145.4</b>	<b>916.6</b>	<b>13,116.5</b>
Profit for the period						527.6	527.6
Other comprehensive income for the period			-84.5	148.6			64.1
<b>Comprehensive income for the period</b>			<b>-84.5</b>	<b>148.6</b>		<b>527.6</b>	<b>591.7</b>
According to resolution by Annual General Meeting					916.6	-916.6	-
<b>Closing balance, 30 June 2022</b>	<b>3,129.9</b>	<b>14.1</b>	<b>-36.0</b>	<b>10.5</b>	<b>10,062.0</b>	<b>527.6</b>	<b>13,708.2</b>

# Notes

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

Note 1	Accounting policies

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

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

## SIGNIFICANT EVENTS DURING THE PERIOD

The impact of the ongoing war in Ukraine on the financial statements, the capital requirement, own funds and major exposures is described in the section "Impact of the war in Ukraine" on page 4.

## ACCOUNTING POLICIES TO NEW FEES

The risk tax levied on the Company on the basis of the Swedish Act on Risk Tax on Credit Institutions (2021:1256) is recognised in income successively over the fiscal year and is recognised in profit or loss on a new line. Risk tax levied and resolution fee. Resolution fees that were recognised in net interest income in prior periods have been reclassified to the new income statement line "Risk tax levied and resolution fee". Comparative figures for prior periods have been restated.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2021 Annual Report.

Note 2	Segment reporting

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

Note 3	Net interest income								
SEK M	Q2 2022	Q1 2022	Change	Q2 2021	Change	Jan-Jun 2022	Jan-Jun 2021	Change	Full-Year 2020
<b>Interest income</b>									
Loans to credit institutions	17.5 <sup>1)</sup>	11.7 <sup>1)</sup>	50%	20.1	-13%	29.2	28.8	1%	59.2
Loans to the public	1,136.8	1,090.8	4%	1,073.3	6%	2,227.6	2,146.7	4%	4,304.3
Interest-bearing securities	13.5 <sup>1)</sup>	10.5 <sup>1)</sup>	29%	9.1	48%	24.0	18.1	33%	36.8
Derivatives	-91.9	-98.2	-6%	-51.1	80%	-190.2	-129.1	47%	-249.4
Other interest income	-	-	-	-	-	-	-	-	-
<b>Total interest income according to the effective interest method</b>	<b>1,075.9</b>	<b>1,014.8</b>	<b>6%</b>	<b>1,051.4</b>	<b>2%</b>	<b>2,090.7</b>	<b>2,064.5</b>	<b>1%</b>	<b>4,150.8</b>
<b>Interest expense</b>									
Due to credit institutions	-193.2 <sup>1)</sup>	-145.1 <sup>1)</sup>	33%	-165.8	17%	-338.3	-328.8	3%	-646.6
Dept securities in issue	-440.7	-400.8	10%	-393.3	12%	-841.4	-782.6	8%	-1,561.8
Subordinated liabilities	-	-	-	-	-	-	-1.7	-	-1.7
Derivatives	178.0	254.7	-30%	198.0	-10%	432.6	429.5	1%	855.7
Other interest expense	-0.5	0.0	-	-0.6	-17%	-0.5	-0.6	-17%	-0.7
<b>Total interest expense according to the effective interest method</b>	<b>-456.4</b>	<b>-291.2</b>	<b>57%</b>	<b>-361.6</b>	<b>26%</b>	<b>-747.6</b>	<b>-684.1</b>	<b>9%</b>	<b>-1,355.2</b>
<b>Total net interest income</b>	<b>619.5</b>	<b>723.7</b>	<b>-14%</b>	<b>689.8</b>	<b>-10%</b>	<b>1,343.1</b>	<b>1,380.4</b>	<b>-3%</b>	<b>2,795.6</b>
Average interest rate on loans to the public during the period, %	1.6	1.6	-	1.6	-	1.6	1.6	-	1.6

<sup>1)</sup> Of which negative interest of Loans to credit institutions SEK 0.0 M (0.0), Interest-bearing securities SEK -0.1 M (0.0) and Due to credit institutions SEK 0.3 M (0.2).

Note 4	Net commission								
SEK M	Q2 2022	Q1 2022	Change	Q2 2021	Change	Jan-Jun 2022	Jan-Jun 2021	Change	Full-Year 2020
<b>Commission income</b>									
Loans	10.2	8.3	23%	9.8	4%	18.5	17.8	4%	37.3
<b>Total commission income</b>	<b>10.2</b>	<b>8.3</b>	<b>23%</b>	<b>9.8</b>	<b>4%</b>	<b>18.5</b>	<b>17.8</b>	<b>4%</b>	<b>37.3</b>
<b>Commission expense</b>									
Remuneration to regional insurance companies	-250.6	-264.3	-5%	-299.3	-16%	-514.9	-603.2	-15%	-1,212.7
Other commission	-0.1	-0.1	-	0.0	-	-0.3	0.0	-	-0.3
<b>Total commission expense</b>	<b>-250.7</b>	<b>-264.4</b>	<b>-5%</b>	<b>-299.3</b>	<b>-16%</b>	<b>-515.1</b>	<b>-603.2</b>	<b>-15%</b>	<b>-1,213.0</b>
<b>Total net commission</b>	<b>-240.5</b>	<b>-256.1</b>	<b>-6%</b>	<b>-289.6</b>	<b>-17%</b>	<b>-496.6</b>	<b>-585.4</b>	<b>-15%</b>	<b>-1,175.8</b>

Note 5	Net gains / losses from financial items								
SEK M	Q2 2022	Q1 2022	Change	Q2 2021	Change	Jan-Jun 2022	Jan-Jun 2021	Change	Full-Year 2020
<b>Interest-bearing assets and liabilities and related derivatives</b>									
Interest-bearing assets and liabilities and related derivatives	-4.4	-35.2	-88%	-6.2	-29%	-39.6	-6.7	-	-3.0
Other financial assets and liabilities	-	-	-	0.0	-	-	0.0	-	0.0
Interest compensation (refer to items measured at amortised cost)	1.5	5.0	-70%	10.7	-86%	6.5	20.3	-68%	43.0
<b>Total net gains / losses from financial items</b>	<b>-2.9</b>	<b>-30.2</b>	<b>-90%</b>	<b>4.6</b>	<b>-</b>	<b>-33.1</b>	<b>13.6</b>	<b>-</b>	<b>40.1</b>

Note 6	Credit losses								
Net credit losses, SEK M	Q2 2022	Q1 2022	Change	Q2 2021	Change	Jan-Jun 2022	Jan-Jun 2021	Change	Full-Year 2020
<b>Change in loss allowance for loan receivables</b>									
Stage 1 (not credit-impaired)	-0.8	0.2		0.4		-0.6	2.4		2.6
Stage 2 (not credit-impaired)	-0.2	0.1		0.1		-0.2	0.8		1.0
Stage 3 (credit-impaired)	-0.2	0.2		0.0		0.0	-0.1		0.0
<b>Total change in loss allowance for loan receivables</b>	<b>-1.2</b>	<b>0.5</b>		<b>0.5</b>		<b>-0.7</b>	<b>3.1</b>		<b>3.6</b>
Expense for confirmed credit losses	-0.1	-0.2	-50%	-0.1		-0.3	-1.5	-80%	-1.8
Payment received for prior confirmed credit losses	0.6	0.9	-33%	1.0	-40%	1.5	1.7	-12%	2.4
<b>Net expense for the period for credit losses for loan receivables</b>	<b>-0.6</b>	<b>1.1</b>		<b>1.4</b>		<b>0.5</b>	<b>3.2</b>	<b>-84%</b>	<b>4.3</b>
Change in loss allowance for commitments	-0.1	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	-0.1	0.0		-0.1		-0.1	-0.1		-0.2
<b>Net expense for credit losses for the period</b>	<b>-0.8</b>	<b>1.1</b>		<b>1.3</b>		<b>0.3</b>	<b>3.2</b>	<b>-91%</b>	<b>4.2</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 second quarter of 2022, total credit losses amounted to SEK -5.8 M (2.6), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK -0.8 M (1.1) and the remainder of SEK -4.9 M (1.5) was settled against remuneration to the regional insurance companies.

The table below shows the forward-looking macroeconomic scenarios used for calculating the loss allowance. The macroeconomic scenarios applied in the model calculations were updated in the second quarter to reflect the current macroeconomic situation. Three potential macroeconomic scenarios are considered when calculating expected credit losses: a base scenario that is currently weighted at 60%, and a more positive scenario and a more negative scenario that are both weighted at 20%.

30 June 2022	Base scenario			Negative scenario			Positive scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Housing prices, annual change in %	-8.1%	4.1%	4.3%	-10.5%	3.4%	4.0%	-5.4%	4.7%	4.1%
GDP, annual change in %	2.0%	1.4%	1.7%	1.7%	0.7%	1.7%	2.3%	2.0%	1.8%
Unemployment, level in %	7.5%	7.4%	7.3%	7.8%	7.9%	7.5%	7.3%	7.1%	7.1%
31 March 2022	Base scenario			Negative scenario			Positive scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Housing prices, annual change in %	7.9%	5.0%	5.0%	5.7%	5.0%	5.0%	10.2%	5.0%	5.0%
GDP, annual change in %	3.3%	2.1%	1.9%	2.6%	1.5%	1.9%	4.0%	2.7%	1.9%
Unemployment, level in %	7.3%	6.8%	6.9%	7.6%	7.3%	7.0%	7.1%	6.4%	6.7%
30 June 2021	Base scenario			Negative scenario			Positive scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
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%

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

On 30 June 2022, Loans to credit institutions amounted to SEK 2,753.0 M (4,272.6) 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 2,044.8 M (3,372.6). Balances in the Parent Company's bank accounts pertaining to the covered bond operations are recognised as Loans to credit institutions. Due to credit institutions amounted to SEK 56,410.5 M (58,632.3) on 30 June 2022. Due to credit institutions includes borrowings from the Parent Company of SEK 50,175.7 M (56,781.9).

Note 8	Loans to the public Loan receivables are geographically attributable in their entirety to Sweden	30 June 2022	31 December 2021	30 June 2021
SEK M				
Corporate sector		9,179.1	8,570.1	8,266.1
Retail sector		277,497.1	269,956.4	260,932.5
<b>Loans to the public before loss allowance</b>		<b>286,676.2</b>	<b>278,526.5</b>	<b>269,198.6</b>
Loss allowance		-4.4	-3.7	-4.2
<b>Loans to the public</b>		<b>286,671.8</b>	<b>278,522.8</b>	<b>269,194.4</b>

Loans to the public Reconciliation of loss allowance	Not credit-impaired		Credit-impaired		Total
	SEK M	Stage 1	Stage 2	Stage 3	
<b>Opening balance, 1 January 2022</b>		<b>-1.5</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-3.7</b>
Increase due to new or acquired loans		-0.4	0.0	0.0	-0.4
Change in loss allowance model or method		0.0	0.0	-	0.0
Decrease due to repayment		0.1	0.1	0.2	0.5
Change due to changed credit risk		-0.9	-0.1	0.0	-1.0
Transfer between stages		0.6	-0.2	-0.2	0.2
Other adjustments		0.0	0.0	0.0	0.0
Decrease due to write-off		-	-	0.0	0.0
<b>Closing balance, 30 June 2022</b>		<b>-2.1</b>	<b>-0.9</b>	<b>-1.4</b>	<b>-4.4</b>
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired		Total
	SEK M	Stage 1	Stage 2	Stage 3	
<b>Loans to the public before loss allowances</b>		<b>284,559.6</b>	<b>1,952.9</b>	<b>163.8</b>	<b>286,676.2</b>
Credit reserve requirement		-10.5	-4.7	-6.9	-22.0
Withheld remuneration to the regional insurance companies		8.4	3.7	5.5	17.6
<b>Recognised loss allowance</b>		<b>-2.1</b>	<b>-0.9</b>	<b>-1.4</b>	<b>-4.4</b>
<b>Loans to the public</b>		<b>284,557.5</b>	<b>1,952.0</b>	<b>162.4</b>	<b>286,671.8</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 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	-0.5	0.0	-	-0.6	
Change in loss allowance model or method	0.0	0.0	-	0.0	
Decrease due to repayment	0.3	0.2	0.2	0.7	
Change due to changed credit risk	2.1	0.9	0.0	2.9	
Transfer between stages	0.5	-0.2	-0.3	0.0	
Other adjustments	0.0	0.0	0.0	0.0	
Decrease due to write-off	-	-	0.0	0.0	
<b>Closing balance, 30 June 2021</b>	<b>-1.8</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-4.2</b>	
Allocation of loss allowance requirement					
Loans to the public before loss allowances	Not credit-impaired		Credit-impaired		Total
	Stage 1	Stage 2	Stage 3		
<b>Loans to the public before loss allowances</b>	<b>266,815.1</b>	<b>2,187.5</b>	<b>196.1</b>	<b>269,198.6</b>	
Credit reserve requirement	-8.7	-4.9	-7.3	-20.9	
Withheld remuneration to the regional insurance companies	6.9	3.9	5.8	16.6	
<b>Recognised loss allowance</b>	<b>-1.8</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-4.2</b>	
<b>Loans to the public</b>	<b>266,813.3</b>	<b>2,186.5</b>	<b>194.6</b>	<b>269,194.4</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						
		30 June 2022		31 December 2021		30 June 2021	
SEK M	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value	
<b>Derivatives with positive values</b>							
<i>Derivatives in hedge accounting</i>							
Interest-related	167,590.0	4,438.7	190,085.0	1,133.9	190,237.0	1,764.4	
Currency-related	27,812.0	2,752.2	32,348.3	3,032.1	31,565.6	2,402.2	
<b>Total derivatives with positive values</b>	<b>195,402.0</b>	<b>7,190.9</b>	<b>222,433.3</b>	<b>4,166.0</b>	<b>221,802.6</b>	<b>4,166.6</b>	
<b>Derivatives with negative values</b>							
<i>Derivatives in hedge accounting</i>							
Interest-related	155,365.0	9,493.6	129,665.0	1,254.8	122,465.0	605.5	
Currency-related	11,750.4	390.4	6,174.7	95.5	993.8	128.3	
<b>Total derivatives with negative values</b>	<b>167,115.4</b>	<b>9,884.0</b>	<b>135,839.7</b>	<b>1,350.3</b>	<b>123,458.8</b>	<b>733.8</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	30 June 2022	31 December 2021
	For own liabilities, pledged assets		286,340.2	278,209.3
	Commitments <sup>1)</sup>		15,881.1	12,718.9
				18,605.5

<sup>1)</sup> On 30 June 2022 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 June 2022		31 December 2021		30 June 2021	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>						
Loans to credit institutions	2,753.0	2,753.0	4,272.6	4,272.6	3,694.9	3,694.9
Loans to the public	286,671.8	282,337.6	278,522.8	278,728.5	269,194.4	269,834.7
Bonds and other interest-bearing securities	10,138.7	10,138.7	9,968.6	9,968.6	10,530.4	10,530.4
Derivatives	7,190.9	7,190.9	4,166.0	4,166.0	4,166.6	4,166.6
Other assets	-	-	-	-	-	-
Prepaid expenses and accrued income	19.3	19.3	19.0	19.0	18.1	18.1
<b>Total</b>	<b>306,773.7</b>	<b>302,439.4</b>	<b>296,949.1</b>	<b>297,154.7</b>	<b>287,604.4</b>	<b>288,244.6</b>
<b>Financial liabilities</b>						
Due to credit institutions	56,410.5	56,377.9	58,632.3	58,709.6	60,043.8	60 083.2 <sup>1)</sup>
Debt securities in issue	228,279.8	218,776.0	220,591.8	222,425.9	208,995.1	213 250.6 <sup>1)</sup>
Derivatives	9,884.0	9,884.0	1,350.3	1,350.3	733.8	733.8
Other liabilities	15	15	5.2	5.2	0.3	0.3
Subordinated liabilities	-	-	-	-	-	-
Accrued expenses and deferred income	1,929.7	1,929.7	842.5	842.5	1,980.6	1,980.6
<b>Total</b>	<b>296,505.5</b>	<b>286,969.1</b>	<b>281,422.2</b>	<b>283,333.5</b>	<b>271,753.7</b>	<b>276,048.6</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		
<b>30 June 2022, SEK M</b>		
<b>Assets</b>		
Bonds and other interest-bearing securities	10,138.7	<b>10,138.7</b>
Derivatives	7,190.9	<b>7,190.9</b>
<b>Liabilities</b>		
Derivatives	9,884.0	<b>9,884.0</b>
<b>31 December 2021, SEK M</b>		
<b>Assets</b>		
Bonds and other interest-bearing securities	9,968.6	<b>9,968.6</b>
Derivatives	4,166.0	<b>4,166.0</b>
<b>Liabilities</b>		
Derivatives	1,350.3	<b>1,350.3</b>
<b>30 June 2021, SEK M</b>		
<b>Assets</b>		
Bonds and other interest-bearing securities	10,530.4	<b>10,530.4</b>
Derivatives	4,166.6	<b>4,166.6</b>
<b>Liabilities</b>		
Derivatives	733.8	<b>733.8</b>

## Note 12 Capital-adequacy analysis – key figures

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

	30 Jun 2022	31 Dec 2021	30 Jun 2021
<b>Available own funds (amounts)</b>			
Common Equity Tier 1 (CET1) capital	14,861.4	14,426.4	13,831.5
Tier 1 capital	14,861.4	14,426.4	13,831.5
Total capital	14,861.4	14,426.4	13,831.5
<b>Risk-weighted exposure amounts</b>			
Total risk-weighted exposure amount	80,601.1	81,262.3	75,600.8
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>			
Common Equity Tier 1 ratio (%)	18.4%	17.8%	18.3%
Tier 1 ratio (%)	18.4%	17.8%	18.3%
Total capital ratio (%)	18.4%	17.8%	18.3%
<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%	0%
of which: to be made up of CET1 capital (percentage points)	0%	0%	0%
of which: to be made up of Tier 1 capital (percentage points)	0%	0%	0%
Total SREP own funds requirements (%)	8%	8%	8%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>			
Capital conservation buffer (%)	2.5%	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0%	0%	0%
Institution specific countercyclical capital buffer (%)	0%	0%	0%
Systemic risk buffer (%)	0%	0%	0%
Global Systemically Important Institution buffer (%)	0%	0%	0%
Other Systemically Important Institution buffer	0%	0%	0%
Combined buffer requirement (%)	2.5%	2.5%	2.5%
Overall capital requirements (%)	10.5%	10.5%	10.5%
CET1 available after meeting the total SREP own funds requirements (%)	13.9%	13.3%	13.8%
<b>Leverage ratio</b>			
Leverage ratio total exposure measure	320,280.5	305,919.6	288,926.6
Leverage ratio (%)	4.6%	4.7%	4.8%
<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%	0%
of which: to be made up of CET1 capital (percentage points)	0%	0%	0%
Total SREP leverage ratio requirements (%)	3%	3%	3%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>			
Leverage ratio buffer requirement (%)	0%	0%	0%
Overall leverage ratio requirements (%)	3%	3%	3%
<b>Liquidity Coverage Ratio (12 months average)</b>			
Total high-quality liquid assets (HQLA) (Weighted value - average)	0.0	0.0	0.0
Cash outflows - Total weighted value	5,792.4	4,691.6	9,429.0
Cash inflows - Total weighted value	3,771.8	6,932.2	4,043.0
Total net cash outflows (adjusted value)	2,020.6	1,502.6	5,386.0
Liquidity coverage ratio (%)	0%	0%	0%
<b>Net Stable Funding Ratio</b>			
Total available stable funding	212,544.0	243,982.7	212,675.0
Total required stable funding	233,152.3	229,051.7	225,185.3
NSFR ratio (%)	91%	107%	94%

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

	Risk weighted exposure amounts			Total own funds requirements		
	30 Jun 2022	31 Dec 2021	30 Jun 2022	30 Jun 2022	31 Dec 2021	30 Jun 2022
<b>Credit risk (excluding CCR)</b>	<b>77,103.0</b>	<b>75,815.7</b>	<b>73,248.6</b>	<b>6,150.0</b>	<b>6,065.3</b>	<b>5,859.9</b>
Of which: the standardised approach	1,087.9	2,446.0	1,227.9	193.7	195.7	98.2
Of which: the foundation IRB (FIRB) approach	4,616.4	4,353.8	4,261.1	362.5	348.3	340.9
Of which: the advanced IRB (AIRB) approach	15,137.5	15,395.6	15,102.1	1,232.7	1,231.6	1,208.2
Of which: risk exposure amounts according to Article 458 CRR	56,261.3	53,620.4	52,657.5	4,361.2	4,289.6	4,212.6
<b>Counterparty credit risk - CCR</b>	<b>1,302.6</b>	<b>3,435.0</b>	<b>340.7</b>	<b>225.9</b>	<b>274.8</b>	<b>27.3</b>
Of which: the standardised approach	748.2	3,271.6	209.0	199.8	261.7	16.7
Of which: credit valuation adjustment - CVA	554.4	163.5	131.7	26.0	13.1	10.5
Of which: other CCR	-	-	-	-	-	-
<b>Operational risk</b>	<b>2,195.5</b>	<b>2,011.5</b>	<b>2,011.5</b>	<b>175.6</b>	<b>160.9</b>	<b>160.9</b>
Of which standardised approach	2,195.5	2,011.5	2,011.5	175.6	160.9	160.9
<b>Total</b>	<b>80,601.1</b>	<b>81,262.3</b>	<b>75,600.8</b>	<b>6,551.5</b>	<b>6,501.0</b>	<b>6,048.1</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, 21 July 2022

Sven Eggefall  
*Chairman*

Susanne Calner  
*Board Member*

Bengt Clemedtson  
*Board Member*

Jonas Ekegren  
*Board Member*

Martin Rydin  
*Board Member*

Tobias Ternstedt  
*Board Member*

Anders Borgcrantz  
*President*

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

## Introduction

We have reviewed the attached condensed interim report of Länsförsäkringar Hypotek AB (publ) as of 30 June 2022 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this attached interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this attached interim report based on our review.

## Scope of review

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

## Conclusion

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

Stockholm, 21 July 2022

Deloitte AB

Patrick Honeth  
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-October Länsförsäkringar Bank	27 October 2022
Interim report January-March Länsförsäkringar Hypotek	27 October 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 21 July 2022 at 13:00 a.m. CET.

## For further information, please contact:

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