

# Länsförsäkringar Hypotek

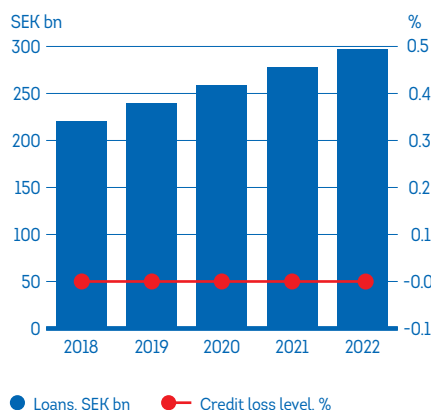
## Year-end Report 2022

### The period in brief

- Operating profit declined 1% to SEK 1,423 M (1,433) and the return on equity amounted to 7.5% (8.1).
- Net interest income declined 4% to SEK 2,692 M (2,796).
- Credit losses amounted to SEK 4 M (-4), net, corresponding to a credit loss level of 0.00% (0.00).
- Operating profit was impacted by fees levied of SEK 214 M, of which risk tax comprised SEK 113 M.
- Lending increased 7% to SEK 296.9 billion (278.5).
- The Common Equity Tier 1 capital ratio amounted to 18.9% (18.4\*) on 31 December 2022.

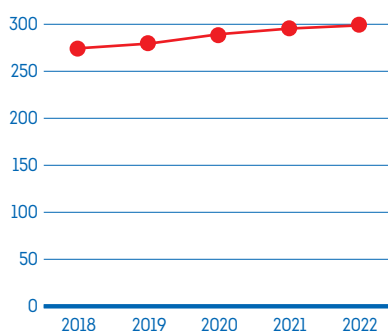
Figures in parentheses pertain to the same period in 2021.  
\* Pertains to 30 June 2022.

#### Loans to the public



#### Customer trend

Number of customers, 000s



### President's comment

Länsförsäkringar Hypotek's retail mortgages continued to perform well during the year, reporting healthy volume growth and strong earnings.

The year was generally characterised by marked changes in the macro environment with high inflation, rising interest rates and reduced growth prospects. The housing market also started to see a weaker trend with falling prices and lower sales volumes. Retail mortgage customers also started experiencing higher costs and higher mortgage rates. Given our diligent and conservative credit assessments and the consistently high credit quality, customers are deemed to have good margins for managing increases in interest rates and the more difficult external conditions.

High competition remains a feature of the mortgage market. Although volume growth was lower than last year, Länsförsäkringar still remained competitive and again this year captured a larger share of growth than our market share.

With Länsförsäkringar Hypotek's very high credit quality and strong financial position, we are convinced that we will continue to offer security in people's everyday lives by providing a competitive mortgage offering.

**Anders Larsson**

President of Länsförsäkringar Hypotek

## Key figures

|  | July-Dec<br>2022 | Jan-June<br>2022 | Jul-Dec<br>2021 | Jan-Dec<br>2022 | Jan-Dec<br>2021 |
|--|------------------|------------------|-----------------|-----------------|-----------------|
| Return on equity, %  | 8.1              | 6.8              | 8.2             | 7.5             | 8.1             |
| Return on total assets, %  | 0.33             | 0.35             | 0.39            | 0.34            | 0.39            |
| Investment margin*, %  | 0.86             | 0.88             | 0.96            | 0.87            | 0.96            |
| Cost/income ratio before credit losses and fees levied*  | 0.07             | 0.09             | 0.08            | 0.08            | 0.08            |
| Common Equity Tier 1 capital ratio, %  | 18.9             | 18.4             | 17.8            | 18.9            | 17.8            |
| Total capital ratio, %   | 18.9             | 18.4             | 17.8            | 18.9            | 17.8            |
| Share of credit-impaired loan receivables (stage 3), %   | 0.05             | 0.06             | 0.07            | 0.05            | 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, %  | 0.11             | 0.05             | 0.04            | 0.11            | 0.04            |
| Reserve ratio for loan receivables stage 3, %  | 1.51             | 0.84             | 0.69            | 1.50            | 0.69            |
| Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, % | 7.54             | 4.20             | 3.44            | 7.52            | 3.44            |
| Credit loss level, %   | 0.01             | 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, six-month period

| SEK M   | July-Dec<br>2022 | Jan-June<br>2022 | July-Dec<br>2021 | Jan-June<br>2021 |
|---|------------------|------------------|------------------|------------------|
| Net interest income**                                 | 1,348.7          | 1,343.1          | 1,415.2          | 1,380.4          |
| Net commission income                                 | -387.0           | -496.6           | -590.4           | -585.4           |
| Net gains/losses from financial items                 | 7.6              | -33.1            | 26.5             | 13.6             |
| <b>Total operating income**</b>                       | <b>969.3</b>     | <b>813.4</b>     | <b>851.4</b>     | <b>808.6</b>     |
| Staff costs   | -7.5             | -8.0             | -7.0             | -6.8             |
| Other administration expenses                         | -64.6            | -62.2            | -58.3            | -58.7            |
| <b>Total operating expenses</b>                       | <b>-72.1</b>     | <b>-70.2</b>     | <b>-65.3</b>     | <b>-65.5</b>     |
| <b>Profit before credit losses and fees levied***</b> | <b>897.1</b>     | <b>743.2</b>     | <b>786.1</b>     | <b>743.1</b>     |
| Credit losses, net                                    | -4.3             | 0.3              | 1.0              | 3.2              |
| Risk tax levied and resolution fee**                  | -106.8           | -106.8           | -49.9            | -50.1            |
| <b>Operating profit</b>                               | <b>786.0</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 outlook for the global economy was gloomier in the fourth quarter of 2022. Inflation remained high and the central banks of developed economies raised their key interest rates at a very fast pace. This pace of rate hikes has slowed slightly, although the ECB and the Fed have announced that interest rates may continue to be raised well into 2023. There is much uncertainty surrounding how inflation and key interest rates will trend in 2023, and the market is expecting weaker growth with a high risk of an even poorer outcome.

The performance of the US economy continued to be surprisingly strong despite the Fed's rapid pace of key interest rate hikes. Confidence indicators suggest weaker growth, but the trend in the labour market remains strong with surprisingly strong employment figures and salaries increasing rapidly. Inflation was lower than expected in recent reported outcomes, but the strong trend in the labour market indicates that it will take time to lower inflation to the target of 2% and doing so will require high interest rates. It is expected that the key interest rate will continue to be raised, meaning that the risks of a recession in the US economy have increased considerably.

The eurozone experienced high energy prices, which resulted in inflation of more than 10% and households have lower confidence in the economy. Consumer confidence was at record-breaking low levels due to higher inflation, rising interest rates and an uncertain geopolitical situation. German industry has also suffered from high energy prices and uncertainty about the future. Indicators stabilised in the fourth quarter but continued to suggest a sharp downturn in the eurozone economy. The market expects a weak trend in GDP for the quarters ahead, but the ECB announced that high inflation is expected to result in more interest rate increases in 2023.

The Swedish economy performed better than expected in the fourth quarter yet is showing clear signs of a significant downturn in the next few quarters. The Economic Tendency Survey said that the Swedish economy was showing much weaker sentiment than normal and that consumer confidence was at a record-breaking low levels. Inflation remained high and the Riksbank lifted its policy rate to 2.50% in December 2022.

The financial markets were volatile in the fourth quarter, but stock markets were up and government-backed paper fell on the

back of lower inflation than expected in the US economy. The MSCI World Index rose 6.4% in the fourth quarter, the US S&P 500 Index was up 5.4% and the Stockholm Stock Exchange, including dividends, increased 13.9%. However, looking at the full-year 2022 as a whole, rising interest rates and weaker growth prospects led to a sharp decline in equities markets. The Stockholm Stock Exchange fell 10.2% and the S&P 500 was down 19.6% in 2022.

Higher key interest rates led to a rapid increase in market interest rates in developed economies during 2022. Interest on mortgage bonds in Sweden was also affected by a lower risk appetite and the spread between government bonds and mortgage bonds widened during the year.

A higher key interest rate and higher interest on mortgage bonds resulted in higher funding costs for banks in Sweden. This is the reason for the significant increase in mortgage rates. Higher mortgage rates and lower consumer confidence led to a rapid slump in the housing market following a strong trend during the pandemic. According to Valueguard's housing index, HOX, house prices have fallen 16% compared with the peak listings in March 2022.

## Impact of the war in Ukraine

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The war in Ukraine is continuing to impact the outlook for the European economy and the financial markets, which has also contributed to higher inflation and raises both in key interest rates and in market interest rates. Rapidly rising market interest rates result in the need to pass on the effects of higher financing costs to customers, for example, by raising mortgage rates. Since customers' repayment capacity is assessed using assumptions regarding higher interest rates in the "left to live on" calculation, which is part of the credit evaluation process, mortgage customers are considered to have a solid margin for managing the situation of higher interest rates. Rising rates have contributed to falling house prices and a weaker housing market. The impact of falling house

prices is, to date, limited. Activity in the housing market has softened and if house prices continue to fall further, it would lead to even lower lending growth and a 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 strong liquidity position and thus the capacity to manage periods of disruption in the funding market. Wider credit spreads also have a negative impact on holdings in the liquidity reserve.

Geopolitical uncertainty combined with high inflation and rising interest rates result in weaker growth prospects. The regular update of the macroeconomic scenarios led to

a slight impact on the loss allowance for expected credit losses. It cannot be ruled out that additional downward revisions of forward-looking macro forecasts in the future will have greater effects on the loss allowance for expected credit losses. Very minor effects were seen for actual or probable credit losses, but it cannot be ruled out that a greater impact on the loss allowance will arise in the future. 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.

## 2022 compared with 2021

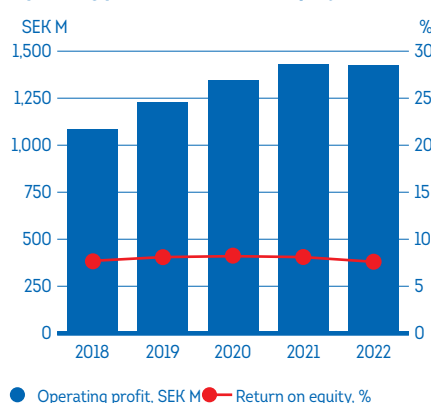
### Growth and customer trend

Loans to the public rose 7%, or SEK 18 billion, to SEK 297 billion (279), with continued very high credit quality. The number of customers was 298,400 and 86% of retail mortgage customers have Länsförsäkringar as their primary bank.

### Earnings and profitability

Operating profit fell 1% to SEK 1,423 M (1,433) 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 0.87% (0.96). Profit before credit losses and fees levied increased 7% to SEK 1,640 M (1,529). Return on equity amounted to 7.5% (8.1).

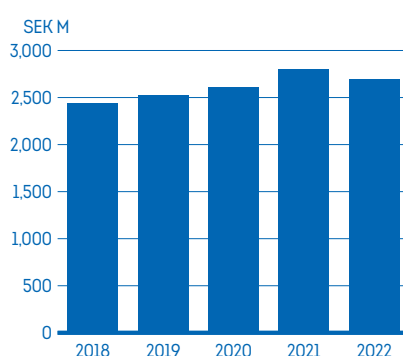
### Operating profit and return on equity



### Income

Operating income increased 7% to SEK 1,783 M (1,660), due to lower remuneration to the regional insurance companies. Net interest income declined 4% to SEK 2,692 M (2,796) attributable to slightly lower margins. Net losses from financial items declined to SEK -26 M (gains: 40). Net commission income amounted to SEK -884 M (-1,176).

### Net interest income



### Expenses

Operating expenses amounted to SEK 142 M (131). The cost/income ratio before credit losses and fees levied amounted to 0.08 (0.08).

### Credit losses

Credit losses amounted to SEK 4 M (-4), net, corresponding to a credit loss level of 0.00% (0.00).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 162.6 M, corresponding to a share of credit-impaired loan receivables of 0.05%. The loss allowance for credit-impaired loan receivables was SEK 2.4 M. The reserve ratio for credit-impaired loan receivables amounted to 1.50%. In addition, SEK 9.8 M of the remuneration to the regional insurance companies regarding credit-impaired loan receivables\* is withheld. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 12.2 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 7.5% and the total recognised loss allowance was SEK 45.9 M, of which SEK 36.7 M pertained to withheld remuneration to the regional insurance companies\*.

### Loss allowance, stage 3

| SEK M  | 31 Dec 2022 | 31 Dec 2021 |
|--|-------------|-------------|
| Loans to the public  | 296,894     | 278,523     |
| Credit-impaired loan receivables (stage 3)   | 162.6       | 200.2       |
| Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies | 12.2        | 6.9         |
| of which loss allowance for credit-impaired loan receivables (stage 3)   | 2.4         | 1.4         |
| of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)                    | 9.8         | 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 18 billion, to SEK 297 billion (279). The credit quality of the loan portfolio, comprising 71.3% (71.5) loans with collateral in single-family homes, 24.6% (24.6) collateral in tenant-owned apartments and 3.4% (3.2) collateral in multi-family housing, remained favourable. On 31 December 2022, the market share of retail mortgages increased slightly to 7.1% (7.1) according to Statistics Sweden.

### Cover pool

The cover pool, which forms the basis for issues of covered bonds, contains mortgages of SEK 282.1 billion, corresponding to 95% 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 1.48 M (1.41). The weighted average loan-to-value ratio, LTV, was 54% (54) and the nominal, current OC (overcollateralisation) amounted to 29% (29). Länsförsäkringar Hypotek's cover pool has a healthy buffer to manage any downturns in house 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 64% (63) on 30 December 2022. No impaired loans are included in the cover pool.

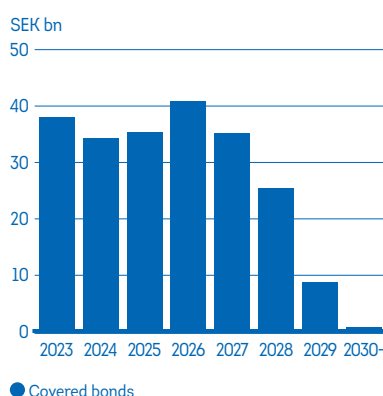
| Cover pool                      | 31 Dec 2022   | 31 Dec 2021   |
|---------------------------------|---------------|---------------|
| Cover pool, SEK billion         | 292           | 277           |
| OC <sup>1</sup> , %             | 29            | 29            |
| Weighted average LTV, %         | 54            | 54            |
| Collateral                      | Private homes | Private homes |
| Seasoning, months               | 68            | 66            |
| Number of loans                 | 439,725       | 429,536       |
| Number of borrowers             | 191,224       | 189,193       |
| Number of properties            | 189,289       | 187,998       |
| Average commitment, SEK 000s    | 1,475         | 1,411         |
| Average loan, SEK 000s          | 641           | 621           |
| Interest rate type, variable, % | 51            | 49            |
| Interest rate type, fixed, %    | 49            | 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 remains favourable and the maturity profile is well diversified. Debt securities in issue fell 1% to a nominal SEK 217.7 billion (214.2). Issued covered bonds during the period totalled a nominal SEK 39.6 billion (45.8) and repurchases of a nominal SEK 12.5 billion (4.5) were executed. Matured covered bonds amounted to a nominal SEK 23.6 billion (16.3). During the year, Länsförsäkringar Hypotek issued a new Swedish covered bond (LFH522), which matures in September 2029 and a five-year Euro benchmark covered bond for a nominal EUR 500 M.

## Maturity profile



## Liquidity

Liquidity remains healthy and holdings in liquid assets totalled SEK 9.9 billion (10.0) on 31 December 2022. The liquidity reserve 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 2022, the total Risk Exposure Amount (REA) in Länsförsäkringar Hypotek was SEK 82,124 M (80,601). The Common Equity Tier 1 capital ratio amounted to 18.9% (18.4). Common Equity Tier 1 capital strengthened in the second half of the year, with continued profit generation.

In the second half of 2022, Länsförsäkringar Hypotek paid a Group contribution to and concurrently received a capital contribution from the Parent Company.

| Länsförsäkringar Hypotek AB (SEK M)                           | 31 Dec 2022 | 30 Jun 2022 |
|---|-------------|-------------|
| IRB Approach  | 21,408      | 19,754      |
| retail exposures  | 16,603      | 15,137      |
| exposures to corporates                                       | 4,805       | 4,616       |
| Standardised Approach   | 1,699       | 1,836       |
| CVA   | 511         | 554         |
| Operational risks   | 2,195       | 2,195       |
| Additional requirements                                       | 56,310      | 56,261      |
| Total REA   | 82,124      | 80,601      |
| Common Equity Tier 1 capital                                  | 15,481      | 14,861      |
| Tier 1 capital  | 15,481      | 14,861      |
| Total capital   | 15,481      | 14,861      |
| Common Equity Tier 1 capital ratio                            | 18.9%       | 18.4%       |
| Tier 1 ratio  | 18.9%       | 18.4%       |
| Total capital ratio   | 18.9%       | 18.4%       |
| <b>Risk-based capital requirements</b>                        |             |             |
| Own funds requirements (Pillar I)                             | 6,570       | 6,448       |
| Pillar II Requirements (P2R)                                  | 961         | 0           |
| Combined buffer requirement                                   | 2,874       | 2,015       |
| Pillar II Guidance (P2G)                                      | 0           | 0           |
| Overall adequate level of own funds and P2G                   | 10,405      | 8,463       |
| <b>Risk-based capital requirements as a percentage of REA</b> |             |             |
| Own funds requirements (Pillar I)                             | 8.0%        | 8.0%        |
| Pillar II Requirements (P2R)                                  | 1.2%        | 0.0%        |
| Combined buffer requirement                                   | 3.5%        | 2.5%        |
| Pillar II Guidance (P2G)                                      | 0.0%        | 0.0%        |
| Overall adequate level of own funds and P2G                   | 12.7%       | 10.5%       |

For more information on capital adequacy, see note 12.

## Capital requirements and buffers

### Risk-based capital requirements

In the third quarter of 2022, the Swedish Financial Supervisory Authority (FSA) completed its Supervisory Review and Evaluation Process regarding the P2R for Länsförsäkringar Hypotek AB on an individual level. The FSA decided on a P2R of 1.2% and a P2G of 0.0%. Together, this means a total own funds requirement and P2G of 12.7% on 31 December 2022, including the announced increase in the countercyclical capital buffer for Swedish banks that was introduced in September.

The total capital ratio was 18.9% (18.4). The countercyclical capital buffer amounted to SEK 821 M (1.0% of REA), while the capital conservation buffer amounted to SEK 2,053 M (2.5% of REA) on 31 December 2022.

For more information on capital adequacy, see note 12.

### Leverage ratio requirement

In the third quarter of 2022, the FSA decided that no additional requirements (P2R and P2G) other than the minimum requirement of 3.0% were to apply to Länsförsäkringar Hypotek AB at an individual level.

The leverage ratio amounted to 4.8% (4.6) on 31 December 2022.

For more information on capital adequacy, see note 12.

<sup>1</sup> The comparative period pertains to 30 September 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 31 December 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 -112 M (-119).

## Risks and uncertainties

The operations are characterised by a low risk profile. 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. Credit losses remain low and the refinancing of business activities was highly satisfactory during the period. However, it can be stated that the macroeconomic trend is unusually uncertain due to fiscal austerity, for example, which could have further negative effects for households. In addition, it cannot be ruled out that continuing steep declines in house prices could lead to negative effects for households and for the value of collateral in the mortgage

## 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.

lending. The geopolitical risks could also result in significant macroeconomic consequences and increased cyber and other security risks. 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.

### **Second half of 2022 compared with first half of 2022**

Operating profit rose 23% to SEK 786 M (637). Return on equity amounted to 8.1% (6.8). Operating income amounted to SEK 969 M (813). Net interest income was SEK 1,349 M (1,343). Net losses from financial items amounted to SEK -182 M (-33). Net commission income amounted to SEK -387 M (-497). Operating expenses amounted to SEK 72 M (70) and the cost/income ratio before credit losses and fees levied amounted to 0.07 (0.09). Credit losses amounted to SEK 4.3 M (-0.3), net.

### **Other events**

In December 2022, Anders Larsson took up his role as President of Länsförsäkringar Hypotek, succeeding Anders Borgcrantz who had previously announced that he intended to retire at the end of the year. Anders Larsson previously served as Head of Staff at Länsförsäkringar Hypotek.

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

On 20 January 2023, the FSA approved the Länsförsäkringar Bank Group's application to use new probability of default (PD) models. The decision means that all of the PD models will be replaced by new models. The effect of the implementation of the new models for Länsförsäkringar Hypotek is a decrease in the risk exposure amount if the risk weight floor for mortgage lending is excluded, but after including this risk exposure amount the effect for Länsförsäkringar Hypotek on the total risk exposure amount will largely be unchanged.

## Income statement

| SEK M  | Note | Jul-Dec<br>2022 | Jan-Jun<br>2022 | Change      | Jul-Dec<br>2021 | Change     | Jan-Dec<br>2022 | Jan-Dec<br>2021 | Change     |
|--|------|-----------------|-----------------|-------------|-----------------|------------|-----------------|-----------------|------------|
| Interest income                                  |      | 3,953.5         | 2,090.7         | 89%         | 2,086.3         | 89%        | 6,044.2         | 4,150.8         | 46%        |
| Interest expense                                 |      | -2,604.8        | -747.6          |             | -670.9          |            | -3,352.4        | -1,355.2        |            |
| <b>Net interest income</b>                       | 3    | <b>1,348.7</b>  | <b>1,343.1</b>  |             | <b>1,415.4</b>  | -5%        | <b>2,691.8</b>  | <b>2,795.6</b>  | -4%        |
| Commission income                                |      | 17.4            | 18.5            | -6%         | 19.4            | -10%       | 35.9            | 37.3            | -4%        |
| Commission expense                               |      | -404.5          | -515.1          | -21%        | -609.8          | -34%       | -919.6          | -1,213.0        | -24%       |
| <b>Net commission income</b>                     | 4    | <b>-387.1</b>   | <b>-496.6</b>   | -22%        | <b>-590.4</b>   | -34%       | <b>-883.7</b>   | <b>-1,175.8</b> | -25%       |
| Net gains/losses from financial items            | 5    | 7.6             | -33.1           |             | 26.5            | -71%       | -25.5           | 40.1            |            |
| <b>Total operating income</b>                    |      | <b>969.3</b>    | <b>813.4</b>    | <b>19%</b>  | <b>851.5</b>    | <b>14%</b> | <b>1,782.6</b>  | <b>1,660.0</b>  | <b>7%</b>  |
| Staff costs                                      |      | -7.5            | -8.0            | -6%         | -6.9            | 9%         | -15.5           | -13.8           | 12%        |
| Other administration expenses                    |      | -64.6           | -62.2           | 4%          | -58.3           | 11%        | -126.8          | -116.9          | 8%         |
| <b>Administration expenses</b>                   |      | <b>-72.1</b>    | <b>-70.2</b>    | <b>3%</b>   | <b>-65.2</b>    | <b>11%</b> | <b>-142.3</b>   | <b>-130.6</b>   | <b>9%</b>  |
| Depreciation and impairment of tangible assets   |      | -0.1            | -0.1            |             | -0.1            |            | -0.1            | -0.2            | -50%       |
| <b>Total operating expenses</b>                  |      | <b>-72.2</b>    | <b>-70.3</b>    | <b>3%</b>   | <b>-65.3</b>    | <b>11%</b> | <b>-142.4</b>   | <b>-130.8</b>   | <b>9%</b>  |
| <b>Profit before credit losses</b>               |      | <b>897.1</b>    | <b>743.2</b>    | <b>21%</b>  | <b>786.2</b>    | <b>14%</b> | <b>1,640.3</b>  | <b>1,529.2</b>  | <b>7%</b>  |
| Credit losses, net                               | 6    | -4.4            | 0.3             |             | 1.0             |            | -4.1            | 4.2             |            |
| Risk tax levied and resolution fee <sup>1)</sup> |      | -106.8          | -106.8          |             | -50.0           |            | -213.5          | -100.0          |            |
| <b>Operating profit</b>                          |      | <b>786.0</b>    | <b>636.7</b>    | <b>23%</b>  | <b>737.2</b>    | <b>7%</b>  | <b>1,422.7</b>  | <b>1,433.4</b>  | <b>-1%</b> |
| Appropriations                                   |      | -169.0          | -               |             | -275.7          | -39%       | -169.0          | -275.7          | -39%       |
| Tax  |      | -152.6          | -109.1          | 40%         | -97.7           | 56%        | -261.7          | -241.1          | 9%         |
| <b>Profit for the period</b>                     |      | <b>464.4</b>    | <b>527.6</b>    | <b>-12%</b> | <b>363.8</b>    | <b>28%</b> | <b>992.0</b>    | <b>916.6</b>    | <b>8%</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  | Jul-Dec<br>2022 | Jan-Jun<br>2022 | Change      | Jul-Dec<br>2021 | Change      | Jan-Dec<br>2022 | Jan-Dec<br>2021 | Change     |
|--|-----------------|-----------------|-------------|-----------------|-------------|-----------------|-----------------|------------|
| <b>Profit for the period</b>   | <b>464.4</b>    | <b>527.6</b>    | <b>-12%</b> | <b>363.8</b>    | <b>28%</b>  | <b>992.0</b>    | <b>916.6</b>    | <b>8%</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   | 1.2             | 187.0           |             | 48.0            | -98%        | 188.2           | 82.1            |            |
| Change in fair value of debt instruments measured at FVOCI   | 48.2            | -106.4          |             | 15.1            |             | -58.1           | 9.6             |            |
| Tax attributable to items that have been transferred or can be transferred to profit for the period  | -10.2           | -16.6           | -39%        | -13.0           | -22%        | -26.8           | -18.9           | 42%        |
| <b>Total other comprehensive income for the period, net after tax</b>                                | <b>39.2</b>     | <b>64.1</b>     | <b>-39%</b> | <b>50.1</b>     | <b>-22%</b> | <b>103.3</b>    | <b>72.9</b>     | <b>42%</b> |
| <b>Total comprehensive income for the period</b>   | <b>503.6</b>    | <b>591.7</b>    | <b>-15%</b> | <b>413.9</b>    | <b>22%</b>  | <b>1,095.3</b>  | <b>989.4</b>    | <b>11%</b> |



## Balance sheet

| SEK M  | Note | 31 December 2022 | 31 December 2021 |
|--|------|------------------|------------------|
| <b>Assets</b>  |      |                  |                  |
| Loans to credit institutions   | 7    | 5,951.3          | 4,272.6          |
| Loans to the public  | 8    | 296,894.5        | 278,522.8        |
| Bonds and other interest-bearing securities                                  |      | 9,869.7          | 9,968.6          |
| Derivatives  | 9    | 7,873.0          | 4,166.0          |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge |      | -4,303.9         | 659.1            |
| Tangible assets  |      | 0.3              | 0.5              |
| Deferred tax assets  |      | -                | 35.8             |
| Other assets   |      | 10.9             | 0.3              |
| Prepaid expenses and accrued income  |      | 33.5             | 20.4             |
| <b>Total assets</b>  |      | <b>316,329.2</b> | <b>297,646.1</b> |
| <b>Liabilities, provisions and equity</b>                                    |      |                  |                  |
| Due to credit institutions   | 7    | 77,341.9         | 58,632.3         |
| Debt securities in issue   |      | 220,754.4        | 220,591.8        |
| Derivatives  | 9    | 11,915.5         | 1,350.3          |
| Fair value changes of interest-rate-risk hedged items in the portfolio hedge |      | -11,447.8        | 329.3            |
| Deferred tax liabilities   |      | 3.0              | -                |
| Other liabilities  |      | 90.5             | 97.4             |
| Accrued expenses and deferred income   |      | 1,573.0          | 1,810.7          |
| Provisions   |      | 1.8              | 1.6              |
| <b>Total liabilities and provisions</b>                                      |      | <b>300,232.3</b> | <b>282,813.5</b> |
| <b>Untaxed reserves</b>  |      | <b>1,885.1</b>   | <b>1,716.1</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  |      | 13.8             | -89.5            |
| Retained earnings  |      | 10,062.0         | 9,145.4          |
| Profit for the period  |      | 992.0            | 916.6            |
| <i>Total non-restricted equity</i>   |      | <i>11,067.8</i>  | <i>9,972.5</i>   |
| <b>Total equity</b>  |      | <b>14,211.8</b>  | <b>13,116.5</b>  |
| <b>Total liabilities, provisions and equity</b>                              |      | <b>316,329.2</b> | <b>297,646.1</b> |
| <b>Other notes</b>   |      |                  |                  |
| Accounting policies  | 1    |                  |                  |
| Segment reporting  | 2    |                  |                  |
| Pledged assets, contingent liabilities and commitments                       | 10   |                  |                  |
| Fair value valuation techniques  | 11   |                  |                  |
| Capital-adequacy analysis  | 12   |                  |                  |
| Disclosures on related parties   | 13   |                  |                  |

## Cash-flow statement in summary, indirect method

| SEK M  | Jan-Dec 2022    | Jan-Dec 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                                     | 1,422.7         | 1,433.4        |
| Adjustment of non-cash items                         | 1,291.8         | -521.3         |
| <b>Change in assets of operating activities</b>      |                 |                |
| Change in interest-bearing securities                | -554.0          | 634.3          |
| Change in loans to the public                        | -18,371.7       | -19,019.7      |
| Change in other assets                               | -3,701.4        | 745.2          |
| <b>Change in liabilities of operating activities</b> |                 |                |
| Change in debt securities in issue                   | -551.7          | 25,286.2       |
| Change in other liabilities                          | 18,266.3        | -6,977.0       |
| <b>Cash flow from operating activities</b>           | <b>-2,198.0</b> | <b>1,581.1</b> |
| <b>Investing activities</b>                          |                 |                |
| Acquisition of property and equipment                | 0.1             | 0.0            |
| <b>Cash flow from investing activities</b>           | <b>0.1</b>      | <b>0.0</b>     |
| <b>Financing activities</b>                          |                 |                |
| Amortisation of subordinated debt                    | -               | -500.0         |
| <b>Unconditional shareholder contribution</b>        | <b>198.5</b>    | <b>-</b>       |
| <b>Cash flow from financing activities</b>           | <b>198.5</b>    | <b>-500.0</b>  |
| <b>Net cash flow for the period</b>                  | <b>-1,999.4</b> | <b>1,081.1</b> |
| <b>Cash and cash equivalents, 31 December</b>        | <b>1,080.2</b>  | <b>3,079.7</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 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 |
|   |                   |                   |                       |               |                   |                       |          |
| Opening balance, 1 January 2022                   | 3,129.9           | 14.1              | 48.5                  | -138.1        | 9,145.4           | 916.6                 | 13,116.5 |
| Profit for the period                             |                   |                   |                       |               |                   | 992.0                 | 992.0    |
| Other comprehensive income for the period         |                   |                   | -46.2                 | 149.6         |                   |                       | 103.3    |
| Comprehensive income for the period               |                   |                   | -46.2                 | 149.6         |                   | 992.0                 | 1,095.4  |
| According to resolution by Annual General Meeting |                   |                   |                       |               | 916.6             | -916.6                | -        |
| Erhållet ovillkorat aktieägartillskott            |                   |                   |                       |               | 198.5             |                       | 198.5    |
| Lämnat koncernbidrag                              |                   |                   |                       |               | -250.0            |                       | -250.0   |
| Skatt koncernbidrag                               |                   |                   |                       |               | 51.5              |                       | 51.5     |
| Closing balance, 31 December 2022                 | 3,129.9           | 14.1              | 2.3                   | 11.5          | 10,062.0          | 992.0                 | 14,211.8 |

# Notes

*Amounts in SEK million if not otherwise stated. Comparative figures in parentheses: income-statement items are compared with the immediately preceding six months, 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  | Jul-Dec 2022         | Jan-Jun 2022         | Change     | Jul-Dec 2021   | Change     | Jan-Dec 2022    | Jan-Dec 2021    | Change     |
| <b>Interest income</b>   |                      |                      |            |                |            |                 |                 |            |
| Loans to credit institutions   | 69.1 <sup>1)</sup>   | 29.2 <sup>1)</sup>   |            | 30.4           |            | 98.4            | 59.2            | 66%        |
| Loans to the public  | 3,232.0              | 2,227.6              | 45%        | 2,157.5        | 50%        | 5,459.6         | 4,304.3         | 27%        |
| Interest-bearing securities  | 30.4 <sup>1)</sup>   | 24.0 <sup>1)</sup>   | 27%        | 18.7           | 63%        | 54.4            | 36.8            | 48%        |
| Derivatives  | 622.0                | -190.2               |            | -120.3         |            | 431.8           | -249.4          |            |
| Other interest income  | 0.0                  | -                    |            | -              |            | 0.0             | -               |            |
| <b>Total interest income according to the effective interest method</b>  | <b>3,953.5</b>       | <b>2,090.7</b>       | <b>89%</b> | <b>2,086.3</b> | <b>89%</b> | <b>6,044.2</b>  | <b>4,150.8</b>  | <b>46%</b> |
| <b>Interest expense</b>  |                      |                      |            |                |            |                 |                 |            |
| Due to credit institutions   | -837.0 <sup>1)</sup> | -338.3 <sup>1)</sup> |            | -317.9         |            | -1,175.2        | -646.6          | 82%        |
| Debt securities in issue   | -1,119.6             | -841.4               | 33%        | -779.2         | 44%        | -1,961.0        | -1,561.8        | 26%        |
| Subordinated liabilities   | -                    | -                    |            | -              |            | -               | -1.7            |            |
| Derivatives  | -648.3               | 432.6                |            | 426.2          |            | -215.6          | 855.7           |            |
| Other interest expense <sup>2)</sup>                                     | -                    | -0.5                 |            | -0.0           |            | -0.5            | -0.7            | -29%       |
| <b>Total interest expense according to the effective interest method</b> | <b>-2,604.8</b>      | <b>-747.6</b>        |            | <b>-670.9</b>  |            | <b>-3,352.4</b> | <b>-1,355.2</b> |            |
| <b>Total net interest income</b>   | <b>1,348.7</b>       | <b>1,343.1</b>       |            | <b>1,415.4</b> | <b>-5%</b> | <b>2,691.8</b>  | <b>2,795.6</b>  | <b>-4%</b> |
| Average interest rate on loans to the public during the period, %        | 2.2                  | 1.6                  |            | 1.6            |            | 1.9             | 1.6             |            |

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

<sup>2)</sup> Comparative figures have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

| Note 4                                       | Net commission income |               |             |               |             |               |                 |             |
|--|-----------------------|---------------|-------------|---------------|-------------|---------------|-----------------|-------------|
| SEK M  | Jul-Dec 2022          | Jan-Jun 2022  | Change      | Jul-Dec 2021  | Change      | Jan-Dec 2022  | Jan-Dec 2021    | Change      |
| <b>Commission income</b>                     |                       |               |             |               |             |               |                 |             |
| Loans  | 17.4                  | 18.5          | -6%         | 19.4          | -10%        | 35.9          | 37.3            | -4%         |
| <b>Total commission income</b>               | <b>17.4</b>           | <b>18.5</b>   | <b>-6%</b>  | <b>19.4</b>   | <b>-10%</b> | <b>35.9</b>   | <b>37.3</b>     | <b>-4%</b>  |
| <b>Commission expense</b>                    |                       |               |             |               |             |               |                 |             |
| Remuneration to regional insurance companies | -404.2                | -514.9        | -21%        | -609.5        | -34%        | -919.1        | -1,212.7        | -24%        |
| Other commission                             | -0.3                  | -0.3          |             | -0.3          |             | -0.5          | -0.3            | 67%         |
| <b>Total commission expense</b>              | <b>-404.5</b>         | <b>-515.1</b> | <b>-21%</b> | <b>-609.8</b> | <b>-34%</b> | <b>-919.6</b> | <b>-1,213.0</b> | <b>-24%</b> |
| <b>Total net commission income</b>           | <b>-387.1</b>         | <b>-496.6</b> | <b>-22%</b> | <b>-590.4</b> | <b>-34%</b> | <b>-883.7</b> | <b>-1,175.8</b> | <b>-25%</b> |

| Note 5  | Net gains / losses from financial items |              |        |              |             |              |              |        |
|---|---|--------------|--------|--------------|-------------|--------------|--------------|--------|
| SEK M   | Jul-Dec 2022                            | Jan-Jun 2022 | Change | Jul-Dec 2021 | Change      | Jan-Dec 2022 | Jan-Dec 2021 | Change |
| Interest-bearing assets and liabilities and related derivatives   | 7.0                                     | -39.6        |        | 3.8          | 84%         | -32.5        | -3.0         |        |
| Other financial assets and liabilities                            | -                                       | -            |        | -0.0         |             | -            | 0.0          |        |
| Interest compensation (refer to items measured at amortised cost) | 0.6                                     | 6.5          | -91%   | 22.7         | -97%        | 7.0          | 43.0         | -84%   |
| <b>Total net gains / losses from financial items</b>              | <b>7.6</b>                              | <b>-33.1</b> |        | <b>26.5</b>  | <b>-71%</b> | <b>-25.5</b> | <b>40.1</b>  |        |

| <b>Note 6</b>  | <b>Credit losses</b> |                     |               |                     |               |                     |                     |               |
|--|----------------------|---------------------|---------------|---------------------|---------------|---------------------|---------------------|---------------|
| <b>Net credit losses, SEK M</b>  | <b>Jul-Dec 2022</b>  | <b>Jan-Jun 2022</b> | <b>Change</b> | <b>Jul-Dec 2021</b> | <b>Change</b> | <b>Jan-Dec 2022</b> | <b>Jan-Dec 2021</b> | <b>Change</b> |
| <b>Change in loss allowance for loan receivables</b>                     |                      |                     |               |                     |               |                     |                     |               |
| Stage 1 (not credit-impaired)  | -2.0                 | -0.6                |               | 0.3                 |               | -2.6                | 2.6                 |               |
| Stage 2 (not credit-impaired)  | -1.7                 | -0.2                |               | 0.2                 |               | -1.8                | 1.0                 |               |
| Stage 3 (credit-impaired)  | -1.0                 | 0.0                 |               | 0.1                 |               | -1.0                | 0.0                 |               |
| <b>Total change in loss allowance for loan receivables</b>               | <b>-4.8</b>          | <b>-0.7</b>         |               | <b>0.5</b>          |               | <b>-5.5</b>         | <b>3.6</b>          |               |
| Expense for confirmed credit losses                                      | -0.4                 | -0.3                | 33%           | -0.3                | 33%           | -0.7                | -1.8                | -61%          |
| Payment received for prior confirmed credit losses                       | 1.0                  | 1.5                 | -33%          | 0.8                 | 25%           | 2.5                 | 2.4                 | 4%            |
| <b>Net expense for the period for credit losses for loan receivables</b> | <b>-4.1</b>          | <b>0.5</b>          |               | <b>1.0</b>          |               | <b>-3.6</b>         | <b>4.3</b>          |               |
| Change in loss allowance for commitments                                 | -0.1                 | -0.1                |               | 0.0                 |               | -0.2                | 0.1                 |               |
| Net expense for other credit losses for the period                       | -                    | -                   |               | -                   |               | -                   | -                   |               |
| Net expense of the modification result for the period                    | -0.1                 | -0.1                |               | -0.1                |               | -0.2                | -0.2                |               |
| <b>Net expense for credit losses for the period</b>                      | <b>-4.4</b>          | <b>0.3</b>          |               | <b>1.0</b>          |               | <b>-4.1</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 last six months of 2022, total credit losses amounted to SEK -23.1 M (-3.2), of which Länsförsäkringar Hypotek recognised credit losses amounted to SEK -4.4 M (0.3) and the remainder of SEK -18.8 M (3.4) 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%.

| <b>31 December 2022</b>            | <b>Base scenario</b> |             |             | <b>Negative scenario</b> |             |             | <b>Positive scenario</b> |             |             |
|------------------------------------|----------------------|-------------|-------------|--------------------------|-------------|-------------|--------------------------|-------------|-------------|
|                                    | <b>2023</b>          | <b>2024</b> | <b>2025</b> | <b>2023</b>              | <b>2024</b> | <b>2025</b> | <b>2023</b>              | <b>2024</b> | <b>2025</b> |
| Housing prices, annual change in % | 2.0%                 | 4.0%        | 5.0%        | -4.1%                    | 4.0%        | 5.0%        | 8.4%                     | 4.0%        | 5.0%        |
| GDP, annual change in %            | -0.9%                | 1.3%        | 2.3%        | -1.5%                    | 0.9%        | 2.3%        | -0.2%                    | 1.6%        | 2.3%        |
| Unemployment, level in %           | 8.2%                 | 8.4%        | 8.1%        | 8.7%                     | 9.0%        | 8.6%        | 7.7%                     | 7.9%        | 7.7%        |
| <b>31 December 2021</b>            | <b>Base scenario</b> |             |             | <b>Negative scenario</b> |             |             | <b>Positive scenario</b> |             |             |
|                                    | <b>2022</b>          | <b>2023</b> | <b>2024</b> | <b>2022</b>              | <b>2023</b> | <b>2024</b> | <b>2022</b>              | <b>2023</b> | <b>2024</b> |
| 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%        |

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

On 31 December 2022, Loans to credit institutions amounted to SEK 5,951.3 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 5,791.9 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 77,341.9 M (58,632.3) on 31 December 2022. Due to credit institutions includes borrowings from the Parent Company of SEK 72,471.5 M (56,781.9).

|  |  |                         |
|--|--|-------------------------|
| <b>Note 8</b>                                    | <b>Loans to the public</b><br>Loan receivables are geographically attributable in their entirety to Sweden |                         |
| <b>SEK M</b>                                     | <b>31 December 2022</b>  | <b>31 December 2021</b> |
| Corporate sector                                 | 9,853.2  | 8,570.1                 |
| Retail sector                                    | 287,050.5  | 269,956.4               |
| <b>Loans to the public before loss allowance</b> | <b>296,903.7</b>   | <b>278,526.5</b>        |
| Loss allowance                                   | -9.2   | -3.7                    |
| <b>Loans to the public</b>                       | <b>296,894.5</b>   | <b>278,522.8</b>        |

| Loans to the public<br>Reconciliation of loss allowance   |                     |                |                 |                  |
|---|---------------------|----------------|-----------------|------------------|
| SEK M   | Not credit-impaired |                | Credit-impaired | Total            |
|   | 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                     | -0.9                | 0.0            | -0.1            | -1.0             |
| Change in loss allowance model or method                  | -0.1                | 0.0            | 0.0             | -0.1             |
| Decrease due to repayment                                 | 0.2                 | 0.2            | 0.3             | 0.7              |
| Change due to changed credit risk                         | -4.2                | -0.5           | -0.6            | -5.3             |
| Transfer between stages                                   | 2.2                 | -1.4           | -0.7            | 0.1              |
| Other adjustments   | 0.0                 | 0.0            | 0.0             | 0.0              |
| Decrease due to write-off                                 | -                   | -              | 0.1             | 0.1              |
| <b>Closing balance, 31 December 2022</b>                  | <b>-4.2</b>         | <b>-2.6</b>    | <b>-2.4</b>     | <b>-9.2</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>294,285.1</b>    | <b>2,456.0</b> | <b>162.6</b>    | <b>296,903.7</b> |
| Credit reserve requirement                                | -20.6               | -13.1          | -12.2           | -45.9            |
| Withheld remuneration to the regional insurance companies | 16.5                | 10.4           | 9.8             | 36.7             |
| <b>Recognised loss allowance</b>                          | <b>-4.2</b>         | <b>-2.6</b>    | <b>-2.4</b>     | <b>-9.2</b>      |
| <b>Loans to the public</b>                                | <b>294,280.9</b>    | <b>2,453.4</b> | <b>160.2</b>    | <b>296,894.5</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<br>Reconciliation of loss allowance<br>SEK M                       | Not credit-impaired |         | Credit-impaired | Total     |
|--|---------------------|---------|-----------------|-----------|
|  | Stage 1             | Stage 2 | Stage 3         |           |
| Opening balance, 1 January 2021  | -4.2                | -1.8    | -1.4            | -7.3      |
| Increase due to new or acquired loans  | -0.9                | 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       |
| Closing balance, 31 December 2021  | -1.5                | -0.8    | -1.4            | -3.7      |
| Allocation of loss allowance requirement<br>Loans to the public before loss allowances | Not credit-impaired |         | Credit-impaired | Total     |
|  | Stage 1             | Stage 2 | Stage 3         |           |
| 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      |
| Recognised loss allowance  | -1.5                | -0.8    | -1.4            | -3.7      |
| Loans to the public  | 276,392.3           | 1,931.7 | 198.8           | 278,522.8 |

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

Changes in the risk parameters include decided manual adjustments to mortgages of SEK 4.2 M in Länsförsäkringar Hypotek AB, changed macro scenarios and changes in calculation parameters such as PD and LGD. Compared with the preceding year-end, the applied macro scenarios are more negative. All three scenarios forecast an economic slowdown but with varying degrees of severity and length.

**Note 9** Derivatives

| SEK M   | 31 December 2022 |                 | 31 December 2021 |                |
|---|------------------|-----------------|------------------|----------------|
|   | Nominal value    | Fair value      | Nominal value    | Fair value     |
| <b>Derivatives with positive values</b>       |                  |                 |                  |                |
| <i>Derivatives in hedge accounting</i>        |                  |                 |                  |                |
| Interest-related                              | 131,110.0        | 4,605.7         | 190,085.0        | 1,133.9        |
| Currency-related                              | 23,369.0         | 3,267.3         | 32,348.3         | 3,032.1        |
| <b>Total derivatives with positive values</b> | <b>154,479.0</b> | <b>7,873.0</b>  | <b>222,433.3</b> | <b>4,166.0</b> |
| <b>Derivatives with negative values</b>       |                  |                 |                  |                |
| <i>Derivatives in hedge accounting</i>        |                  |                 |                  |                |
| Interest-related                              | 174,030.0        | 11,297.4        | 129,665.0        | 1,254.8        |
| Currency-related                              | 17,738.0         | 618.1           | 6,174.7          | 95.5           |
| <b>Total derivatives with negative values</b> | <b>191,768.0</b> | <b>11,915.5</b> | <b>135,839.7</b> | <b>1,350.3</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 2022 | 31 December 2021 |
|-------------------------------------|------------------|------------------|
| For own liabilities, pledged assets | 292,612.6        | 278,209.3        |
| Commitments <sup>1)</sup>           | 10,826.5         | 12,718.9         |

<sup>1)</sup> On 31 December 2022 there are no commitments to related parties.

Commitments comprise approved but not disbursed loans. The loss allowance for assumptions amounted to SEK -0.2 M as per December 2022 and was recognised as a Provision in the balance sheet.



| SEK M                                       | Fair value valuation techniques |                  |                  |                  |
|---|---------------------------------|------------------|------------------|------------------|
|   | 31 December 2022                |                  | 31 December 2021 |                  |
|   | Book value                      | Fair value       | Book value       | Fair value       |
| <b>Financial assets</b>                     |                                 |                  |                  |                  |
| Loans to credit institutions                | 5,951.3                         | 5,951.3          | 4,272.6          | 4,272.6          |
| Loans to the public                         | 296,894.5                       | 293,314.4        | 278,522.8        | 278,728.5        |
| Bonds and other interest-bearing securities | 9,869.7                         | 9,869.7          | 9,968.6          | 9,968.6          |
| Derivatives                                 | 7,873.0                         | 7,873.0          | 4,166.0          | 4,166.0          |
| Other assets                                | -                               | -                | -                | -                |
| Prepaid expenses and accrued income         | 32.4                            | 32.4             | 19.0             | 19.0             |
| <b>Total</b>                                | <b>320,620.8</b>                | <b>317,040.8</b> | <b>296,949.1</b> | <b>297,154.7</b> |
| <b>Financial liabilities</b>                |                                 |                  |                  |                  |
| Due to credit institutions                  | 77,341.9                        | 77,274.0         | 58,632.3         | 58,709.6         |
| Debt securities in issue                    | 220,754.4                       | 209,250.0        | 220,591.8        | 222,425.9        |
| Derivatives                                 | 11,915.5                        | 11,915.5         | 1,350.3          | 1,350.3          |
| Other liabilities                           | 9.4                             | 9.4              | 5.2              | 5.2              |
| Accrued expenses and deferred income        | 872.9                           | 872.9            | 842.5            | 842.5            |
| <b>Total</b>                                | <b>310,894.1</b>                | <b>299,321.7</b> | <b>281,422.2</b> | <b>283,333.5</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.

| Determination of fair value through published price quotations or valuation techniques where<br>Level 1 includes Instruments with published price quotations<br>Level 2 includes Valuation techniques based on observable market prices<br>Level 3 includes Valuation techniques based on unobservable market price<br><br>Financial instruments measured at fair value in the balance sheet |         |          |         |          |
|--|---------|----------|---------|----------|
| 31 December 2022, SEK M  | Level 1 | Level 2  | Level 3 | Total    |
| <b>Assets</b>  |         |          |         |          |
| Bonds and other interest-bearing securities  | 9,869.7 |          |         | 9,869.7  |
| Derivatives  |         | 7,873.0  |         | 7,873.0  |
| <b>Liabilities</b>   |         |          |         |          |
| Derivatives  |         | 11,915.5 |         | 11,915.5 |
| <b>31 December 2021, SEK M</b>   |         |          |         |          |
| <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  |

## 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.

|   | 31 Dec 2022 | 31 Dec 2021 |
|---|-------------|-------------|
| <b>Available own funds (amounts)</b>  |             |             |
| Common Equity Tier 1 (CET1) capital   | 15,481.0    | 14,426.4    |
| Tier 1 capital  | 15,481.0    | 14,426.4    |
| Total capital   | 15,481.0    | 14,426.4    |
| <b>Risk-weighted exposure amounts</b>   |             |             |
| Total risk-weighted exposure amount   | 82,123.7    | 81,262.3    |
| <b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>  |             |             |
| Common Equity Tier 1 ratio (%)  | 18.9%       | 17.8%       |
| Tier 1 ratio (%)  | 18.9%       | 17.8%       |
| Total capital ratio (%)   | 18.9%       | 17.8%       |
| <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 (%)  | 1.2%        | 0%          |
| of which: to be made up of CET1 capital (percentage points)   | 0.7%        | 0%          |
| of which: to be made up of Tier 1 capital (percentage points)   | 0.9%        | 0%          |
| Total SREP own funds requirements (%)   | 9.2%        | 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 (%)   | 1%          | 0%          |
| Systemic risk buffer (%)  | 0%          | 0%          |
| Global Systemically Important Institution buffer (%)  | 0%          | 0%          |
| Other Systemically Important Institution buffer   | 0%          | 0%          |
| Combined buffer requirement (%)   | 3.5%        | 2.5%        |
| Overall capital requirements (%)  | 12.7%       | 10.5%       |
| CET1 available after meeting the total SREP own funds requirements (%)  | 9.7%        | 13.3%       |
| <b>Leverage ratio</b>   |             |             |
| Leverage ratio total exposure measure   | 325,393.4   | 305,919.6   |
| Leverage ratio (%)  | 4.8%        | 4.7%        |
| <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%          | 3%          |
| <b>Liquidity Coverage Ratio (12 months average)</b>   |             |             |
| Total high-quality liquid assets (HQLA) (Weighted value - average)  | 0.0         | 0.0         |
| Cash outflows - Total weighted value  | 7,083.6     | 4,691.6     |
| Cash inflows - Total weighted value   | 4,134.3     | 6,932.2     |
| Total net cash outflows (adjusted value)  | 2,949.3     | 1,502.6     |
| Liquidity coverage ratio (%)  | 0%          | 0%          |
| <b>Net Stable Funding Ratio</b>   |             |             |
| Total available stable funding  | 235,688.4   | 243,982.7   |
| Total required stable funding   | 239,329.5   | 229,051.7   |
| NSFR ratio (%)  | 99%         | 107%        |

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

|  | Risk weighted exposure amounts |                 | Total own funds requirements |                |
|--|--------------------------------|-----------------|------------------------------|----------------|
|  | 31 Dec 2022                    | 31 Dec 2021     | 31 Dec 2022                  | 31 Dec 2021    |
| <b>Credit risk (excluding CCR)</b>                           | <b>78,713.7</b>                | <b>75,815.7</b> | <b>6,297.1</b>               | <b>6,065.3</b> |
| Of which: the standardised approach                          | 996.1                          | 2,446.0         | 79.7                         | 195.7          |
| Of which: the foundation IRB (FIRB) approach                 | 4,805.1                        | 4,353.8         | 384.4                        | 348.3          |
| Of which: the advanced IRB (AIRB) approach                   | 16,603.0                       | 15,395.6        | 1,328.2                      | 1,231.6        |
| Of which: risk exposure amounts according to Article 458 CRR | 56,309.6                       | 53,620.4        | 4,504.8                      | 4,289.6        |
| <b>Counterparty credit risk - CCR</b>                        | <b>1,214.5</b>                 | <b>3,435.0</b>  | <b>97.2</b>                  | <b>274.8</b>   |
| Of which: the standardised approach                          | 703.1                          | 3,271.6         | 56.2                         | 261.7          |
| Of which: credit valuation adjustment - CVA                  | 511.4                          | 163.5           | 40.9                         | 13.1           |
| Of which: other CCR  | -                              | -               | -                            | -              |
| <b>Operational risk</b>                                      | <b>2,195.5</b>                 | <b>2,011.5</b>  | <b>175.6</b>                 | <b>160.9</b>   |
| Of which standardised approach                               | 2,195.5                        | 2,011.5         | 175.6                        | 160.9          |
| <b>Total</b>   | <b>82,123.7</b>                | <b>81,262.3</b> | <b>6,569.9</b>               | <b>6,501.0</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, 8 February 2023

Anders Larsson  
*President*

# 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 2022 and the twelve-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this attached interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this attached interim report based on our review.

## Scope of review

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

## Conclusion

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

Stockholm, 8 February 2023

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 2023

|  |            |
|--|------------|
| Interim report January-March Länsförsäkringar Bank     | 25 April   |
| Interim report January-June Länsförsäkringar Bank      | 21 July    |
| Interim report January-June Länsförsäkringar Hypotek   | 21 July    |
| Interim report January-September Länsförsäkringar Bank | 27 October |

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 8 February 2023 at 12:00 p.m. CEST.

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