



Landshypotek Bank

Annual Report 2021

For a richer life in the countryside

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Reporting calendar

General Meeting of Shareholders	28 April
Interim Report Q1	6 May
Interim Report Q2	21 July
Interim Report Q3	2 November

For a richer life countryside

Landshypotek Bank wants to promote a richer life countryside. While other banks focus on the major cities and their prevailing economic conditions — we lift our gaze beyond Stockholm, Gothenburg and Malmö. We want to give everyone in Sweden opportunities to live richer lives. We want the Swedish countryside to continue to develop. This is our vision today. We have promoted and believed in this vision since 1836.

Landshypotek Bank is owned by some 36,000 farmers and foresters and those living on farms across the country and the bank's surplus is distributed to

them. Over the years, we have financed hundreds of thousands of investments in a living and sustainable countryside – in open landscapes, well-kept forests and locally produced food. But we are not here solely for entrepreneurs in the countryside. Loans are offered to homeowners in the countryside as well as to homeowners across the country. Our savings products are open to Sweden's general public and to companies.

Together with our customers, Landshypotek Bank generates growth in Sweden. We are a small bank with a vital mission – to promote a richer life countryside.



CEO's Statement

The growth confirms the market need

2021 was a record year for Landshypotek Bank. During the year, we grew at a pace unprecedented for us, with more customers and increased lending.

We increased the lending volume during the year by SEK 10.9 billion to close with total loans outstanding of SEK 94.0 billion. The operating profit of SEK 471 million comprised an improvement of 19 percent year-on-year.

This is a fantastic development with historically strong lending growth. In 2017, Landshypotek increased lending with barely SEK 2 billion. Now, four years later, lending grew over SEK 10.9 billion.

Naturally, gratifying as the year's results and volume growth are, we take a long-term approach to developing the farmers' and foresters' bank. The foundations of Landshypotek were laid by customers in 1836. We still manage confidence from our owners, the country's farmers and foresters, who see the need for their own bank in the banking market.

Over time, growth strengthens us as a sustainable bank. We strive to evolve to continually increase customer value and benefit, but also to manage the cost of running a bank, which is always on the rise. We have therefore focused for some time on scalability and growth, with more customers forming the foundation for building a long-term secure and stable bank.

Growth is confirmation of the opportunities of our strategic development and confirms the strength of our efforts. For a long time, we have systematically worked to improve from a customer perspective and to be able to meet more customers and different customer groups. While we will always be the best bank for agricultural entrepreneurs who wish to borrow to own and manage farms and forests, we now also serve an increasing number of mortgage customers in larger cities as well as in smaller towns and the countryside. Many people are discovering the opportunity to move their mortgages from their traditional bank. Moreover, people with a small farm or who live on their agricultural property without actively farming are now finding us.

The growth confirms the market need. We are a niche bank with one primary service: loans with collateral for agricultural and forest properties or houses. Today, you can choose this service from many companies.

Our strength is that we have niched in just this area. We carry the security, knowledge and experience of lending on properties for almost 200 years. Our customer meetings are personal and say something about us, regardless of if they are digital or in direct communication between a customer and an employee. We build our market presence on our higher purpose of being available for the financing of farming and forestry, and a Sweden that is growing with a living countryside. We are the small bank with a clear and transparent objective, the bank large enough to challenge the market while remaining safe and appealing for customers. An increasing amount of people are discovering this strength and the growth confirms that customers appreciate what we do.

The market is beginning to take note of our internal development. We have gradually increased our availability and market presence. We have changed our organisation to provide greater help to customers, when they need it. We have increased our marketing and promotional activities as well as strengthened digital channels both for new and for existing customers. The digital portal now increasingly used by many customers is key to our development. We have continued to invest in regulatory frameworks and IT structures to create a safer bank for customers. In terms of mortgage customers, our partnerships with Villaägarna and Avanza, among others, have delivered an excellent trend.

We have developed while keeping our costs under control, and growth is taking place with continued good credit quality. However, the increased growth during the year has entailed some capacity challenges. Many employees have worked very hard to meet the increased customer flow. We are now gradually dimensioning for the increase in customer interest.

We are owned by our loan customers in farming and forestry, organised as members in a cooperative association, and profit sharing forms the core of our business model. The members pay in contributions, proportionate to their loans, and then receive dividends for their



investments. The profit distribution strengthens the finances of farms across the country that account for Swedish food production and forestry. The funds are distributed to Sweden's farmers and foresters, a share returns to us as contributed capital and a share goes to tax. It is a closed system for shared value creation and part of the societal benefit we represent.

The strength of our unique form of ownership is apparent as members are increasing their investments year after year and are, as such, adding capital to Landshypotek, which was SEK 126 million this year. This demonstrates that the members are active and believe in our model comprising dividends and contributions.

Based on the strong earnings for 2021, the bank's Board has allocated SEK 172 million as a Group contribution to the cooperative association to allow distribution of a dividend to members. The Board of the cooperative association proposes to the Annual General Meeting a dividend to members of SEK 157 million, corresponding to 8 percent of each member's financial investment in the association.

Agriculture has experienced many positives in the past few years. We note an increase in interest in locally-produced food, the countryside, and forest-related products. The low interest rates have alleviated financial costs and increased willingness to invest. However, many costs for agricultural entrepreneurs increased in the autumn. Landshypotek is used to being close to agriculture and supporting sound, long-term entrepreneurship.

Many regulatory frameworks pertaining to forests are being prepared within the EU. We have continued to engage with the media as well as with the banking forum in an attempt to impact how these frameworks are designed. We will continue to constructively contribute facts and views on the implementation of these regulatory frameworks for those active in forestry and for the financial markets in general.

Similarly to others, we have naturally been affected by the efforts to combat Covid-19 during the year. Most of us have worked from home, and we will be taking the lessons learnt from this with us moving forward. However, we have missed the close relationships that arise from meeting in person, not only between the bank's employees and customers, but also between employees. It is we as people who drive and generate development and the future. Without people, there will be no development.

We will continue to grow. During the autumn, the boards of the bank and the association have worked with a strategic plan with a view toward 2026. We are strengthening what we have. We are a bank for loans to properties and our development concerns growing with more customers. We will continue our development to be the leading bank in the farming and forestry sector, and the bank makes conscious choices in mortgages.

With more customers, we can build an even safer bank. We develop to make a difference for the customers in the market.

Per Lindblad
Chief Executive Officer

The year in figures

2021 was a record year in which we grew at a pace unprecedented for us in terms of numbers of customers, business volume and earnings. During the year, the volume of loans outstanding grew SEK 10.9 billion to close with total loans outstanding of SEK 94.0 billion. The operating profit of SEK 471 million comprised an improvement of 19 percent year-on-year. The historically strong growth is gratifying and, above all, confirmation of our many positive achievements in our strategic work and of the considerable need in the market for a customer-centric niche bank for lending on farming and forest properties as well as on houses.

- Operating profit amounted to SEK 471 million (397).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 486 million (414).
- Net interest income amounted to SEK 972 million (872).
- Costs totalled SEK 498 million (478).
- Net credit losses positively impacted earnings by SEK 5 million (positive: 13).
- Loans to the public amounted to SEK 94.0 billion (83.0).
- Deposits from the public amounted to SEK 15.3 billion (14.7).

SEK million	2021	2020
Net interest income	972	872
Operating profit	471	397
Profit after tax	370	303
Loans to the public	93,968	83,039
Change in loans to the public, %	13.2	8.7
Interest margin, LTM, %	1.10	1.11
Deposits from the public	15,254	14,672
Change in deposits from the public, %	4.0	1.5
C/I ratio including financial transactions	0.52	0.55
C/I ratio excluding financial transactions	0.51	0.54
Credit loss level, % ¹⁾	–	–
Total capital ratio, %	17.3	20.5
Rating, long-term		
Standard & Poor's, Covered bonds	AAA	AAA
Standard & Poor's	A	A
Fitch	A	A
Average number of employees, LTM	225	204

¹⁾ An outcome is only presented in the case of a negative earnings impact.

Net interest income
amounted to

972
million

Operating profit
amounted to SEK

471
million

Lending
amounted to SEK

94.0
billion

Deposits
amounted to SEK

15.3
billion

The number of
employees was

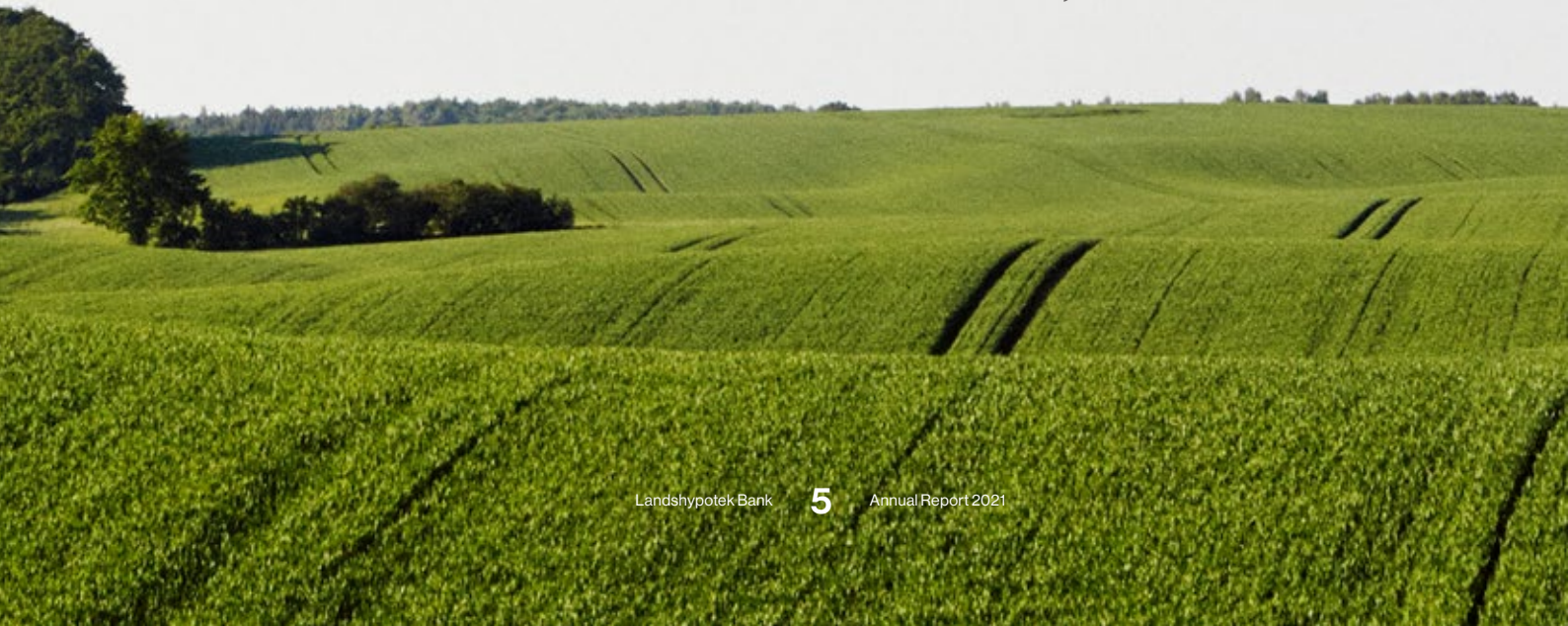
225

35 new employees

The number of
customers was

87,000

who borrow to finance
farms, forests and
houses, as well as savers.



About Landshypotek Bank

Landshypotek Bank is a wholly owned subsidiary of Landshypotek Ekonomisk Förening, which was founded almost two centuries ago to provide farmers and foresters with safe financing on favourable terms. Since 2017, homeowner mortgages and savings accounts are also offered to everyone.

Landshypotek Bank has found its niche in loans with properties as collateral. In terms of the volume of loans outstanding, the bank is one of the ten largest banks in Sweden and is classed as systemically important due to the bank's major significance for financing farming and forestry.

Landshypotek is owned by the approximately 36,000 customers that borrow for farming and forestry and those living on farms, organised as members of a cooperative association. Accordingly, being customer-centric and maintaining a long-term approach is intrinsic to the business model. The surplus is returned to farming and forestry customers. The bank has 225 employees nationwide.

Landshypotek Bank's market strength as a bank with a difference builds on aspects including:

- **To promote a sustainable countryside**

A living countryside, with cultivated and productive fields and forests that create growth and jobs. Landshypotek Bank's lending and savings accounts contribute to a sustainable future for cities and the countryside. The bank's brand promise — "For a richer life in the countryside" — is interwoven in operations, the daily work of agriculture and farming businesses on their farms and in employees' work days.

- **Promoting farming and forestry**

Landshypotek Bank is owned by farmers and foresters and is the only bank in the Swedish banking market with full focus on lending to farming and forestry. Many account managers around the country have backgrounds in agriculture and forestry. The elected representatives in the association are mainly comprised of agricultural entrepreneurs and possess a broad network in agriculture and forestry. Landshypotek is a green company with a green voice for Sweden's farmers and foresters, and sustainability is a natural part of the agenda.

- **Customer-centric DNA**

The concept of Landshypotek is the customers' concept. The bank has its roots in customers commencing operations almost two centuries ago to enable secure financing with favourable interest rates. Customers guide the bank's development to continue challenging Sweden's banking market in terms of accessibility, simplicity, knowledge and favourable terms – whether for farm financing or mortgages and regardless of the location in Sweden.

- **The force of employee commitment**

The bank is developing together with its employees. As a small bank, participation and collaboration are prerequisites to be able to continue competing in the market and doing our best for customers. Therefore, Landshypotek Bank invests considerable energy in collaboration and constantly develops leadership and employeeship.

- **Rapid digital development**

Landshypotek Bank is undergoing rapid digital development and customers interface with the bank in increasing numbers of ways. Currently, Landshypotek is the only bank in the market with a digital loan application for farming and forestry. The digital communication and alternative meeting places are developing rapidly and complements the bank's other interfaces to provide the best customer experience.



Continued development as a mortgage bank

Landshypotek Bank aims to continue to grow with more customers. For long-term strategic planning, the bank's niche remains fixed, with specialising in lending with properties as collateral. More customers are now choosing to use multiple banks for their finances, and Landshypotek is growing as a niche bank in lending with a customer-centric and distinct value-driven purpose. The bank will continue to develop to be the leading bank for farmers and foresters and the conscious choice for mortgage financing. Landshypotek aims to continue to grow with more customer groups in mortgages and owners of farm and forest properties. The bank is strengthening digitally to meet and provide a good experience to an increasing number of customers through improved customer meetings and efficiency. Landshypotek is the humane and green bank, discerned through its commitment and a heart that beats for the Swedish countryside and agriculture.

Landshypotek Bank – in brief

- Founded in 1836.
- Has 87,000 farming and forestry customers, as well as mortgage borrowers and savers.
- Has lending of SEK 75.5 billion to farming and forestry in Sweden and SEK 18.5 billion in homeowner mortgages.
- Deposits from the public totalled SEK 15.3 billion.
- Owned by some 36,000 members of the cooperative association active in farming and forestry and those living on farms.
- In the autumn, SEK 147 million was distributed to members in the form of dividends on invested contributed capital. At the same time, members increased their own investments by SEK 126 million.
- The bank has 225 employees nationwide. During the year, 35 new staff members were welcomed to the bank.

Events during the year

Many new customers have been welcomed to the bank

Landshypotek continues to grow. The total lending volume passed SEK 94 billion in the year and loan customers now exceed 51,000. The increased lending volumes to farmers and foresters, those living on farms and homeowners generates more stable earnings, which is important for our development into a long-term sustainable bank. Collaboration and increased market presence, both as a mortgage and a farming and forestry bank, have enabled the strongest growth. Growth has led to bank capacity challenges during the year, but for which employees in special initiatives have contributed and accounted for a good customer experience, despite increased customer inflows.

Strong new business collaborations

In February, a new mortgage partnership was launched with Avanza. Landshypotek's mortgages are now available directly on Avanza's website and on the app, enabling more people to find Landshypotek as a mortgage option. The partnership complements previous collaborations with Villaägarna, among others, and has been a strong contributor to the increased interest in Landshypotek as a mortgage bank. A partnership developed with Lexly has also meant that Landshypotek's customers have been provided with access to improved legal advice concerning, inter alia, business and property law as well as generation shifts.

Digitalisation providing more opportunities

Increasingly, Landshypotek's customers can now conduct their banking transactions directly via the online bank. Moreover, from the start of the year, individual entrepreneurs can digitally change the terms of their first lien mortgage loans. Fixed-interest terms can also be made directly via the online bank. The new website has made it easier for customers to find what they are looking for. Extensive development of the bank's customer management system continued during the year and the core banking system was upgraded. Special initiatives have been introduced for developing KYC and business monitoring at the bank.

New partnerships for shared commitments

Landshypotek has partnerships with several organisations and companies to share commitment, experience and knowledge and to enable more people to discover

and get to know a bank with a difference. This year, new partnerships have been entered into including with Årets Bonde (Eng: Farmer of the Year) and the Swedish Orienteering Federation.

Participation in associations that strengthens Landshypotek

The eleven annual regional meetings of Landshypotek Ekonomisk Förening were held at the end of March. All members could participate online to hear more about developments at their own bank and association, participate in the association's resolutions, and learn about what is relevant for the sector in general and in their own region specifically. During the year, SEK 147 million was distributed to farming customers. At the same time, members increased their contributions through investing SEK 126 million.

Methodology change in IRB approach

Following regulatory changes pertaining to banks' IRB approaches for calculating capital requirements, the authorities have required banks to make adjustments. During the year, Landshypotek submitted an application for a change in methodology under the permit for an internal ratings-based approach (IRB) to Sweden's financial supervisory authority (Finansinspektionen). In recent years, Landshypotek has continued its risk management development and therefore welcomes the fact that the bank's application and future capital requirements will be based on current default rates.

Initiative to promote sound and safe mortgage mediation

To ensure responsible and trustworthy credit granting at all levels, Landshypotek has, in partnership with SBAB and Skandia, prepared a code of conduct comprising a shared framework for mortgage brokers. Among other benefits, the code of conduct ensures a common standard across mortgage brokers in terms of knowledge requirements, regulatory compliance and remuneration of the intermediary's staff.

The green voice

Landshypotek has continued to publish reports on what is happening in agriculture and the development of agroforestry. This spring's Lantbrukspanel concerned digital technology. The bank and association have highlighted and praised essay writers at university as well as agricultural entrepreneurs across the country.



When pandemic restrictions permit, farm talks about the future will be held in eight different locations. At the same time, several digital seminars have been arranged, both on our own initiative and together with partners. The bank held panel discussions at the digital Borgeby Fälldagar expo, and during the autumn, Landshypotek invited customers and stakeholders in agriculture and forestry to an impactful digital autumn meeting about the economy and the agricultural year.

The EU Taxonomy entails major challenges for Sweden's farming and forestry as well as opportunities for Sweden's forests to be included in investments for the future. During the year, Landshypotek has taken an extremely active role in the debate and engaged in various ways with the EU regulations, Taxonomy and LULUCF – the regulatory framework for carbon removals and emissions from land.

Substantial employee commitment

Landshypotek builds on the commitment of elected representatives and employees. In light of Covid-19 restrictions, the bank's employees have not been able to meet as in previous years. Using advanced digital tools, healthy collaboration has still been maintained. Employee surveys demonstrate that commitment, information and collaboration remain strong at the bank. During the year, several digital employee meetings were arranged in which the bank's development was discussed with all employees. Special initiatives have been implemented to stimulate employee's movement and ergonomics at a time when many are working from home. The bank has also paid particular focus to strengthening the leadership of managers and adapting this to the development of Landshypotek. Collaboration between elected representatives and bank employees has developed into a shared force through the increased market presence of farming and forest lending.

Our operating environment

Steps to counter Covid-19 have continued to dominate the economy, but despite some new variations and bumps in the road, GDP trended well across the globe. The inflation trend characterised the fourth quarter. In farming and forestry, general positivity deteriorated somewhat primarily during the second half of the year due to the substantial rise in the cost of input goods. The current situation with war in Ukraine is expected to have repercussions across all of Europe, including farming and forestry in Sweden.

Healthy demand and increased costs

The future outlook for many farmers has essentially been positive, which has been reflected with rising prices for farming properties, new investments mainly in animal production and cereal storage, and the increased demand for financing. The agricultural year was also characterised by a smaller harvest, but this was offset by higher settlement prices.

The pandemic and global disruptions in logistics flows have also been notable during the year. Access to certain input goods in production has been delayed and led to higher prices. In the "Sweden's Agriculture" survey, which poses questions such as what has impacted farmers the most during the year, the sharp price increases for input goods, such as fertilizer, diesel and feed was by far the most frequent response given.

Similar conditions afflict farmers in several other countries. High prices for input goods are resulting in falling production, but where it has been possible to raise consumer and settlement prices, production has remained more stable. Concerns also exist regarding how consumers will react to higher food prices – and the effects that will arise when this is fully passed on to consumers.

Essential operations

Demand for agricultural products is favourable. Sweden's farmers are believed to be essential from many perspectives. A survey conducted by Landshypotek during the year demonstrated that the most important consumer parameter is the sustainable production of food. The second most important parameter is to contribute to the living countryside and jobs. Selecting Swedish produced food has also increased during the pandemic and captured a larger share of food purchased in retail. Livestock products continued to capture market shares in the domestic market.

Strong forest economy and many political issues on the agenda

A strong forest economy, particularly for sawn timber, led to record exports in 2021. During the second half of the year, the demand for paper also increased. The strength of the forest economy was due to healthy demand for forest products and lower production in many countries. This benefited the Swedish forest industry. Profitability in forestry has generally been satisfactory compared with previous period, even if it has declined over time for forest owners.

The EU adopted the Taxonomy. The directive from Brussels, in which a considerable amount of detailed information is to be reported by every individual forest owner, is complex and unclear. Discussions are also being held with banks and interest groups regarding how the regulations are to be interpreted, what information lenders need when granting future loans and how borrowers can specify and report information more easily.

In December, the new Minister for Rural Affairs presented the strategic plan for agricultural policy from 2023 to 2027. The plan is an important signal of the support and conditions that will apply in the mid-term and make it easier for farmers to make investment decisions for continued development and a sustainable future.

Optimism and willingness to invest

Landshypotek has noted a base optimism and willingness to invest in farming and forestry despite a patchy year. The price of agricultural and forest properties has risen. High access to capital in combination with low interest rates has created scope for acquisitions. The sharply rising costs for input goods and the risk of rising interest-rates may result in a lower willingness to invest moving forward. Agricultural entrepreneurs are used to managing seasonal variations from a variety of aspects. It is still not possible to fully assess the economic consequences of the different factors that will impact the industry in 2022 and beyond. Landshypotek

is well-equipped to support and assess the situation in close dialogue with customers to take advantage of the opportunities that are present.

Three themes for this year's financial markets

The 2021 financial markets have been dominated by the Covid-19 pandemic, recovery and inflation, and the appurtenant responses of central banks. Stimulative fiscal and monetary policies had a positive effect on most of the asset classes. The stock markets have reached new all-time high property prices. Credit spreads have continued to trend positively.

The economic recovery that was initiated during the second half of 2020 continued in 2021 even if there were some bumps in the road in the form of the Delta and Omicron variants. Continued fiscal and monetary policy stimuli provided economic support. Inflation has gained significant momentum during the year as demand and the production of completed goods has recovered quicker than raw materials and subcomponents. This led to a component shortage, rising raw-material and energy prices as well as malfunctioning supply chains. Container shortages have also led to a substantial hike in shipping costs.

The macro outlook for Sweden has been better than for many other parts of the world with strong GDP growth, a strong purchasing managers index (PMI), a robust Economic Tendency Survey and rising house prices.

Strong in the US

Unemployment at 3.9 percent in the US is now almost as low as the pre-pandemic level of 3.5 percent. President Biden has had a difficult inaugural year as his plans for, inter alia, investing in infrastructure have met resistance even among Democrats. Despite this, we have seen continued stimuli, especially for households. Households have been supported by a strong labour market and financial policy, but inflation of 7 percent has dampened the scope of consumption. Omicron dampened spirits in the fourth quarter, but the 2021 GDP forecast remains about 4 percent and has thereby reversed the drop in 2020. However, there was a declining trend for forward-looking indicators during the second half of the year and we enter 2022 with certain hesitation.

The US central bank signalled that it is time to reduce stimuli due to inflation projections. The first of a series of hikes is expected during the first half of 2022.

Slightly more hesitant in Europe

Europe's recovery was slower and developed later compared with the US. More stringent pandemic measures in terms of restrictions and less scope for financial stimuli dampened developments. Despite this, unemployment has also declined to almost pre-crises levels, with 7.2 percent compared with 7.1.

The GDP forecast is 5 percent, which is strong but not sufficient to recover all of the loss from 2020. Inflation has also rose significantly in Europe, approaching 5.0 percent, burdening the scope of consumption of households and dampening growth projections. This is reflected by the forward-looking indicators that have decline during the second half of the year and indicate a weaker trend in 2022.

The European Central Bank (ECB) has continued to stimulate the economy at an unchanged rate. Even if inflation has risen, ECB believes that the hike is temporary and that interest-rate hikes are not imminent.

Better in Sweden

Sweden recovered well in 2021 and entered the recovery stage at a better level given that restrictions in the country have been less extensive than most other European countries. The GDP forecast for 2021 is about 5 percent. The labour market has developed tentatively and has some way to go before returning to pre-pandemic levels. However, this is a result of a labour market that has grown quicker than anticipated rather than the creation of new jobs now being sufficiently influential. Inflation has also accelerated in Sweden, reaching almost 4 percent. The hike is mainly the result of energy prices and, with the removal of energy, the price hike is significantly milder at 1.7 percent. Inflation limits the scope of household consumption and dampens optimism, but trade and industry remain healthy, and the economy remains very strong according to the National Institute of Economic Research's economic tendency survey.

The Riksbank has continued to stimulate economy in 2021 with bond purchases, but signalled that purchases will decline in 2022. The Riksbank projects an unchanged repo rate until the end of 2024.



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Administration Report

Landshypotek Bank posted continued strong growth in lending and earnings have increased. During the year, net interest income improved SEK 100 million year-on-year. Loans to the public increased SEK 10.9 billion over the year. The bank continued to post extremely good credit quality.

Financial report

Net interest income

Net interest income amounted to SEK 972 million (872). Interest income totalled SEK 1,441 million (1,443), down as a result of lower interest rates despite a substantial rise in lending. Interest expenses totalled SEK 469 million (571), down as a result of lower funding costs.

Net result of financial transactions

The net result of financial transactions amounted to a loss of SEK 15 million (loss: 17), where the unrealised loss amounted to SEK 6 million (loss: 14) and the realised loss to SEK 9 million (loss: 3).

Other operating income

Other operating income was SEK 8 million (8).

Costs

Costs amounted to SEK 498 million (478). Costs are in line with the plan.

Credit losses and credit loss allowance

Net credit losses amounted to recoveries of SEK 5 million (recoveries: 13) with a consequent positive earnings impact, of which net credit losses for non-credit-impaired assets had a positive earnings impact of SEK 3 million and credit-impaired assets had a positive earnings impact of SEK 2 million that was attributable to recoveries of a few individual commitments.

Gross non-credit-impaired assets amounted to SEK 93,327 million and the credit loss allowance to SEK 17 million. Gross credit-impaired assets amounted to SEK 675 million and the credit loss allowance to SEK 24 million. The provisions for credit-impaired assets pertained to individual commitments within varying types of farming and geographic locations.

The bank continued to post extremely good credit quality with continued credit recoveries. For more information, refer to Note 10 and Note 14.

Other comprehensive income

Other comprehensive income amounted to SEK 12 million (expense: 3). Financial assets at fair value had a positive effect of SEK 8 million (6) on other comprehensive income and cross-currency basis spreads in fair-value hedges had a net impact of SEK 4 million (negative: 8) on other comprehensive income.

Assets

The largest asset item in the balance sheet is loans to the public, which amounted to SEK 94.0 billion (83.0). The geographic distribution of lending remains stable over time.

Landshypotek Bank's liquidity portfolio totalled SEK 10.3 billion (9.7). The portfolio comprises Swedish covered bonds with the highest credit rating and bonds

Operating profit

SEK million	2021	2020
Net interest income	972	872
Other operating income	-8	-10
Of which net result of financial transactions	-15	-17
Costs	-498	-478
C/I ratio including financial transactions	0.52	0.55
C/I ratio excluding financial transactions	0.51	0.54
Net recognised credit losses	5	13
Credit loss level, % ¹⁾	-	-
Operating profit	471	397
Operating profit excluding the net result of financial transactions	486	414

¹⁾ An outcome is only presented in the case of a negative earnings impact.



issued by Swedish municipalities and regions. The holding of interest-bearing securities functions as a liquidity reserve. The liquidity portfolio was 1.8 times (1.1) larger than refinancing requirements for the next six months. The ratio is affected by the allocation of maturing debt for longer than six months and can, therefore, change between measurement periods.

Liabilities

Funding

Landshypotek Bank actively raises funds via the capital markets, and as far as possible always strives to meet investors' wishes regarding tenors and interest-rate structures. Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained in Landshypotek Bank.

Covered bonds are bonds that carry a preferential right in a defined cover pool. Covered bonds outstanding

totalled SEK 75.5 billion (66.0). Assets in the cover pool corresponding to SEK 94.3 billion (86.8) are in place as collateral for these bonds. Landshypotek Bank has one international EMTN programme with a limit corresponding to around SEK 102.9 billion (100.5). The EMTN programme is denominated in EUR and has increased over the year due to changes in the exchange rate.

During the year, covered bonds to a nominal value of SEK 30.6 billion and senior bonds to a nominal value of SEK 1.1 billion were issued. In parallel, covered bonds to a nominal value of SEK 12.2 billion and senior bonds to a nominal value of SEK 3.6 billion matured or were repurchased.

Covered bonds are Landshypotek Bank's most important source of funding. Landshypotek Bank's covered bonds have an AAA credit rating from the rating agency Standard & Poor's.

The cover pool comprises loans with agricultural and forest properties or houses as collateral and supplemental collateral that comprises covered bonds issued by other credit institutions, and bonds issued by Swedish municipalities.

The credits in Landshypotek Bank's cover pool have an LTV of 43.0 percent (42.7). The LTV or loan-to-value ratio shows loan amounts in relation to the value of the collateral. Landshypotek Bank has 52,000 loan customers and 38,000 pledged properties. In many cases, the difference is attributable to more than one individual jointly pledging their shared property. The number of loans amounts to 104,000.

Cover pool and covered bonds, SEK million

Cover pool

Loans	88,012
Supplemental collateral	6,250
Total cover pool	94,262

Covered bonds

Issued in SEK	72,870
Issued in foreign currency	2,652
Total covered bonds	75,522
Excess collateral	24.8%
	18,740

Key figures, cover pool, SEK million

LTV – Loan-to-value ratio

Average volume-weighted LTV	43.0%
Number of pledged properties	38,071
Number of borrowers	51,502
Number of loans	104,033

Lending volume in the cover pool per LTV interval

<10%	29%
10–20%	23%
20–30%	18%
30–40%	14%
40–50%	10%
50–60%	5%
60–70%	1%
70–75%	0%

Of Landshypotek Bank's lending, 52 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 1 percent of lending is against collateral where the loan amount is 60 percent or more of the value of the collateral.

Deposits from the public

Deposits from the public totalled SEK 15.3 billion (14.7).

Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 17.0 percent (18.8) and the CET1 capital ratio was 14.4 percent (15.2). The internally assessed capital requirement for the consolidated situation was SEK 4.6 billion (4.1) and should be compared with own funds of SEK 6.4 billion (6.3). The capital adequacy assessment takes into account the minimum capital requirement, the Pillar II capital requirement and the combined buffer requirement. Refer to Note 3 for further information.

Group contributions

Contingent upon the approval of the General Meeting, a Group contribution will be paid by Landshypotek Bank AB in the amount of SEK 172 million (163) to Landshypotek Ekonomisk Förening.

Rating

Landshypotek Bank has credit ratings from two different rating agencies, Standard & Poor's and Fitch. No changes in the bank's ratings were forthcoming during the year.

Rating	Long	Short
S&P covered bonds	AAA	
Standard & Poor's	A	A-1
Fitch	A	F1

Impact of Covid-19

Landshypotek Bank has conducted continuous stress tests, and performed analyses and controls of groups of customers with shared attributes to ensure the bank maintains good credit quality. The bank continues to monitor GDP and property price developments, which are influencing factors in the model for credit loss provisions. The bank has not noted any negative impact on the bank's customers or decline in the credit quality of the credit portfolio as a result of society's efforts to combat Covid-19.

The financial markets have functioned well for most types of bond issues. The bank's main funding source is covered bonds and with a now well-functioning market for issuances, the bank's funding possibilities remain stable.

Funding

SEK million
Swedish commercial paper
MTN programme
EMTN programme
Registered covered bonds
Subordinated loans

Issued 2021	Limit	Issued 2020
–	10,000	–
22,870	60,000 ¹⁾	34,220
54,700	102,881 ²⁾	31,788
2,823		3,213
1,300		1,900

¹⁾ No longer an active program for issuing new transactions.

²⁾ EUR 10,000 million.

Sustainability report pursuant to the Annual Accounts Act

Landshypotek Bank has prepared a sustainability report pursuant to the Annual Accounts Act. Landshypotek Bank's sustainability report contains information about the company's initiatives and position in terms of sustainable development, customers and the offering, personnel and the work environment, business ethics, anti-corruption and environmental impact. The Sustainability Report is available on pages 19–31.

Events after the balance sheet date

The current situation with war in Ukraine is expected to have repercussions across all of Europe, including farming and forestry in Sweden.

Landshypotek Bank has not noted any general decline in the credit quality of the credit portfolio as a result of this, but the bank continues to monitor developments closely.

No other significant events have occurred since the balance sheet date.

Proposed appropriation of profits

SEK	
The following unrestricted equity is at the disposal of the Annual General Meeting:	
Retained earnings	2,356,192,399
Group contributions	-171,500,000
Tax effect of Group contribution	35,329,000
Net profit for the year	370,045,552
	2,590,066,952

The Board of Directors proposes that the funds at the Annual General Meeting's disposal be allocated as follows:

To be carried forward	2,590,066,952
	2,590,066,952

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK 171,500,000, which has reduced unrestricted equity as of the balance sheet date by SEK 136,171,000 after taking the tax effect into account. Unrealised changes in the value of assets and liabilities measured at fair value had a net positive impact on equity of SEK 67,289,596.

The Board of Directors is of the opinion that the proposed dividend, in the form of a Group contribution, does not compromise the company's or the Group's ability to discharge its obligations in the short and long term, nor to make any necessary investments. The proposed transfer of value can therefore be justified considering that stated in Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act. The Board of Directors proposes that the year's funds at the disposal of the Annual General Meeting, SEK 2,590,066,952 be carried forward.

The annual accounts have been prepared in accordance with generally accepted accounting principles and provide a fair representation of the company's position and performance.



Sustainability Report

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To promote sustainable development countrywide

Landshypotek Bank helps people to run companies, realise their dreams and to live countrywide. Through the strong commitment of the bank's owners, customers, investors, suppliers and employees, the bank strives daily to develop our unique bank. Landshypotek Bank believes in wise, long-term investments that continue over generations. Almost 200 years ago, the first building society was founded that evolved into Landshypotek Bank as it stands today, and we plan to continue offering competitive financing and safe savings to countryside entrepreneurs and households for at least as long again.

The bank's contribution to sustainable development

A living countryside, where fields and forests are cultivated, creates growth and jobs as well as the prerequisites for an evolving business community and welfare across the country. Sustainable development countrywide rests on the possibilities for living and working throughout Sweden. Landshypotek Bank uses sound and responsible credit granting to enable investments in rural enterprise and housing, both in and outside of cities. This lays the foundation for a future for the cities and the countryside. In this way, the bank contributes to sustainable societal development – economically, environmentally and socially.

Meaningful for development across the country

Agriculture and forestry fill many important functions and are of great significance to the country's development. The forest is a key link in the transition to achieve net zero emissions. Forest raw materials are renewable, recyclable and biodegradable, and can be used for many different products and replace fossil alternatives. Growing forests bind carbon dioxide and counter climate changes.

Swedish farms and agriculture maintain high standards for animal husbandry, environmental adjustment and food quality. Agriculture has considerable potential to contribute to reducing CO₂ emissions. The use of land also contributes to biodiversity, nature management and variety in the Swedish countryside.

Being the bank for all of Sweden also means offering loans to customers wishing to buy homes outside the major cities. Together, the bank and its customers promote a living countryside where people live and work.

In the past few years, Landshypotek has also strengthened and structured the bank's sustainability efforts

as part of living up to the expectations of the business environment. A Chief Sustainability Officer has been part of the bank's Management Group since 2016 to ensure that these issues are pushed and permeate the entire operation.

Sweden's member-owned bank

Farming and forestry borrowers become members of Landshypotek Ekonomisk Förening and, thereby, owners of Landshypotek Bank. With some 36,000 members, the association is one of the country's largest cooperative associations.

The association's purpose is to benefit its members. The owner directive states that the bank is to contribute to long-term societal development by creating the preconditions to live and work in the Swedish countryside. By offering competitive financing, the bank will strengthen its competitiveness as well as that of the cooperative association's members. The bank's actions in pursuit of this owner directive are reported on an ongoing basis by the CEO to the Board of Directors of Landshypotek Ekonomisk Förening.

The ownership form is one of the bank's strengths. As loan customers are also the bank's owners, this creates commitment, shared responsibility and a long-term approach. The bank's profits are redistributed back to the members and to agriculture and forestry, and are used to develop operations at the bank. This is part of modern, progressive business practices.

Impact on key issues

Over the year, the bank has continued to engage in and monitor the formulation of the EU directive on sustainable investments, and more specifically, how farming and forestry is classified in the underlying taxonomy. The bank has engaged in comments to the proposal to promote forestry's inclusion and design for several years, and has in 2021, been active in how the interpretation and implementation of regulations is to be



carried out without a disproportionate reporting burden on smaller companies. During the year, the bank has actively taken part in the design of the industry-wide climate roadmap that was produced within the Swedish Bankers' Association.

Customers and the offering

Landshypotek Bank's customers

Landshypotek Bank targets owners and entrepreneurs in agriculture and forestry, those living on agricultural properties, homeowners and savers. The bank's loan customers are mainly located outside of Sweden's major cities and the bank's target groups are clearly defined. Landshypotek Bank lends to customers against collateral in agricultural and forest properties or houses in Sweden. The bank's savings customers can be found countrywide.

The bank's customers include a large portion of the country's large-scale production agriculture, many smaller farmers and foresters as well as homeowners. For natural reasons, the customers' relationships with the bank are longstanding and often continue across generations, since farming and forestry are capital intensive, long-term businesses.

Proximity and networks

One of Landshypotek Bank's strengths is its close links to the farming and forestry industries. The bank's account managers at offices around the country often have backgrounds in agriculture and forestry, and banking and financing expertise. Moreover, the organisation is small and decentralised, which enables close customer relationships with short decision paths. Together

with its elected representatives, Landshypotek Ekonomisk Förening maintains an extremely strong presence, competence and commitment across the company.

Sound and sustainable lending

Since 1836, Landshypotek Bank has endeavoured to offer sound and sustainable loans. This means contributing to customers' financial security, within the framework of the bank's credit regulations. The regulations aim to protect customers' financial positions and, at the same time, to shield the bank and owners from credit losses.

Landshypotek Bank strives to achieve high risk awareness and low risk undertaking in its credit granting and deposits operations. This position is demonstrated by the bank's lending being primarily against collateral in immovable property and its focus on first lien mortgage loans for farms, forests and houses. Read more about the bank's risk management in Note 2.

The bank promotes simplicity, clarity and transparency in its credit granting. Distribution and marketing must be responsible and moderate. Customers are to feel secure with Landshypotek Bank, and to understand the terms being offered when facing critical financial decisions.

Landshypotek Bank's operations are assessed as being critical for Sweden's financial system and are therefore encompassed by the Swedish National Debt Office's resolution planning. The bank thereby also contributes to securing the country's long-term economic stability.

The bank's focus entails natural limitations in its credit granting. The bank does not finance, for example,

weapons, such as cluster weapons, anti-personnel mines, biological or chemical weapons, or the production or distribution of nuclear weapons, and the bank has no exposure to nuclear power or coal.

Credit appraisal including sustainability analysis

Landshypotek Bank's credit appraisals are based on customers' repayment capacity. A sustainability analysis is always included in the credit appraisal for large and medium-sized companies and all legal entities. A sustainability analysis is also conducted if separate environmental risks could arise or if it is deemed appropriate in individual cases. The bank's account managers conduct a sustainability analysis to review whether operations are linked to a quality assurance system, if it is checked by a third-party, if self-assessments are conducted as well as the results of any checks performed. If these checks are missing, the bank conducts a more thorough review. In 2021, a review of the sustainability analysis was conducted and a new revised version that better captures climate and environmental risks will be implemented in 2022. Read more about risks and risk management in Note 2.

Preventive insolvency management

The bank works actively with preventive insolvency management. This entails early contact by the bank with customers who have or who could have difficulties in meeting their interest or amortisation payments. Many situations can arise in life that could change a person's repayment capacity. It is therefore important that the bank takes early contact with customers and prepares individual plans to enable them to get on top of their payments. If the bank succeeds with early identification and can start a good dialogue, this often leads to good outcomes for our customers as well as the bank.

Investments

The bank's liquidity reserve comprises interest-bearing securities, either covered bonds in SEK issued by Nordic credit institutions or securities issued by Swedish municipalities or regions. The bank's green bond framework and its Sustainability Policy stipulate that the bank is to ensure responsible investments by integrating sustainability aspects in its investment decisions. As part of this objective, the bank has decided that investments in the liquidity portfolio may not include operations with a focus on fossil-based energy production, nuclear power, research or development of weapons, potentially environmentally harmful extraction of resources (for example, rare earths or fossil fuel), gambling or tobacco. Therefore, the bank's assessment is that there

are no material non-financial risks linked to the bank's investment activities.

Greener funding

In 2018, Landshypotek Bank prepared a green framework for issuing green bonds. The aims included being able to promote a more sustainable financial market as well as to meet demand from the bank's investors. The bank's green bond framework is based on sustainable forestry practices, renewable energy and energy-efficient buildings. The framework is aligned with the Green Bond Principles prepared by the International Capital Market Association. The framework was awarded a Dark Green rating from the Center for International and Environmental Research – Oslo (CICERO), which is the highest rating for green bonds.

The bank has issued green covered bond at a volume amounting SEK 10.8 billion. The funds raised by the bonds are used exclusively to finance sustainable forestry. As per one of the obligations under the bank's green bond framework, the third impact report for green bonds was prepared and published on the bank's website in 2021. Read the full report on the bank's website under investor relations. The bank's green bonds comprise 14.2 percent of the bank's total volume of issued covered bonds.

Employees working for all of Sweden

Landshypotek Bank comprises 225 employees at 19 offices. Many of the bank's account managers, those meeting customers in the front office, have backgrounds in agronomy, forestry, agrology or similar fields in addition to their banking and financing expertise. The bank's account managers who work with mortgage loans have SwedSec licences. Together, the bank's staff work to promote a richer life countrywide.

Small bank – Huge commitment

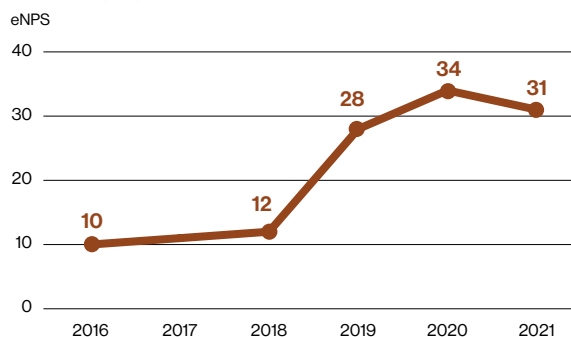
The bank's foremost assets are its culture, its employees and their commitment. The employees are also the bank's main brand carrier; the aim is for all employees to feel committed, enjoy their daily work and feel motivated by, and pride in, their employer and their daily tasks. Each employee accounts for around half a percent of the bank, which means that each individual's commitment is highly important. Employees are involved in numerous projects and are part of how the bank is developed. At the year's three digital employee meetings, staff were given opportunity to jointly discuss the bank's transition journey, make new contacts and work together in new compositions and constellations.

During the year, employee commitment was evaluated in many ways. In the spring, each employee responded to questions based on a commitment index called the sustainable employee engagement (SEE) index. Evaluating SEE captures the motivation of employees and the prerequisites they have for offering their best for the organisation. It also captures the extent to which employees feel self-fulfilled and recognise personal development in their work, which is positive both for the individual and for the organisation. SEE provides an indication of the extent to which employees understand their organisation's overall objectives and how their own contributions meet these objectives. The SEE index consists of nine questions in three areas: motivation, leadership and strategic management. The results of this year's survey show that we have healthy prerequisites for sustainable employee engagement as employees have provided average value scores of over four on a scale of one to five.

Employee survey

During the year, all employees were given the opportunity to respond to three employee surveys. The surveys had different focuses and aims. In the first survey, questions were posed about how employees perceived their close and everyday work with questions based on the SEE index. In the second survey, questions were posed concerning the work environment and unequal treatment, and in the third, questions were posed about how employees perceived the bank's overall development during the year. The results of the first survey were shared with all managers for ongoing dialogue and reflection in each working group. The results of the second survey were managed by HR and the Management

How likely are you to recommend Landshypotek Bank as an employer to a friend?



The graph shows that the likelihood of recommending the bank as an employer has risen among employees over the last few years, but that it declined slightly in 2021. The value for 2021 is an average of the three measurements. eNPS is the portion who responded 9–10 minus those that responded 1–6 on a scale of 1–10, where 10 represents most likely. Responses in the 7–8 range are treated as neutral. The value is on a scale of -100 and +100.

Group as a basis for ongoing work and potential actions to be taken. The third survey that was conducted at the end of the year will be shared with the organisation at the first employee meeting of 2022.

All surveys measure the bank's employee net promoter score (eNPS) by posing the question "How likely are you to recommend Landshypotek Bank as an employer to a friend?" The average value of the eNPS was +31, which is very high on the scale of -100 to +100 in which values above 0 are favourable and indicate a positive attitude and feeling toward the bank as a workplace.

The insights gained from the employee surveys comprise the foundation for the bank's continued development and shared efforts to strengthen employeeship and the culture that permeates the bank.

Coronavirus pandemic

The effects of the pandemic that have impacted society in the past two years have impacted working life at Landshypotek Bank. The pandemic has entailed remote working from home, new ways to collaborate and shared responsibility for community and collaboration between different work groups and departments. During the year, the bank has continued to regularly ask employees about how the pandemic is impacting their work situation. Dialogue between employees and managers has been central this year, and concerned how work is organised given the prevailing situation, the planning of activities and collaboration in and between groups at the bank.

Sick leave

A work-life balance is crucial for everyone's well-being. A good work environment and climate promotes lower absence due to illness. Accordingly, it is important to regularly measure, follow up and take initiatives to prevent ill health and illness. The bank regularly measures and follows up sick leave to be able to implement timely initiatives. The bank's sick leave figures are low for both short-term (1–14 days absence) and long-term (>15 days absence) sick leave. Short-term sick leave was unchanged in 2021 (average 0.9 FTEs) compared with 2020 (average 0.9 FTEs) and long-term sick leave declined 25 percent from already low levels (average 0.9 FTEs in 2021 and 1.2 FTEs for 2020). Total sick leave (short- and long-term) in 2021 declined 14 percent compared with total sick leave in 2020.

Skills and development

The bank thinks widely in terms of personnel skills and development. All managers have regular dialogues with their personnel to jointly manage and develop the

work group's and the individual's tasks, and to build and broaden the employee's skills in the long term. Beside development in their current roles, this could include participating in different projects, holding courses for colleagues, swapping departments for a period or studying for a formal qualification. The bank has a standing range of courses available, some of which are obligatory, for example, credit training, anti-money laundering training, and IT and information security.

During the year, the bank's employees both arranged and were invited to digital inspirational meetings and lunch seminars. These were occasions to source new inspiration and gain knowledge or tips for the home office or the next customer meeting.

Leadership programme

The bank is continuing to invest in committed employees and leadership development. Together, this enables a workplace that is attractive and in which employees are given the preconditions for performance. During the year, the bank's managers worked on developing their leadership roles. Collective information, follow-ups and feedback on leadership was strengthened. A leadership framework was developed containing information on the expectations of managers and a programme for tools and dialogue for what it means to be a manager at Landshypotek Bank was launched.

Gender equality and diversity

The bank values diversity and equal treatment. All employees are provided the same opportunities irrespective of gender, gender identity, gender expression,

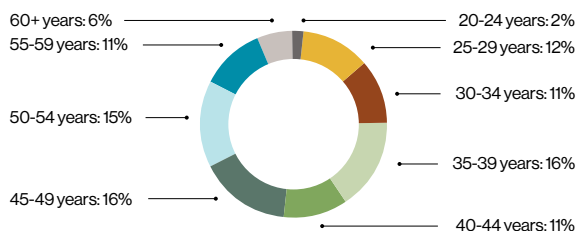
ethnic origin, religion or belief, disabilities, sexual orientation or age. It is therefore central for the Bank to actively identify, avert and prevent all types of harassment and discrimination. Experience and knowledge of Swedish farming and forestry is important as a player in the sector, but an equally central success factor to promote a richer life countryside entails having a differentiated workforce in terms of experience, competence and background.

The bank believes that egalitarian and diverse groups improve work and performance. The bank prioritises creating space for different perspectives, evening out gender, age and experience distribution of misaligned working groups and ensuring that no one is discriminated against or mistreated in other ways.

Perceptions of the organisational and social work environment are measured annually in one of the three employee surveys. Questions are posed concerning unequal treatment, and the results of this year's survey

Age distribution

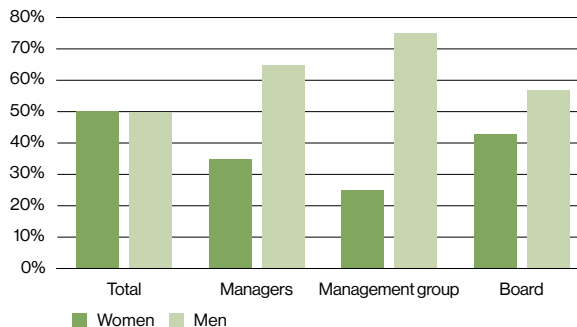
The figures are based on the total number of employees at 31 December 2021



The bank has a broad age distribution. The most common age intervals among the bank's employees are 35–39 and 45–49. The interval from 20–24 is the least common, which reflects the educational and experience requirements for many positions at the bank.

Gender balance in percent, women/men

The figures are based on the total number of employees at 31 December 2021



In total, the percentage distribution between men and women was 50/50 (51/49), among managers 35/65 (42/58), in the management 25/75 (25/75) and 43/57 (43/57) on the Board. The total distribution, that is entirely equal between women and men, is not reflected in the other groups. On the other hand, the Board lives up to the bank's target for equal groups.

The ILO's Core Conventions apply to the bank's operations:

Human rights are always respected and the bank adheres to the legislation that applies to its operations. Labour law requires that employment is voluntary and that no form of discrimination, harassment or child labour may occur. Salaries are paid directly to the employees and any overtime is always compensated. The bank's employees have the right to organise and collective agreements are always respected. The bank complies with national environmental requirements. The operations are conducted with high moral standards and ethics to ensure sound professionalism. All forms of corruption, extortion and bribes are unacceptable.



demonstrate that the bank's goal of zero tolerance is yet to be achieved. The bank is working actively with these issues. The same survey demonstrated that the absolute majority of employees believe that the bank treats such issues seriously.

Rights and conditions at work

Landshypotek Bank strives to be a popular, good place to work, both with regard to employment terms and conditions, and to the work environment. The employees are offered loans at favourable terms, profit sharing and subsidised lunches, for example. The bank has a collective agreement with the Financial Sector Union of Sweden and the Swedish Confederation of Professional Associations (SACO). Each of the two unions have appointed their own representative on the bank's Board.

The bank strives to achieve sound and fair pay scales that ignore background and gender. The bank adheres to the legislation in this area, which entails the bank conducting an annual salary review within the organisation with the aim of identifying, addressing and preventing unjustified salary differences between genders. The analysis found that the pay scales were fair and that no unjustified salary differences existed between genders.

The bank's Work Environment Council is tasked with promoting a good work environment and following up the bank's work environment efforts. The Council comprises employer and union representatives, health and safety representatives, and the bank's Risk Manager. Employees also have access to generous wellness subsidies, health checks, support dialogues and extra financial compensation when on parental leave.

Business ethics and anti-corruption

Respect for human rights is essential for the conduct of sound and sustainable enterprise and something that the bank always adheres to in its own operations and in relation to customers, suppliers or other business partners. The bank's sustainability efforts comprise the entire operation. As such, it is important for the bank that its suppliers also take responsibility for the promotion of sound and sustainable development. Respect for human rights, the environment and business ethics permeate the entirety of the bank's supply chain.

As part of this work, the bank has prepared a Code of Conduct for suppliers in which the bank's expectations are described in detail. Given the operations of the bank and the bank's requirements of suppliers and business partners, the bank's assessment is that there are no significant risks linked to human rights.

Acting ethically and correctly

The bank's and its employees' knowledge of, and compliance with, business ethics and anti-corruption is a prerequisite for Landshypotek remaining active in the market and retaining its confidence. This knowledge is secured through annual compulsory training courses.

Acting correctly and objectively is of great importance in all of the bank's business dealings. The bank applies a zero-tolerance policy toward corruption. This means that no employee may provide, promise or offer any inappropriate benefit. Nor may any employee receive or request such a benefit or reward, or recommend or enable a customer to receive or request such a benefit or reward.

The bank's and its employees' extensive commitments in agriculture and forestry are a strength but also entail a risk of conflicts of interest and bias. A structured process is therefore in place, inter alia, to approve and follow up the ancillary activities of employees. Employees' ancillary activities are notified and followed up annually. Should a risk of bias or other conflict of interest arise, the case must be transferred to another colleague at the bank.

The bank's compliance department regularly carries out – at least once per year – a risk analysis concerning the bank's corruption risks and conflicts of interest. The risk analysis identifies the likelihood and consequence of the risk being realised. Based on this, mitigating measures are drawn up.

Prevention of financial crime

Money laundering and terrorism financing comprise serious threats to society in Sweden and the rest of the world. The bank does not tolerate and does not participate in money laundering or terrorism financing. The bank takes all reasonable measures to prevent the bank being used for money laundering or terrorism financing, and the Board and CEO have the ultimate responsibility for these issues. The Board and CEO are also ultimately responsible for the bank's operations taking necessary measures, for the bank's internal rules complying with external regulatory requirements and that said rules are appropriate, well implemented and complied with in operations. As part of its organisation to prevent money laundering and terrorism financing, the bank has created the following roles: Designated Supervisor, Central Function Manager, Operational AML Manager and Independent Auditor (the function is often conducted within the bank by internal audit). The bank also has a separate AML function at Board level with a focus on regulatory compliance. Read more about Landshypotek Bank's risks and risk management in Note 2.

Administration and internal regulatory compliance

Landshypotek Bank's ethics policy states that operations should apply sound values and professionalism; that customers', employees' and the owner's interests at an overall level should be taken into account in all decisions, and that external and internal rules should always be complied with. The bank's policy on conflicts of interest also governs insider trading as well as gifts, rewards and other benefits. Guidance is provided here for difficult situations.

Business ethics are included in various employee training courses, including induction training for new employees and annual training in business ethics. If employees are unsure about how to apply the ethics policy or other policies, the first resort is to contact their immediate manager. Furthermore, the bank's compliance function can be contacted for advice and support. Finally, the bank has a whistle-blower process. Anyone who suspects serious misconduct can use the whistle-blower service anonymously.

Landshypotek Bank also has an incident reporting system for deviations that entail a risk of adversely impacting the bank's internal or external procedures, customers and regulatory compliance.

Suppliers and business partners

The Bank has mainly outsourced activities in terms of IT. In support of the bank's outsourcing, procurement and monitoring, the bank has a number of policy documents that set requirements for the bank's outsourcing agreements. The bank is also subject to Finansinspektionen's requirements for outsourcing agreements as defined in FFFS 2014:1. The bank monitors suppliers on an ongoing basis, which also encompasses an ESG perspective. All IT equipment purchased by the bank is TCO certified (fixed-line telephones are not included as no environmental classification is in place for them). TCO certification means that sustainability requirements are set, which include driving social and environmental responsibility over the product's lifecycle. The requirements extend beyond the industry standards and legislation that drive the development of sustainable IT products.

Climate and the environment

Landshypotek Bank's main environmental impact is at customer level. The bank's core business is the financing of Sweden's agricultural and forestry sector. Many of the bank's core customers, run operations that affect and are affected by the climate and the environment. Climate change can have a direct and indirect impact on



our customers' operations and, thus, also on the bank's credit risk.

Since the bank's core customers operate in farming and forestry, the customers' impact on the environment can be both positive and negative. Farming and forestry reduce carbon dioxide in the atmosphere, and contributes to biodiversity, renewable raw materials and food. This requires input goods that may negatively impact the environment, such as from nitrogen leaching from fields, ammonia from fertilisers and pesticides in food production. Accordingly, the bank carries out sustainability analyses to identify environmental risks in its customer credit appraisals, see above.

The bank's other customer group that has grown in the past few years is mortgage customers who live in houses or own holiday homes in Sweden. Homes with heating and energy consumption impact the climate. As a bank, we have an opportunity to be part of the transition to more energy efficient and sustainable homes by enabling investments in cleaner energy and heating sources and investing in initiatives for more energy efficiency.

Climate change and its impact on farming and forestry

Climate change will result in higher average temperatures in Sweden. Temperature zones will shift north, which will impact the length of the growing season and crop selection. Heatwaves will increase in frequency, resulting in heat stress for animals and vegetation.

Precipitation will increase in all seasons but mainly in the winter and at most in northern and western parts of the country. Flows will change in watercourses, increasing in the south and decreasing in the north. Sea levels are expected to rise with a consequent effect on southern Sweden, where land uplift will not compensate for higher sea levels.

Swedish agriculture and forestry perform relatively well in terms of the climate

From a global perspective, Swedish agriculture and forestry perform relatively well in terms of the climate. The main reason is good natural access to water. Access to water is the major challenge in other parts of the world as the climate warms, and which makes cultivation significantly more difficult. It is likely that we will have a warmer climate with more precipitation in Sweden. Precipitation may vary between the winter and the summer, with more precipitation during the winter. This scenario will result in drier summers and as a natural consequence, increased evaporation. A changed climate will result in extreme weather such as intense rainfall, flooding and long dry periods becoming more normal. In parallel, the growing season will become longer, which could allow more and larger harvests. This will also create scope for animals to graze for longer.

Sweden's natural climate has colder winters that generally result in lower pressure from different pests.

If this balance is changed, it could have negative consequences for Swedish farming, with more insect and fungal infestations. The winter and its accompanying ground frost create a natural pause in growing for crops as well as weeds.

The lack of a protective snow covering increases the risk of frost damage at the same time as milder winters could lead to less damage to overwintering crops. Expected quantities of precipitation and the lack of ground frost in the winter could lead to waterlogged soil. This would make access to fields with heavy machinery more difficult with consequent difficulties for the earlier growing season. However, in terms of autumn sown crops, such as autumn wheat and autumn rapeseed, these could benefit from changed precipitation patterns.

Climate- and environment-related risk and opportunities within the framework of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The bank has identified climate- and environment-related risks and opportunities to be able to map these and to identify their short- and long-term effects on the bank's credit risk. The identified risks and opportunities primarily affect the bank's credit risk toward farming and forestry, which is also the segment toward which the bank has its largest exposure. In the first step, the bank has highlighted the physical risks and opportunities in its operating environment that impact the bank.

Overarching: Landshypotek Bank finances entrepreneurship and living in houses on agricultural properties. Agriculture is one of the sectors of society that is most clearly impacted by climate change. Arable farming and animal husbandry need to be constantly adapted to their environment. In the same manner, the risks and opportunities posed by a changed climate need to mark and permeate the entire bank.

Governance: Climate-related risks and opportunities for the bank's operations, today and in the future, are always on the bank's customers' agendas. In the same manner, this is incorporated as a natural part of the bank's governance and operations. The bank's position is strengthened through a focus on and awareness of these risks and opportunities.

Strategy: The bank finances agriculture, forestry and houses on the basis of long-standing customer relationships. The majority of the bank's lending finances agriculture – a sector of society that is clearly impacted by climate change. The bank wants to be part of the solution and provide financial solutions for transitioning

and adapting agriculture to changed conditions, but also with the aim of making it more sustainable. These are changes that require investment in new facilities, land and new energy solutions are areas that the bank has identified as development opportunities.

Risk management: The bank's mapping of climate-related risks, which can be categorised as: physical risks (acute and systemic) and transition risks linked to the bank's lending. The largest risks for the bank will be physical risks in terms of the collateral accepted by the bank and where customers conduct their operations, in other words farm and forest properties.

Metrics and targets: The bank's direct environmental impact is measured and will diminish over time (refer to the section covering the bank's environmental impact).

Physical risks and opportunities for farming and forestry

The climate indicators that will have the greatest impact on Landshypotek Bank's exposure to farming and forestry are temperature, length of growing season, heatwaves, precipitation and fire risk. Some of the indicators present opportunities and some present risks, while some present a combination of the two.

Temperature: The systematic physical risk and likelihood is that the temperature will rise nationwide. There is no acute physical risk connected to an increase in temperature but this may lead to higher risk of other acute events such as drought or heatwaves.

Length of growing season: The systematic physical risk and likelihood is that the length of growing season will increase nationwide in pace with the temperature increasing and growing zones moving northward. This could result in larger harvests of certain crops and enable new crops to be grown in geographical locations. However, conditions could deteriorate for other crops. A longer growing season also benefits forest growth, even if this can lead to consequences in the form of increased pressure from vermin. An acute physical risk with a longer growing season with an earlier spring raises the risk of spring frosts, which can harm harvests.

Heatwaves: The systematic physical risk is an increased frequency and duration of heatwaves across the country. The acute physical risk that could arise is heat stress for animals and plants as a result of high, sustained temperatures without precipitation.

Precipitation: The systematic physical risk is that annual precipitation will increase nationwide, mainly in the winter and spring and in the north and west of

the country. Number of intense precipitation events expected to increase. The acute physical risk is a raised risk of flooding and extreme rainfall, which can destroy crops. Wet ground and flooding also increases the risk of windthrow and rutting damage and presents challenges for using machinery on land.

Fire risk: The systemic physical risk is an increased risk of forest fires nationwide. The acute physical risk is mainly a risk for forestry with destroyed forests and lost growth.

The bank's own environmental impact

Landshypotek Bank's direct environmental impact is limited and arises mainly from the bank's premises and business travel. As the bank's customers and its 19 offices are spread across Sweden, a considerable amount of travel is required by operations. Telephone and video are the first choice for meetings and internal and external communication and comprise areas that developed vigorously during the past few years due to travel restrictions resulting from the ongoing pandemic.

The bank's travel guidelines include taking the environment into consideration. Overall, the bank prioritises rail travel, but many of the customers can only be reached by car. For the third time, in 2021, the bank calculated the impact of the operations on the environment pursuant to the GHG protocol.

Emissions broken down by scope

Tonnes CO ₂ e	2021	2020	2019	2018	2017
Scope 1	0	0	0	0	0
Scope 2	50.2	44.9	30.5	38.7	44
Scope 3	29.9	28.9	67.8	118.1	156.8
Total	80.1	73.8	98.3	156.8	200.8
Per FTE	0.39	0.39	0.54	0.82	1.16

The bank's direct environmental impact increased just over 8 percent year-on-year, even if emissions per FTE were unchanged year-on-year. Emission sources included in the calculations are: district heating, district cooling and electricity consumption at office premises (Scope 2) as well as business travel by rail, car and air

Control of the bank's lending based on climate risks

SMHI (the Swedish Meteorological and Hydrological Institute) has completed its assignment by the bank to identify and analyse the physical risks and climate indicators most relevant to farming and forestry and, accordingly, for the bank. Two scenarios are used in the analysis: RCP 4.5 and RCP 8.5 as defined by the UN's Intergovernmental Panel on Climate Change (IPCC). The indicators assessed by SMHI as most relevant for farming and forestry are: temperature, length of the growing season, heatwaves, precipitation, total ten-year water flows, soil moisture, snow cover, sea levels, fire risk and wind gusts.

Based on this analysis, the bank has continued work with the climate indicators with the greatest impact on the bank's current credit portfolio. These indicators comprised temperature, length of the growing season, precipitation and fire risk. Based on these four indicators, the bank has simulated ECL levels based on the expected development of RCP 4.5 and RCP 8.5. The bank's credit portfolio has been broken down by asset type (arable land, pasture and forest) and by municipality to illustrate the geographic effect based on the two scenarios for the respective indicators.

Temperature: An assumed average temperature rise to over 9 degrees will adversely impact agriculture, animal production and forestry in the form of drought and weather-related stress. The bank's exposure to operations where the risk of drought and heat-related stress will increase may result in higher credit loss levels due to customers having difficulty in meeting their undertakings to the bank.

Length of growing season: An assumed prolongation of the growing season to beyond 250 days per year will positively impact agriculture and forestry in the form of larger and more harvests. Credit loss levels are expected to decrease.

Precipitation: An assumed increase in precipitation to over 804 mm per year will adversely impact agriculture as flooding increases, which can result in damage to land and crops. Credit losses are expected to increase due to customers having difficulty in meeting their undertakings to the bank.

Fire risk: An assumed increase in fire risk to over 44 days per year will adversely impact forestry as the risk of uncontrolled fires increases. Credit losses are expected to increase due to customers having difficulty in meeting their undertakings to the bank.

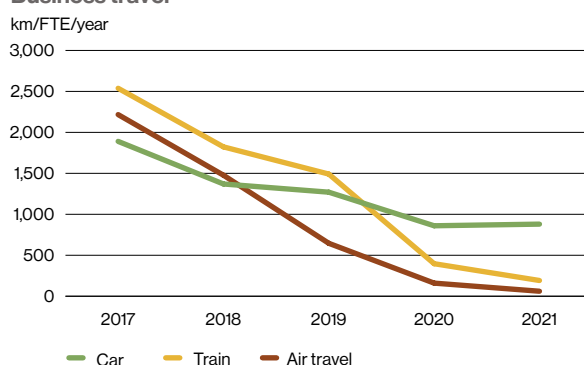
(Scope 3). The Scope 2 calculations are based on real data from suppliers and pertain to the consumption at the office in Stockholm. Consumption per FTE in Stockholm, the bank's largest office, forms the basis for calculations for the bank's other offices. This approach means that total Scope 2 emissions increased between 2020 and 2021 as the number of employees at the bank's other offices increased during the year. The electricity calculations used the Nordic residual mix (2020) for all offices apart from the Stockholm office where actual emission factors were used. Green electricity agreements are in place for many offices. The residual mix for 2020 was used as the emission factor for 2021, since the factor for 2020 is being published after the preparation of this report. The Scope 3 calculations are based on real data from the bank's travel suppliers and pertain to employee mileage allowances for business travel by car. Scope 1 emissions were zero, as the bank has no manufacturing operations and owns no vehicles.

Landshypotek focuses on growth through digital channels. From an environmental perspective, this is positive at the same time as it is an effective approach for meeting customers' changing requirements and expectations. At the same, it places requirements on security, accessibility and a sustainable IT infrastructure. The bank offers a digital savings offering to the general public, as well as a digital mortgage offering and a digital application for farming and forestry customers.

Taxonomy reporting

The bank's exposures to taxonomy-eligible economic activities are presented below. Landshypotek Bank is not covered by reporting requirements, but elects to disclose these at this time, in accordance with the

Business travel



Over the last four years, business travel per km per FTE and year has declined, with air travel accounting for the largest decrease. The levels for 2021 are essentially the same as 2020. The levels are low as a result of the ongoing pandemic and subsequent travel limitations.

Swedish Bankers' Association jointly established reporting template, to increase comparability for the bank's and the market's shareholders.

Assets	Share of total assets, %
Exposure to taxonomy-eligible economic activities.	17
Exposure to taxonomy-non-eligible economic activities.	–
Exposure to central governments, central banks and supranational issuers	–
Derivatives	1
Exposure to undertakings not encompassed by the NFRD ¹⁾	71
Trading portfolio	–
On-demand interbank loans	0

¹⁾ NFRD = the EU Non-Financial Reporting Directive that contains requirements for sustainability reporting for some major companies with more than 500 employees.

Explanation of the reporting

In the table above, Landshypotek Bank has chosen to report the bank's exposures to taxonomy-eligible economic activities. Taxonomy-eligible operations are assessed on whether they are environmentally sustainable pursuant to certain criteria. To date, the European Commission has only established technical criteria for a small number of sectors, and banks will not be obligated to report the extent to which their exposures to taxonomy-eligible economic activities meet the sustainability criteria until 2024. On the first row of the table, the bank reports its exposures to taxonomy-eligible economic activities. The figure includes the bank's retail exposure in the form of the bank's mortgage portfolio that is encompassed by the EU taxonomy regulation. On the second row, the bank reports its exposure to taxonomy-non-eligible economic activities. The bank has no exposure to central governments, central banks and supranational issuers or to companies encompassed by the NFRD.

Next step

In 2022, the bank will develop a climate strategy with the aim of establishing guidelines for the bank's operations. In conjunction with the design of the strategy, a portfolio analysis based on a climate perspective will be made to highlight the bank's starting point. In addition, the bank will implement the changes in non-financial reporting that will be implemented in the years ahead. The design of the Taxonomy is one of the regulations that will be followed to ensure that the strategy is designed in a favourable manner.

Policies and governance documents

The bank's most important sustainability-related policies are:

Overarching

- Sustainability Policy

General corporate governance and ethics

- Ethics Policy
- Insider Policy
- Conflict of Interest Policy
- Compliance Policy
- Policy for Counteracting Money Laundering and Financing of Terrorism
- Owner directive
- Landshypotek's Code of Conduct for suppliers

Healthy credit granting and transactions

- Formal work plan for the Green Bond Committee
- Sustainability analysis instruction
- Credit Policy
- Credit Granting Guidelines
- KYC Guidelines
- Valuation Policy

Work environment, employee commitment and societal responsibility

- Remuneration Policy
- HR Policy
- Board Diversity Policy
- Guidelines and Instructions for Outsourced Operations and Contract Management
- Guidelines for Landshypotek Bank's Work Environment Efforts

Implementation

Landshypotek Bank's policies have been established by the Board. Each manager at the bank is responsible for the implementation and observance of all rules and guidelines in daily activities.

Sustainability-related issues, particularly business ethics and anti-corruption, are included in various in-house training courses and the applicable policy documents are available to all employees. Governance documents are regularly revised to ensure that they meet the requirements and expectations of our operating environment.

Organisation

The CEO is responsible for Landshypotek Bank's sustainability initiatives and results. The bank's Chief Sustainability Officer, who is a member of the bank's management is responsible for sustainability issues. The HR Manager and Chief Risk Officer also have key roles in the work with sustainability issues.



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Corporate Governance Report

Corporate governance is a key support in Landshypotek Bank's efforts to create value for its stakeholders and for the Board with its effective governance and control of operations.

Foundation for corporate governance at Landshypotek Bank

Landshypotek Bank strives to implement corporate governance that is marked by its focus on structure, processes, and efficient governance and control, and which comprises a value-steered employee culture that reinforces own responsibility and commitment. During the year, the bank has implemented targeted efforts to improve both of these areas. The bank has high ambitions in terms of good corporate governance, risk management and internal control.

Governance is conducted pursuant to external rules for corporate governance that include, inter alia, the Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code (applicable parts thereof). The Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board do not apply to the bank since the bank does not use any form of incentive programme nor is it a listed company. The fundamental internal framework for corporate governance comprises, inter alia, the Articles of Association, the owner directive, formal work plans for the Board and its committees, the CEO's instruction, report plans and policies. Policies, guidelines and instructions that clarify the delegation of responsibility and working methods at the bank comprise key tools for the Board and CEO in their work with governance and control.

Deviations from the Swedish Corporate Governance Code

Given the ownership structure with just one shareholder and the fact that the bank is not a listed company, certain parts of the Code are not appropriate for the bank. The following deviations from the Code are made in this corporate governance report:

General Meeting

Code rule 1.1

There is no publication on the website of information pertaining to general meetings of shareholders and shareholders' right to propose business at the general meetings. The aim of this rule is to provide shareholders with the opportunity to prepare themselves in a timely fashion ahead of the Annual General Meeting and to have business taken up in the notification thereof as well

as to enable shareholders to partake of the information. A deviation is made as the bank has only one shareholder.

Election Committee

Code rules 2.3–2.6

Instead of following the Code's rules governing Board appointments, nomination issues are prepared pursuant to an instruction for the Election Committee adopted by the General Meeting. The aim of these rules is to provide all shareholders with, among other things, insight into the nomination process and to prevent major shareholders gaining sole influence over nominations. A deviation is made as the bank has only one shareholder.

Board procedures

Code rule 7.3

This rule means that the Board must ensure that the company's financial reporting meets other requirements of listed companies. A deviation is made as the bank is not a listed company.

Remuneration to Board members and the company management

Code rule 9.1, point 3

The rule states that the company must monitor and evaluate application of the guidelines for remuneration to the Board and senior executives that the general meeting of shareholders is legally obliged to establish, as well as the current remuneration structures and levels in the company. A deviation is made as the bank is not a listed company.

Owners' control

Landshypotek Bank is a wholly owned subsidiary of Landshypotek Ekonomisk Förening. The bank is domiciled in Stockholm.

Owner directive

Landshypotek Ekonomisk Förening's Board has adopted an owner directive. The aim of the owner directive is to clarify the owner's requirements of the bank and the targets that the bank is expected to achieve. The overriding objective with ownership of the bank is to secure long-term competitive financing for Swedish farming and forestry. The owner directive sets out, inter

alia, a number of overarching principles regarding the bank's independence. Moreover, overarching goals are stipulated for market share and profitability. Performance vis-à-vis the owner directive is reported on an ongoing basis to the Board of Directors of Landshypotek Ekonomisk Förening.

Articles of Association

The Articles of Association is the fundamental document that defines the framework for the Bank's activities. The Articles of Association contain provisions on the minimum and maximum number of Board members and that the Board members and Chairman of the Board be appointed by the General Meeting. No provisions exist governing the appointment or removal of Board members. Any amendment of the Articles of Association requires notification to be issued at the earliest six weeks and at the latest four weeks before the General Meeting that will examine the proposed amendment. Landshypotek Bank has only one shareholder and no limitations apply to the number of votes the shareholder may cast at the General Meeting.

Annual General Meeting 2021

The Annual General Meeting of Landshypotek Bank was held on 28 April 2021. Kjell Nilsson was the Annual General Meeting's Chairman. The owner was represented by Per-Olof Hilmér, Chairman of Landshypotek Ekonomisk Förening. The AGM was attended by the bank's and the association's Board members, the CEO, auditors and members of the Election Committee. The General Meeting elected the Board, Election Committee and auditors for the period until the next AGM. The General Meeting re-elected the following Board members: Gunilla Aschan, Anna-Karin Celsing, Nils-Fredrik Nyblæus, Johan Trolle-Löwen, Ann Krumlinde Hyléen, Ole Laurits Lønnum and Lars-Johan Merin. No new members were elected to the Board of Directors. At the AGM, Hans Broberg, with Petra Nilsson as deputy, and Anders Nilsson, with Ellen Weidman Wachtmeister as deputy, were designated as the employee representatives. Ann Krumlinde Hyléen was elected Chairman of the Board. Furthermore, the authorised auditing firm Öhrlings PricewaterhouseCoopers AB (PwC) was re-elected as auditors. Authorised Public Accountant Catarina Ericsson was elected Auditor in Charge. The AGM resolved to discharge the Board of Directors and the CEO from liability. Furthermore, resolutions were passed on fees, appropriation of profits and adoption of the annual accounts for 2020. The CEO and Board of Directors presented the work performed in the company and on the company's Board during the year. The

Election Committee presented its work during the year and its assessment of the eligibility of Board members on an individual basis as well as collectively. The General Meeting did not authorise the Board of Directors to issue new shares or buy back the company's shares.

Election Committee

The Election Committee is tasked with preparing election and remuneration issues ahead of the next AGM. The Election Committee follows the instruction established for the Committee and the adopted policy regarding Board diversity and for assessing the eligibility of Board members. The 2021 AGM resolved that the Election Committee should comprise: Per-Olof Hilmér, Ann-Britt Karlsson, Marie André and Claes Mattsson. Per-Olof Hilmér represents the owner in his capacity as Chairman of Landshypotek Ekonomisk Förening.

External auditors

The AGM appoints the external auditors to the bank. These auditors must be authorised public accountants. The mandate period of the auditors appointed by the General Meeting is one year. The auditors are responsible for examining the Annual Report and accounts, and also the Board's and CEO's administration of the bank. The auditors report the results of their examination in the auditor's report, which is submitted at the AGM. Furthermore, the auditors examine one of the bank's interim reports and submit their findings in their notes to the Audit Committee and the Board. To ensure the independence of the external auditor with regard to the audit of the Bank and the Bank's financial statements, the Board has established a policy governing the independence of the external auditor. Fees to the bank's auditors are reported in Note 7.

The Board of Directors

The Board's members are elected by the General Meeting from proposals made by the Election Committee. The Board is responsible for the organisation and administration of the bank affairs.

The Board's composition and eligibility

According to the Articles of Association, the Board comprises a minimum of four and a maximum of eight members who are elected each year at the AGM until the AGM the following year. The bank performs an eligibility assessment in parallel with the appointment of Board members, on re-election of Board members and when needed. The eligibility assessment of Board members is performed by the Election Committee

in accordance with the bank's eligibility assessment policy and Board diversity policy. The eligibility assessment takes into consideration the individual's expertise, experience, reputation, integrity and other criteria, such as potential conflicts of interest and the member's ability to dedicate sufficient time to the assignment. Finansinspektionen conducts a management assessment in conjunction with the appointment of Board members. Among other items, the Board diversity policy states that the background of Board members as well as the Board's gender balance and ages should be considered to obtain sufficient diversity on the Board. More detailed descriptions of the eligibility assessment and the diversity policy are published on the bank's website.

The Board comprises nine individuals, of which seven were elected at the AGM and two of which are employee representatives – three women and six men. Seven of the Board members are independent in relation to the company and the management of the company. One member is also a Board member of the cooperative association. All of the Board members have extensive experience from trade and industry and/or agriculture and forestry. The composition of the Board ensures that the Board understands the overall picture of the bank's operations and the associated risks. None of the Board members or the CEO hold shares or financial instruments issued by the bank. Through their own or their related parties' membership of Landshypotek Ekonomisk Förening, four of the Board members and the CEO have member contributions in the cooperative association.

The Board's responsibilities and its procedures

The Board is responsible for the organisation and administration of the bank's affairs. Among other tasks, the Board should also decide issues regarding the bank's overriding goals and strategies, its risk appetite and risk strategy, the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP), and decide other matters of greater strategic and financial significance. The Board also decides over the bank's business plan and budget, and follows up the bank's performance in relation to these on an ongoing basis. The Board is also tasked with ensuring that internal rules are in place for effective governance and control of the bank, and that a framework for risk management exists that ensures the bank's management and follow up of risks is satisfactory. The Board is also to perform regular evaluations of whether the bank controls and manages its risks in an efficient and appropriate manner, and ensure the bank complies with the rules applicable

for licensable operations. The Board also appoints, evaluates and, if the need arises, dismisses the CEO.

The Chairman of the Board is appointed by the Annual General Meeting. The Chairman leads the Board's work and ensures that the work is performed efficiently and that the Board fulfils its duties. Among other duties, the Chairman is tasked with accepting directives from the association, ensuring that the Board members are provided with satisfactory information and decision data for their work by the CEO on an ongoing basis and that Board members receiving the required training to conduct Board work efficiently and check that the Board's decisions are applied efficiently.

The Board's work follows the formal work plan and annual plan adopted at the statutory Board meeting. In 2021, the Board had 12 scheduled Board meetings.

The Board has established four committees to increase the efficiency of the Board's work. The committees prepare issues for decision by the Board and have also received specific decision mandates in certain issues. All of the committees have a formal work plan that sets out the tasks and the Board's delegated decision mandates as well as how the committee should report to the Board.

The Board's Credit Committee

The Credit Committee's primary task is to make decisions regarding loans and problem commitments pursuant to the established credit policy and to decide the members of the Credit Advisory Committee. In addition, the Committee is tasked with preparing amendments to and/or annual confirmation of items including credit policy and decision mandates for granting credit prior to the Board's decision. Furthermore, the Committee prepares items pertaining to the evaluation of portfolio strategies, the transparency of the credit portfolio, the review of valuation and decision models as well as the evaluation of existing or new delegation rights.

Following the statutory meeting in 2021, the members of the Credit Committee were as follows: Ann Krumlind Hyléen (Chairman) and Nils-Fredrik Nyblæus, with Johan Trolle-Löwen and Gunilla Aschan as deputies. Credit analysts, the Insolvency Manager or another specially appointed executive presents agenda items. The Credit Committee takes weekly credit decisions and, in addition, held four scheduled meetings in 2021.

The Board's Risk and Capital Committee

The principal task of the Risk and Capital Committee is to prepare items for the Board and, through liaison with

internal functions to provide the Board with information about and prepare internal rules, and to monitor, analyse and prioritise risk and capital-related issues.

Following the statutory meeting in 2021, the members of the Committee were as follows: Ann Krumlinde Hyléen (Chairman), Anna-Karin Celsing, Ole Laurits Lønnum and Nils-Fredrik Nyblæus. The Chief Risk Officer or another specially appointed executive presents agenda items. The Committee held five meetings in 2021.

The Board's Audit Committee

The Audit Committee's primary tasks are to be responsible for preparing the Board's work with quality assurance of the financial reporting and to receive the reports from the auditors. In addition, the Committee monitors and reviews the work of internal and external auditors as well as compliance and the work of the data protection officer. The Audit Committee is also tasked with preparing questions pertaining to measures for counteracting money laundering and financing of terrorism. The Committee meets in conjunction with external financial reports and, otherwise, whenever necessary.

Following the statutory meeting in 2021, the members of the Committee were as follows: Anna-Karin Celsing (Chairman), Gunilla Aschan, Nils-Fredrik Nyblæus and Johan Trolle-Löwen. The Chief Financial Officer or another specially appointed executive presents agenda items. The Committee held six meetings in 2021.

The Board has also appointed a separate AML forum comprising Ann Krumlinde Hyléen, Anna-Karin Celsing, Nils-Fredrik Nyblæus, the Head of Compliance and the CEO. The forum is temporary and is tasked with focused monitoring of the bank's work with questions

pertaining to measures for counteracting money laundering and financing of terrorism.

The Board's Remuneration Committee

The main task of the Committee is to act in an advisory role to the Board on issues pertaining to remuneration at the bank. The Committee prepares Board issues regarding the remuneration policy and the overall risk analysis for the company pertaining to the remuneration system.

Following the statutory meeting in 2021, the members of the Remuneration Committee were as follows: Ann Krumlinde Hyléen (Chairman), Anna-Karin Celsing, Lars-Johan Merin and Johan Trolle-Löwen. The CEO, HR Manager or other party appointed by the Committee presents agenda items and is responsible for preparing an agenda in consultation with the Chairman for each meeting. The Committee held four meetings in 2021.

Evaluation of the Board of Directors

Each year, the work of the Board is evaluated using a systematic and structured process. The evaluation's findings are presented to the full Board and the Election Committee. In conjunction with the Board evaluation, the Board's competence and training needs are reviewed and, based on this review, an annual training plan is prepared for the Board.

Internal control and risk management

The Board is also responsible for ensuring that internal rules are in place for effective governance and control of the bank, and that an appropriate framework for risk management exists that is regularly followed up and evaluated.

Board attendance 2021

Board member	Board meetings	Credit Committee	Risk and Capital Committee	Audit Committee	Remuneration Committee
Ann Krumlinde Hyléen	12/12	4/4	5/5		4/5
Gunilla Aschan	12/12			6/6	
Hans Broberg	12/12				
Anna-Karin Celsing	12/12		5/5	6/6	4/4
Ole Laurits Lønnum	11/12		5/5		
Lars-Johan Merin	12/12				4/4
Anders Nilsson	12/12				
Nils-Fredrik Nyblæus	12/12	4/4	5/5	6/6	
Johan Trolle-Löwen	12/12			5/6	4/4
Petra Nilsson, deputy	0/12				
Ellen Weidman Wachtmeister, deputy	0/12				



The basis for the internal governance and control consists of the bank's control environment in the form of the organisational structure, decision and reporting pathways, authorities and responsibility. The framework for conducting operations is established through internal policies, guidelines and instructions. Day-to-day operations are tasked with complying with these. The business operations are also responsible for their own risk management and for conducting self-evaluations of their operations. The bank strives to ensure that all operations apply a sound risk culture.

To ensure appropriate risk management – and to identify, analyse, rectify, monitor, and report risk and internal control – responsibility is divided between various functions based on the three lines of defence principle. The model differentiates between functions responsible for risk and regulatory compliance (first line of defence), functions for monitoring and control (second line of defence) and functions for independent review (third line of defence).

The first line of defence – business operations

A core principle is that the line organisation forms the first line of defence with responsibility for internal control and risk management. Responsibility for self-assessment is thus located where risk originates. This means that each employee is responsible for managing the risks in their own areas of responsibility.

The second line of defence – independent control functions

The risk organisation and compliance are independent control functions and comprise the second line of defence. These functions monitor the business areas' risk management and regulatory compliance. The second line of defence maintains policies and frameworks for the first line of defence's risk management and validates the first line's methods and models for risk measurement and control.

Risk organisation

The risk organisation is responsible for structured and systematic measurement, control, analysis and continuous reporting on all material risks in the bank. The risk organisation is also tasked with, inter alia, the regular performance of relevant stress tests of material risks and for performing in-depth risk analyses in one or more risk areas where higher risks may exist for the bank. The work is conducted pursuant to a policy decided by the Board that describes its responsibilities and an annual plan. The risk organisation is independent from operations and the Chief Risk Officer is directly subordinate to the CEO and the Board.

Compliance

Compliance is tasked with advising and supporting the CEO and employees with ensuring that the bank's operations are conducted pursuant to the regulatory frameworks that govern licensable activities and to identify and report compliance risks. The work is conducted pursuant to a policy decided by the Board that describes its responsibilities and an annual plan. The Compliance unit is independent from business operations and the Chief Compliance Officer reports directly to the CEO and Board.

Third line of defence – internal audit

The third line of defence, internal audit, evaluates the bank's overall management of risk and regulatory compliance, and reviews the work of the first and second lines of defence.

Internal Audit aims to examine and evaluate internal governance and controls as well as provide an image of how well processes and procedures contribute to the operational goals. This includes, not least, the evaluation of the effectiveness of the risk management efforts and the work of the control function. The internal audit review initiatives are conducted pursuant to a policy decided by the Board that describes its responsibilities and an annual plan. During 2021, the bank's internal audit was carried out by Deloitte AB.

Internal control over financial reporting

The bank's financial department is responsible for managing internal control over financial reporting to ensure that accurate information reaches external stakeholders. This includes work, such as, ongoing financial accounting, the annual accounts, external reporting and income tax returns. Furthermore, the Accounts Department makes a proactive contribution to decision making and corporate governance through financial

follow-ups, forecasts and impact analyses. The Board receives monthly financial reports in addition to the reporting submitted at each Board meeting. The Audit Committee receives quarterly reports on the financial reporting, which include measurements of the efficiency of internal controls. In addition, the Finance Department's Middle Office has a role in the internal control of financial reporting due to its responsibility for administering the financial system and measuring financial instruments. Middle Office is tasked with continuously evaluating the bank's valuation methods and ensuring that they comply with established market practices, internal guidelines, internal policy documents and external regulations for reporting and capital adequacy. Furthermore, Internal Audit is tasked with examining and evaluating the reliability of the financial reporting.

The Board's measures to follow up on internal control of financial reporting are executed through the Board's follow-up of the bank's finances and performance. This is carried out through monthly financial reports and reports at each Board meeting. Moreover, the Board and Audit Committee review and follow-up on the auditor's review reports.

Remuneration system

The Board has set out the principles for the remuneration system that encompasses all employees at the bank in the remuneration policy. The remuneration policy is aimed at ensuring that the bank has a remuneration system that counters any incentive to accept unsound risks or act with a short-term perspective. The remuneration system should apply market terms, be non-discriminatory and reward good performance as well as ensure that the employees' efforts align with the bank's strategies and policies. Special weighting should be given toward a sound level of risk. The base employee remuneration model consists of a fixed basic salary. The bank has no variable remuneration program. However, the bank does have a profit-sharing foundation to which the bank allocates part of its profits to benefit its employees. Profit sharing is based on long-term company-wide targets in accordance with targets and the guidelines established by the Board. Variable remuneration in the form of a bonus can, in individual cases, be paid in arrears to reward exceptional performances. The bank is restrictive with benefits over and above those offered to all employees. Remuneration to the CEO, Bank Management and the managers of the control functions is set by the Board. The principle applied for other employees is that decisions on remuneration are always made by the manager



together with the manager's immediate superior and the HR Manager. Fixed remuneration is reviewed each year as part of the salary review and, each year, the bank conducts an employee salary survey. Information regarding the remuneration to the Board, the CEO and the Bank Management is presented in Note 7.

CEO

The CEO is appointed by the Board and is responsible for the administration of the day-to-day operations. Among other tasks, the CEO must monitor the bank's operational and performance trends, and take ongoing decisions regarding the operations, development and control of the business. The CEO is responsible for operational compliance with the internal policies and strategies established by the Board for the bank. The

CEO must review and assess the efficiency of the company's organisational structure, procedures, measures, methods and the like decided by the bank, and take appropriate measures to correct any inadequacies with the aforementioned. The CEO also evaluates whether the bank controls and manages its risks in an efficient and appropriate manner. The CEO reports to the Board on an ongoing basis liaises closely with the Chairman. The Board has adopted a written instruction governing the role and work of the CEO. The instruction is a complement to the provisions in the Swedish Companies Act and the bank's Articles of Association. To ensure that the CEO has a good knowledge and understanding of the bank's organisation structure and processes, the bank's operations as well as the nature and scope of the bank's risks, the Board conducts an eligibility assessment of the CEO and evaluates the CEO's performance each year.

The Bank Management and committees

The Bank Management supports the CEO in his role with the implementation of the guidelines and instructions decided by the Board and with the day-to-day operations. The Bank Management has no decision mandate and all decisions are taken by the CEO.

The collective expertise of the Bank Management should contribute to the CEO making good and well-balanced decisions. The Bank Management must ensure that the bank's employees are guided toward the shared goals and contribute to the fulfilment of the bank's strategy.

In addition to the CEO, the following positions are included in the Bank Management: the chief commercial officers, General Counsel and Chief Sustainability Officer, Chief Information Officer, Chief Financial Officer, Head of Marketing, Communications and HR, and the Chief Risk Officer.

The CEO has also appointed councils and committees to support operational leadership. The committees that have been established are: the Balance Sheet and Income Statement Committee, Central Credit Advisory Committee, Insider Committee, Committee for Green Bonds, Insolvency Committee and the Pricing Committee.

To ensure that senior executives included in the Bank Management have a good knowledge and understanding of the bank's organisation structure and processes, the bank's operations as well as the nature and scope of the bank's risks, the CEO conducts an eligibility assessment of the senior executives included in the Bank Management.

Business

Business operations

The bank has organised its operations into two commercial areas: farms and forestry, and housing. The farms and forestry commercial area is driven by employees organised into four regions and 19 offices across the country. Proximity to customers is strengthened by the regional member organisation, which comprises the elected members from the bank's owner, Landshypotek Ekonomisk Förening. The housing commercial area is run digitally and by telephone, and the farming and forestry commercial area operates through physical, digital and telephone meetings. In addition, a customer service organisation is in place that handles customers across all business.

Corporate culture

A small bank with a vital mission.

Landshypotek Bank is a unique bank in the Swedish banking market. The bank has a clear assignment for Sweden's farming and forestry sectors and is owned by its farming and forestry loan customers, the bank's objectives and closeness to customers, together with the ownership model, are important reasons behind the bank's values-driven organisation and its strong corporate culture.

Active, ongoing efforts are being driven at Landshypotek Bank to develop the bank together with the employees. On a number of occasions in 2021, employees gathered digitally to discuss the bank's development, in smaller groups and all together. As a small bank with some 225 employees, each employee comprises 0.5 percent of the bank and everyone is crucial to the bank's future.

Close dialogue between employees and managers is important at the bank. Therefore, the bank holds regular, structured dialogues between managers and employees. The dialogues aim to form an image of employees' work situations. Managers follow up the set goals and activities as well as what to focus on for the period until the next dialogue.

Each new employee must complete the bank's obligatory introduction training programmes and participate in the bank's introduction days. Continuously training the employees comprises key component of the internal control of operations. All of the policies are published on the bank's intranet and are revised according to plan, mainly annually. To support employees in their work, the bank has introduced regular regulatory forums, where representatives from the business and the supporting organisation ensure the administration and implementation of new aspects of current regulations. These forums strengthen and streamline the bank's efforts to ensure operations are conducted efficiently, with risk-awareness and in compliance with regulations.

Market disclosures

Landshypotek Bank has guidelines for disclosure that ensure the bank meets the external requirements set for the bank in terms of transparency, openness and information disclosure. The guidelines comprise an element of the bank's control framework.

Board members

As of the publication date of this report



Ann Krumlinde Hyléen

Born: 1962, Vadstena, Chairman
Director since 2018
Chairman since 2020
Chairman of the Credit Committee, Risk and Capital Committee, and the Remuneration Committee.
MSc in Business and Economics
Chairman of Rocker, Skabersjö Gods and Moon Bay. Director of Väderstad.



Anna-Karin Celsing

Born: 1962, Stockholm, Director
Director since 2014
Chairman of the Audit Committee.
Member of the Risk and Capital Committee, and the Remuneration Committee.
MSc in Business and Economics
Director of Carnegie Investment Bank, Lannebo Fonder, Peas Industries, OX2, stiftelsen Beckmans Designhögskola, Tim Bergling Foundations and Volati.



Gunilla Aschan

Born: 1960, Linköping, Director
Director since 2019
Member of the Audit Committee and deputy member of the Credit Committee.
Agronomist
Director of Ellen Keys Stiftelse Strand, Fyrklövern ekonomi och juridik, Lantmännen ekonomisk förening, and Torseröds Vindkraftpark.



Ole Laurits Lønnum

Born: 1971, Norway, Director
Director since 2020
Member of the Risk and Capital Committee.
MSc in Business and Economics
CEO of Landkreditt.
Director of Landkreditt Forsikring, Landkreditt Förvaltning, Landkreditt Boligkreditt and Landkreditt Eiendom.
Deputy, Finans Norge.



Hans Broberg

Born: 1962, Lund, Director
Director since 2012
Employee Representative for the Financial Sector Union of Sweden.
MSc in Business and Economics, officer of Landshypotek Bank.



Lars-Johan Merin

Born: 1959, Fellingsbro, Director
Director since 2020
Member of the Remuneration Committee.
Agrologist.
Chairman of Sveriges Frö- och Oljeväxtodlare, Svensk Raps and Fellingsbro Lager & Fastigheter. Director of Spannmålsodlarna and Spannsam.



Anders Nilsson

Born: 1966, Östersund, Director
Director since 2019
Employee Representative for the Swedish
Confederation of Professional Associations
(SACO).
Officer of Landshypotek Bank.



Nils-Fredrik Nyblæus

Born: 1951, Nyköping, Director
Director since 2011
Member of the Credit Committee, Audit
Committee and Risk and Capital Committee.
MSc in Business and Economics
Director of the Swedbank group's
Gemensamma Pensionsstiftelse II, Alfáros
Aktiebolag and Tunabergs Konsult.



Johan Nordenfalk

Born: 1973, Stockholm, Director
Director since 2022
Lawyer
Chairman of BrickNova and CEO of
Blekhems Egendom.



Johan Trolle-Löwen

Born: 1959, Nyköping, Director
Director since 2011
Member of the Audit Committee and Remu-
neration Committee, and deputy member of
the Credit Committee.
MSc in Engineering.
Chairman of Kopparfors Skogar.
Director of Firefly and Hargs Bruk. CEO and
Director of Sjösa Förvaltnings and Limmersvik.

Changes in the bank's Board

Johan Nordenfalk joined as a member of the Board in 2022.

Senior Management

As of the publication date of this report



Per Lindblad

CEO
Born: 1962
Employed in: 2018
Education: MSc Agronomy and Economics
Previous experience: Head of Real Estate Finance, Large Corporates and Financial Institutions at SEB.



Maya Jernström

Chief Information Officer
Born: 1976
Employed in: 2020
Education: MSc in Engineering.
Previous experience: Head of software organisations under agile transformation at Ericsson. Project and program manager in complex major projects impacting IT at Ericsson and SBAB Bank.



Karl Högstedt

Chief Financial Officer
Born: 1975
Employed in: 2019
Education: MSc in Industrial Economics
Previous experience: CFO Forex Bank, Finance Manager Forex Bank, Finance Manager Intrum Justitia Finans.



Martin Kihlberg

General Counsel and Chief Sustainability Officer
Born: 1974
Employed in: 2015
Education: Master of Law, LL.M.
Previous experience: Head of Public Affairs at Landshypotek Bank, Senior Legal Counsel SBAB Bank, Trainee solicitor at the Mannheimer Swartling law firm



Jan Lilja

Chief Risk Officer
Born: 1957
Employed in: 2016
Education: MSc in Business and Economics
Previous experience: Head of Group Treasury at Swedbank, Head of Group Risk Control at Swedbank and CEO Swedbank Hypotek.



Tomas Uddin

Head of Marketing, Communications and HR
Born: 1971
Employed in: 2012
Education: BSc Political Science
Previous experience: Chief of Staff at the Ministry of the Environment.



Stefan Malmström

Chief Commercial Officer
Born: 1964
Employed in: 2021
Education: MSc Agronomy and Economics
Previous experience: Head of Region South, Business Banking på Danske Bank, Head of Finance Center at Danske Bank, CFO at Väderstad-Verken AB.



Catharina Åbjörnsson Lindgren

Chief Commercial Officer
Born: 1971
Employed in: 2010
Education: Master of Law, LL.M.
Previous experience: Acting CEO of Landshypotek Bank, Chief Legal Officer at Landshypotek Bank, Bank Lawyer at Nordea Bank Group Legal.

Change in management

During the year Stefan Malmström has taken up his role as Chief Commercial Officer. Johan Asklund, Chief Commercial Officer, has stepped down from the management.



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Income statement

SEK million	Note	2021	2020
Interest income		1,441	1,443
of which interest income using the effective-interest method		1,441	1,443
of which other interest income		–	–
Interest expenses		-469	-571
Net interest income	4	972	872
Net result of financial transactions	5	-15	-17
Other operating income	6	8	8
Total operating income		964	862
General administrative expenses	7	-450	-428
Depreciation, amortisation and impairment of tangible and intangible assets	8	-47	-49
Other operating expenses	9	-1	0
Total expenses before credit losses		-498	-478
Profit before credit losses		466	384
Net credit losses	10	5	13
Operating profit		471	397
Tax expense on profit for the year	11	-101	-94
Net profit for the year		370	303
Earnings per share, SEK		164.2	134.5
Parent Company's portion of net profit for the year		100%	100%

Statement of comprehensive income

SEK million	Note	2021	2020
Net profit for the year		370	303
Other comprehensive income			
Items to be reclassified to income statement			
Financial assets at FVTOCI		10	7
Change in cross-currency basis spreads in fair value hedges		6	-10
Tax on items that will be reclassified	11	-3	1
Total items that will be reclassified		12	-3
Total other comprehensive income		12	-3
Comprehensive income for the year		382	300
Parent Company's portion of comprehensive income for the year		100%	100%

Balance sheet

SEK million	Note	2021	2020
ASSETS			
Cash and balances with central banks		–	17
Eligible treasury bills	12	4,274	3,805
Loans to credit institutions	13	322	483
Loans to the public	14	93,968	83,039
Value change of interest-hedged items in portfolio hedges		-84	86
Bonds and other interest-bearing securities	15	5,981	5,877
Derivatives	16	1,405	1,731
Intangible assets	17	91	120
Tangible assets	18	25	44
Other assets	19	6	5
Current tax assets		–	–
Prepaid expenses and accrued income	20	28	25
TOTAL ASSETS		106,018	95,233
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	21	638	5,842
Deposits from the public	22	15,254	14,672
Debt securities issued, etc.	23	82,066	66,551
Derivatives	24	410	293
Other liabilities	25	447	343
Tax liabilities		13	1
Accrued expenses and prepaid income	26	28	33
Provisions	27	1	1
Subordinated liabilities	28	600	1,203
Total liabilities		99,458	88,939
Equity			
Share capital, number of shares outstanding: 2,253,000 (2,253,000)		2,253	2,253
Tier 1 capital		700	700
Other contributed equity		1,017	1,017
Reserves		-6	-18
Retained earnings		2,311	2,125
Net profit for the year		370	303
Shareholders' contributions for the year		51	42
Group contributions paid		-136	-128
Total equity	29	6,560	6,294
TOTAL LIABILITIES AND EQUITY		106,018	95,233

Statement of changes in equity

2020 SEK million	Share capital	Tier 1 capital	Other contributed equity	Fair value reserve	Cross-currency basis spreads in fair value hedges	Retained earnings	Total
Opening balance	2,253	700	1,017	10	-26	2,157	6,111
Comprehensive income for the year				6	-8	303	300
Total change before transactions with owners and holders of Tier 1 capital instruments	-	-	-	6	-8	303	300
Dividend on Tier 1 capital instruments						-32	-32
Shareholders' contributions						42	42
Group contributions paid						-163	-163
Tax on Group contributions paid						35	35
Closing balance	2,253	700	1,017	16	-34	2,342	6,294

2021 SEK million	Share capital	Tier 1 capital	Other contributed equity	Fair value reserve	Cross-currency basis spreads in fair value hedges	Retained earnings	Total
Opening balance	2,253	700	1,017	16	-34	2,342	6,294
Comprehensive income for the year				8	4	370	382
Total change before transactions with owners and holders of Tier 1 capital instruments	-	-	-	8	4	370	382
Dividend on Tier 1 capital instruments						-31	-31
Shareholders' contributions						51	51
Group contributions paid						-172	-172
Tax on Group contributions paid						35	35
Closing balance	2,253	700	1,017	24	-29	2,596	6,560

Statement of cash flow

SEK million	Note	2021	2020
Operating activities			
Interest received	4	1,441	1,443
Interest paid	4	-469	-571
Net result of financial transactions	5	-9	-3
Other operating cash receipts		8	8
Administrative expenses paid		-468	-428
Recovery of previously confirmed losses		2	3
Income tax paid		-62	-53
Change in eligible treasury bills		-469	193
Change in loans to the public		-10,932	-6,742
Change in bonds and other interest-bearing securities		-105	-27
Change in other assets		499	162
Change in liabilities to credit institutions		-5,204	4,367
Change in deposits from the public		581	223
Change in debt securities issued, etc.		15,516	1,538
Change in other liabilities		237	-4
Cash flow from operating activities		567	109
Investment activities			
Acquisitions of intangible assets		-	-
Acquisitions of tangible assets		-	-
Divestments of operating properties through subsidiaries		-	-
Cash flow from investment activities		-	-
Financing activities			
Shareholders' contributions received		51	42
Tier 1 capital		-	-
Interest expense classified as Tier 1 capital dividend (AT1)		-31	-32
Dividends and Group contributions paid		-163	-162
Repayment of subordinated liabilities		-1,203	-
Issue of subordinated liabilities		600	-
Cash flow from financing activities		-745	-152
Cash flow for the year		-178	-44
Change in cash and cash equivalents	37	-178	-44
Cash and cash equivalents at beginning of year		500	544
Cash and cash equivalents at year end		322	500

Five-year summary

SEK million	2021	2020	2019	2018	2017
INCOME STATEMENT					
Net interest income	972	872	815	799	800
Other operating income	-8	-10	60	22	-46
Operating expenses	-451	-428	-420	-411	-390
Depreciation and amortisation	-47	-49	-41	-17	-14
Credit losses/recoveries	5	13	3	-8	-12
Operating profit	471	397	418	386	338
BALANCE SHEET					
Assets					
Loans to the public	93,968	83,039	76,367	72,511	68,488
Other assets	12,050	12,194	12,520	13,417	15,905
Total assets	106,018	95,233	88,887	85,928	84,394
Liabilities					
Funding	98,559	88,268	81,913	78,945	77,177
Other liabilities	899	671	863	1,059	1,410
Equity	6,560	6,294	6,111	5,924	5,807
Total liabilities and equity	106,018	95,233	88,887	85,928	84,394
Key financial ratios					
Interest margin, %	1.10	1.11	1.10	1.13	1.19
Credit loss level, % ¹⁾	–	–	–	0.01	0.02
Return on equity, %	6.4	5.5	6.2	5.6	5.0

¹⁾ An outcome is only presented in the case of a negative earnings impact.

Alternative performance measures

APMs are financial metrics of historical or future performance, financial position or cash flows that are not defined in the applicable rules for financial reporting (for example, IFRS or the Swedish Annual Accounts Act for Credit Institutions and Securities Companies) nor in the capital adequacy rules. The bank uses APMs when these are relevant for the presentation and follow-up of the bank's financial performance over time and when

these metrics are deemed by the bank to provide additional valuable information to readers of the financial reports.

APMs can be calculated with various approaches and, accordingly, the bank's metrics are not directly comparable with similar metrics presented by other companies. The definitions of the APMs are set out below.

Definitions of APMs	Aim
Change in loans to the public, %	The percentage increase in loans to the public during the year.
Interest margin, %	Net interest income in relation to average lending during the year.
Change in deposits from the public, %	The percentage increase in deposits from the public during the year.
C/I ratio including financial transactions	Costs in relation to income including the net result of financial transactions.
C/I ratio excluding financial transactions	Costs in relation to income excluding the net result of financial transactions.
Credit loss level, %	Net credit losses in relation to average lending during the year.
Credit-impaired assets, net	Credit-impaired assets, gross after deduction of provisions made on the balance sheet date.
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	Net credit-impaired assets in relation to loans to the public.
Leverage ratio, %	Tier 1 capital relative to exposure measure.
CET1 capital ratio, %	CET1 capital relative to risk-weighted assets.
Total capital ratio, %	Own funds relative to risk-weighted assets.
Return on equity, %	Net profit for the year divided by average equity after adjustment for Tier 1 capital debt.
Earnings per share	Net profit for the year in relation to the number of shares.

Alternative performance measures

SEK million	2021	2020
Change in loans to the public	10,929	6,671
Opening balance, loans to the public	83,039	76,367
Change in loans to the public, %	13.2	8.7
Net interest income	972	872
Average loans outstanding	88,444	78,776
Interest margin, %	1.10	1.11
Change in deposits from the public	581	223
Opening balance deposits from the public	14,672	14,449
Change in deposits from the public, %	4.0	1.5
Costs before credit losses	-498	-478
Total operating income	964	862
C/I ratio including financial transactions	0.52	0.55
Costs before credit losses	-498	-478
Total operating income excluding financial transactions	979	879
C/I ratio excluding financial transactions	0.51	0.54
Net credit losses	5	13
Average loans to the public	88,444	78,776
Credit loss level, %¹⁾	-	-
Credit-impaired assets, gross	675	583
Less provisions made	-22	-24
Credit-impaired assets, net	654	559
Credit-impaired assets, net	654	559
Loans to the public	93,968	83,039
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	0.70	0.67
Tier 1 capital	5,909	5,707
Exposure measure	105,450	94,803
Leverage ratio, %	5.6	6.0
CET1 capital	5,209	5,007
Total risk-weighted exposure amount	37,538	33,703
CET1 capital ratio, %	13.9	14.9
Own funds	6,509	6,907
Total risk-weighted exposure amount	37,538	33,703
Total capital ratio, %	17.3	20.5
Profit after tax	370	303
Average LTM equity	5,758	5,535
Return on equity, %	6.4	5.5
Profit after tax	370	303
Number of shares, million	2	2
Earnings per share, SEK	164.2	134.5

¹⁾ An outcome is only presented in the case of a negative earnings impact.

Notes

Note 1 Accounting policies

Corporate information

On 22 March 2022, the Board of Directors of Landshypotek Bank AB (publ.), Corporate Registration Number 556500-2762, approved the financial statements. These financial statements will be presented for final adoption by the Annual General Meeting on 28 April 2022.

Landshypotek Bank (the "Bank") is owned by Landshypotek Ekonomisk Förening, in which all of the Bank's loan customers in the farming and forestry sector are members. Landshypotek Bank is specialised in lending to Swedish farming and forestry and lending for rural living. Landshypotek Bank also offers homeowner mortgages and savings products to the general public. Landshypotek Bank uses the capital market as its primary source of funding but deposits have taken an increasingly significant role. Funding is allocated over a number of loan programmes, adapted to various types of investors.

Basis for preparing the annual accounts

Landshypotek Bank AB applies statutory IFRS, which means that the legal entity's financial statements must be prepared with application of the IFRSs and statements adopted by the EU, in so far as this is possible within the framework of the ÅRKL, the Swedish Pension Obligations Vesting Act and after taking into account the relationship between accounting and taxation. Permissible exceptions and supplements to IFRS are stated in the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities and the ÅRKL as well as the Swedish Financial Supervisory Authority's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25).

Currency and comparative data

The functional currency and presentation currency are SEK. All amounts are reported, unless otherwise specified, in SEK million. Comparative figures for the preceding year are stated in parentheses.

Standards, amendments and interpretations coming into effect during the year

Changes due to the Interest Rate Benchmark Reform – Phase 2
In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a result of Phase 2 of the IBOR reform. The amendments were adopted by the EU in January 2021 and apply from 1 January 2021, with early adoption permitted. The amendments pertain to the accounting issues that arise when financial instruments benchmarked against an IBOR change to an alternative benchmark rate. The new rules include a practical expedient for the modifications required by the IBOR reform, which should be treated as a change in the floating interest rate. Amendments arising from the IBOR reform are permitted to hedge identification and hedge documentation without requiring the hedging relationship to be terminated.

The implementation is not expected to have any impact on the financial statements.

Recognition of accrued interest

From 2021, accrued interest is recognised under the respective balance-sheet items. Previously, accrued interest was recognised under Prepaid expenses and accrued income, and Accrued expenses and prepaid income. The comparative figures for 2020 have been restated.

No other new standards, amendments and interpretations or annual improvement projects that have not yet come into force had any material impact on these financial statements.

New standards, amendments and interpretations as well as annual improvement projects that have not yet come into effect and were not applied in advance

No new standards, amendments and interpretations as well as annual improvement projects that have not yet come into force are expected to have any material impact on these financial statements.

Operating segments

An operating segment is a part of a company that generates income and costs through its operations, and its operating profit is regularly reviewed by the company's chief operating decision maker (CODM) as the basis for decisions pertaining to the allocation of resources and assessment of the segment's results. Furthermore, an operating segment has separate financial information. The bank offers loans in Sweden with collateral in immovable property. Deposits comprise one element of the bank's funding. For follow-up and reporting to the CODM, the operations are viewed as one operating segment.

Additional information in line with IFRS 8 is not provided in the Annual Report since customer deposits do not generate any income, the operations are conducted in one geographic area and no single customer accounts for 10 percent or more of the company's income.

Measurement of receivables and liabilities in foreign currency

Transactions in foreign currency are measured in the functional currency at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities in foreign currency are measured in the functional currency at the rate of exchange prevailing on the balance sheet date. Exchange-rate differences that arise on translation of balance sheet items in foreign currency are recognised in profit or loss as exchange-rate gains or losses.

Classification and measurement rules for financial assets

Financial assets are divided into the following categories for measurement:

- Financial assets at amortised cost
- Financial assets at FVTOCI
- Financial assets at FVTPL

The company's business model for administration of financial assets is used as the basis for the classification together with whether the contractual cash flows solely comprise capital and interest.

Financial assets at amortised cost

Loan and receivables are managed pursuant to a business model whose objective is to realise the assets' cash flows to collect the contractual cash flows consisting only of principal and interest on the principal amount outstanding. These assets are therefore valued at amortised cost.

Amortised cost pertains to the discounted present value of all future payments deriving from the instrument, where the discount rate comprises the asset's effective interest rate at the acquisition date.

Financial assets that are not equity instruments at FVTOCI

At specified times, the contractual terms for financial assets in this category must give rise to cash flows that only comprise repayments of capital and interest payments on the capital outstanding. The aim of the business model is to collect contractual cash flows on the holdings and to sell the financial assets.

The business model for bonds and other interest-bearing securities included in the liquidity portfolio encompasses both the collection of contractual cash flows and selling. The liquidity portfolio is recognised at FVTOCI except in those cases where this would lead to inconsistencies in accounting.

Gains and losses that arise as a result of changes in value, which are not attributable to effective interest and impairment, are recognised after taxes via other comprehensive income in the fair-value reserve under equity until the financial asset is sold or derecognised from the balance sheet. The loss allowance for assets is also recognised in other comprehensive income.

When the financial asset is derecognised from the balance sheet, the accumulated gain or loss, previously recognised in equity, is recognised in profit or loss.

Financial assets at FVTPL

If a financial asset cannot be classified in one of the above categories, it must be recognised at FVTPL. The company also has the possibility on initial recognition, to irrevocably identify a financial asset as measured at FVTPL to eliminate or reduce accounting inconsistencies.

Classification and measurement of financial liabilities

Under the main rule, all financial liabilities are classified as measured at amortised cost with certain exceptions, such as derivatives with negative values.

Aside from derivatives, all liabilities are recognised at amortised cost. Derivatives with negative market values are recognised as financial liabilities at FVTPL.

Transaction-date or settlement-date accounting

Financial assets and liabilities attributable to lending and deposits are recognised on the settlement date. Business transactions in

the money, bond or equity markets are recognised on the transaction date when the material rights and risks transfer between the parties.

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical form. An asset is a resource that is expected to yield future economic benefits over which control is exercised. Expenses associated with intangible assets are capitalised from the point in time when it is probable that the economic benefits that can be calculated in a reliable manner will arise. Amortisation is based on the economic life of the asset and starts when the asset is put to use. Intangible assets are amortised over a period of three to seven years using straight-line amortisation. Testing is conducted of the impairment time, amortisation method and need for impairment on an annual basis or when there is an indication that the asset may have diminished in value.

Tangible assets

Tangible assets are valued at cost less accumulated depreciation and any impairment. Each component of a tangible non-current asset with a cost that is significant relative to the aggregate cost of the asset is depreciated separately. The depreciation method used reflects how the future economic benefits of the asset are expected to be used. Tangible assets are depreciated over a period of three to five years. Straight-line depreciation is used.

- PCs – 3 years
- Furniture, fixtures and equipment – 5 years
- Fixed equipment – 5 years

Provisions

Provisions consist of recognised expected negative outflows of resources. Provisions are recognised when a legal or informal obligation has arisen as a result of events that have occurred when it is probable that an outflow of resources will be required to settle the undertaking. Provisions have been recognised for future pension obligations and deferred taxes.

Interest income and interest expense

Interest income and interest expense on financial assets and liabilities are recognised in profit or loss in accordance with the effective-interest method under the headings "Interest income" and "Interest expense." Interest expense encompasses resolution fees and deposit insurance.

The change in value of financial assets and liabilities at FVTPL is accounted for under the heading "Net result of financial transactions." This is also true for changes in the fair value of financial assets and liabilities included in hedge accounting.

Hedge accounting

Hedge accounting is divided into different types of hedging relationships, depending on the purpose of the hedge. The accounting policies in IAS 39 are applied for hedge accounting for macro hedging and the accounting policies in IFRS 9 are applied for other types of hedge accounting. Each hedging relationship identified is expected to be effective for the entire tenor. Effectiveness is tested partly through forward-looking (prospective) and partly with a retrospective (hindsight) evaluation.

Fair-value hedges for borrowing

Hedge accounting is applied for parts of the exposure to interest-rate risk in fixed-interest financial liabilities. The aim of the hedge being to offset changes in fair value due to movements in market interest rates. Interest-rate swaps and cross-currency interest-rate swaps are used for this purpose. Changes in the fair value of a derivative formally identified as a hedging instrument, and which fulfil the requirements for hedge accounting, are recognised in profit or loss under the heading "Net result of financial transactions." In addition, changes in fair value, attributable to the hedged risk, of a hedged liability are also recognised under this heading.

Macro hedging of fair value in the credit portfolio

Hedge accounting is applied for parts of the exposure to interest-rate risk in fixed-interest financial lending. The aim of the hedge being to offset changes in fair value due to movements in market interest rates. For this purpose, groups of loans with similar risk exposure are identified as a portfolio, which is then hedged using interest-rate swaps. Changes in the fair value of a derivative formally identified as a hedging instrument, and which fulfil the requirements for hedge accounting, are recognised in profit or loss under the heading "Net result of financial transactions." Changes in value attributable to the hedged risk for the hedged credit portfolio are recognised in profit or loss under the heading "Net result of financial transactions" and in the balance sheet on a separate line in connection with "Loans to the public."

Fair-value hedges in fixed-interest investments

Hedge accounting is applied for fixed-interest bonds in the liquidity portfolio. The hedge aims to cover any changes in fair value excluding credit spreads. Interest-rate swaps are used for this purpose. Changes in the fair value of a derivative formally identified as a hedging instrument, and which fulfil the requirements for hedge accounting, are recognised in profit or loss under the heading "Net result of financial transactions." In addition, changes in fair value, attributable to the hedged risk, of a hedged asset are also recognised under this heading. The credit spread is recognised under Other comprehensive income.

Discontinuation of hedge accounting

Hedge accounting is terminated when the hedged item or hedging instrument is sold or expires and when the criteria for hedge accounting are no longer met. Gains or losses, which for cash-flow hedges and fair-value hedges in investments, were previously recognised in other comprehensive income are transferred to profit or loss in conjunction with divestment of the underlying instrument and recognised there under the heading "Net result of financial transactions." If a fair-value hedge is no longer assessed as effective, the hedging instrument is reclassified as a derivative for trading. The accumulated change in fair value for the hedged item at the point in time when the hedging relationship ends is periodised via the net result of financial transactions over the hedged item's remaining time to maturity.

Net result of financial transactions

Realised gains and losses attributable to the purchase and sale of bonds and derivative instruments in the liquidity reserve and the buyback of bonds are recognised under the heading "Net result of financial transactions." In addition, unrealised gains and losses attributable to market-value changes of derivative

instruments, holdings of financial assets at FVTPL and changes in fair value attributable to the hedged risk of the hedged assets or liabilities in a fair-value hedge are also recognised here. When applicable, impairment attributable to financial assets is recognised at FVTOCI under this heading.

Personnel costs

All direct personnel costs, including various forms of social security costs and payroll overheads are classified as personnel costs.

Pension costs

Pension costs have been calculated in accordance with Finansinspektionen's regulations. The pension obligation under the BTP plan pertains to a defined-benefit plan and the obligation is funded via Sparinstitutens Pensionskassa (SPK), which manages the assets and administers pension payments on behalf of the company.

Leases

Leases pertain to agreements where the bank is the lessee of premises, computers and video conferencing facilities, for which the contracts are deemed to comprise operational leases. The right to utilise the leased asset is recognised under Tangible assets and the present value of lease fees are recognised as a corresponding liability under Other liabilities. The bank applies the exceptions permitted under the standard in terms of short-term leases and leases of low-value assets. These leases are recognised as other expenses.

Depreciation of right-of-use assets and interest expenses pertaining to lease liabilities are recognised in profit or loss. Costs from operating activities are recognised in the statement of cash flow.

The lease liability is measured at the acquisition date at the present value of unpaid lease payments at the commencement date. Thereafter, the lease liability increases with the interest expense on the lease liability and decreases in line with lease payments made. The right-of-use asset is initially recognised at cost, that is the original value of the lease liability, including certain other expenses such as lease payments that were paid on or prior to the commencement date. The right-of-use asset is thereafter depreciated over the useful life. Lease payments are discounted using a discount rate. Gains or losses attributable to changes in leases are recognised in profit or loss.

Recognition of expected credit losses

Credit portfolio

Expected credit losses (ECLs) are recognised for the credit portfolio. Each asset is categorised to one of three stages:

- Stage 1 comprises performing assets with no significant increase in credit risk compared with initial recognition;
- Stage 2 comprises performing assets with a significant increase in credit risk compared with initial recognition; and
- Stage 3 comprises defaulted loans.

How the asset's PD risk class has deteriorated since the asset arose is measured, inter alia, to establish whether a loan asset has a significantly increased credit risk compared with the credit risk on initial recognition. If the risk classification exceeds internal limits for increased credit risk, the asset is classified as Stage 2.

The definition of default corresponds with that set out in external capital adequacy rules.

For Stage 1 assets, the loss allowance is calculated at an amount corresponding to 12-months' expected credit losses. For assets in stages 2 and 3, the loss allowance corresponds to the ECLs for the assets' remaining term.

The ECLs for performing assets (stages 1 and 2) are initially measured according to the internal calculation model. The calculation model weighs together the ECL outcomes based on three macro-economic scenarios (base, improved and deteriorated) for annual expected credit losses over the assets' lifetimes. ECLs for Stage 3 assets are estimated mainly through manual valuation of expected losses based on three scenarios.

For the credit portfolio, one of the scenarios comprises a forecast of the parameters for interest, GDP and the real estate price index. Parameter projections are made for the first five years and, thereafter, the scenario returns to a long-term expected trend of up till 30 years. To ensure consistency, the risk estimate for the credit portfolio is based on the same calculations as for capital adequacy.

For the credit portfolio, changes in risk of default and property prices have the greatest impact on the size of ECLs.

Committed, but undisbursed credits

ECLs are recognised for committed, but undisbursed credits. ECLs for committed, but undisbursed credits are calculated using existing IRB models and take forward-looking information into consideration.

Liquidity portfolio

ECLs are recognised for the parts of the liquidity portfolio that are classified as financial assets at FVTOCI. ECLs for the liquidity portfolio are calculated based on, inter alia, default rates according to Standard & Poor's rating matrix and on internal historic LGD data from credits secured by mortgages on immovable property.

Confirmed credit losses

When a credit loss is deemed definitive it is recognised as a confirmed credit loss and the recognised value of the receivable together with the appurtenant impairment for an expected credit loss is derecognised from the balance sheet. A credit loss is deemed definitive and confirmed when the collateral has been realised and receipt recognised, or when a claim is waived on either legal or voluntary grounds. Received payments pertaining to written off financial assets are recognised in income as recoveries.

Restructuring of loans

Agreements on concessions that entail a restructuring of the loan receivable are only made on an exceptional basis since all lending is against collateral, the value of which is realised in the event of default. When applicable, restructured loan receivables are commented on in the Administration Report.

Tax expenses

Recognised tax expenses include taxes for the current year, adjustments relating to prior years' current taxes and changes in deferred taxes. Deferred taxes are the taxes attributable to all temporary differences that arise between carrying amounts and values for tax purposes of assets and liabilities.

Group contributions

Group contributions are recognised in accordance with the main rule in RFR 2. Group contributions paid by Landshypotek Bank AB to the Parent Association, Landshypotek Ekonomisk Förening, are recognised directly in equity in Landshypotek Bank and as financial income at Landshypotek Ekonomisk Förening.

Estimates and critical assessments

The application of the accounting policies means that, in certain instances, recognised amounts are based on estimates and assumptions about the future. The estimates and assumptions made are always based on company management's best and fairest assessment of the future, and affect the carrying amounts of assets, liabilities and off-balance-sheet exposures, as well as income and costs presented in the Annual Report. Moreover, they are subject to continual review and validation. Despite this, future outcomes may, to a certain extent, differ from the original assumptions made.

The ECLs are subject to continual assessment at both individual and collective levels. Among other items, estimates are based on:

- risk estimates for default and LGD;
- forecasts of future interest-rate, GDP and property price trends; and
- parameters such as; established threshold values for determining if the risk has increased significantly and weighting shares for various scenarios.

The ECL estimates are based on internal historical data, forecasts for macro parameters from well-reputed external sources and assessments by internal experts. Confirmed losses may deviate from the original loss allowances.

Note 2 Risks

Risk arises in all financial operations. Sound management of these risks is a core focus at Landshypotek Bank. The foundation of sound risk management is a strong, shared risk culture with responsibility and decision making based on solid knowledge of the bank's customers.

Landshypotek Bank strives to achieve a high degree of risk awareness and a low degree of risk undertaking. A high degree of risk awareness means that each employee understands the risks implied for the company by the individual's work duties, the degree of risk undertaking that is acceptable and how the individual needs to behave so as to avoid exceeding the acceptable level of risk.

Low risk undertaking is achieved through a combination of a high degree of risk awareness, a low acceptance level for risk undertaking, a distinct decision-making structure, shared definitions and assessment principles, as well as sophisticated tools for risk assessment. The Board specifies the acceptance level for risk undertaking and the CEO ensures that this level of acceptance is implemented in business activities. The main risks to which Landshypotek Bank is exposed are defined below. For further information regarding risks, refer to the Information regarding capital adequacy and risk management, Pillar III.

Credit risk

Definition

Landshypotek Bank defines credit risk as the risk it does not receive payment as agreed and that the value of the collateral is not adequate and therefore will not cover the outstanding claim.

Credit risk in the credit portfolio

Landshypotek Bank's loans to the public totalled SEK 94.0 billion (83.0). Lending encompasses lending to entrepreneurs and homeowners primarily against collateral in farm and forest properties. All lending takes place in Sweden.

Management of credit risk

Credit process

The credit policy, which is set by the Board, sets out the frameworks and fundamental principles for granting credit at Landshypotek Bank. All granting of credit at the bank is to be based on customers' repayment capacity and loans are only granted if, based on sound reasoning, commitments can be expected to be fulfilled. To further protect the bank against credit losses, accepted collateral primarily comprises collateral in immovable property.

Credit portfolio monitoring

All commitments are subject to credit monitoring on a scheduled and ongoing basis. Customers with higher risk levels are monitored more frequently. All credit decisions are to be preceded by a careful risk assessment and risk classification. The credit control unit uses portfolio analysis and stress tests to identify sectors and segments, where risk has risen, for further assessment.

Management of problem credits

Operations at Landshypotek Bank bear full responsibility for customer relationships, profitability and risks in all customer commitments. When needed, operations is assisted by the central departments with in-depth analyses and with managing problem customers and insolvency cases. The Credit and Business support unit assists with expertise with regard to problem commitments and confirmed insolvency cases. The bank's insolvency unit works primarily with defaulting commitments with the aim of discontinuing the loans with a minimal loss for the bank.

Counterparty risk, credit risk in treasury operations

Landshypotek Bank's counterparty risks comprise credit risk for counterparties in the liquidity reserve, for counterparties with whom Landshypotek Bank has derivative transactions and for counterparties with whom the bank has deposits. The bank's liquidity reserve comprises interest-bearing securities with high credit ratings and which are all issued by Nordic credit institutions, Swedish municipalities or regions. The objective of the liquidity reserve is to reduce the bank's liquidity risk. The bank enters into derivative transactions (swap contracts) to reduce interest-rate and currency risk.

Counterparties with whom the bank enters into swap contracts are Swedish or international banks with high credit ratings and with whom International Swaps and Derivatives Association (ISDA) agreements and unilateral Credit Support Annexes (CSAs) to Landshypotek Bank's benefit are in place, which reduce counterparty risk. The bank never pledges collateral since the derivative contracts are in the pool for covered bonds. Refer to the table, Derivative contracts broken down by rating, measured at fair value, for an account of the derivatives' exposure amount pursuant to the market value method in the CRR.

The Chief Financial Officer has overall responsibility for management of counterparty risk.

Liquidity risk

Definition

Landshypotek Bank defines liquidity risk as the risk of being unable to discharge its payment obligations at the due date.

Liquidity risk

To a great extent, Landshypotek Bank is dependent on market funding and the inability to discharge payment obligations connected to market funding can have immediate and serious consequences for the bank.

Management of liquidity risk

To maintain good payment capacity, the Board has decided that a liquidity buffer should be available that corresponds to the forecast, accumulated net cash outflows for the next 180-day period and the outflows of deposits in a stressed scenario, without any possibility of refinancing. The liquidity portfolio was 1.8 times (1.1) larger than refinancing requirements for the next six months. The ratio is affected by the allocation of maturing debt for longer than six months and can, therefore, change between measurement periods.

The liquidity reserve broken down by rating, measured at fair value

2021 SEK million	Covered bonds	Bonds issued by municipalities and regions	Total
AAA	5,072	2,434	7,506
AA+	–	2,749	2,749
Total	5,072	5,183	10,255

2020 SEK million	Covered bonds	Bonds issued by municipalities and regions	Total
AAA	4,947	2,053	7,000
AA+	–	2,658	2,658
Total	4,947	4,711	9,658

Derivative contracts broken down by rating, measured at fair value

2021 SEK million	Positive market value	Exposure amount before credit risk mitigation techniques incl. netting gains and collateral received ^{2) 3) 4)}	Exposure amount after credit risk mitigation techniques incl. netting gains and collateral received ^{2) 3) 4)}
Credit quality stage ¹⁾			
1	552	780	780
2	516	720	720
3	–	86	86
4–6	–	–	–
Total	1,069	1,586	1,586

2020 SEK million	Positive market value	Exposure amount before credit risk mitigation techniques incl. netting gains and collateral received ^{2) 3) 4)}	Exposure amount after credit risk mitigation techniques incl. netting gains and collateral received ^{2) 3) 4)}
Credit quality stage ¹⁾			
1	665	695	695
2	512	624	624
3	–	13	13
4–6	–	–	–
Total	1,177	1,332	1,332

¹⁾ In accordance with the Commission Implementing Regulation (EU) 2021/2006.

²⁾ Landshypotek received SEK 308 million (559) in cash collateral under derivative contracts. This cash collateral has not been taken into account in the above figures.

³⁾ Netting gains amounted to SEK 262 million (274).

⁴⁾ Exposure value of derivative instruments based on the mark-to-market approach stipulated in the CRR.

Landshypotek Bank's holdings in its liquidity reserve are of the type that may be used as security for loans from the Riksbank. This liquidity reserve gives the bank the opportunity of bridging temporary strains on liquidity, but also provides the opportunity of procuring the necessary funds in times of severe liquidity crisis by borrowing against or selling assets in an orderly fashion to reduce the financing need. The bank also measures the liquidity reserve, based on it covering net outflows over a 30-day significant stress period in accordance with external regulations. The bank's LCR under EU Regulation 575/2013 and Commission Delegated Regulation (EU) 2015/61 was 416 percent (229) for Landshypotek Bank's consolidated situation and 416 percent (229) for Landshypotek Bank.

Landshypotek Bank has started to offer deposits with the aim of diversifying its funding and, thereby, reducing refinancing risk. Deposits with the bank amounted to SEK 15.3 billion (14.7). Landshypotek Bank performs regular stress tests of liquidity

risk. These include a decline in value of the liquidity reserve, reduced capital repayments and interest income, lack of new borrowing and withdrawals of deposits. The results of the stress tests demonstrate that Landshypotek Bank has an extremely healthy payment capacity.

Market risk

Definition

The market risks to which Landshypotek Bank is exposed are interest-rate risk, currency risk, credit-spread risk and basis-spread risk, and are defined as follows:

Interest-rate risk

The risk that the market value of discounted future inflows and outflows will develop negatively as a result of changes in interest rates.

Currency risk

The risk of losses on borrowed, lent or invested capital when exchange rates fluctuate.

Credit-spread risk

The risk of decreased market values as a consequence of widened spreads for risk-free interest for assets measured at fair value.

Basis-spread risk

The risk of decreased market values for derivatives entered into on borrowing in foreign currencies that cannot be compensated with a corresponding change in the market value of the issued debt instrument.

Interest-rate risk

Interest-rate risk arises when fixed-interest terms for assets and liabilities are mismatched, and as a consequence of utilising equity to finance fixed-term lending. It is measured, inter alia, as the changes in the present values of assets and liabilities that arise if there is a parallel shift in the interest-rate curve. The bank utilises interest-rate swaps as a tool for managing interest-rate risks.

The total impact of interest-rate risk on the balance sheet's present values for a parallel upward movement of the interest-rate curve of one percentage point amounted to negative SEK 127 million (negative: 140). Only a marginal portion of the change in the market values of assets and liabilities is recognised and, therefore, interest-rate risk that could impact earnings amounted to SEK 13 million (5).

Currency risk

The bank has no appetite for currency risks. The currency risk that arises when raising funds in currencies other than SEK is hedged by taking all of the cash flows in another currency and reflecting them in the derivative contracts used to hedge currency and interest-rate risk. In nominal amounts, the bank's funding in foreign currency amounted to SEK 2.7 billion (3.5). Any changes in exchange rates will have no material impact on earnings.

Credit-spread risk

Credit-spread risk arises from fluctuations in credit spreads in Landshypotek Bank's liquidity reserve and these also impact earnings. An increase in the credit spread of one basis point (1bp) would lead to a SEK 2 million (2) decrease in the value of the liquidity portfolio and would be recognised in other comprehensive income.

Basis-spread risk

Basis-spread risk arises for Landshypotek Bank when the currency and interest-rate risks that arise in conjunction with borrowing in a foreign currency are reduced by swapping payments in foreign currency for payments in Swedish currency through cross-currency interest-rate swaps. However, if Landshypotek Bank does not terminate the swap agreements ahead of time, the net earnings impact on expiry of the swap agreements would be zero. Due to increased volatility in basis spreads, Landshypotek Bank has chosen not to take up any funding in foreign currencies since 2011. A 1bp movement in basis spreads would lead to a SEK 2 million (2) value change in

the swaps, which would be recognised in other comprehensive income.

Fair-value hedges

For the purpose of reducing or eliminating changes in the fair value of financial assets and liabilities resulting from changes in interest rates, Landshypotek Bank applies fair-value hedges as described in Note 1 Accounting policies. Landshypotek Bank uses interest-rate swaps that exchange payments of fixed interest for payments of floating interest to hedge fixed-interest assets, and swaps that exchange payments of floating interest for payments of fixed interest to hedge floating-interest liabilities.

An economic relationship exists between the hedged item and the hedging instrument, since the terms of the interest-rate swap correspond to those for the hedged item as regards the nominal amount, interest rate level, tenor, and payment and adjustment dates. The economic relationship is established through prospective testing on entering the hedge. Credit and basis spreads are not included in the financial hedging of fair value. Any market changes in these spreads are recognised in other comprehensive income.

Macro hedging is applied to hedge the fair value fixed-rate lending. The volume of fixed-rate lending is accumulated on an ongoing basis and the volume of interest rate hedges per interest-fixing occasion. When the interest-rate risk per interest-fixing occasion exceeds the bank's appetite for interest-rate risk, new interest hedges are conducted. Only the risk-free interest is hedged in interest hedges. Commercial margins are excluded when hedging interest.

Effectiveness testing pursuant to IFRS 9

The economic relationship between the underlying securities and the interest-rate swap is assessed using a qualitative analysis of the critical terms. The critical terms for the financial instruments are matched, particularly with regard to the nominal amount, reference rate, reset date and maturity. The fair values of the hedged item and the hedging instrument are expected to develop in opposite directions as a result of changes in the hedged reference rate risk. The effect of credit risk is not considered to be dominant in the change of fair value. The hedge ratio is 1:1 since the nominal amount of the interest-rate swap matches the underlying securities. The effectiveness of the hedge is assessed by comparing the change in value resulting from changes in the reference rate for the underlying security with the change in value for the identified interest-rate swap.

Effectiveness testing pursuant to IAS 39

Lending is grouped in annual intervals based on the next interest rate adjustment date. Each position in the respective time interval is hedged using interest-rate swaps corresponding to a nominal amount that covers part of the total loan amount. A specified loan amount in each time interval is thus identified as the hedged item. The efficiency of the hedged item is assessed prospectively and retrospectively. The prospective assessment uses a qualitative analysis of the critical terms of the hedged item and the interest-rate swap. The retrospective assessment is conducted monthly and uses the Schleifer-Noise method on a cumulative basis. Value changes in loans that arise from

changes in the underlying interest rate are compared with the value changes in the identified interest-rate swaps.

Ineffectiveness

Ineffectiveness is calculated by comparing the change in fair value of the hedged risk in the hedged item with the change in fair value of the derivative. The hedge is ineffective if the change in fair value of the derivative deviates from the change in value of the hedged item.

The main reason for ineffectiveness in these hedging relationships are:

- value changes in the floating leg of the derivative;
- differences between the initial values of the hedged item and the hedging instrument; and
- possible value changes related to counterparty risk in derivative contracts entered into.

Operational risk

Definition

Landshypotek Bank defines operational risk as the risk of losses as a result of inappropriate or failed internal processes, human error, faulty systems and external events including legal risk.

Operational risk

Landshypotek Bank has a low appetite for operational risk.

The bank does not conduct operations in areas that generally generate the largest operating losses for banks. The bank conducts no trading operations or operations related to payment services, and conducts relatively simple operations for a bank.

However, a certain degree of operational risk exists in all operations and the bank identifies risks based on its significant processes and on the focus area of IT and information security. The significant processes identified for the bank are as follows:

- Meeting customers
- Supporting business
- Internal bank
- Financial reporting

Management of operational risk

Incident identification and management of operational risks increases awareness and reduces the risk of losses. The identified risks are assessed on the basis of their likelihood of materialising as well as on how the risk impacts the bank in terms of its employees, reputation; and disruption to processes, both regulatory and financial. The bank has a risk system that dynamically links risks, incidents, customer complaints and actions taken to the bank's significant processes. Incidents and the results of the risk analyses are reported to the Bank Management and the Board. The main purpose of these efforts is, as far as possible, to identify operational risks in the significant processes and to take actions to ensure these risks do not materialise.

Risk analysis for the significant processes is also complemented through Landshypotek Bank's business continuity efforts. The aim of business continuity management is to identify the critical parts of operations and, thereafter, work to improve the robustness of these parts. Continuity management should also manage the type of events that cannot be foreseen in the risk analysis, but which could have major consequences for the bank.

Landshypotek Bank has an established process for significant changes that aims to ensure the bank is ready to manage new products, services and other significant changes. Key components in this process comprise the involvement of relevant departments at Landshypotek Bank, transparent discussion of the operational risks that could arise and well-documented decisions.

Fixed-interest terms for interest-bearing assets and liabilities

2021 SEK million	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Assets						
Eligible treasury bills	3,782	400	400	–	–	4,582
Loans to credit institutions	322	–	–	–	–	322
Loans to the public	48,865	19,731	19,422	5,300	632	93,949
Bonds and other interest-bearing securities	950	900	2,150	–	–	4,000
Derivatives	74,845	2,700	5,510	7,353	3,328	93,735
Total assets	128,764	23,731	27,482	12,652	3,959	196,588
Liabilities						
Liabilities to credit institutions	638	–	–	–	–	638
Deposits from the public	15,254	–	–	–	–	15,254
Debt securities issued	38,450	6,457	14,910	10,699	9,877	80,393
Derivatives	74,708	2,700	5,510	7,340	3,306	93,565
Subordinated liabilities	–	–	–	600	–	600
Total liabilities	129,050	9,157	20,420	18,640	13,183	190,449
Net	-287	14,574	7,062	-5,987	-9,223	6,139
Interest-rate sensitivity, net	-6	-15	-53	-51	-2	-127
Cumulative interest-rate sensitivity	-6	-21	-74	-125	-127	

2020 SEK million	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Assets						
Eligible treasury bills	2,856	325	550	400	–	4,131
Loans to credit institutions	483	–	–	–	–	483
Loans to the public	51,306	9,334	16,086	5,700	256	82,682
Bonds and other interest-bearing securities	1,004	1,000	2,950	500		5,454
Derivatives	30,396	740	12,611	300	500	44,547
Total assets	86,045	11,399	32,197	6,900	756	137,297
Liabilities						
Liabilities to credit institutions	5,842	–	–	–	–	5,842
Deposits from the public	14,672	–	–	–	–	14,672
Debt securities issued	38,450	1,240	12,811	7,000	4,471	63,971
Derivatives	17,957	8,975	16,010	1,660	–	44,602
Subordinated liabilities	1,200	–	–	–	–	1,200
Total liabilities	78,122	10,215	28,821	8,660	4,471	130,288
Net	7,923	1,184	3,376	-1,760	-3,714	7,009
Interest-rate sensitivity, net	-9	-8	-51	-69	-3	-140
Cumulative interest-rate sensitivity	-9	-17	-68	-137	-140	

The above table differs from the maturity analysis, which includes all contracted flows, that is, nominal amounts plus contracted interest payments. The table shows nominal amounts for derivatives. Nominal amounts for inflows from derivatives are shown on the asset side and nominal amounts for outflows on the liability side. The amounts have been allocated according to the dates when interest is reset. This differs from the maturity analysis, which includes all contracted flows, that is, nominal amounts plus contracted interest payments.

Maturity analysis for financial assets and liabilities

2021 SEK million	On demand	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Financial assets							
Eligible treasury bills	–	768	1,094	1,678	698	–	4,238
Loans to credit institutions	322	–	–	–	–	–	322
Loans to the public	–	813	1,876	4,754	4,510	83,351	95,304
Bonds and other interest-bearing securities	–	1,408	927	3,138	–	–	5,474
Derivatives	–	77	448	196	857	2,215	3,793
Total	322	3,066	4,344	9,766	6,065	85,566	109,131
Liabilities							
Liabilities to credit institutions	–	638	–	–	–	–	638
Borrowing/deposits from the public	15,254	–	–	–	–	–	15,254
Granted credit facilities	–	361	–	–	–	–	361
Debt securities issued	–	185	13,047	30,228	30,181	10,659	84,299
Derivatives	–	20	288	18	735	1,849	2,910
Subordinated liabilities	–	1	5	20	615	–	642
Other liabilities	–	15	337	24	–	–	375
Total	15,254	1,220	13,677	30,290	31,531	12,507	104,479
Contracted cash flows	-14,931	1,847	-9,333	-20,524	-25,466	73,059	4,651

2020 SEK million	On demand	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Financial assets							
Eligible treasury bills	–	383	348	2,643	1,477	–	4,851
Loans to credit institutions	483	–	–	–	–	–	483
Loans to the public	–	776	1,681	4,344	4,298	73,278	84,377
Bonds and other interest-bearing securities	–	565	990	2,306	1,261	–	5,122
Derivatives	–	61	984	746	303	2,907	5,002
Total	483	1,785	4,003	10,039	7,339	76,185	99,835
Liabilities							
Liabilities to credit institutions	–	5,842	–	–	–	–	5,842
Borrowing/deposits from the public	14,672	–	–	–	–	–	14,672
Granted credit facilities	–	399	–	–	–	–	399
Debt securities issued	–	509	11,740	21,496	24,689	8,717	67,151
Derivatives	–	27	907	369	77	2,536	3,916
Subordinated liabilities	–	8	1,208	–	–	–	1,216
Other liabilities	–	19	256	23	–	–	298
Total	14,672	6,805	14,111	21,889	24,765	11,252	93,495
Contracted cash flows	-14,189	-5,020	-10,108	-11,850	-17,426	64,933	6,340

The above tables include all contracted cash flows. The amounts are not discounted and are recognised during the time slot when Landshypotek is entitled to request payment or has an obligation or right to repay. Future variable rates of interest have been included in the calculation for derivatives and financial liabilities. Interest-rate derivatives are settled on a net basis, while currency interest-rate derivatives are settled on a gross basis, which is reflected in the above table. This entails that contracted amounts on maturity are only included for currency interest-rate derivatives. All flows are stated net for interest-rate derivatives.

Derivatives that comprise hedging instruments for interest and currency risk in fair value and macro hedging

2021 SEK million	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Interest-rate risk						
Interest-rate swaps paying fixed interest and receiving floating interest						
Nominal amount	4,850	19,200	20,120	5,060	1,120	50,350
Average fixed interest rate %	0.07	0.09	0.21	0.43	0.70	
Interest-rate swaps paying floating interest and receiving fixed interest						
Nominal amount	–	6,257	14,910	10,597	8,799	40,562
Average fixed interest rate %	–	0.70	0.65	0.67	0.98	
Foreign currency risk						
Currency related derivatives SEK/EUR						
Nominal amount	–	228	–	665	1,759	2,652
Average exchange rate	–	0.11	–	0.11	0.10	
Total	4,850	25,685	35,030	16,322	11,678	93,565

2020 SEK million	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Interest-rate risk						
Interest-rate swaps paying fixed interest and receiving floating interest						
Nominal amount	2,700	8,975	16,010	5,530	355	33,570
Average fixed interest rate %	0.24	0.10	0.23	0.35	1.43	
Interest-rate swaps paying floating interest and receiving fixed interest						
Nominal amount	800	500	12,611	7,000	3,313	24,224
Average fixed interest rate %	1.11	0.38	0.95	0.82	2.80	
Foreign currency risk						
Currency related derivatives SEK/NOK						
Nominal amount	–	351	–	–	–	351
Average exchange rate	–	0.85	–	–	–	
Currency related derivatives SEK/EUR						
Nominal amount	–	467	228	–	2,424	3,119
Average exchange rate	–	0.10	0.11	–	0.10	
Total	3,500	10,293	28,849	12,530	6,092	61,264

Hedging instrument

2021 SEK million	Balance-sheet item encompass- ing derivatives	Nominal amount hedging instrument	Carrying amount		Change in fair value used to measure efficiency
			Assets	Liabilities	
Interest-rate risk					
Interest-rate swaps, macro hedging, loans to the public	Derivatives	44,450	120	53	169
Interest-rate swaps, fair-value hedges, liquidity reserve	Derivatives	5,900	16	69	55
Interest-rate swaps, fair-value hedges, debt securities issued, SEK	Derivatives	38,920	514	284	-565
Foreign currency risk					
Cross-currency interest-rate swaps, EUR	Derivatives	4,295	754	4	-119
		93,565	1,405	410	-460

2020 SEK million	Balance-sheet item encompass- ing derivatives	Nominal amount hedging instrument	Carrying amount		Change in fair value used to measure efficiency
			Assets	Liabilities	
Interest-rate risk					
Interest-rate swaps, macro hedging, loans to the public	Derivatives	27,945	10	109	-82
Interest-rate swaps, fair-value hedges, liquidity reserve	Derivatives	5,625	0	100	-33
Interest-rate swaps, fair-value hedges, debt securities issued, SEK	Derivatives	22,620	840	10	147
Foreign currency risk					
Cross-currency interest-rate swaps, EUR and NOK	Derivatives	5,077	880	74	12
		61,267	1,731	293	45

Hedged items

2021 SEK million	Balance-sheet item encompassing the hedged item	Carrying amount		Change in fair value used to measure efficiency
		Assets	Liabilities	
Interest-rate risk				
Fixed-rate loans to the public	Loans to the public	44,363		-171
Fixed-rate liquidity reserve	Eligible treasury bills, Bonds and other interest-bearing securities	5,934		-44
Fixed-rate funding in SEK	Debt securities issued, etc.		38,996	565
Foreign currency risk				
Fixed-rate funding in EUR	Debt securities issued, etc.		601	115
		50,298	39,597	465

2020 SEK million	Balance-sheet item encompassing the hedged item	Carrying amount		Change in fair value used to measure efficiency
		Assets	Liabilities	
Interest-rate risk				
Fixed-rate loans to the public	Loans to the public	28,029		80
Fixed-rate liquidity reserve	Eligible treasury bills, Bonds and other interest-bearing securities	5,704		32
Fixed-rate funding in SEK	Debt securities issued, etc.		23,310	-143
Foreign currency risk				
Fixed-rate funding in EUR and NOK	Debt securities issued, etc.		4,300	-28
		33,733	27,610	-59

Ineffectiveness recognised amounted to an expense of SEK 6 million (expense: 14) and was recognised in the Net result of financial transactions.

Note 3 Risk and capital adequacy

The total capital ratio for the consolidated situation amounted to 17.0 percent (18.8) and the CET1 capital ratio was 14.4 percent (15.2). At Landshypotek Bank AB, the total capital ratio amounted to 17.3 percent (20.5) and the CET1 capital ratio was 13.9 percent (14.9).

Own funds for the consolidated situation increased SEK 37 million to SEK 6,372 million during the year. CET1 capital strengthened, primarily due to higher profits and increased member contributions, while Tier 2 capital decreased as a result of the bank replacing a dated subordinated loan with a lower amount. The minimum capital requirement increased SEK 307 million to SEK 3,003 million mainly driven by increased lending.

In addition to the minimum capital requirement of 8 percent of the total risk-weighted amount, the combined buffer requirement is 2.5 percent. The combined buffer requirement must be covered by CET1 capital.

The leverage ratio for the consolidated situation amounted to 5.6 percent (5.9).

The internally assessed capital requirement for the consolidated situation was SEK 4.6 billion (4.1) and should be compared with own funds of SEK 6.4 billion (6.3).

On 29 September 2021, Finansinspektionen decided to raise the countercyclical buffer to 1.0 percent. The new buffer applies from 29 September 2022. Until that date the buffer remains 0 percent.

EU CC1 – Composition of regulatory own funds

SEK million	Consolidated situation ¹⁾	
	31 Dec 2021	31 Dec 2020
Capital instruments and the related share premium accounts	1,959	1,833
of which: member contributions	1,959	1,833
of which: share capital	–	–
Retained earnings ²⁾	3,856	3,710
Accumulated other comprehensive income (and other reserves)	-24	-35
Independently reviewed interim profits net of any foreseeable charge or dividend	260	201
CET1 capital before regulatory adjustments	6,052	5,710
Additional value adjustments	-10	-10
Intangible assets (net of related tax liability) (negative amount)	-71	-58
Negative amounts resulting from the calculation of expected loss amounts	-570	-519
Other regulatory adjustments	–	–
Total regulatory adjustments to CET1 capital	-651	-587
CET1 capital	5,400	5,123
Capital instruments and the related share premium accounts	–	–
of which: classified as equity under applicable accounting standards	–	–
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	471	440
Additional Tier 1 (AT1) capital	471	440
Tier 1 capital (T1 = CET1 + AT1)	5,871	5,563
Capital instruments and the related share premium accounts	–	–
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	501	772
Tier 2 (T2) capital	501	772
Total capital (TC = T1 + T2)	6,372	6,335
Total risk-weighted exposure amount	37,538	33,701
CET1 capital ratio (%)	14.4	15.2
Tier 1 capital ratio (%)	15.6	16.5
Total capital (%)	17.0	18.8
Institution CET1 overall capital requirements (%)	8.1	8.1
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical capital buffer requirement (%)	–	–
of which: additional own funds requirements to address risks other than the risk of excessive leverage (%) ³⁾	1.1	1.1
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements ⁴⁾	9.0	10.5

¹⁾ The consolidated situation encompasses Landshypotek Ekonomisk Förening and Landshypotek Bank AB.

²⁾ Item includes other contributed equity

³⁾ As of 31 December 2020, Finansinspektionen's assessment of Pillar II capital requirements has been included even though the actual amounts have yet to be formally determined.

⁴⁾ The calculation includes both Pillar I and Pillar II in the minimum capital requirement. Other communication from the bank only encompasses Pillar I.

Capital requirements

SEK million	Consolidated situation	
	31 Dec 2021	31 Dec 2020
Internally assessed capital requirement¹⁾		
Pillar I capital requirement	3,003	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	665	544
Percentage of total risk-weighted exposure amount	1.8	1.6
Combined buffer requirement	938	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Total capital requirement	4,606	4,082
Percentage of total risk-weighted exposure amount	12.3	12.1
Own funds (Tier 1 capital + Tier 2 capital)	6,372	6,335
Percentage of total risk-weighted exposure amount	17.0	18.8
Capital requirement as assessed by Finansinspektionen²⁾		
Pillar I capital requirement	3,003	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	758	648
Percentage of total risk-weighted exposure amount	2.0	1.9
Combined buffer requirement	938	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Capital requirement, Pillar II guidance	–	–
Percentage of total risk-weighted exposure amount	–	–
Total capital requirement	4,700	4,187
Percentage of total risk-weighted exposure amount	12.5	12.4
Own funds (Tier 1 capital + Tier 2 capital)	6,372	6,335
Percentage of total risk-weighted exposure amount	17.0	18.8
Leverage ratio requirement³⁾		
Leverage ratio requirement	3,164	–
Percentage of total exposure amount for the leverage ratio	3.0	–
Pillar II capital requirement	–	–
Percentage of total exposure measure for the leverage ratio	–	–
Capital requirement, Pillar II guidance	316	–
Percentage of total exposure measure for the leverage ratio	0.3	–
Total capital requirement (incl. Pillar II guidance)	3,480	–
Percentage of total exposure measure for the leverage ratio	3.3	–
Tier 1 capital	5,871	–
Percentage of total exposure amount for the leverage ratio	5.6	–

¹⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation (EU) No 575/2013, Pillar II capital requirements according to the bank's (ICAAP 2021) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

²⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation (EU) No 575/2013, Pillar II capital requirements according to Finansinspektionen's (SREP 2021) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

³⁾ Pertains to the leverage ratio requirement pursuant to the Capital Requirements Regulation (EU) No 575/2013 and Pillar II capital requirements according to Finansinspektionen's (SREP 2021). The leverage ratio requirement was introduced in June 2021.

Own funds requirement by risk, approach and exposure class

31 Dec 2021 SEK million	Consolidated situation			
	Exposure value ¹⁾	Risk-weighted exposure amount ²⁾	Own funds requirement ³⁾	Average risk weight ⁴⁾
Credit risk – IRB approach	94,538	27,009	2,161	29%
Retail – real estate collateral	58,568	7,757	621	13%
Corporates	35,893	19,175	1,534	53%
Other non-credit-obligation assets	78	78	6	100%
Credit risk – Standardised approach	12,432	1,265	101	10%
Central governments or central banks	2	0	0	0%
Regional governments or local authorities	5,189	0	0	0%
Institutions	1,817	577	46	32%
Corporates	14	14	1	100%
Retail	38	25	2	67%
Secured by mortgage liens on immovable property	296	137	11	46%
Exposures in default	4	4	0	108%
Covered bonds	5,072	507	41	10%
Operational risk – Basic indicator approach		1,643	131	
Credit valuation adjustment risk – Standardised approach	1,489	735	59	49%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,885	551	
Total	108,459	37,538	3,003	

31 Dec 2020 SEK million	Consolidated situation			
	Exposure value ¹⁾	Risk-weighted exposure amount ²⁾	Own funds requirement ³⁾	Average risk weight ⁴⁾
Credit risk – IRB approach	83,822	23,956	1,916	29%
Retail – real estate collateral	50,942	6,527	522	13%
Corporates	32,747	17,296	1,384	53%
Other non-credit-obligation assets	133	133	11	100%
Credit risk – Standardised approach	11,876	1,218	97	10%
Central governments or central banks	19	0	0	0%
Regional governments or local authorities	4,720	0	0	0%
Institutions	1,913	587	47	31%
Corporates	14	14	1	100%
Retail	26	18	1	70%
Secured by mortgage liens on immovable property	221	100	8	45%
Exposures in default	2	3	0	150%
Covered bonds	4,962	496	40	10%
Operational risk – Basic indicator approach		1,554	124	
Credit valuation adjustment risk – Standardised approach	1,222	764	61	63%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,208	497	
Total	96,920	33,701	2,696	

¹⁾ Exposure value calculated in accordance with the CRR. In certain cases, instead of exposure value, the abbreviation EAD (Exposure at default) and the term exposure amount were used in the bank's previous reports.

²⁾ After application of the appropriate risk weights. Risk weights for the IRB approach are based on internal risk classification and internal historical data while risk weights as prescribed in the CRR are applied for the standardised approach.

³⁾ Calculated by multiplying the risk-weighted exposure amount by 8 percent. Does not include any buffer requirements.

⁴⁾ Calculated by dividing the risk exposure amount by the exposure value for the respective risk/exposure class.

EU CC1 – Composition of regulatory own funds

SEK million	Landshypotek Bank AB	
	31 Dec 2021	31 Dec 2020
Capital instruments and the related share premium accounts	2,253	2,253
of which: member contributions	–	–
of which: share capital	2,253	2,253
Retained earnings ¹⁾	3,243	3,056
Accumulated other comprehensive income (and other reserves)	-6	-18
Independently reviewed interim profits net of any foreseeable charge or dividend	370	303
CET1 capital before regulatory adjustments	5,860	5,594
Additional value adjustments	-10	-10
Intangible assets (net of related tax liability) (negative amount)	-71	-58
Negative amounts resulting from the calculation of expected loss amounts	-570	-519
Other regulatory adjustments	–	–
Total regulatory adjustments to CET1 capital	-651	-587
CET1 capital	5,209	5,007
Capital instruments and the related share premium accounts	700	700
of which: classified as equity under applicable accounting standards	700	700
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	–	–
Additional Tier 1 (AT1) capital	700	700
Tier 1 capital (T1 = CET1 + AT1)	5,909	5,707
Capital instruments and the related share premium accounts	600	1,200
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	–	–
Tier 2 (T2) capital	600	1,200
Total capital (TC = T1 + T2)	6,509	6,907
Total risk-weighted exposure amount	37,538	33,703
CET1 capital ratio (%)	13.9	14.9
Tier 1 capital ratio (%)	15.7	16.9
Total capital (%)	17.3	20.5
Institution CET1 overall capital requirements (%)	8.1	8.1
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical capital buffer requirement (%)	–	–
of which: additional own funds requirements to address risks other than the risk of excessive leverage (%) ²⁾	1.1	1.1
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements ³⁾	9.3	10.4

¹⁾ Item includes other contributed equity

²⁾ As of 31 December 2020, Finansinspektionen's assessment of Pillar II capital requirements has been included even though the actual amounts have yet to be formally determined.

³⁾ The calculation includes both Pillar I and Pillar II in the minimum capital requirement. Other communication from the bank only encompasses Pillar I.

Capital requirements

SEK million	Landshypotek Bank AB	
	31 Dec 2021	31 Dec 2020
Internally assessed capital requirement ¹⁾		
Pillar I capital requirement	3,003	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	665	544
Percentage of total risk-weighted exposure amount	1.8	1.6
Combined buffer requirement	938	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Total capital requirement	4,606	4,082
Percentage of total risk-weighted exposure amount	12.3	12.1
Own funds (Tier 1 capital + Tier 2 capital)	6,509	6,907
Percentage of total risk-weighted exposure amount	17.3	20.5
Capital requirement as assessed by Finansinspektionen ²⁾		
Pillar I capital requirement	3,003	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	758	648
Percentage of total risk-weighted exposure amount	2.0	1.9
Combined buffer requirement	938	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Capital requirement, Pillar II guidance	0.0	
Percentage of total risk-weighted exposure amount	0.0	
Total capital requirement	4,700	4,187
Percentage of total risk-weighted exposure amount	12.5	12.4
Own funds (Tier 1 capital + Tier 2 capital)	6,509	6,907
Percentage of total risk-weighted exposure amount	17.3	20.5
Leverage ratio requirement ³⁾		
Leverage ratio requirement	3,164	–
Percentage of total exposure amount for the leverage ratio	3.0	–
Pillar II capital requirement	–	–
Percentage of total exposure measure for the leverage ratio	–	–
Capital requirement, Pillar II guidance	–	
Percentage of total exposure measure for the leverage ratio	–	
Total capital requirement (incl. Pillar II guidance)	3,164	–
Percentage of total exposure measure for the leverage ratio	3.0	–
Tier 1 capital	5,909	–
Percentage of total exposure amount for the leverage ratio	5.6	–

¹⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation (EU) No 575/2013, Pillar II capital requirements according to the bank's (ICAAP 2021) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

²⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation (EU) No 575/2013, Pillar II capital requirements according to Finansinspektionen's (SREP 2021) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

³⁾ Pertains to the leverage ratio requirement pursuant to the Capital Requirements Regulation (EU) No 575/2013 and Pillar II capital requirements according to Finansinspektionen's (SREP 2021). The leverage ratio requirement was introduced in June 2021.

Own funds requirement by risk, approach and exposure class

31 Dec 2021 SEK million	Landshypotek Bank AB			
	Exposure value ¹⁾	Risk-weighted exposure amount ²⁾	Own funds requirement ³⁾	Average risk weight ⁴⁾
Credit risk – IRB approach	94,539	27,010	2,161	29%
Retail – real estate collateral	58,568	7,757	621	13%
Corporates	35,893	19,175	1,534	53%
Other non-credit-obligation assets	79	79	6	100%
Credit risk – Standardised approach	12,427	1,264	101	10%
Central governments or central banks	2	0	0	0%
Regional governments or local authorities	5,189	0	0	0%
Institutions	1,811	576	46	32%
Corporates	14	14	1	100%
Retail	38	26	2	67%
Secured by mortgage liens on immovable property	296	137	11	46%
Exposures in default	4	4	0	108%
Covered bonds	5,072	507	41	10%
Operational risk – Basic indicator approach		1,643	131	
Credit valuation adjustment risk – Standardised approach	1,489	735	59	49%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,885	551	
Total	108,454	37,538	3,003	

31 Dec 2020 SEK million	Landshypotek Bank AB			
	Exposure value ¹⁾	Risk-weighted exposure amount ²⁾	Own funds requirement ³⁾	Average risk weight ⁴⁾
Credit risk – IRB approach	83,824	23,959	1,917	29%
Retail – real estate collateral	50,942	6,527	522	13%
Corporates	32,747	17,296	1,384	53%
Other non-credit-obligation assets	135	135	11	100%
Credit risk – Standardised approach	11,871	1,217	97	10%
Central governments or central banks	19	0	0	0%
Regional governments or local authorities	4,720	0	0	0%
Institutions	1,908	586	47	31%
Corporates	14	14	1	100%
Retail	26	18	1	70%
Secured by mortgage liens on immovable property	221	100	8	45%
Exposures in default	2	3	0	150%
Covered bonds	4,962	496	40	10%
Operational risk – Basic indicator approach		1,554	124	
Credit valuation adjustment risk – Standardised approach	1,222	764	61	63%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,208	497	
Total	96,917	33,703	2,696	

¹⁾ Exposure value calculated in accordance with the CRR.

²⁾ After application of the appropriate risk weights. Risk weights for the IRB approach are based on internal risk classification and internal historical data while risk weights as prescribed in the CRR are applied for the standardised approach.

³⁾ Calculated by multiplying the risk exposure amount by 8 percent. Does not include any buffer requirements.

⁴⁾ Calculated by dividing the risk exposure amount by the exposure value for the respective risk/exposure class.

Note 4 Net interest income

SEK million	2021	2020
Interest income		
Interest income on loans to credit institutions	–	–
Interest income on loans to the public	1,399	1,392
Interest income on interest-bearing securities	28	40
Other interest income	14	11
Total interest income	1,441	1,443
of which interest income on financial assets not measured at FVTPL	1,441	1,443
Average interest on loans to the public	1.58%	1.75%
Interest expenses		
Interest expenses for liabilities to credit institutions	2	2
Interest expenses for deposits from the public	-94	-96
Interest expenses for interest-bearing securities	-420	-529
Interest expenses for subordinated liabilities	-18	-34
Interest expenses for derivative instruments	130	136
Other interest expenses	-69	-50
Total interest expenses	-469	-571
of which interest expenses on financial liabilities not measured at FVTPL	-600	-707
Total	972	872

All interest income is attributable to the Swedish market.

Note 5 Net result of financial transactions

SEK million	2021	2020
Financial assets at FVTOCI		
Realised result of sales of bonds and other interest-bearing securities	0	1
Financial liabilities at amortised cost		
Realised result on early redemption of own bonds issued	-9	-5
Realised result from purchase/sale of derivative contracts	–	1
Total realised result	-9	-3
Items included in hedging relationships and subject to hedge accounting		
Change in value of bonds in issue included in fair-value hedges	680	-171
Value change of interest-hedged items in portfolio hedges	-171	80
Change in value of investment bonds included in fair-value hedges	-55	32
Change in value of derivatives included in fair-value hedges	-543	-47
of which reclassification of terminated hedging relationships ¹⁾	83	92
Total unrealised result	-6	-14
Total	-15	-17

¹⁾ The item pertains to a reduction in recognised interest expenses from the periodisation of the market value created from hedged risk attributable to fair-value hedging relationships that were terminated in 2013 and 2018. The terminated hedging relationships are recognised in the balance sheet under Debt securities issued, etc. The remaining amount to be periodised is SEK 398 million, which will continue until May 2031.

Realised result is defined as changes in value that were realised, that is, received/paid from/to a counterparty, for transactions that were closed during the year. Unrealised result is defined as changes in the market values of open positions.

Note 6 Other operating income

SEK million	2021	2020
Other	8	8
Total	8	8

Note 7 General administrative expenses

SEK million	2021	2020
Personnel costs		
Salaries, etc. to CEO, senior executives and Board of Directors	-19	-19
Salaries, etc., to other risk takers	-10	-9
Salaries, etc., to other personnel	-109	-97
Provision to profit-sharing foundation	-9	-6
Pension costs	-24	-23
Social insurance charges	-45	-39
Other personnel costs	-9	-9
Total personnel costs	-226	-203
Other administrative expenses		
Travel expenses	-1	-1
Telephone and data expenses	-2	-2
Office expenses	-3	-4
Cost of premises	-5	-6
IT expenses	-131	-129
Postage	-5	-5
Consultants	-42	-43
Information expenses	-11	-11
Purchased services	-1	-1
Marketing expenses	-16	-17
Agencies and associations	-4	-4
Total other administrative expenses	-220	-222
Fees and expenses to appointed auditors		
Audit assignment	-3	-2
Audit activities other than audit assignment	-1	-1
Tax consultancy	0	0
Other services	0	0
Total fees and expenses to appointed auditors	-4	-4
Total	-450	-428
Specification of pension costs		
Pension premiums	-20	-18
of which to senior executives	-4	-4
of which to other risk takers	-2	-2
of which to other personnel	-13	-13
Directly paid pensions	-	-1
Payroll and yield taxes attributable to pension costs	-5	-4
Total pension costs	-24	-23

	2021	2020
Number of employees		
Number of men	113	97
Number of women	112	107
Total	225	204
Average number of salaried employees, including substitutes	225	204
Directors and senior executives		
Number of directors	9	9
of whom, men	6	6
of whom, women	3	3
Number of senior executives	8	8
of whom, men	6	6
of whom, women	2	2

Remuneration and other benefits

2021 SEK thousand	Basic salary/ Board fees	Committee fees	Other benefits	Pension costs	Other compensation	Total
Chairman of the Board Ann Krumlinde Hyléen	600	200			21	821
Board member Johan Trolle Löwen	320	75				395
Board member Nils-Fredrik Nyblæus	320	250				570
Board member Anna-Karin Eliasson Celsing	320	175				495
Board member Ole Laurits Lønnum	320	75				395
Board member Lars-Johan Merin	320					320
Board member Gunilla Aschan	320	77				397
CEO Per Lindblad	3,917		10	1,288	24	5,239
Other senior executives (8 persons)	12,508		124	3,158	36	15,826
Other risk takers (12 persons)	9,555		164	2,415	81	12,215
Total	28,500	852	298	6,861	162	36,673

2020 SEK thousand	Basic salary/ Board fees	Committee fees	Other benefits	Pension costs	Other compensation	Total
Chairman of the Board Ann Krumlinde Hyléen	460	138				598
Board member Lars-Johan Merin	160					160
Board member Johan Trolle Löwen	320	75				395
Board member Nils-Fredrik Nyblæus	320	213			13	546
Board member Gunilla Aschan	320	75			3	398
Board member Anna-Karin Eliasson Celsing	320	175				495
Board member Ole Laurits Lønnum	160	38				198
Former Chairman Henrik Toll (until June 2020)	300	100				400
Former Board member Hans Heuman (until June 2020)	160	38			5	203
CEO Per Lindblad	3,856		9	1,286	7	5,157
Other senior executives (7 persons)	12,481		134	2,710	9	15,335
Other risk takers (12 persons)	8,984			1,813	130	10,927
Total	27,840	850	143	5,809	167	34,810

No variable remuneration or share-based remuneration has been paid.

A mutual notice period of six months applies for the CEO and Landshypotek Bank. In case of termination by the company, compensation is payable of up to 12-months' remuneration excluding the notice period. In the case of a sale of the business, whereby Landshypotek Bank and the CEO are not in agreement regarding continued employment, compensation of up to 24-months' remuneration is payable excluding the notice period.

For other senior executives and Landshypotek Bank, contractual notice periods of six months apply.

Note 8 Depreciation, amortisation and impairment of intangible and tangible non-current assets

SEK million	2021	2020
Intangible assets		
Amortisation of IT system	-28	-29
Tangible non-current assets		
Depreciation of furniture, fixtures and equipment	-1	-1
Depreciation of right-of-use assets	-18	-19
Total	-47	-49

Note 9 Operating expenses

SEK million	2021	2020
Other	-1	0
Total	-1	0

Note 10 Net credit losses

SEK million	2021	2020
Change in credit loss allowance, Stage 1	1	0
Change in credit loss allowance, Stage 2	2	6
Net credit losses, non-credit-impaired lending	3	6
Change in credit loss allowance, Stage 3	2	28
Write-off for the period for confirmed losses	-3	-24
Recoveries of previously confirmed losses	2	3
Net credit losses, credit-impaired lending	2	7
Total	5	13

No properties were taken over in foreclosure to protect claims.

Recognition of loss allowance

The bank recognises expected credit losses for financial assets and off-balance-sheet exposures in the credit portfolio, and for the parts of the liquidity portfolio that are classified as financial assets at FVTOCI.

Each asset is categorised to one of three stages:

- Stage 1 comprises performing assets with no significant increase in credit risk compared with initial recognition;
- Stage 2 comprises performing assets with significant increase in credit risk compared with initial recognition; and
- Stage 3 comprises defaulted loans.

Establishing significant increase in credit risk

To establish whether a loan asset has a significantly increased credit risk compared with the credit risk on initial recognition, among other actions, the bank measures how the asset's PD risk class has deteriorated since the asset arose. Classification of an agreement as having a higher risk corresponding to Stage 2 generally requires a risk increase of at least 1–3 PD risk classes. Agreements that were signed at a low level of risk require a greater deterioration in PD risk class to change stages than agreements signed with a higher risk level. Moreover, agreements lacking information regarding the original risk class, and those that are more than 31 days late with a payment are classified as Stage 2. Stage 3 corresponds to default. The bank's definition of default corresponds with that set out in external capital adequacy rules.

Internal risk classification on initial recognition ¹⁾	PD interval on initial recognition	Significant increase in credit risk
PD model 1 (customer categories: Private individuals, Micro-enterprises and Small enterprises)		
1	<0.08%	3 Risk classes
2	0.08–0.18%	3 Risk classes
3–4	0.18–0.80%	2–3 Risk classes
5–7	>0.80 and <100%	<3 Risk classes
PD model 2 (customer category: Medium-sized enterprises)		
A	<0.15%	2 Risk classes
B	0.15–0.60%	2 Risk classes
C	0.60–1.50%	2 Risk classes
D–E	1.50–9.00%	1–2 Risk classes
F–G	>9.00 and <100%	<2 Risk classes

¹⁾ Risk classes and PD estimates for loans with initial recognition from January 2018.

Individually assessed stage 3 credits

ECLs for Stage 3 assets are estimated mainly through individual and manual valuation of expected losses based on three scenarios. The assessment is based on current information that takes into consideration macro-economic and borrower-specific factors that could impact future cash flows, such as current and expected economic conditions, time until recovery and the value of pledged collateral.

Measurement

For Stage 1 assets, the loss allowance is calculated at an amount corresponding to 12-months' expected credit losses. For assets in stages 2 and 3, the loss allowance corresponds to the expected credit losses (ECLs) for the assets' remaining term.

The bank's expected credit losses are subject to continual assessment at both individual and collective levels. The estimates are based on internally developed statistical models that take into consideration historical data and probability weighted forward-looking macro-economic scenarios.

The most important input data used to measure ECLs is:

- Probability of Default (PD) – estimates the probability of an agreement entering into default;
- Loss Given Default (LGD) – the assessment of how much of the exposure value that Landshypotek Bank stands to lose in the event of default;
- Exposure At Default (EAD) – an estimated credit exposure at a future default date after taking into account expected changes in credit exposure in the form of, inter alia, limit utilisation, extra capital repayments, early redemption and expected risk of default; and
- The expected maturity matches the term of the agreement, limited to not longer than 30 years.

In the majority of the credit portfolio agreements, PD and LGD are based on internal historical data and utilise the bank's capital adequacy IRB models (see description in Landshypotek Bank's Information regarding capital adequacy and risk management 2019). The estimates have been recalibrated to capture the current financial position. For agreements in the bank's liquidity portfolio, ECLs are estimated based on, inter alia, the default rates in the rating matrices from an international rating agency.

In estimating the future risk, PD and LGD are affected by forecasts for future economic development through macro-economic scenarios.

Sensitivity analyses	
Current loss allowance (including credit reserves for loan commitments are included in the balance-sheet item Provisions), SEK million	36
Percentage difference in ECL if PD were to increase 100%	26%
Percentage difference in ECL if property prices were to decrease 10%	14%

Loans to the public broken down by PD interval

31 Dec 2021 SEK million	Stage 1	Stage 2	Stage 3
0.00 to <0.15	17,008	2,332	0
0.15 to <0.25	28,589	750	0
0.25 to <0.50	26,312	615	0
0.50 to <0.75	6,638	280	0
0.75 to <2.50	7,347	769	0
2.50 to <10.00	1,065	924	0
10.00 to <100	108	597	0
100 (default)	0	0	675
Total	87,066	6,267	675

Probability weighted macro-economic scenarios

The calculation model weighs together the ECL outcomes based on three macro-economic scenarios (base, improved and deteriorated) for annual expected credit losses over the assets' lifetimes.

In the case of the credit portfolio, one of the bank's scenarios includes the macro parameters for interest, GDP and the property price index. The macro parameters are based on forecasts from reputable, external sources and the assessments of internal experts. Parameter projections are made for the first five years and, thereafter, the scenario returns to a long-term expected trend of up till 30 years for the macro parameters. The bank's three scenarios for future economic developments (base, improved and deteriorated) are weighed together using the respective likelihoods of 80 and 10 percent each.

In general, a deterioration in the future economic trend will lead to increased credit loss allowances based either on the projected macro parameters or on an increase in the likelihood of the deteriorated scenario taking place. In the same way, improvements in the future economic development will lead to lower credit loss allowances.

An example follows of what the bank's credit loss allowance would look like if the respective improved or the deteriorated scenarios were assigned a probability of 100 percent, which would impact the mechanically calculated credit loss allowances (individually assessed stage 3 credits have not been included). For more information, refer to Note 14.

Scenario SEK million	Expected credit loss
Current loss allowance	36
Improved scenario	34
Deteriorated scenario	39

The following parameters use the bank's expectations as the base scenario. The improved scenario reflects the most beneficial outcome for the bank and the deteriorated scenario the least beneficial outcome for the bank. The improved and deteriorated scenarios should not be seen as forecasts and nor do they reflect any expected outcome in different economic conditions.

Macro-economic risk factors %	Baseline scenario	Deteriorated scenario	Improved scenario
Interest			
Year 0	-0.08	0.27	-0.42
Year 1	0.03	0.63	-0.57
Year 2	0.22	0.99	-0.56
Year 3	0.39	1.30	-0.53
Year 4	0.49	1.53	-0.55
GDP trend			
Year 0	4.90	4.19	5.61
Year 1	3.30	2.29	4.31
Year 2	2.00	0.77	3.23
Year 3	1.40	-0.02	2.82
Year 4	1.30	-0.29	2.89
Property index (Value trend since actual valuation)			
Year 0	0.00	0.00	0.00
Year 1	0.00	-5.00	2.00
Year 2	0.00	-9.75	4.04
Year 3	0.00	-14.26	6.12
Year 4	0.00	-18.55	8.24

Note 11 Income tax on comprehensive income

SEK million	2021	2020
Profit before tax	471	397
Income tax calculated at national tax rates	-97	-85
Tax effects of:		
Non-taxable income	0	0
Non-deductible expenses	-4	-8
Adjustment of preceding year's tax expense	0	-1
Total income tax related to profit or loss	-101	-94
Weighted-average tax rate	21.4%	23.6%
of which current tax	-101	-94
of which deferred tax	-	-
Income tax related to other comprehensive income		
Cross-currency basis spreads in fair value hedges		
Profit/loss before tax	6	-10
Current tax	-1	2
Profit/loss after tax	4	-8
Fair-value reserve		
Profit before tax	10	7
Current tax	-2	-2
Profit after tax	8	6
Total income tax related to other comprehensive income	-3	1
of which current tax	-3	1
of which deferred tax	-	-

Note 12 Eligible treasury bills

SEK million	2021	2020
Issued by Swedish municipalities and regions	4,274	3,805
Total	4,274	3,805
Listed bonds and other interest-bearing securities by category		
Financial assets at FVTOCI	4,274	3,805
Total	4,274	3,805
Valuation of listed bonds and other interest-bearing securities		
Nominal amount	4,182	3,731
Amortised cost	4,255	3,787
Fair value	4,274	3,805

Note 13 Loans to credit institutions

SEK million	2021	2020
Loans to banks	322	483
Total	322	483

Note 14 Loans to the public

SEK million	2021	2020
Loan receivables, stage 1	87,061	75,101
Loan receivables, stage 2	6,267	7,395
Loan receivables, stage 3	675	583
Gross loan receivables	94,003	83,079
Less credit loss allowance	-35	-40
Net loan receivables	93,968	83,039
Disclosures on past due loan receivables, gross		
Loan receivables past due, 5–90 days	7	6
Loan receivables past due, more than 90 days	137	153
Total past due loan receivables, gross	144	159

Gross loan receivables 2020 SEK million	Non-credit-impaired lending		Credit-impaired lending	Total
	Stage 1	Stage 2	Stage 3	
Opening balance	67,948	7,859	634	76,441
Increases in loan receivables due to origination and acquisition	14,086	300	61	14,446
Decreases in loan receivables due to derecognition	-6,664	-945	-144	-7,753
Decrease in loan receivables due to confirmed losses	–	–	-55	-55
Migration between stages				
from 1 to 2	-1,182	1,182	–	–
from 1 to 3	-45	–	45	–
from 2 to 1	940	-940	–	–
from 2 to 3	–	-109	109	–
from 3 to 2	–	48	-48	–
from 3 to 1	17	–	-17	–
Closing balance	75,101	7,395	583	83,079

Gross loan receivables 2021 SEK million	Non-credit-impaired lending		Credit-impaired lending	Total
	Stage 1	Stage 2	Stage 3	
Opening balance	75,101	7,395	583	83,079
Increases in loan receivables due to origination and acquisition	18,477	114	21	18,611
Decreases in loan receivables due to derecognition	-6,700	-904	-80	-7,683
Decrease in loan receivables due to confirmed losses	–	–	-5	-5
Migration between stages				
from 1 to 2	-1,048	1,048	–	–
from 1 to 3	-58	–	58	–
from 2 to 1	1,288	-1,288	–	–
from 2 to 3	–	-99	99	–
from 3 to 2	–	1	-1	–
from 3 to 1	0	–	0	–
Closing balance	87,061	6,267	675	94,003

Credit loss allowance 2020 SEK million	Non-credit-impaired lending		Credit- impaired lending	Total credit loss allowance lending	Of which credit loss allowance for balance-sheet assets	Of which provisions for off-balance- sheet exposures
	Stage 1	Stage 2	Stage 3			
Opening balance	-5	-17	-52	-74	-74	-1
Increases due to origination and acquisition	-2	-1	0	-3	-3	0
Decreases due to derecognition	1	1	8	10	10	0
Decrease in allowance due to write-offs	-	-	24	24	24	-
Changes due to change in credit risk	1	5	-5	1	1	0
Changes due to update in the methodology for estimation	0	0	3	3	3	-
Migration between stages						
from 1 to 2	0	-4	-	-4	-4	0
from 1 to 3	0	-	-1	-1	-1	0
from 2 to 1	0	3	-	3	3	0
from 2 to 3	-	1	-1	0	0	0
from 3 to 2	-	0	0	0	0	0
from 3 to 1	0	-	0	0	0	0
Closing balance	-5	-12	-24	-41	-40	-1

Credit loss allowance 2021 SEK million	Non-credit-impaired lending		Credit- impaired lending	Total credit loss allowance lending	Of which credit loss allowance for balance-sheet assets	Of which provisions for off-balance- sheet exposures
	Stage 1	Stage 2	Stage 3			
Opening balance	-5	-12	-24	-41	-40	-1
Increases due to origination and acquisition	-2	-1	-3	-5	-5	0
Decreases due to derecognition	1	2	3	5	5	0
Decrease in allowance due to write-offs	-	-	3	3	3	-
Changes due to change in credit risk	2	0	-3	-1	-1	0
Changes due to update in the methodology for estimation	0	0	2	2	2	-
Migration between stages						
from 1 to 2	0	-3	-	-3	-3	0
from 1 to 3	0	-	0	0	0	0
from 2 to 1	0	3	-	3	3	0
from 2 to 3	-	1	-1	0	0	0
from 3 to 2	-	0	0	0	0	0
from 3 to 1	0	-	1	1	1	0
Closing balance	-4	-10	-22	-36	-35	0

The value of the collateral for Stage 3 loan receivables amounted to SEK 2,034 million (1,376).

Internal Ratings Based (IRB) approach SEK million	2021		2020	
	Gross loan receivables	Credit loss allowance	Gross loan receivables	Credit loss allowance
Stage 1				
Risk class 1	2,573	0	2,635	0
Risk class 2	21,358	1	18,812	0
Risk class 3	24,877	2	19,817	1
Risk class 4	33,358	1	29,472	2
Risk class 5	4,590	0	3,903	1
Risk class 6	294	0	404	1
Risk class 7	17	0	20	0
Stage 2				
Risk class 1	1,008	0	1,166	0
Risk class 2	1,508	0	1,714	0
Risk class 3	502	0	588	0
Risk class 4	1,051	0	1,358	0
Risk class 5	1,218	3	1,481	3
Risk class 6	813	4	907	5
Risk class 7	168	2	176	3
Stage 3				
Risk class 8	675	22	583	24
Total	94,008	36	83,036	41

Note 15 Bonds and other interest-bearing securities

SEK million	2021	2020
Listed bonds		
Issued by Swedish municipalities and regions	909	914
Issued by housing finance institutions	5,072	4,962
of which covered bonds	5,072	4,948
Total	5,981	5,877
Listed bonds and other interest-bearing securities by category		
Financial assets at FVTOCI	5,981	5,877
Total	5,981	5,877
Valuation of listed bonds and other interest-bearing securities		
Nominal amount	5,900	5,754
Amortised cost	5,976	5,808
Fair value	5,981	5,877

Note 16 Derivatives

SEK million	2021		2020	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives included in hedge accounting				
Positive closing value of interest-rate swaps	47,607	979	32,404	1,283
Positive closing value of cross-currency interest-rate swaps	2,448	426	2,805	447
Total	50,055	1,405	35,209	1,731

Note 17 Intangible assets

SEK million	2021	2020
Opening accumulated cost	243	243
Purchases during the year	–	–
Closing accumulated cost	243	243
Opening accumulated amortisation	-124	-95
Amortisation during the year	-28	-29
Closing accumulated amortisation	-152	-124
Total	91	120

Intangible non-current assets consist of investments in software.

Note 18 Tangible assets

SEK million	2021	2020
Equipment		
Opening accumulated cost	30	30
Purchases during the year	–	–
Retirements/disposals during the year	-2	–
Closing accumulated cost	28	30
Opening accumulated depreciation	-27	-26
Depreciation during the year	-1	-1
Retirements/disposals during the year	2	–
Closing accumulated depreciation	-26	-27
Right-of-use assets		
Opening accumulated cost	61	36
Purchases during the year	3	39
Retirements/disposals during the year	–	-14
Closing accumulated cost	64	61
Opening accumulated depreciation	-20	-14
Depreciation during the year	-21	-19
Retirements/disposals during the year	–	14
Closing accumulated depreciation	-40	-20
Total	25	44

Total buildings and land	2021	2020
Operating properties	–	–
Number of properties	–	–
Estimated fair value		
Properties taken over in foreclosure to protect claims	–	–
Number of properties	–	–
Estimated fair value	–	–

Note 19 Other assets

SEK million	2021	2020
Other receivables	6	5
Total	6	5

Note 20 Prepaid expenses and accrued income

SEK million	2021	2020
Prepaid expenses	25	22
Other accrued income	3	3
Total	28	25

Note 21 Liabilities to credit institutions

SEK million	2021	2020
Swedish banks	329	5,283
Non-Swedish banks	309	559
Total	638	5,842

Note 22 Deposits from the public

SEK million	2021	2020
Deposits from the public	15,254	14,672
Total	15,254	14,672

Note 23 Debt securities issued, etc.

SEK million	2021	2020
Bond loans	82,066	66,551
Total	82,066	66,551
Debt securities issued – hedged items in fair-value hedges		
Amortised cost	41,918	26,345
Fair value adjusted for the change in the fair value of hedged risk	42,615	27,817

Bond loans

The bank's bond loans encompass covered bonds and senior bonds.

Fair-value hedges

The bank hedges part of its exposure to interest-rate risk, in fixed-interest financial liabilities, against changes in fair value due to movements in interest rates. Interest-rate swaps and cross-currency interest-rate swaps are used for this purpose.

Note 24 Derivatives

SEK million	2021		2020	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives included in hedge accounting				
Negative closing value of interest-rate swaps	43,305	406	25,390	219
Negative closing value of cross-currency interest-rate swaps	205	4	665	74
Total	43,510	410	26,055	293

Note 25 Other liabilities

SEK million	2021	2020
Liabilities to Group companies	325	241
Accounts payable	10	14
Lease liabilities	24	42
Other liabilities	88	46
Total	447	343

Note 26 Accrued expenses and prepaid income

SEK million	2021	2020
Deferred income	–	13
Other accrued expenses	28	20
Total	28	33

Note 27 Other provisions

SEK million	2021	2020
Other provisions	1	1
Total	1	1

Note 28 Subordinated liabilities

SEK million			2021	2020
Due date	Nominal amount	Interest		
2021/2026	1,200	3M STIBOR + 2.70%	–	1,203
2026/2031	600	3M STIBOR + 1.00%	600	–
Total			600	1,203

Landshypotek Bank exercised the early redemption option on previous debt with a nominal value of SEK 1,200 million on 25 May 2021. During the year, new subordinated debt of SEK 600 million was issued. Landshypotek Bank has an early redemption option on the debt on 3 March 2026. Should Landshypotek Bank elect not to exercise this option, the debt continues to run until its maturity date, 3 March 2031.

Note 29 Changes in equity

SEK million	2021	2020
Cross-currency basis spreads in fair value hedges		
Cross-currency basis spreads in fair value hedges, opening balance	-34	-26
Change in fair value over the year	6	-10
Transfer to profit or loss	-	-
Tax on change for the year	-1	2
Cross-currency basis spreads in fair value hedges, closing balance	-29	-34
Fair-value reserve		
Fair-value reserve, opening balance	16	10
Change in fair value over the year	10	6
Transfer to profit or loss	0	1
Tax on change for the year	-2	-2
Fair-value reserve, closing balance	24	16
Total reserves at year end	-6	-18

Note 30 Pledged assets, contingent liabilities and other obligations

SEK million	2021	2020
Pledged assets for own liabilities		
Loan receivables, covered bonds	88,012	78,141
Collateral pledged under repurchase agreements	261	1,282
Contingent liabilities		
Försäkringsbolaget Pensionsgaranti, FPG	0	0
Bank guarantees	26	27
Total	26	27
Other obligations		
Committed, but undisbursed credits	1,886	2,145
Total	1,886	2,145

Loans to the public have been pledged as collateral for covered bonds issued. In the event of the company's insolvency, bondholders have priority rights to the assets registered in the cover pool pursuant to the Covered Bond Issuance Act (2003:1223). Possession of other pledged securities passes to the pledgee in the event of bankruptcy.

Note 31 Financial assets and liabilities by category

2021 SEK million	Financial assets at amortised cost	Financial assets at FVTOCI	Financial liabilities at amortised cost	Derivatives identified as hedging instruments
Assets				
Eligible treasury bills, etc.		4,274		
Loans to credit institutions	322			
Loans to the public	93,968			
Bonds and other interest-bearing securities		5,981		
Derivatives				1,405
Total financial assets	94,290	10,255	–	1,405
Liabilities				
Liabilities to credit institutions			638	
Deposits from the public			15,254	
Debt securities issued, etc.			82,066	
Derivatives				410
Subordinated liabilities			600	
Other liabilities			359	
Total financial liabilities	–	–	98,918	410

2020 SEK million	Financial assets at amortised cost	Financial assets at FVTOCI	Financial liabilities at amortised cost	Derivatives identified as hedging instruments
Assets				
Cash and balances with central banks	17			
Eligible treasury bills, etc.		3,805		
Loans to credit institutions	483			
Loans to the public	83,039			
Bonds and other interest-bearing securities		5,877		
Derivatives				1,731
Total financial assets	83,539	9,682	–	1,731
Liabilities				
Liabilities to credit institutions			5,842	
Deposits from the public			14,672	
Debt securities issued, etc.			66,551	
Derivatives				293
Subordinated liabilities			1,203	
Other liabilities			297	
Total financial liabilities	–	–	88,566	293

Note 32 Fair-value hierarchy for financial instruments

SEK million	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI								
Eligible treasury bills, etc.	4,274			4,274	3,805			3,805
Bonds and other interest-bearing securities	5,981			5,981	5,877			5,877
Derivatives identified as hedging instruments								
Interest-rate swaps		979		979		1,283		1,283
Cross-currency interest-rate swaps		426		426		447		447
Total assets measured at fair value	10,255	1,405	–	11,660	9,682	1,731	–	11,413
Derivatives identified as hedging instruments								
Interest-rate swaps		406		406		219		219
Cross-currency interest-rate swaps		4		4		74		74
Total liabilities measured at fair value	–	410	–	410	–	293	–	293

All financial assets and liabilities measured at fair value are classified according to a valuation hierarchy. This hierarchy reflects the observable prices or other information included in the valuation techniques applied. Ahead of each quarter, the values of quoted prices are assessed with regard to whether or not they represent actual and regularly occurring transactions. Transfers can be made between levels in the hierarchy when indications exist that market conditions, e.g., liquidity, have changed. No transfers were made between the levels. Level 1 only comprises listed mortgage bonds and bonds issued by municipalities and county councils. Level 2 comprises derivative instruments and financial liabilities for which there are well-established measuring models based on market data.

Level 1

The fair value of financial instruments traded on an active market is based on the bid price of quoted market prices.

Level 2

The fair values of financial instruments and derivative instruments not traded on an active market are calculated using the valuation technique of discounting future cash flows. Quoted market rates for the tenor in question are used for discounting. In all cases, listed swap curves are utilised as the basis for measurement. Listed credit spreads relative to the interest-rate swap curve were utilised for measuring the value of bond assets. The interest-rate and cross-currency basis swap curves are used for measurement of interest-rate and cross-currency interest-rate swaps, respectively. Accrued interest is not included in the calculation of fair value.

Level 3

Input for assets/liabilities that are not based on observable market data.

Note 33 Fair value disclosures

SEK million	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	–	–	17	17
Eligible treasury bills	4,274	4,274	3,805	3,805
Loans to credit institutions	322	322	483	483
Loans to the public	93,968	95,679	83,039	84,784
Bonds and other interest-bearing securities	5,981	5,981	5,877	5,877
Derivatives	1,405	1,405	1,731	1,731
Total assets	105,951	107,662	94,952	96,697
Liabilities				
Liabilities to credit institutions	638	638	5,842	5,842
Deposits from the public	15,254	15,254	14,672	14,672
Debt securities issued, etc.	82,066	82,544	66,551	67,068
Derivatives	410	410	293	293
Subordinated liabilities	600	602	1,203	1,203
Other liabilities	359	359	297	297
Total liabilities	99,328	99,807	88,859	89,376

Note 34 Assets and liabilities by significant currencies

SEK million	2021	2020
Assets		
Loans to credit institutions – EUR	309	480
Total assets	309	480
Liabilities		
Liabilities to credit institutions – EUR	309	480
Debt securities issued – EUR	3,380	3,955
Debt securities issued – NOK	–	294
Total liabilities	3,689	4,729

Other assets and liabilities arise in SEK. All assets and liabilities in foreign currency are hedged against exchange-rate fluctuations using derivative contracts.

Note 35 Change in cash and cash equivalents

SEK million	2021	2020
Loans to credit institutions at beginning of year	500	544
Loans to credit institutions at year end	322	500
Total change in cash and cash equivalents	-178	-44

Note 36 Offsetting disclosures

Financial assets and liabilities covered by a contractual master netting agreement or similar, but not offset in the balance sheet.

2021 SEK million	Amount recognised in the balance sheet	Related amounts not offset in the balance sheet			Net amounts
		Financial instruments subject to ISDA agreements	Paid (+) Received (-) collateral – securities	Paid (+) Received (-) cash – collateral	
Assets					
Derivatives	1,405	-321		-309	775
Total	1,405	-321	–	-309	775
Liabilities					
Derivatives	-410	321			-89
Reverse repos	-261				-261
Total	-671	321	–	–	-349

2020 SEK million	Amount recognised in the balance sheet	Related amounts not offset in the balance sheet			Net amounts
		Financial instruments subject to ISDA agreements	Paid (+) Received (-) collateral – securities	Paid (+) Received (-) cash – collateral	
Assets					
Derivatives	1,731	-197		-559	976
Total	1,731	-197	–	-559	976
Liabilities					
Derivatives	-293	197			-97
Reverse repos	-1,282				-1,282
Total	-1,576	197	–	–	-1,379

Amount recognised in the balance sheet

All assets and liabilities are recognised as gross amounts in the balance sheet, calculated on the basis of each individual instrument.

Financial instruments

Based on contracted master netting agreements, Landshypotek Bank can offset cash flows with the same counterparty and value date. The procedure lowers risk for open exposures.

Cash collateral received

Under contracted International Swaps and Derivatives Association (ISDA) agreements, Landshypotek Bank has the right to receive cash collateral for positive market values from

counterparties whose ratings fall below a minimum agreed level. Moreover, Landshypotek is obliged to collect cash collateral from all counterparties for positive market values on derivative contracts entered into after 1 March 2017. Such collateral is paid in cash to Landshypotek Bank's bank account and is recognised as a liability to the respective counterparty in the balance sheet. Paid-in collateral eliminates risk in positive exposures. If the counterparty defaults, Landshypotek Bank will utilise the paid-in cash collateral.

Net amounts

Net amounts show the remaining market value of contracted swap agreements that can be neither offset nor covered by received collateral.

Note 37 Related-party disclosures

SEK million	2021		2020	
Lending to key personnel	Lending	Interest income	Lending	Interest income
CEO and senior executives	0	0	0	0
Board of Directors	52	1	77	1
Total	52	1	77	1

SEK million	2021		2020	
Deposits from key personnel	Deposits	Interest expense	Deposits	Interest expense
CEO and senior executives	4	0	5	0
Board of Directors	10	0	12	0
Total	14	0	18	0

Lending

Permanent employees of Landshypotek are able to borrow money at advantageous terms. The types of loans include both secured and unsecured loans. All lending is subject to customary credit approval processes and the highest amount for which advantageous terms are available is SEK 4 million. Amounts in excess of the above receive the best interest rate provided to customers together with an automatic discount through the Bolån Villa product (refer to www.landshypotek.se for applicable discounts). Credit information is obtained from Upplysningssentralen (UC). These loans may be subject to taxation as benefits. Since June 2017, no new unsecured loans are offered. Loans taken prior to that date will expire at the end of the loan term, maximum ten years. The interest rate is 0.45 percent for 2021. Loans of up to 75 percent of the LTV

ratio are granted against collateral in agricultural properties, houses, tenant-owned apartments and holiday homes. Capital repayment plans apply for these loans over a maximum period of 50 years. The fixed-rate periods are one, two, three, four and five years. The applicable interest rates are:

1 year 0.45%
2 years 0.47%
3 years 0.50%
4 years 0.54%
5 years 0.59%

Deposits

Deposits from key personnel are subject to the same terms and conditions as other equivalent deposits with the company.

Note 38 Appropriation of earnings

SEK

The following unrestricted equity is at the disposal of the Annual General Meeting:

Retained earnings	2,356,192,399
Group contributions	-171,500,000
Tax effect of Group contribution	35,329,000
Net profit for the year	370,045,552
	2,590,066,952

The Board of Directors proposes that the funds at the Annual General Meeting's disposal be allocated as follows:

To be carried forward	2,590,066,952
	2,590,066,952

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK 171,500,000, which has reduced unrestricted equity as of the balance sheet date by SEK 136,171,000 after taking the tax effect into account. Unrealised changes in the value of assets and liabilities measured at fair value had a net positive impact on equity of SEK 67,289,596.

The Board of Directors is of the opinion that the proposed dividend, in the form of a Group contribution, does not compromise the company's ability to discharge its obligations in the short and long term, nor to make any necessary investments. The proposed transfer of value can therefore be justified considering that stated in Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act. The Board of Directors proposes that the year's funds at the disposal of the Annual General Meeting, SEK 2,590,066,952, be carried forward.

The annual accounts have been prepared in accordance with generally accepted accounting principles and provide a fair representation of the company's position and performance.

Stockholm, 22 March 2022

Ann Krumlinde Hyléen
Chairman

Gunilla Aschan
Member

Hans Broberg
Member/Employee Representative

Anna-Karin Celsing
Member

Ole Laurits Lønnum
Member

Lars-Johan Merin
Member

Anders Nilsson
Member/Employee Representative

Johan Nordenfalk
Member

Nils-Fredrik Nyblæus
Member

Johan Trolle-Löwen
Member

Per Lindblad
CEO

Our auditor's report was submitted on 22 March 2022
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant
Auditor-in-charge

Frida Main
Authorised Public Accountant

Auditor's report (unofficial translation)

To the Annual General Meeting of the shareholders of Landshypotek Bank AB (publ),
corporate identity number 556500-2762

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of Landshypotek Bank AB (publ) for the year 2021 except for the corporate governance statement and the statutory sustainability report on pages 33–46 and 19–32 respectively. The annual accounts of the company are included on pages 13–93 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of Landshypotek Bank AB (publ) as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement and the statutory sustainability report on pages 33–46 and 19–32, respectively. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for Landshypotek Bank AB (publ).

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's Audit Committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Landshypotek Bank AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Audit scope

Our audit approach

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management and the Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Provision for expected credit losses

The critical assessments and estimates are included in the assessment of the provision for expected credit losses (ECLs). In the case of individually assessed loans, estimates are included in the assessment of whether a credit event has taken place and in the assessment of the amount of the provision.

The ECLs are calculated as a function of the probability of default, exposure at default, loss given default and the timing of default. Loans are allocated to three separate categories depending on the level of credit risk or change in credit risk for each individual loan. For loans with no significant increase in credit risk, stage 1, the ECL is calculated for expected default events within the next 12 months. For loans with a significant increase in credit risk, stage 2, or loans in default, stage 3, the ECL is calculated for lifetime incurred and expected default events.

The bank has the possibility of adjusting the modelled credit losses to take into account market trends.

Refer to the Annual Report, Note 1 Accounting Policies (Estimates and critical assessments), Note 2 Risks (Credit risk), Note 10 Net credit losses and Note 14 Loans to the public.

Our audit included a combination of tests of internal controls and substantive procedures regarding the credit process.

We have created an understanding of the credit process, including follow up of credits and the management of problem credits. Our examination of controls included the company's procedures for monitoring and duality as well as the key controls in the provisions for credit losses process.

In the case of individually assessed loans, we have conducted spot checks of documentation in the credit files, assessed credit risk, verified the calculation of the provision and checked the provision against the accounts.

For model-calculated provisions, we have involved our modelling experts to assess the company's calculation models by evaluating underlying assumptions, examined the company's own validation of the calculation models and conducted independent control calculations for a selection of credits. We have also evaluated the company's assessment of adjustments to the modelled ECLs.

We have also examined the disclosures pertaining to the provision for expected credit losses.

Measurement of financial instruments – derivatives

The derivative portfolio comprises interest and cross-currency interest-rate swaps traded on the OTC market. For the valuation of derivatives at fair value, established valuation models based on observable market data discount future cash flows. The valuation includes a certain degree of subjectivity regarding, primarily, the valuation of the credit risk component and the interpolation of market data with longer tenors.

Refer to the Annual Report, Note 1 Accounting policies, Note 2 Risks (market risk), notes 16 and 24 Derivatives and Note 33 Fair-value hierarchy for financial instruments.

Our audit has included both tests of the internal control and substantive procedures regarding the valuation process for derivatives.

We have examined a selection of the controls for price validation, validation of market data, validation of models, adjustment of fair values such as credit risk components and general IT controls in the finance system.

Substantive procedures have encompassed validation of input data in measurement models as well as independent price tests for a sample of different instruments held by the bank.

We have also examined the disclosures pertaining to the measurement of financial instruments – derivatives.

Other information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–12 and in the sustainability report on pages 19–32. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Landshypotek Bank AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Landshypotek Bank AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion

about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 33–46 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, the second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, Section 31, the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 19–32, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Landshypotek Bank AB (publ) by the general meeting of the shareholders 28 April 2021 and cannot be re-elected at the 2024 General Meeting.

Stockholm, 22 March 2022
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant
Auditor-in-charge

Frida Main
Authorised Public Accountant

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